

Chapter-1
Nature and Significance of Management
(1 Mark Questions)

1. In order to be successful, an organisation, must change it goals according to the needs of the environment. Which characteristic of management are highlighted in the statement.
2. To meet the objectives of the firm, management of Angora Ltd. offers employment to physically challenged persons. Identify the organizational objective it is trying to achieve.
3. Name the level of management involved in
 - a. Overseeing the activities of workers.
 - b. Taking key decisions.
4. Give any 2 functions of middle level management.
5. Give any 2 functions of low level management.
6. Which function of management is known as essence as management.
7. Management of any organisation strive to attain different objectives Enumerate any 2 Such objectives.
8. Give any 2 characteristics of management.
9. Name the level of management the following posts belong to :
 - a. Purchase Manager.
 - b. CEO
 - c. Superintendent.
10. What do you mean by “effectiveness” ?
11. What do you mean “efficiency” ?

HOTS QUESTIONS

1. In order to be successful, an organisation must change its goals according to the needs of the environment. Which characteristic of management are high lighted in this statement ?
2. To meet the objectives of the firm, management of Angora Ltd. offers employment to physically challenged persons. Identify the organizational objectives it is trying to achieve.
3. Name the level of management involved in
 - (a) overseeing the activities of workers.
 - (b) Taking key decisions.
4. Name the level of management the following posts belong to :
 - i. Purchase Manager
 - ii. CEO
 - iii. Supervisory level

5. Bhavan is the manager of northern division of a large corporate house. At what level does he work in the organisation? What are her basic functions?
6. Lack of proper management results in wastage of time, money and efforts." Do you agree with this statement? Give reasons in support of your answer.
7. "Management is regarded as a perfect science like Physics or Chemistry." Do you agree ? Explain in brief any 5 reasons.
8. "Management is neither as precise nor as comprehensive as natural and pure sciences are". Why? Explain.
9. Your grandfather has retired as the director of a manufacturing Co. At what level of management was he working? What functions do you think he was performing at that level? State any four functions.
10. Your uncle is employed in Deepti Ltd., as a production manager. At what level of management is he working. State any three functions that he might be performing at that level.
11. Miss Amita is associated with Fortune Ltd. She told you that her workers have goods relations with her. At what level of mgt. is she ?
12. Why management is necessary where there is a group of people working in an organisation?
13. What is the main focus of the management?
14. "Management is the process of getting things done to achieve goals effectively & efficiently" what is the process in the definition?
15. Can planning prevent problems?
16. Name that intangible force which creates productive relationship among resources of an organisation.
17. Why is management an intangible force?
18. Why is management necessary for all organisation regardless of whether they are big or small?
19. A petrol pump needs to be managed as much as a school or a hospital." Which characteristic of management has been highlighted here?
20. Mr. Donalds, the fast food giant, made major changes in its menu to be able to survive in the Indian market. Which characteristic of mgt. is highlighted.
21. What is the main objectives of any organisation?
22. Why does mgt. help people to adapt environment changes?
23. What should a mgt. do in order to ensure harmony in the organisation ?
24. A manager applies the various theories of mgt. in his unique personalized way ? What aspect of nature of mgt. does this statement indicate
25. There is no restriction in anyone being appointed or designated as a manager of any business enterprise. What aspect of management as a profession does this statement indicate ?
26. Ankit Enterprise Ltd. manufactures tea. The production department produces more of tea than required and sales department is not able to sell the total production. What quality of mgt. do you think the Co. is lacking ?

Very Short Answer

1. What is meant by management ?
2. What is meant by efficiency ?
3. What is the aim of management ?
4. Why is management conserved with efficient use of resources ?
5. Name the function of management under which performance is compared with standards.
6. Why is planning considered to be the basic or primary function of management?
7. Why is management considered multi-faceted concept?
8. How is management a dynamic function?
9. Management of any organisation strives to attain different objectives. Enumerate any two such objectives.
10. List any two social objectives of business.
11. Name the two things required to learn the art of management.
12. Name any two designations at operational management.
13. Your grandfather is working in an MNC as chief operating officer. At what level of management he is working ?
14. What is the process called by which a manager synchronises the activity of different departments ?
15. Which force binds all other functions in management ?

Short Answer Type Questions (3-4 Marks)

1. How does management help in achieving group goals and increasing efficiency?
2. What do you mean by “levels of Management”? Draw a diagram showing the levels of management.
3. State any three functions of top level management.
4. Explain the Social objectives of management?
5. Explain the term “Management as an Art.”
6. Explain the term “Co-ordination” and its importance in management.
7. “Effectiveness and efficiency are 2 Sides of the same coin.” Comment.
8. “Survival, Profit and growth are three important economic objective which management helps the organisation to achieve” Explain this statement.
9. Management is a group activity. Explain.
10. Briefly explain the planning and organising functions of management.

Long Answer Type Questions

(5-6 Marks)

1. Management is the process of working with and through other to achieve organizational objectives in a changing environment". In the light of this statement explain briefly the characteristics of management.
2. "Without management, the resources of production. will remain resources and shall never become production". In the light of this statement explain the importance of management in business.
3. Explain briefly the important features of management as a profession.
4. Is management an exact science ? Explain.
5. Is management becoming a profession ? Discuss in the light of the emerging trend.
6. "co-ordination is the process of achieving unity of action among inter-dependant activities and departments of an organisation. Explain the nature of coordination in the light of this statement.

Answers to Hots Questions

1. It is highlighting- "Management is dynamic functioning".
2. It is trying to achieve "Social objectives".
3. (i) Supervisory level (ii) Top Level.
4. (i) Middle level (ii) Top level (iii) Supervisory level.
5. He works at "Middle Level". His basic functions – List functions of middle management.
6. Yes, I agree with the given statement. Mgt. is necessary in all organizations Importance of Mgt. (Points) in support of answer.
7. No, I don't agree with the statement. Mgt. is an inexact science or soft science. It is neither as precise nor comprehensive as the natural as a pure science like Physics or chemistry. Actual mgt. is a social science which deals with human behaviour in an organisation.
8. Mgt. is an inexact science or soft science. It is neither as precise nor comprehensive as the natural and pure science like Physics or Chemistry the principles of management are not-as exact as the principles of Sc., so their application and use is not universal.
9. Top level management. Functions of top level management.
10. Middle level management Functions of middle level management.
11. Operational management. Functions of operational management
12. To guide their efforts towards achieving a common objective.
13. The main focus of management is that the tasks are completed and goals are achieved (effectiveness) with the least amount of resources (efficiency)
14. The process in this definition means the primary functions or activities that a manager performs to get things done. These functions are planning, organizing, staffing, directing and controlling.
15. Planning cannot prevent problems but it can predict them and prepare contingency plans to deal with them.

16. Management
17. Management is necessary so that individuals make their best contribution towards group objectives.
18. Management is necessary so that individuals make their best contribution towards group objectives.
19. Management is all pervasive.
20. Management is a dynamic function.
21. The main objective is to utilize human & material resources to the maximum possible advantage i.e. to fulfill the economic objectives of a business survival, growth and profit.
22. Mgt. helps people to adapt environmental changes so that the org. is able to maintain its competitive edge.
23. Mgt. should reconcile the personal and organizational objectives.
24. Management is an art.
25. It is a profession but not a full fledged profession like medicine or law.
26. Co-ordination.

Suggested Answer to Question Bank

Very Short Question.

- Ans1. Management is the process of getting things done with the aim of achieving goals effectively & efficiently.
- Ans2. Efficiency means doing the task correctly & with minimum cost.
- Ans3. (i) To achieve group goals
(ii) To create a dynamic organisation.
(iii) To increase efficiency
(iv) To ensure optimum utilisation of resources.
- Ans4. Management is concerned with efficient use of resources by eliminating all kinds of wastages and thus increases profitability.
- Ans5. Controlling
- Ans6. Because planning precedes all other functions and all other functions are performed within the framework of planning.
- Ans7. Because management is a complex activity having different dimensions.
(i) Management of work
(ii) Management of people.
(iii) Management of operation.
- Ans8. Management is a dynamic function & has to adapt itself to the changing environment.
- Ans9. (i) Organisational objectives
(ii) Social objectives
- Ans10. (i) Using environment friendly production technique.

(ii) living employment opportunities to disadvantaged sections of society.

Ans11. Art of management can be acquired through study, observation and experience. Intelligence and creativity are required to learn the art of mgt.

Ans12. (i) Foremen (ii) Supervisors.

Ans13. Top level mgt.

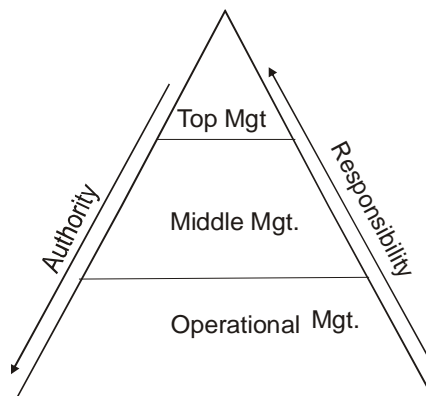
Ans14. Co-ordination.

Ans15. Co-ordination.

Short Answer Type Questions

Ans1. Mgt. is done by the people and for the people. Thus it caters to the needs & aspirations of its stakeholders. Their satisfaction results in the effective and efficient achievement of organisational goals. The management uses inputs such as men, machine, material & money efficiently by properly allocating them to reduce the wastage which ultimately decreases cost and thus leads to higher projects.

Ans2. The term "Level of Management" refers to a line of demarcation between various mgt. positions in an organisation.



Answer 3

- 1) Coordinating the activities of different departments.
- 2) Welfare and survival of the organisation.
- 3) Framing of policies.

Answer 4) The social objectives involve the creation of benefits for the society. It includes.

- a) Supply of quality products at reasonable prices .
- b) Using friendly methods of production.
- c) Generation of employment opportunities

Ans. 5 Art refers to the skillful & personal application of existing knowledge to achieve desired results. It can be acquired through study, observations & experience.

Ans. 6 Co-ordination is the process of achieving unity of action among inter dependent activities & harmonious implementation of plans for the achievement of desired goals.

- Imp.
1. It brings unity of action.
 2. It helps to avoid conflicts among department
 3. It helps in harmonious implementation of plans.
 4. It brings efficiency & economy by keeping together the team.

Ans.7 “Effectiveness & efficiency are the two sides of the same coin”.

→ Sometime a business concentrates on effectiveness & ignores efficiency i.e. complete then given task but at a high cost.

→ On the other hand, sometimes a business may concentrate more on producing goods with fewer resources i.e. it cuts down cost but cannot achieve the target production. This is a case of being efficient but not effective since the goods did not reach the market. Therefore it is important for mgt. to achieve goals (effectiveness) with minimum resources i.e. as efficiently as possible maintaining a balance between effectiveness & efficiency.

Ans. 8 Survival, profit and growth are three important economics objectives which mgt helps the organisation to achieve.

In order to survive, an organisation must earn enough revenues to cover costs. Mgt must work in this direction. It also must ensure that the organisation makes a profit, which is a pre condition for the continued successful operation of the enterprises. Profit is essential for covering costs & risks of the business. To remain in the industry, a business needs to add to its prospects in the long run. Mgt. must exploit fully the growth potential of the organisation.

Ans. 9 An organisation is a group of different individuals with different needs. But as members of the organisation, they work towards achieving the common organisational goal. This requires team work and co-ordination. Management as a team can contribute more effectively & efficiently rather than individuals.

Ans. 10 Planning is the primary function of mgt. It is concerned with both ends & means i.e. What to do and how to do it. Therefore planning means setting objectives & targets & formulating an action plan to achieve them effectively & efficiently. Planning is closely connected with creativity and innovation.

Organising is the mgt for of assigning duties, grouping tasks, establishing authority and allocating resources reqd. to carry out a specific plan.

Long Answer Type Questions :-

Ans. 1. The following basic characteristics of management highlight its nature :

1. Management is a goal – oriented process : An organisation has a set of basic goal which are the basic reason for its existence. These goals should be simple and clearly stated. Management unites the efforts of different individuals in the organisation towards achieving these goals. For example, a firm decides to sell 1000 TV sets in particular year. The manager will plan a course of action and organize the activities to achieve this goal.
2. Management is a group activity : An organization is a group of diverse individuals with different needs. Every member of the group has a different purpose for joining the organization. But as members of the organization they work towards achieving the common organizational goal. This requires team work and coordination of individual efforts in a common direction.
Management as a team can contribute more effectively and efficiently rather than individuals.
3. Management is an intangible force : Management cannot be seen. The effect of management is noticeable in an organisation where targets are met according to plans, employees are happy and satisfied, and there is orderliness instead of chaos and there is coordination in the working environment.
4. Management is all pervasive : Management is virtually applied to every type of organisation, whatever its size or purpose. An auto plant, a city government, a cricket team, a hospital or a school all require management, a cricket team, a hospital or a school all require management. Moreover, what managers do in India, the USA, Germany

or Japan is the same. How they do it may be quite different. This difference is due to the differences in culture, tradition and history.

5. Management is multidimensional : Management is a complex activity which has three main dimensions.

- i) Management of work
- ii) Management of people
- iii) Management of operation

6. Management is a continuous process : Management process is a series of continuous, composite but separate functions (planning, organizing, staffing and controlling). But these functions are inter-dependent. They are simultaneously performed by all managers all the time.



7. Management is a dynamic function : Management is a dynamic function and has to adapt itself to the changing environment. An organization interacts with its external environment which consists of various social, economic and political factors. In order to be successful, an organization must change itself and its goals according to the needs of the environment.

Ans.2 The resources of production are Man, Machine, Material and Money. It is the mgt. which works in the direction of bringing these resources together and convert them into production thus achieving the organizational social and personal objectives.

Man+ Machine+Material+Money=Output/finished product → Market (earning profit) → Customer (if satisfied again comes) → Organisation (earns profits & survives & grow)

Ans. 5 Yes, management is, by and large becoming a profession :-

This can be seen by referring to following emerging trend in business :-

- All big companies appoint professional managers at all levels, i.e. they appoint MBA qualified persons to perform managerial activities.
- Many India companies taken initiative to replace family members by professional managers.
- In public undertakings, management is in effect by professional managers. They appoint professional experts except in departmental undertakings such as Railways, Posts and Telegraph Department, which are controlled by ministers.
- Proprietary managers are becoming more interested in acquiring latest knowledge and technique of management. They are sending their relatives abroad to do managerial courses.
- All over the world, management is widely taught in the universities and management institutions. There are a large number of books on management. A number of journals specialise in various aspects of management problems.
- There are various formal training institutions which provide managerial training programmes, e.g. India Institutes of Management (IIMs) at Ahmedabad, Kolkata, Bangalore, etc., Post-Graduate Departments of Management; Colleges of Management in different parts of India.

Ans. 6. Co-ordination is the process of achieving unity of action among interdependent activities & harmonious implementation of plans for the achievement of desired goals. In the light of above statement the nature of co-ordination can be summarised as :-

- Synchronisation of different actions or efforts of the various units of an organisation.
- This provides the requisite amount, quality, timing and sequence of efforts.
- This ensures that planned objectives are achieved with a minimum of conflict.

Chapter-2

PRINCIPLES OF MANAGEMENT

Q.1 Prince the manager of a business undertaking, is very lax with his fellow employees and subordinates. He does not given them parameters or rules for

reporting to work and completion of assignments. Which principle of management is overlooked?

Ans. Principle of Authority and Responsibility.

Q.2 “Workers should be encourage to develop and carry out their plans for development. “Identify the principle of management formulated by Fayol.

Ans. Principle of initiative.

Q.3 “A manager should replace ‘I’ with ‘we’ in all his conversation with worker to faster team spirit.” Identify the principle of management emphasized here.

Ans. Espirit –De- Corps

Q.4 Priyanka, manager, experts his subordinates to adapt to the new environs and working condition without giving them time to settle down. Which principle of management is being overlooked?

Ans. Stability of tenure of personal.

Q.5 Which principle of Taylor advocates scientific enquiry as opposed to hit and trail?

Ans. Science is not Rule of Thumb.

Q.6 Who gave the concept of scientific management ? What was his profession?

Ans. F.W. Taylor gave the concept of scientific management and he was on American mechanical engineer.

Q.7 Why is Taylor most remembered?

Ans. For his time and motion studies.

Q.8 What is the premise of scientific management?

Ans. Finding ‘one best way’ to do a particular task.

Q.9 What is meant by ‘mental revolution’ according to Taylor?

Ans. According to Taylor, mental revolution means a complete transformation in the attitude between management and workers. Both should realize that they need each other.

Q.10 Name two companies which have successfully implemented standardization and simplification of work.

Ans. Nokia, Toyota and Microsoft. This is evident from their large share in their respective markets.

Q.11 What is the basis of formation of scientific management?

Ans. Observation and Experimentation.

Q.12 What is the objective of standardisation?

Ans. To increase the efficiency of workers.

Q.13 How does the techniques of 'motion study' help to improve the efficiency of workers?

Ans. By eliminating unnecessary and wasteful movements on the job.

Q.14 List any two principle of Scientific Management' formulated by Taylor for managing an organization scientifically.

Ans. Science, not Rule of Thumb

Harmony, not Discord

Cooperation, not Individualism

Conceptual Questions

Q.1 Fayol points out the danger and cost of unnecessary labour turnover in one of this 'Principle'. Name & explain the principle.

Ans. Principle of stability of tenure of personnel : According to this principle, employees should not be moved from their place frequently. The period of service in a position should be fixed. Fayol suggest that employee turnover should be minimized to maintain organizational efficiency. There should not be frequent terminations & transfers. Effects :

1. Provides a feeling of job – security among the employees.
2. Employees efficiency increases and they contribute their maximum when feel that their job is secure.
3. No wastage of time & resources.

Adverse effects of violation :-

1. Cost of unnecessary labour turnover. Recruitment, selection & training cost will be high.
2. If the job of a person is not secure, he/she will look out job else where and his/her work will not be satisfactory.

Q.2 Workers should be encouraged to development carry out their plans for improvements. Identify the principle of management formulated by Fayol.

Ans. Principle of initiative.

Q.3 Why does the principle of unity of command not hold good in the case of functional foremanship?

Ans. According to the principle of unity of command, an employee should receive orders / instruction from one & only one boss or superior. On the other hand, the principle of functional foremanship insists on orders and instructions from eight specialists.

So, if an organization has appointed eight functional specialists, then it is not possible to allow only one superior to give orders. Hence, the principle of unity of command does not hold good in the case of functional foremanship.

Q.4 Explain four techniques which facilitate application of the principle of scientific management.

Ans. 1) Time study : It determines the standard time taken to perform a well defined job. The objective of time study is to determine the no. of workers to be employed, frame suitable incentive schemes and determine labour costs.

2) Method study : The objective of method study is to find out one best way of doing the job.

Example : To manufacture shoes, the methods could be manual or mechanical but the cost of labour & capital to manufacture shoes may vary. The management has to decide about the method to be used to manufacture shoes.

3) Motion study : Motion study refers to the study of movements like lifting, putting objects, sitting etc, which are undertaken while doing a typical job.

Example : Suppose a worker is engaged in a motor mechanic job. The expert in motion study observe how he moves various parts of his body, how many times he has to pick up and keep the tools back.

4) Fatigue study : Fatigue study seeks to determine the amount & frequency of rest intervals in completing a task.

Example : Suppose an employee is working in a plant where three shifts are in operation. If he continues to work in the second & third shift, he may feel totally exhausted and will not continue to work any longer.

Q.5 Which principle of management envisages that each group of activities having the same objectives must have one head and one plan? Explain the principle with a suitable example.

Ans. Unity of Direction :

The principle implies that there should be “ONE HEAD AND ONE PLAN” for a group of activities having the same objective.

Example : If a company is manufacturing motor cycle as well as cars, then it should have two separate divisions. Each divisions should have its own in charge, plans & resources effects.

1. Ensures unity of action.
2. Facilitates coordination.

Adverse effects :

1. There will be unnecessary duplication of efforts & wastage of resources.
2. Efficiency of the organization will also be adversely effected because of lack of unity of action.

Q.6 Name and explain the technique of Taylor which is the strongest motivation for a worker to reach standard performance.

Ans. Differential piece way system. This is method of wage payment suggested by F.W. Taylor in which efficient & inefficient workers are paid at different rates. He wanted to reward efficient worker. The efficient workers are paid at higher rates than the inefficient ones. Workers are paid on the basis of the number of units produced. If a worker produces more than standard units, he is given a higher wage per unit. Due to different rates for different sets of workers, It is known as differential wages system.

Q.7 The directors of Bhupender Ltd. An organisation manufacturing computers, want to double the sales & have given this responsibility of their sales manager. The sales manager has no authority either to increase the sales expenses or appoint new salesman. Hence he could not achieve this target.

Is the sales manager responsible for not achieving the target? Explain in brief, the relevant principle in support of your answer.

Ans. No, the sales manager is not responsible because he has no authority either to increase the sales expenses or appoint new salesmen.

In this case the principle of 'Parity of Authority and Responsibility' is violated.

Authority means the right to order & obtain obedience. There are two types of authority (a) official authority i.e. authority to command & (b) Personal authority which is the authority of the individual manager. 'Responsibility' means obligation to perform the job assigned on time. Fayol suggested that there must be balance between authority and responsibility. Giving authority without responsibility may lead to irresponsible use of authority. So an organization should build safeguards against abuse of managerial power.

Effects :-

1. No misuse of authority.
2. Helps in performing duties on time without any delay

Adverse effect

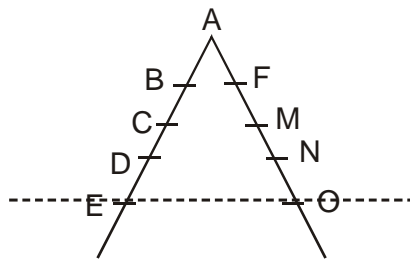
1. If authority is less, the subordinate will not be able to perform his duties well.
2. If the subordinate is given excess authority he may misuse his authority.

Q.8 Name the principle and explain of Fayol which suggests that communication from top to bottom should follow the official lines of command.

Ans. Principle of scalar chain.

The formal lines of authority from highest to lowest ranks are known as scalar chain. The principle of scalar chain suggests that communication from top to bottom should follow the official lines of command.

According to Fayol, organizations should have a chain of authority & communication that runs from top to bottom and should be followed by managers & the subordinates.



Scalar chain and Gang Plank

Effect :

1. Smooth flow of communication in organization.
2. No communication Gap in the organization.
3. There will be unity of command in the organization
4. No confusion of Dual order.

Adverse effect :-

1. Authority responsibility relationship will not be clear
2. Communication gap in the organization.

Q.9 Hina and Harish are typists in a company having same educational qualifications. Hina is getting Rs. 3000 per month and Harish Rs. 400 per month as salary for the same working hours. Which principle of management is violated in this case? Name and explain the principle.

Ans. Principle of Equity :-

The principle of 'Equity' emphasizes kindness and justice in the behaviour of managers towards works. According to Fayol, employees can be made to put in their best only when they are given kind, fair and just treatment.

Q.10 Taylor's techniques of management are universally applicable. Do you agree? Give any four reasons in support of your answer.

Ans. Taylor's techniques are developed through scientific approach and not by rule of thumb. Any principle developed scientifically is universally applicable because these are not effected by personal feelings or biasness of managers. The techniques which facilitate the universal applicability of Taylor's principles are :-

→ Time study

→ Motion study

→ Method study

→ Fatigue study

But, some techniques of scientific management are not universally applicable under some situations. These are

- i) Functional Foremanship → This technique is not applicable in the organization following the principle of unity of command.
- ii) Differential Piece Wage system : This technique is also not applicable in the organization following the principle of equity.

Q.11 “Taylor’s principles of scientific management and Fayol’s principle of management are mutually complementary “. Do you agree? Give any five reasons in support of your answer .

Ans. Yes, I agree with the view – “Taylor’s principle of scientific management and Fayol’s principles of management are mutually complementary “.

While Taylor succeeded in revolutionizing the working of factory shop floor, Henry Fayol explained the general principles of management which the managers should follow in doing their work.

→ Fayol’s perspective is top level management which Taylor’s perspective is shop floor level of factory. Taylor’s scientific principles aim at increasing worker’s efficiency by devising the best method, fair day’s work, differential piece wage system and functional foremanship. On the other hand, Taylor’s principle aim at increasing managerial efficiency.

→ The aim of the principles of both Taylor’s and Fayol is the same, ie to maximize efficiency of work and performance.

→ Both sets of principle suggest mutual cooperation b/w employer and employees.

Q.12 The production manager of Bharat Ltd. Instructs a salesman to go slow in selling the product, whereas the marketing manager is insisting on fast selling to achieve the target. Which principle of management is being violated in this case? State the consequences of violation of the this principle.

Ans. Unity of Command :-

Consequences of Violation :-

If an employee gets orders from two superiors at the same time i.e., principle of unity of command is violated.

→ authority is undermined

→ discipline and order is disturbed

→ stability is threatened

→ conflict among superiors

→ loyalty of employee is divided

→ employees will remain in confusion regarding whose tasks to be done. He will have option for excuses.

Q.13 Priya and Nandita are working in a organization. They perform similar jobs but they are paid their salaries at different rates. Which principle of management is violated in this situation? Explain the principles in brief.

Ans. Principle of Equity :-

The principle of "Equity" emphasizes kindness and justice in the behaviour of managers towards workers.

According to Fayol, employees can be made to put in their best only when are given kind, fair and just treatments.

Q.14 In each of the following cases tell which principle of management as given by Henry Fayol being violated and how.

a) When a sales manager is not given the right to discount to the buyer necessary to conclude a large scale. Contract, which will be profitable for the company.

Ans. Authority and responsibility.

b) When each division of the company does not have a separate plan of action.

Ans. Unity of Direction.

c) When a subordinate receives order from two superiors.

Ans. Unity of command.

d) When a manager awards contract for supply of raw material to a particular party which happens to be owned by his relative ignoring other parties who can supply the same at a cheaper rate.

Ans. Subordination of individual interest to group interest.

e) When a subordinate habitually contacts higher authority in the company by passing his/her immediate superior.

Ans. Scalar chain.

f) When the tools and /or raw materials are not found at the right place in the company.

Ans. Order.

Q.15 Identify the techniques of scientific management which are described by the statements given below. Also give reason.

a) When many specialists supervise each worker.

Ans. Functional foremanship.

b) When uniformity is introduced in materials machines tools method of work and working condition after due research.

Ans. Standardisation of work.

c) To determine standard time taken to perform a well defined job.

Ans. Time study.

d) Giving variable wages to workers and management based on their performance.

Ans. Differential piece wage system.

e) Change in the attitude of workers and management towards are another from competition to cooperation.

Ans. Mental Revolution.

f) To fine out one best way to do job.

Ans. Method study.

Q.16 If an organization does not provide the right place for physical & human resources in the organization. Which principle is violated? What are the consequences?

Ans. Principle of order :-

Consequences :

1. Violation of material order leads to wasteful movement of materials & tools.

2. If social order is violated, it may not be easy to contact the needed employee.

1 Mark Questions

1. What do you mean by managerial principles ?
2. Give one difference between managerial principles and pure scientific principles.
3. What is the difference between Principles & Values ?
4. How are the principles of management formed ?
5. Why is it said that principles of management are universal ?
6. How can you say that managerial principles are flexible ?
7. If the co. doesn't provide the right place for physical and human resources, which principles of management is violated ?
8. Which device helps subordinates of the same level of different departments to communicate directly in case of emergency ?
9. Which principle promotes team spirit ?
10. Who emphasized on administrative principles of management ?
11. What is positive effect of principle of division of work ?
12. What is the negative effect of not following the principle of division of work ?
13. What is principle of initiative ?
14. What is the objective of principle of unity of direction ?
15. What is the negative effect if principle of order is violated ?
16. Which principle of management suggest that employees should be treated with justice and kindness ?
17. What is the purpose of gang plank ?
18. What is the principle of unity of direction ?
19. Which technique of scientific management give high compensation to better performer ?
20. Which technique of scientific management seeks to find out one best way of doing a job ?
21. What is the objective of scientific management ?
22. Name the technique of scientific management which focuses on separation of planning and execution function.
23. Name the personnel who work under the production In charge ?
24. What is the objective of method study ?
25. What is the objective of 'Time Study' ?

Question Bank

1. Principles of management are statement of fundamental truth which provide guidelines for management decision making and action.
2. Management principles are not as rigid as principles of pure science. They deal with human behaviour, which is never static. Hence, principles of management have to keep pace with change.

3. Principles are basic truth or guidelines for behaviour while values have moral connotations, i.e., something which are acceptable or desirable.
4. They are formed by practice and experimentation.
5. Because they can be applied to all types of organization-business as well as non-business, small as well as large, public sector as well as private sector, manufacturing as well as service sector.
6. Because these can be modified by the manager when the situation so demands.
7. Principle of 'Order'.
8. Gang Plank.
9. Esprit De Corps.
10. Henry-Fayol. He was a French mining engineer.
11. There would be specialisation and efficient utilization of Labour.
12. Performance of the workers will be poor due to absence of specialization.
13. According to the principle of initiative, workers should be encouraged to develop and carry out their plans for improvements.
14. To ensure unity of action and co-ordination.
15. There will be chaos leading to loss of time and material.
16. Principle of equity.
17. To enable two employees at the same level to communicate directly with each other.
18. Unity of direction.
19. Differentiate Piece wage system.
20. Method study.
21. Finding 'one best way' to do a particular task.
22. Functions Foremanship.
23. Speed Boss, Gang Boss, Repair Boss, and Inspector.
24. To find out 'one best way' of doing job.
25. To determine the standard time required to perform a certain job so as to fix a fair day's work for the workman.

3-4 Marks Questions

1. What do you mean by management principles ?
2. "Management principles are evolutionary" Explain.
3. Briefly explain the nature of managerial principles.

4. "Management principles are dynamic". Comment.
5. "Management principles aim at influencing human behaviour". Explain.
6. "Management principles are relative not absolute". Explain.
7. How does managerial principles ensure optimum utilization of resources and effective administration ?
8. Define Scientific management any name any three principles of it.
9. How does 'mental revolution' helpful in effective management ?
10. Explain the principle 'Science, not the rule of Thumb" given by Taylor.
11. Explain the principle 'Harmony not discord'.
12. Name the techniques of scientific management.
13. What do you mean by Time Study ? What is its objective ?
14. Explain 'fatigue study' and its objective.
15. Explain the techniques of differential piece rate system.
16. Distinguish between unity of command and unity of direction on the basis of.
 - (i) Meaning
 - (ii) Aim
 - (iii) Implications.

SUGGESTED ANSWERS TO 3-4 MARKS QUESTIONS

- Ans.1 Management principles are statement of fundamental truth which provide guidelines for managerial decision making and action. These principles are derived on the basis of observations and analysis or experimental studies. They help in predicting the results of managerial action. They have been given Henry Fayol and F.W. Taylor
E.g. Principle of Division of work.
- Ans.2 Principles of management are evolutionary in nature-They are formed by practice and experimentations. They are developed on the basis of organized quantitative facts or from the long experiences of the leaders and scholars of management thought's.
They are derived on the basis of observation and analysis of event which management face in actual practice. They are based on experimental studies.
- Ans.3 Nature of managerial principles—
- (a) General guidelines— They are not readymade solutions to all managerial problems, rather they are general guidelines to help the management.
 - (b) Formed by practice and experimentation — They are not developed overnight. They are derived on the basis of observations and analysis

of events which managers face in actual practice. Secondly they are derived after conducting experimental studies.

- (c) Flexible— They can be modified by managers to meet the needs of the situations.
- (d) Universal Applicability— They are applicable to all types of organizations.

Ans. 4. Management principles are dynamic— Management principles are flexible and can be utilized under different conditions of the organizations. They are influenced by the need of the given situation. These are flexible guide whose application depends upon the physical factors, social factors and economic factors of an organization.

Ans. 5. Management involves dealing with human. Management principles are directed towards regulating the human behaviour but not definite rules can be laid down in this respect. Human behaviour is complex and also unpredictable. Each individual has uniqueness based upon his ego, beliefs, culture ability etc.

Principles of management help the management to modify the behaviour of employees at work place.

Ans. 6. Management principles are relative not absolute. ----- Yes, management principles are not absolute. They can not be applied blindly in all situations and in all organizations. They have to be applied keeping in view the prevailing situation. They require the room for modification as same principle may produce different result in different situations.

Ans. 7. In every organization resources such as men machines, materials and money play a vital role. Management principles are designed in such a way that maximum benefits from these resources can be achieved with minimum resources wastage. Along with this principles of management also help in establishing effective administration by limiting the boundary of managerial discretion so that their decisions may be free from personal biases.

Ans. 8. According to Taylor, “Scientific management means knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way”.

Three Principles of Scientific management are as follows :

- (i) Science, not rule of thumb
- (ii) Harmony, not discord.
- (iii) Cooperation, not individualism.

Ans. 9. Mental revolution implies change in the attitude of both the management and the workers towards each other. It becomes possible by : (a) sharing a part of surplus with workers, (b) training of employees, (c) division of work, (d) team spirit, (e) positive attitude, (f) sense of discipline, (g) Sincerity etc. Mental revolution results in achievement of organizational goals effectively and efficiently.

Ans. 10. This principle is concerned with selecting the best way of performing a job through the application of scientific principles there of and not by intuition,

experience and hit and trial methods. It means that work assigned to any employee should be observed and analyzed with respect to each element or part there of and the time involved therein as to decide the best way of performing the work and to determine the standard output. Rule of thumb does not involve analytical thinking before doing.

Ans. 11. This principle require that there should become understanding between workers and management. Manager should create suitable working conditions and resolve all problems scientifically. Also, workers should attend to their jobs with devotion and be careful not to waste resources of the organization. Workers should be disciplined and loyal. It helps to produce synergy effect, since both management and work in union.

Ans. 12. Techniques of scientific management are as follows :—

- (i) Functional Foremanship.
- (ii) Standardization and simplification of work
- (iii) Method study
- (iv) Time study
- (v) Fatigue study
- (vi) Motion study
- (vii) Differential piece wage system.

Ans. 13. Time study determines the standard time taken by workmen to perform a given task.

The purpose of time study are as follows:—

- (i) To decide how much time is normally required to perform a certain job,
- (ii) To determine a fair day's work for the workmen.
- (iii) To determine the number of workers to be employed.
- (iv) To frame suitable incentive schemes.

Ans. 14. Fatigue study determines the amount and frequency of intervals in completing a task. Workers can not work at a stretch. After putting in work for a certain period of time, they feel tired which affects their performance. If they are allowed rest intervals, they will regain their stamina and will resume their work with greater efficiency.

Ans. 15. This is a method of wage payment suggested by F.W. Taylor in which efficient and inefficient workers are paid at different rates. He wanted to reward efficient workers. So, he introduced different rates of wages payment for those who performed above standard and for those who performed below standard.

The efficient workers are paid at higher rates than the inefficient ones.

Workers are paid on the basis of the number of units produced. If a worker produces more than standard nits he is given a higher wages per unit. Due to different rates for different sets of workers, it is known as differential wage system.

The wage payable to a worker are calculated as follows :

Wages = No. of units produced x wage Rate.

Ans. 16.

Basic	Unity of command	Unity of Direction
1. Meaning	One subordinate receives order from, & is accountable to, one & only one superior.	All the members of a group having same objectives must have one head & one plan
2. Aim	It aims at avoiding confusion & conflicts.	It aims at ensuring unity of action to facilitate coordination.
3. Implication	It affects an individual worker.	It affects the entire organization in the sense that of this principle is violated, it hinders achievement of common goals.

5-6 Marks Questions

1. Explain the principles of scientific management given by Taylor.
2. Explain any functional foremanship techniques of Scientific Management with diagram.
3. Explain the importance of managerial principles.
4. Are the principles of management given by Henry Fayol and F.W. Taylor are complimentary or supplementary to each other. Justify your answer.

Ans.1 Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.

Principles of Scientific Management

- (i) **Science, not rule of thumb** :— Taylor believes that there was only one best method to maximize efficiency. This method can be developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organization.

Scientific method involves scientific observations and analysis of each task and determination of standard of work. This will result in tremendous saving of human energy as well as wastage of time and materials.

- (ii) **Harmony, not discord** :— Taylor emphasized that there should be complete harmony between the management and workers. Both should realize that each one is important to achieve, this Taylor advocates a complete 'Mental Revolution' on the part of both

management and workers. It means that management and workers should transform their thinking. In such a situation each trade unions will not think of going on strike etc. Managers should adopt an enlightened attitude and share the gains of the company with workers. Workers on their par should work hard with discipline and loyalty. Both should be part of the family.

- (iii) **Co-operation, not individualism** :— There should be complete cooperation between the labour and management instead of individualism. Management should work almost side by side with the worker helping, encouraging and smoothing the way for them.

This principle is extension of the principle 'Harmony not Discord'. Competition should be replaced by co-operation. Both should realize that they need each other. For management should receive their suggestions of the employees. They should be rewarded if any of their suggestions results in substantial reduction in costs. They should be allowed to take part in management decisions. At the same time workers should resist from going on strike and making unreasonable demands on the management.

- (iv) **Development of each and every person to his/her greatest efficiency and prosperity** :— Industrial efficiency depends to a large extent on the competencies of the employees. According to Taylor, to increase efficiency each person should be scientifically selected. The work assigned should suit her/his physical, mental & intellectual capability. They should be given the required training as well as to learn the 'best method' to do a Job.

Efficient employees would produce more and earn more. This will ensure that their greatest efficiency and prosperity for both the company and workers.

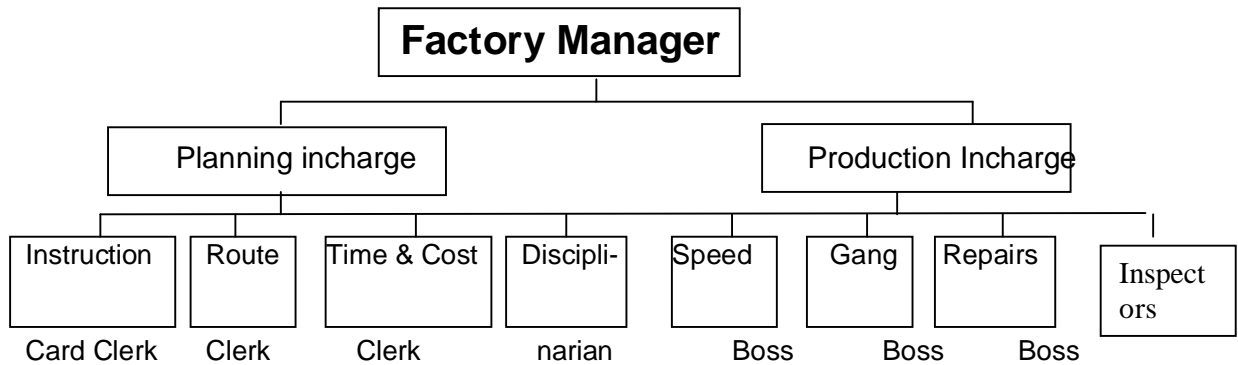
Ans.2 **Techniques of Scientific Management**

Functional foremanship :— It is an extension of the principle of division of work on specialization to the shop floor. Each worker will have to take order from eight foremen in the related process of function of production.

Basic Aim of Functional Foremanship :— To separate planning functions from executive (operative) functions. Under the factory manager there was a planning in charge and a production incharge.

- Under planning incharge, four personnel, namely, instruction card clerk, route clerk, time clerk and cost clerk and disciplinarian worked. These four personnel would draft instructions for the workers specify the route of production prepare time and cost sheet and ensure discipline, respectively.
- Under production incharge four personnel who would work were speed boss, gang boss, repair boss and inspector. They were responsible for timely and accurate completion of job, keeping machines and tools etc., ready for operation by workers, ensure proper working condition of machines and tools and check the quality of work.

- Foremen should have intelligence, education, tact, judgment, special knowledge, energy, honesty and good health all these qualities cannot always be found in a single foreman. So, Taylor purposed eight specialists.



Ans.4. **Significance of Management Principles**

Provide useful insights to manager : – Principle of managers provides useful insights to managerial behaviour and influence managerial practices. These principles will add to their knowledge ability and understanding of managerial situations and circumstances.

Managers may apply inside principles to fulfill their task and responsibility. They enable the managers to learn from past mistakes and save time by solving recurring problems fast. So, management principles increase management efficiency.

Optimum Utilisation of Resources :—

Management principles aim at optimum utilization of human and physical resources for the attainment of organizational goals. By optimum utilization, we learn that resources should be put to use in such a manner that they should give maximum benefit with minimum cost.

e.g. — Science not rule of thumb suggest-every task should be done with minimum required efforts and energy.

Scientific Decisions

Management principles enable the managers to approach various problems systematically & scientifically & keep them in taking scientific decisions to meet changing conditions. Management decisions taken on the basis of principles are free from bias and prejudice because they emphasize logic rather than blind faith.

Meeting Changing Environment requirements :— Management principles train the managers to adopt the changes in technology in right direction and at right level in the organization. Thus, although the management principles are general guidelines, yet they are modified by the manager to meet changing requirements of the environment.

Fulfilling social Responsibility :— Management principles not only act as guidelines for achieving organisational objectives but this principle also guide the managers to perform social responsibility.

E.g.— principles of “Fair Remuneration’ insists on adequate salary to employee.

- The contribution of Henry Fayol and F.W. Taylor to the field of management is explained in following table.

Taylor vs Fayol

Basis	Henri Fayol	F.W. Taylor
1. Perspective	Top level of management	Shop floor level of a factory
2. Basis of formation	Personal experience	Observations and experimentation
3. Focus	Improving overall administration	Increasing productivity
4. Unity of command	Fayol insisted on improving overall administration by developing such a unity of command and direction.	Taylor did not feel that it is important a under functional foremanship a worker received orders from eight specialists.
5. Applicability	Applicable universally	Applicable to specialized situations
6. Personality	Practitioner	Scientist
7. Expression	General Theory of Administration	Scientific Management

Taylor’s principles of scientific management and Fayol’s principles of management are mutually complementary.

Reasons for this view are given below :—

- The aim of the principles of both Taylor and Fayol is the same, i.e., to maximize efficiency of work and performance.
- Both sets of principles suggest mutual cooperation between employer and employees.
- Taylor and Fayol both advocate division of work and responsibility.
- Both of them have contributed immensely to the knowledge of management, which has formed a basis for further practice by managers.

Chapter-3 Planning

Hots Questions

1. One of the functions of management is closely connected with creativity and innovation. Identify the management functions
2. Which functions of management is considered as the base of all other function ?
3. State any two consequences if there was no planning.
4. What is meant by 'Pervasiveness of planning' ?
5. Planning requires logical and systematic thinking rather than guen work. Which feature of planning is highlighted here ?
6. What is the focus of planning ?
7. How does planning reduce the risks of uncertainty ?
8. 'Planning provides directions'. State two benefits derived from it.
9. Explain how controlling is not possible without planning.
10. Name any two factors which affect business plans.
11. While formulating a plan, the manager is required to make certain assumptions about the future. What are these assumptions called ?
12. How are alternative courses of action evaluated wile formulating a plan ?
13. How should a manager select the best possible course of action ?
14. Strategy is a comprehensive plan which includes three dimensions. Enumerate them.
15. Name the type of plan which serves as a guide for overall business planning and define the future state of affairs which the organization strives to realise.
16. Name the type of plan which provides a basis for interpreting the strategy.
17. State the relationship between policies and objectives.
18. Name the type of plan in which the minutest details are worked out, that is procedures, rule and budget within the broad frame work of policy.
19. Name the type of plan which is also a control device from which deviation can be taken care of.
20. Though a budget is a control device from which deviations can be taken care of, yet it comes under planning. Why ?
21. 'Offering 30% jobs to women.' What type of plan is it ?
22. Puneet electronics decides to sell television sets though exchange of old television sets. What type of plan is it ?
23. A company needs a detailed plan for its new project-Construction of shopping mall. What type of plan is it ?
24. Which function of management is considered as the base of all other functions ?
25. Which limitation of planning suggest that the employees step thinking and become the blind follows of plan ?

26. In which type of plan the sequences to perform a job are determined ?
27. Which plan suggests acts and non-action of employees ?
28. 'No Smoking'-this statement is related to which type of plan ?
29. Mc Donald co. does not give its franchise to any other co. Which is running food business. This is related to which type of plan ?
30. In which step of planning process the planners make predictions and assumptions regarding future ?
31. 'No enterprise can achieve its objectives'. Do you agree with this statement ? Give any five reasons in support of your answer.
32. Planning is not a guarantee of success of a business. Comment.
33. 'Sometimes planning fails in spite of the best efforts of management'. Do you agree ? Give any five reasons in support of your answer.
34. Give two examples of goal, objectives, policy.

QUESTION BANK

Very Short Answer type :—

1. Define planning.
2. Point out whether Planning is a physical or mental activity.
3. Does planning eliminate risk ?
4. How does planning affect initiative ?
5. Name the managerial function, which is the beginning and end of all managerial activities.
6. Name three types of plan.
7. 'Planning in mental preposition to do things!' Who thinks so ?
8. Why is planning regarded as pervasive function of management ?
9. How does planning restrict creativity ?
10. What is meant by policies as a type of plans ?
11. Explain rule as a type of plan ?
12. Name the other name of directional plan.

Short Answer Type Questions :—

1. Enumerate the differences between policies and strategies.
2. Distinguish between rules and methods.
3. State the limitations of planning.
4. How does planning help co-ordination ?
5. Explain the characteristics of a sound plan.
6. Write features of planning.
7. Why does planning fail sometimes in spite of the best efforts of management?

8. Planning involves choice. Explain.

Long Answer Type Questions :—

1. Explain briefly any six points which highlighted the importance of planning.
2. State steps involved in planning process.
3. Planning is looking ahead and controlling is looking back. Explain.
4. What is planning ? How can Government policies and technological changes create problems in Planning ?
5. How does planning help co-ordination, facilitate decision making and promote creativity ?
6. How does planning reduce the risk of uncertainty, provide the bases of control and lead to economy ?
7. In spite of best efforts of managers sometimes planning fails to achieve desired results due to its limitations. Explain any six limitations .

Suggested answers to Hots Questions(11)

Ans. 1 Planning

Ans. 2 Planning

Ans. 3 If there was no planning employees would be working in different directions & the management would not be able to achieve the desired results/goals.

Ans. 4 Planning is all pervasive. It implies that planning is required at all levels of management as well as in all departments of the organisation..

Ans. 5 Planning is a mental exercise.

Ans. 6 Forecasting of the events.

Ans. 7 By deciding in advanced the tasks to be performed planning shows the way to deal with change and uncertain events. Thus, the manager can identify potential dangers and take steps to overcome them.

Ans. 8 (i) When goals are clearly defined, employees are aware of what the objectives are and what they must do to achieve them.

(ii) Departments and individuals are able to work in co-ordination.

Ans. 9 Planning is a pre-requisite for controlling. It provides the goals or standards against which the actual performance is measured, deviations are found out and corrective action is taken. If there were, no goals and standards, finding deviations and taking corrective action would not be possible which are a part of controlling.

Ans. 10 (i) Unforeseen events and changes.

(ii) Rise in costs prices.

(iii) Environmental changes.

(iv) Govt. intervention.

(v) Legal regulations.

- Ans. 11 Planning premises.
- Ans. 12 The positive and negative aspects of each alternative course of action are evaluated in the light of the objective to be achieved, their feasibility & consequences.
- Ans. 13 The manager should apply permutations & combinations.
- Ans. 14 (a) Determining long term objectives
(b) Adopting a particular course of action.
(c) Allocating to achieve the objectives.
- Ans.15 Objectives
- Ans. 16 Policies
- Ans. 17 Policies provide broad guidelines as to how the objectives of the enterprise are to be achieved.
- Ans. 18 Programme.
- Ans. 19. Budget.
- Ans. 20 Because making a budget involves forecasting.
- Ans. 21 Policy.
- Ans. 22 Strategy
- Ans. 23 Programme
- Ans. 24 Planning.
- Ans. 25 "Reduces creaturity or adverse effect on initiative". Briefly explain.
- Ans. 26 Procedure.
- Ans. 27 Rules
- Ans. 28 Rule
- Ans. 29 Related to policy of company.
- Ans. 30 "Setting up of planning permi sex all the alternatives". predictions are made.
- Ans. 31. Yes, I agree with the statement. Planning is the primary function of every organisation objectives are laid down- Give 5 reasons for importance of planning.
- Ans. 32 It is right to say that planning is not a guarantee of success of business. Since it based on assumptions regarding future and assumptions can not be hundred percent accurate- Give 5 limitations of planning.
- Ans. 33 yes I agree-state 5 limitations of planning.
- Ans. 34. **Goal**
1. Increase in Sale.
 2. Attain No. 1 position in market.

Objective

1. Increase in production by 10% in 6 months.
2. Increase in Sale by 5%.

Policy :

1. Give admissions to students securing more than 60% marks.
2. Policy of MC. Donald, not to give franchise to a business man, who is already having a restaurant.

Suggested answers to the Question Bank

Very Short answer type

- Ans. 1 Planning is deciding in advance what to do and how to do. Before doing something, the manager always formulates an idea of how to work on a particular task.
- Ans. 2 Planning is a mental activity. It requires application of the mind involving creative thinking and imagination, foresight & judgment.
A manager can make sound. Plans only when he has sound judgment, foresight & vision. Plg; is not mere guess work but involves logical & systematic thinking.
- Ans. 3 No, Planning does not eliminate risk. It only reduces the risks. Business enterprises operate in an uncertain environment and face several types of risk. Planning enable these enterprises to predict future events & prepare to face the unexpected events. With the help of planning managers can identify potential dangers and take steps to overcome them. Thus plg. helps to reduce risk.
- Ans. 4 Planning affects initiative as it facilitates the decision making and reduces the overlapping and wasteful activities.
- Ans. 5 Planning.
- Ans. 6 (a) Policies (b) Objectives (c) Strategies.
- Ans. 7 Koontz and O' Donnell.
- Ans. 8 Planning is regarded as a pervasive function as it is required at all levels of mgt. as well as in all departments of the organisation. However the scope of plg. differs at different levels and among different departments.
- Ans. 9 Plg in an activity which is done by top mgt. usually the rest of the organisation just implements these plans. The result is that middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. This planning restricts creativity.
- Ans. 10 Policies are general statements or understandings which guide thinking in decision-making.

Example : Different business firms may follow different sales policies as stated below :

“We don't sell on credit.”

“It is our policy to deal with wholesalers only.”

A policy is based on the objectives of the enterprise. While objectives provides the ends which a manager should try to achieve, the policies provided broad guidelines as to how the objectives of the enterprise are to be achieved.

- Ans. 11 Rules are specific statements that tell what is to be done.
- A ‘rule’ reflects a managerial decision that a certain action must or must not be taken.
 - They are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken.
 - Rules are rigid and definite plans that specify what is to be done or not to be done is given situations.
 - Rules are to be enforced rigidly and there is generally a fine or penalty for violation of rules. They do no allow for any flexibility or discretion.

Ans. 12 Strategy.

Short Answer Type Questions

Ans. 1

BETWEEN POLICIES AND STRATEGIES DIFFERENCE

Basis	Policies	Strategies
1. Meaning	Policies are guidelines which facilitate the achievement of predetermined objectives.	A strategy is a plan prepared for meeting the challenge posed by the activities of competitors or some other external environmental focuses.
2. Purpose/ Aim	Formulated to deal with repetitive problems.	Formulated to counter environmental threats and capitalize on opportunities.
3. Concern/ Coverage	Concerned with the company as a whole or particular departments.	Concerned with the company as a whole.
4. Nature of Plan	It is a type of standing plan to be used repetitively. again and again.	It is a single use plan for meeting challenges. After its implementation, it is not used again.
5. Situation	The situations to be faced by a policy are comparatively known.	A strategy is formulated to deal with unknown environment in future.

Ans. 2 Difference between Rules & Methods.

Basis	Rules	Methods
1. Meaning	Guidelines to behaviour	Standardised ways of performing routine & repetitive jobs.
2. Purpose	Ensures discipline	Increase efficiency of operation

3. Effect of violation	Penalty attached to violation	No penalty for violation
4. Flexibility	General rigid statements	Flexible statements for guiding and controlling operation
5. Association	Associated with control.	Not associated with control.

- Ans. 3
- 1) Planning does not work in dynamic environment.
 - 2) It is a time consuming process.
 - 3) It involves huge costs.
 - 4) It creates rigidity.

Ans. 4 Planning makes co-ordination of various activities, departments and groups relatively easy, planned programmes of activity serve as the basis of harmonizing the efforts of different division, departments and people. Thus, for example, manufacturing and sales activities can be co-ordinate only if plans of the production department are drawn on the basis of sales plane. In the absence of proper planning of interrelated activities the production department may turn out goods which the sales department may not be able to sale and conflict may occur between then heads of two departments. Confusion and misunderstanding may also occur in the absence of integrated planning of different activities co-ordination of departmental operations is facilitated by planning through the establishment of common goals as guide posts.

- Ans. 5 Characteristics of sound plan are :
- Plan should be simple : for a good plan to be effective, it should be simple, to understand and worked upon different individuals and groups.
 - Plan should be specific : objectives and goals should be clearly defined and explained. Thus planning is purposeful.
 - Plan must be flexible : conditions under which a business operate keep on changing. Therefore, planning must be flexible and not rigid. It should enable the management to take care of the changes in the environment.

Ans. 7 Planning is essential for a business organisation. It is difficult to manage operations without formal planning. it is important for the organisation to move towards achieving goals. But often things to not always go according to plan. Unforeseen events and changes, rise in costs and prices, environmental changes, government interventions, legal regulations, all affect our business plans. Plans then need to be modified. *Therefore, planning might fail due to the following limitations :*

1. **Planning does not work in dynamic environment :** The business environment is dynamic, nothing is constant. The environment

consists of a number of dimensions—economic, political, technological, legal and social dimensions. The organisation has to constantly adapt itself to the changes in business environment. However, it is not always possible to accurately assess future trends in the environment.

- Competition in the market can upset financial plans.
- Sales targets have to be revised and according is cash budgets also need to be modified since then are based on sales figures.

Thus, *planning cannot foresee everything and thus these are obstacles to effective planning.*

2. **Planning is a time consuming process** : Planning is a time consuming process. It requires collection of information, its analysis and interpretation. These activities may take considerable time.

Sometimes plans to be drawn up take so much of time that there is not much time left for implementation of plans.

3. **Planning involves huge costs** : Planning is an expensive process in terms of money. When plans are drawn up, huge costs are involved in the formulation of plans.

If the costs are not justified by the benefits derived from the plan, it may have adverse effect on the enterprise. There are a number of incidental costs as well, like expenses on Board's meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan.

4. **Planning creates rigidity** : Planning leads to rigid mode of functioning for managers. This has adverse effect on the initiative to be taken by them.

5. **Planning does not guarantee success** : The success of an enterprise is possible only when plans are properly drawn up implemental. Managers have a tendency to rely on previously tried and tested successful plans. But it is not always true that a plan which has worked before, will work effectively again.

6. **Planning reduces creativity** : Planning is an activity which is done by top management. Usually the rest of the organisation just implements these plans. As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. They only carry out orders.

Thus, planning in a way reduces creativity. There is nothing new or innovative.

Ans. 7 Planning does not guarantee success. The success of enterprise is possible only when plans are properly drawn up and implemented. The business environment is dynamic, nothing is constant. the organisation has to constantly adapt itself, to the changes of in business environment. I agree with the statement & "Thought business is an important tool of management, yet it is not a remedy in business environment.

Planning can't prevent problem. It can only product them to prepare contingency plans to deal with them if and when they occur. Planning fail inspire of efforts of management because of its imitation.

- Ans. 8 Planning essentially involves choice from among various alternatives and objectives of there is one possible goal or only one possible course of action, there is no need of planning because thee is no choice. The need for planning arises only when alternative are available. In actual practice, planning presuppose the existence of alternatives, planning, thus, involves through examination and evaluation for each alternative and choosing the most appropriate one.

Long Answer Type

- Ans. 1 Planning is of vital importance in the managerial process. No enterprise can achieve its objectives without systematic planning.

“Planning is the heart of management”

The following points highlight the importance of planning function of management :

1. **Planning provides directions** : By stating in advance how work is to be done, planning provide direction for action.

If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals. Departments and individuals in the organisation are able to work in coordination

Planning keeps the organisation on the right path.

If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its goals efficiently.

2. **Planning reduces the risks of uncertainty** : Business enterprises operate in an uncertain environment and face several types of risks. Planning enables these enterprises to predict future events and prepare to face the unexpected events.

With the help of planning, managers can identify potential dangers and take steps to overcome them. Thus, planning helps risk and uncertainty.

3. **Planning facilitates decision-making** : Decision-making involves searching for various alternative courses of action, evaluating them and selecting the best course of action. Under planning, targets are laid down. With the help of these targets, managers can better evaluate alternative courses of action and select the best alternative. *Plans lay down in advance what is to be done and how it is to be done.* Therefore, decisions can be taken with greater confidence.

4. **Planning reduces overlapping and wasteful activities** : Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. There is no confusion and misunderstanding. Useless and redundant activities are minimized or

eliminated. It is easier to detect inefficiencies and take corrective measures to deal with them.

5. **Planning promotes innovative ideas** : Planning is thinking in advance and, therefore, there is scope of finding better ideas and better methods and procedures to reach the objectives/goals of the enterprise.

This forces managers to think differently about the future of the organizations from the present. Thus, planning makes the managers innovative and creative.

6. **Planning establishes standards for controlling** : Planning provides the goals or standards against which the actual performance can be measured and evaluated. A comparison of actual performance with the standards helps to identify the deviations and to take corrective action. Planning makes control meaningful and effective. *'Control is blind without planning.'* Thus, planning provides the basis of control.

- Ans. 2
1. **Setting organizational objectives** : The first and foremost step in the planning process is setting organizational objectives or goals, which specify what the organisation wants to achieve. For *example*, an increase in sales by 20% could be the objective of the organisation.

Objectives may also be set for each individual department. They give direction to all departments.

2. **Developing planning premises** : Planning is concerned with the future, which is uncertain. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called *premises*. Assumptions are made in the form of forecasts about the demand for a particular product, government policy, interest rates, tax rates, etc. Therefore, accurate forecasts become essential for successful plans.

3. **Identifying alternative courses of action** : Once objectives are set and assumptions are made, then the next step is to identify all possible alternative courses of action. For *example*, in order to achieve the organizational objectives of increasing profit, the alternatives may be

- a. increase the sales of an existing product, or
- b. produce and sell a completely new product.

4. **Evaluating alternative courses** : The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved, its feasibility and consequences. For *example*, the risk-return trade-off is very common. The more risky the investment, the higher is the possibility of returns. To evaluate such proposals, detailed calculations of earnings, earnings per share, interest, taxes, dividends are made.

5. **Selecting the best possible alternative** : This is the real point of decision making. The best/ideal plan has to be adopted, which must be the most feasible, profitable and with least negative consequences.

The manager must apply permutations and combinations and select the best possible course of action. Sometimes, a combination of plans may be selected instead of one best plan.

6. **Implementing the plan** : Once the plans are developed, they are put into action. For this, the managers communicate the plans to all employees very clearly and allocate them resources (money, machinery, etc.).
7. **Follow-up action** : The managers monitor the plan carefully to ensure that the premises are holding true in the present condition or not. If not, adjustments are made in the plan.

Ans. 3 Planning is looking ahead and controlling is looking back. Plans proceed the standards/targets against which actual performance is compared. Deviation of actual result from the standards indicate the nature of corrective action needed therefore planning may be said to provide basis of control for example a firm has planned to sell 100 units of its product performance of sales department shall be compared with the planned sales and corrective actions would be taken. Thus planning provides the basis of control.

Ans. 4 Refer Ans. 1 (VSA)

Planning is not a guarantee of success in dynamic environment.

Ans. 5 Refer Ans. 4 (SA) and features of planning (Ans. 6-SA)

Ans. 6 Refer Ans. 6 (SA)

Ans. 7 At the back of Ans. 5/5 short Answer.

Chapter - 4 Organising

Hots Questions

- Q.1 Why does informal organisation exist within the framework of formal organisation? Give any two reasons for the emergence of informal organization.
- Q.2 A manager is of the view that he is not responsible for the quality of work that he has delegated to his subordinate. "Do you agree with his view points? Explain.
- Q.3 In a large organisation, why is decentralization considered almost essential?
- Q.4 "Informal organisation cannot be altogether eliminated". Do you agree with this statement? Give reasons in support of your answer.
- Q.5 Sushma Ltd. is engaged in the production of marble articles. The members of the org. have friendly relations among them. What type of org. is Sushma Ltd.? Explain any 3 benefits of developing such an org.
- Q.6 In an electrical goods manufacturing Co. there are four main activities. Marketing, Production, Finance and Personnel. The General Manager is planning to structure the organisation. Which type of org. goal structure should be adopt and why? Give two reasons.
- Q.7 Why does organising function earn due importance in the context of effective mgt?
- Q.8 The first step in the process of organising is identification and division of work? Why is the work divided into manageable activities?
- Q.9 How can departments or divisions be created?
- Q.10 How does organizing lead to specialization?
- Q.11 How does organizing lead to optimum utilization of resources?
- Q.12 Define span of management.
- Q.13 How is span of management related to organisation structure?
- Q.14 Which term denotes "the number of subordinates that can be effectively managed by superior?"

- Q.15 Which type of organizational structure is suitable for high degree of specialization?
- Q.16 Whether decentralization increases the importance of subordinates or reduces it?
- Q.17 How does the concept 'authority' arise?
- Q.18 What is the source of origin of 'Responsibility'?
- Q.19 "For effective delegation , the authority granted must be commensurate with the assigned responsibility" Why?
- Q.20 How does delegation facilitate employee development?
- Q.21 How does delegation facilitate better co-ordination?
- Q.22 As an organisation grows in size and complexity it becomes centralized or decentralized? Why?
- Q.23 Why is it said that decentralized in spite of its benefits, should be applied with caution ?
- Q.24 Why is it easy to fix responsibility in formal organisation?
- Q.25 Which network of interaction facilitates emotional and mutual objectives to be fulfilled in an organisation?
- Q.26 Which organisational structure is suitable for a multiproduct manufacturing company?
- Q.27 Which organizational structure is suitable for a uni-product manufacturing company?
- Q.28 Name the concept which reduces the work load of a manager.
- Q.29 Define span of control.
- Q.30 In ABC Ltd. are the decisions are taken by top level management only. Which policy is followed by organisation? Explain the drawback of this organisation.
- Q.31 Delegation of authority is based on elementary. Principal of division of work. Explain.
- Q.32 An organisation is manufacturing medicines cosmetics, textiles and soaps. What kind of organizational structure is suitable for this organisation and why?

- Q.33 "Authority can be delegated but accountability cannot be". Explain.
- Q.34 "The existence of informal organisation depends on the formal organisation".
Comment.
- Q.35 "A manager is of view that he is not responsible for the quality of work that he has delegated to his subordinate". Do you agree with this view point ? Justify your answer.
- Q.36 The directors of Narmade Ltd. have asked their marketing manager to achieve a target sale of 100 units per day. The marketing manager has delegated the task to his deputy sales manager working under him. The deputy sales manager could not achieve the target. Who is responsible for non-completion of task? Explain in brief the relevant principal.
- Q.37 Bhuvan & Co. are running a shoe manufacturing company successfully. So they planned to expand their business activities by adding more line of product ie. leather bags, belts and garments. Which type of structure would you recommend after expansion and why?

(1 Mark Questions)

- Q.1 Which organizational structure is suitable for a multi-product manufacturing company?
- Q.2 Which organizational structure is suitable for a uni-product manufacturing company?
- Q.3 Out of formal and informal organisation which is dependant upon which?
- Q.4 How informal organisation is created?
- Q.5 Name the organisation in which employees are allowed to communicate freely and there are no rules and regulations.
- Q.6 Distinguish between formal and informal on the basis of purpose.
- Q.7 Name the concept which reduces the workload of a manager.
- Q.8 Define span of control.
- Q.9 Define job description.
- Q.10 In ABC Ltd. all the decisions are taken by top level management only. Which policy is followed by organisation? Explain the drawback of this organization

Very short answer type questions :-

- Q.1 Define organisation.
- Q.2 What is meant by organizing?
- Q.3 What do you mean by organization as 'process'?
- Q.4 Which level of managers are responsible for determining formal organisation?
- Q.5 Name the organisation which emerges due to mutual relationship.
- Q.6 Name the type of organisation which does not have any predetermined objectives.
- Q.7 Enumerate steps in the process of organizing.
- Q.8 Give the meaning of organisation as structure.
- Q.9 Define authority.
- Q.10 Mention the essential elements of delegation of authority.
- Q.11 Can responsibility be delegated? Explain with an example.
- Q.12 What do you mean by centralization?
- Q.13 What is decentralization?

Short Answer Type Question

- Q.1 How does informal system work.
- Q.2 Write notes on functional org.
- Q.3 Explain the importance of organizing as a function of mgt.
- Q.4 What do you mean by divisional organization? Explain its characteristics.
- Q.5 Give any three demerits of divisional organisation.
- Q.6 Differentiate between formal and informal organisation on the basis of formation, purpose, structure and communication.
- Q.7 State any 3 circumstances in which functional organisation is more suitable.
- Q.8 Explain how organizing helps in 'specialisation' and co-ordination.

- Q.9 Explain the meaning of formal organisation.
- Q.10 How is accountability related to authority? Explain.
- Q.11 Delegation of authority is based on the elementary principle of division of work. Explain.
- Q.12 Distinguish between decentralization and delegation on the basis of nature, control, need & responsibility.
- Q.13 Authority can be delegated but responsibility cannot. Explain.
- Q.14 Delegation of authority is necessary in all types of organizations. Explain with reasons in support.

LONG ANSWER TYPE QUESTIONS

- Q1. Distinguish between formal and informal organisation?
- Q2. Explain the concepts of delegation and decentralization bringing out its distinction?
- Q3. What is meant. by functional structure? Give its merits & demerits?
- Q4. Why is organising considered an important function of management? Give any six reasons?
- Q5. "Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance." Explain the elements of delegation in the light of this statement.

HOTS Answers

- Ans1. 1. To fulfill the social needs of the members. 2. To develop the sense of belongingness in the organisation.
- Ans2. No, because delegation does not relieve the manager from the accountability.
- Ans3. To cope up the complexities of technological, competitive and other changes in the business environment. It provides greater flexibility & freedom of action to managers at all levels to tackle problems quickly and competently.

Ans4. True because

- Flexibility in informal group
- Availability of an extra channel of communication i.e. grapevine.
- Less risk of confrontation.

Ans5. Informal Organisation. (Its advantages to be mentioned)

Ans6. Functional structure (Its benefits may be mentioned)

Ans7. Organising is a means for translating plans into action.

Ans8. The work is divided into manageable activities so that duplication of efforts and resources can be avoided & the burden of work can be shared among the employees.

Ans9. On the basis of (a) Territory (b) Products.

Ans10. Organising leads to a systematic allocation of jobs amongst the work force. A worker performs a specific job on a regular basis. Repetitive performance of the job allows him to gain experience in that area & leads to specialization.

Ans11. The proper assignment of jobs avoids overlapping or duplication of work. Avoidance of duplication of work helps in preventing confusion & minimizing the wastage of efforts & resources.

Ans12. Span of mgt. refers to the number of subordinates that can be effectively managed by a superior.

Ans13. The span of management to a large extent, gives shape to the organisation structure. This determines the levels of mgt. in the structure.

Ans14. Span of management

Ans15. Functional structure

Ans16. Increases

Ans17. Authority arises, from the established 'scalar chain' which links the various jobs positions & levels of an organisation.

Ans18. Superior subordinate relationship.

- Ans19. Because if granted is more than responsibility, it may lead to misuse of authority and if responsibility is more than authority it may make a person ineffective.
- Ans20. Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves for higher positions.
- Ans21. Clarity in reporting relationships help in developing & maintaining effective co-ordination amongst the departments, levels & functions of mgt.
- Ans22. Decentralised.(Features of decentralization to be mentioned.
- Ans23. Because it can lead to organizational disintegration if the departments start to operate on their own guidelines which may be contrary to the interest of the organisation.
- Ans24. Because rules and responsibilities as well as the interrelationship job position are made clear.
- Ans25. Informal organisation
- Ans26. Divisional Structure
- Ans27. Functional structure
- Ans28. 'Delegation of Authority' reduces the work load of a manager.
- Ans29. It refers to number of sub-ordinates under one superior.
- Ans30. The policy followed is centralization. Drawback is delay in decision making.
- Ans31. Delegation means when superior divides some of his work and authority and assigns to his Sub-ordinates to reduce his burden. Division of work also means dividing the task among various individuals. So as to reduce the burden and promote efficiency.
- Ans32. Must adopt divisional organisational structure. In this type of organizational structure, all activities related to one product are grouped under one department.

Ans33. Yes it is correct. This is according to the principle of absolute responsibility. The accountability remains with the manager even after delegating the work. Give an eg.

Ans34. Informal organisation refers to network of social and friendly relations established between the employees working at different job positions. The network of these job positions is known as formal organisation Hence informal organisation is created within formal organisation.

Ans35. I do not agree because authority can be delegated but responsibility can never be delegated. This is according to the principle of absolute responsibility wherein the manager retains the ultimate responsibility of the Completion of task.

Ans36. The marketing manager is responsible for non-completion of task. Since authority can be delegated by responsibility cannot be delegated as per the principle of absolute responsibility.

Ans37. Presently the company has a functional structure since it is a uniproduct company. But on addition of more live of products, it will go for divisional structure since it is suitable for a multiproduct company (List advantages of divisional structure).

Answer to Short Questions

2. Organisation is a structure may be organisation of system of job positions, the roles assigned to them and the authoring relationship among various positions.
3. Organising can be defined as a process that initiates implement-tation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).
4. Organising as a process is identification and division of work, departmentalisation, assigning of duties and established reporting relationship.
5. Top level management
6. Formal organisation
7. Informal organisation
8. Steps in the Process of Organising

Step 1.

Identification and Division of Work

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Step 2. Departmentalisation

Step 3. Assigning of Duties

Step 4. Establishing Reporting Relationships

1. Identification and Division of Work

The first step in the process of organizing involves identifying and dividing the total work to be done into specific activities (called jobs) in accordance with previously determined plans.

Such division of work into jobs is necessary because of the following reasons :

One individual cannot perform the entire work. By dividing the work, the burden of work can be shared among the employees.

- It facilitates specialization of work and skills.
- The work is divided into manageable activities so that duplication can be avoided.

2. Departmentalisation

The second step in organizing is to combine or group similar/related jobs into larger units called departments, divisions or sections.

This grouping process is called "Departmentalisation".

Departments can be created using several criteria as a basis. Examples of some of the most popularly used basis are :

- (a) Territory
- (b) Products.

3. Assignment of Duties

It is necessary to allocate work to various employees. Once departments have been formed, each of them is placed under the charge of an individual, called departmental head (e.g., production manager, finance manager, marketing manager, etc.) Jobs are then allocated to the members of each department according to their skills and competencies.

4. Establishing Reporting Relationships

Merely allocating work is not enough. Each individual should also know from whom he has to take orders and to whom he is accountable.

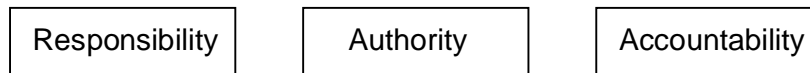
The establishment of such reporting relationships helps in coordination amongst various departments.

9. Organisation structure can be defined as a framework within which managerial and operating tasks are performed

- It specifies the relationship between people, work, and resources.
 - It allows the correlation and coordination among human, physical and financial resources and the enables a business enterprises to accomplish desired goals.
10. Authority refers to the right of an individual to command his subordinate and to take action within the scope of his position.
- The concept of authority arises from establishing scalar chain. Which links the various jobs positions and level of an organisation.
 - Authoring is needed to discharged a given responsibility
 - Authority flows from top to bottom i.e. the superior has authority over the subordinate.

11.

Elements of Delegation of Authority



1. Responsibility

Responsibility is the obligation of a subordinate to carry out assigned activities to the best of his abilities.

It arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior.

Thus, responsibility flows upwards, i.e., as subordinate will always be responsible to his superior.

2. Authority

Authority is the sum of powers and rights of an individual to command his subordinates, to use financial, material and human resources as well as the right to take action within the scope of his position.

Authority is needed to discharge a given responsibility.

Authority flows from top to bottom, i.e., the superior has authority over the subordinate.

An important consideration to be kept in view with respect to both authority and responsibility is that when an employee is given responsibility for a job he must also be given the degree of authority necessary to carry it out. Thus, for effective delegation, the authority granted must be equal to the assigned responsibility.

- If authority granted is more than responsibility, it may lead to misuse of authority.
- On the other hand, if responsibility assigned is more than authority, it may make a person ineffective.

3. **Accountability**

Accountability implies being answerable for the final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability.

It cannot be delegated and flows upwards, i.e., a subordinate will be accountable to a superior for satisfactory performance of work.

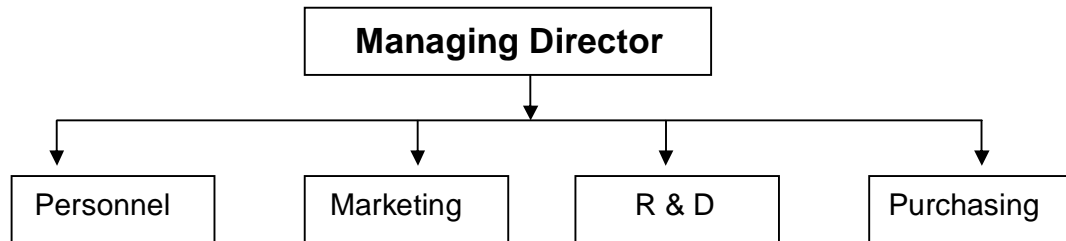
It indicates that the manager has to ensure the proper discharge of duties by his subordinates.

Conclusion :

- While authority is delegated, responsibility is assumed, accountability is imposed.
 - Responsibility is derived from authority and accountability is derived from responsibility.
12. According to the principle of absolute responsibility. authority can be delegated but responsibility can't be delegated by a manager. The manager remains responsible and accountable to his own superior for the tasks which he may assign to his subordinate. In other words, the manager can't escape from responsibility for any default on the part of his subordinate. The process of delegation does not relieve the manager of his own responsibility. Every superior is responsible for the acts of his subordinate to whom he delegates authority for any default in the part of his subordinate. The process of delegation does not relieve the manager of his own responsibility. Every superior is responsible for the acts of his subordinates to whom he delegates authority for any work. For example, if the foreman parts to get 100 units produced by the workers on any day, he is responsible to his superior. He can't escape by saying that the workers were at fault. Similarly the manager remains responsible to his superior for the work he entrusted to his foreman he can't escape from responsibility by passing on the blame to his foreman.
 13. Centralization means concentration of all decision making functions at the apex of the management hierarchy. Decision making authority lies with the help of top level of management. Managers have less freedom of action. It is suitable for small organisation.
 14. Decentralization means the delegation of all decision making functions to the lower level of the hierarchy. Decision making authority is shared with lower levels of Management. Managers have more freedom of action. It is suitable for large organisation.

Short Answer Type Questions

1. An informal system works in an informal organisation without any formalities.
 - a. An informal organisation originates from within the formal organisation as a result of personal interaction among employees.
 - b. The standards of behaviour evolve from group norms rather than officially laid down rules and regulations.
 - c. Independent channels of communication without specified direction of flow of information are developed by group members.
2. A functional structure is an organizational design that groups similar or related jobs together.



- functional structure is formed by grouping together the entire work to be done into major functional department.
 - All deptt are report to a coordinating head
 - These dept may further be divide into sections.
3. The importance of organizing may be summarise as follows :-
 - (a) **Benefits of specialization** : The activities are grouped very carefully into specialized jobs on the basis of similarity. repetitive performance of a particular task leads to specialization.
 - (b) **Clarity in working relationships** : The jobs of managers and non managers are clearly defined & differentiated.
 - (c) **Effective administration** : Organising provides a clear description of a jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationship enables proper execution of work. This brings effectiveness in administration.
 - (d) **Source of support and security improves job satisfaction** : Organising is a source of support, security and satisfaction to managers and employees in performing their assigned tasks. It recognizes the status levels of members; each one of the members enjoys a definite status and position in the organisation.

In a sound organisation every individual is assigned the job for which he is best suited. The assignment of right jobs to right persons improves job satisfaction among the employees.
 - (e) **Optimum utilization of resources** : A sound organisation helps In the optimum utilization of technological and human resources by avoiding duplication of work and overlapping of efforts.
 - (f) **Adaptation of change** : The process of organizing allows a business enterprise to adapt itself according to changes in the business

environment. It allows the organisation structure to be suitably modified and the revision of inter-relationships amongst managerial levels to pave the way for a smooth running of the business.

- (g) **Development of personnel** : Organising stimulates creativity amongst the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. The reduction in workload by delegation gives them the time to explore areas for growth and opportunity to innovate, thereby strengthening the company's competitive position.
- (h) **Expansion and growth** : Organising helps in the growth and diversification of an enterprise. It allows a business enterprise to add more job positions, departments and even diversify their product lines.

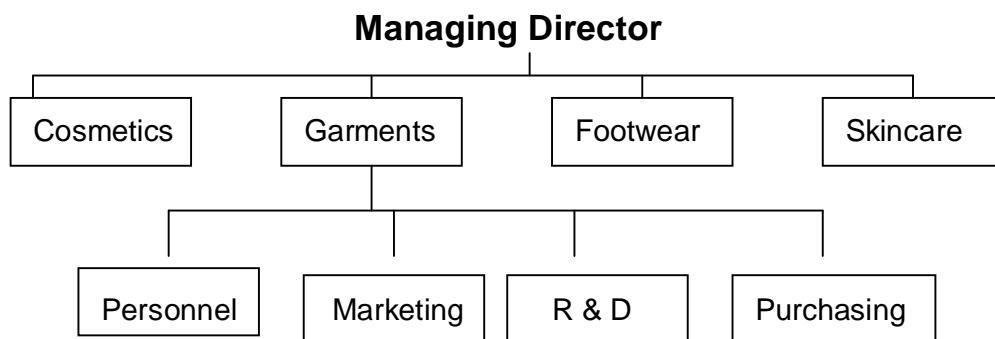
Conclusion : Organising is a process by which the manager—

- brings order out of chaos,
- removes conflict among people over work or responsibility, and
- creates an environment suitable for teamwork.

4. In large diversified organizations, activities and personnel are grouped into a number of divisions on the basis of different products manufactured or geographical areas.

- Each unit or division has divisional manager responsible for performance and who has authority over the unit or the division.
- Each division is multi-functional because within each division functions like production, marketing, finance, purchase, etc., are performed together to achieve a common goal.
- Further, each division works as a profit center where the divisional head is responsible for the profit loss of his divisional.

For example, a large company may have divisions like cosmetics, garments, footwear, etc



Suitability

- (i) Divisional structure is suitable for those business enterprises where a large variety of products are manufactured using different productive resources.

- (ii) When an organisation grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a divisional structure

5. Demerits of Divisional structure

- (i) **Departmental conflicts** : Conflict may arise among different divisions with reference to allocation of funds and further a particular division may seek to maximize its profits at the cost of other divisions.
- (ii) **Costly** : It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.
- (iii) **Ignoring of organizational interests** : It provides managers with the authority to supervise all activities related to a particular division. In course of time, such a manager may gain power and then he may ignore organizational interests.

6.

Basis	Formal Organisation	Informal Organisation
1. Meaning and Inter-relationship	It refers to the structure of well-defined authority and responsibility relationships created by the management.	It refers to the network of social relationships which develop automatically when people work together.
2. Formation/ Origin	Deliberately planned and created by management. It arises as a result of company rules and policies.	Emerges spontaneously as a result of social interaction among employees.
3. Purpose	To achieve planned organizational goals.	To satisfy social and cultural needs and fulfill common interests.
4. Behaviour of Members	It is directed by rules.	There is no set behaviour pattern.
5. Structure	Has a well-defined structure of tasks and relationships.	Does not have a clear-cut structure but forms a complex network of relations.
6. Flow of Communication	Communication takes place through the 'scalar chain'.	Flow of communication is not through a planned route. It can take place in any direction.
7. Leadership	Managers are leaders	Leaders may or may not be managers. They are

		chosen by group members.
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7. Functional structure is most suitable when
 - (i) the size of the organisation is large.
 - (ii) it has diversified activities.
 - (iii) operations require a high degree of specialisation.
8. Organising helps in specialization through division of work, departmentalization, assignment of duties & establishing reporting relationships.
9. Formal org. refers to the org. structure which is designed by the mgt. to achieve organizational goals.
10. Refer Ans. 10 (S.A.)
11. In division of work, the work is divided into small tasks. Same way in delegation, the manager divides some of his work & authority among his subordinates. No manager can perform all the functions himself. To get the work done efficiently and in a specialized manner, the manager divides the work among his subordinates according to their qualification & capability.
- 12.

Basis	Delegation of Authority	Decentralisation of Authority
1. Nature/ Essentiality/Need	Delegation of authority is a compulsory act because no individual can perform all tasks alone. <i>An organisation cannot be functional without delegation of authority.</i>	Decentralisation need not necessarily be an essential feature of managing and organizing. <i>It is an optional policy decision.</i> It is a matter of choice and preference of the top management
2. Scope/Parties Involved	Delegation of authority is confined to a manager and his immediate subordinates. Thus, it has <i>narrow scope</i> .	Decentralisation of authority involves systematic delegation of authority at all levels and in all functions of the organisation. It is an extension of delegation to the lowest levels in the organisation. <i>Thus, decentralization is wider in scope than delegation.</i>
3. Significance/ Purpose	Delegation of authority is required as a routine act of managing. It is a means of getting things done through	Decentralisation is a vital decision intended to <i>increase the role of the subordinates</i> in the

	subordinates. Work is assigned to the subordinates <i>to reduce the burden of managers.</i>	organisation by giving them more autonomy.
4. Freedom of Action	More control by superiors; hence <i>less freedom</i> to take own decisions.	Less control over executives; hence <i>greater freedom of action.</i>
5. Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.

Ans. 13 Authority can be delegated but responsibility cannot. Delegation does not mean abdication. The manager shall still be accountable for the performance of assigned tasks. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates. Thus irrespective of the extent of delegated authority, the manager shall still be accountable to the same extent as before delegation.

Ans. 14 Delegation of authority is necessary in all types of organizations. Reasons can be seen through the importance.

The importance of delegation of authority may be outlined as follows :

1. **Reduced workload of managers** : Delegation of authority permits a manager to share his workload with his subordinates. By passing on the routine work to the subordinates, the manager is able to concentrate on more important aspects of his subordinates and is able to concentrate on policy matters and decision-making. This would increase his effectiveness.
2. **Effective management** : The manager who delegates authority can perform much more than the one who does not. This is because the manager can get some work done by his subordinates and is able to concentrate on policy matters and decision-making. This would increase his effectiveness.
3. **Motivation of employees** : Delegation implies grant of authority to the subordinates along with responsibility for work. A result, subordinates have a sense of recognition. They are motivated to work for higher performance. They do their job to the best of their abilities and skills.
4. **Employee development** : As a result of delegation, employees get more opportunities to utilize their talent. It allows to develop those skills which will improve their career prospects. It makes them better leaders and decision makers. Thus, delegation helps by preparing better future managers.
5. **Facilitates organizational growth** : Delegation helps in the expansion of an organisation by providing a ready work force to take up leading positions in new ventures. Trained and experienced employees are able to play significant roles in the launch of new projects for organizational growth.

6. **Quick decision-making** : The subordinates are granted sufficient authority to take decisions. They need not go to their superiors again and again for taking decisions concerning the routine matters. This increases the speed of decision-making.

Long Answer Type Questions

Ans. 1. Refer Ans. 6 (S.A.)

Ans. 2. Refer Ans 12 (S A)

Ans. 3. Meaning of functional structure (Refer Ans 2 (SA)

Advantages/Merits

1. **Specialisation** : A functional structure leads to occupational specialization since emphasis is placed on specific functions. this promotes efficiency in utilization of manpower as employee perform similar tasks within a department and are able to improve performance.
2. **Efficiency** : It helps in increasing managerial and operational efficiency and this results in increased profit.
3. **Minimises costs** : It leads to minimum duplication of effort which results in economies of scale and thus lowers cost.
4. **Better control and coordination** : It promotes control and coordination within a department because of similarity in the tasks being performed.
 - i. **Proper attention** : It ensures that different functions get due attention.
5. **Ease in training employees** : It makes training of employees easier as the focus is only on a limited range of skills.

Disadvantages/Demerits

1. **Functional empires** : A functional structure places less emphasis on overall organizational objectives than the departmental objectives. Such practices may lead to functional empires wherein the importance of a particular function (or department) may be over-emphasised.
2. **Problems in coordination** : Pursuing departmental interests at the cost of organizational interests can also hinder the interaction between two or more departments. It may lead to problems in coordination among different departments.
3. **Conflict of interests** : A conflict of interests may arise among departments when the interests of two or more departments are not compatible.
4. **Inflexibility** : It may lead to inflexibility as people with same skills and knowledge base may develop a narrow perspective and thus have difficulty in appreciating any other point of view.

Ans. 4. Refer Ans. 3 (SA)

Ans. 5. Refer Ans 10 (V.S.A.)

CHAPTER–V

STAFFING (1 Mark)

1. Which functions of management helps in obtaining right people and putting them on the right jobs.
Ans. Staffing.
2. Name the process concerned with searching for prospective candidates for vacant job position.
Ans. Recruitment
3. What is job description ?
Ans. It is the document describing task, responsibilities and relation of one job with other job.
4. What is job specification ?
Ans. It refers to the process of streamlining the attributes of a person required to do a job.
5. Out of training and development, which one is a wider concept ?
Ans. Development is a Wider Concept.
6. What is pre-requisite to selection ?
Ans. The pre-requisite to selection is recruitment.
7. What is case study method of imparting training ?
Ans. Under this method, a real or hypothetical problem is provided to the trainees.
8. If right kind of employees are not available it will lend to :—
Ans. Wastage of material, time, effort and energy, resulting in lower productivity and poor quality of product.
9. Any two duties of Human resource management.
Ans. (i) Recruitment i.e., search for qualified people
(ii) Training & Development of employees.
10. Who was looked down by both the workers and the owners.
Ans. Labour welfare officer.
11. What is an inherent part of human resource management ?
Ans. Staffing.
12. What is both a line as-well as a staff activity ?
Ans. Staffing.
13. What is recruitment ?
Ans. It is the process concerned with finding out prospective candidate for vacant Job.
14. What are the internal sources of Recruitment ?
Ans. (i) Transfer (ii) Promotion (iii) Lay-off.

15. Why recruitment is regarded as a Positive Process and selection is a negative process.

Ans. Recruitment is Positive Process because it is concerned with attracting qualified and competent individuals to apply for a job while selection is choosing the best among them and rejecting the unsuitable candidates.

16. If you wish to plan for a lifetime what is required ?

Ans. Develop people.

17. Why the importance of employee training has increased.

Ans. When jobs have become more complex.

Answers

Ans. 1 **Meaning** : It is the process of management which is concerned with obtaining and maintaining a satisfactory and satisfied work force

Importance of Staffing

1. **Obtaining competent personnel** : Proper staffing helps in discovering and obtaining competent personnel for various jobs.
2. **Higher performance** ; Proper staffing ensures higher performance by putting right person on the right job.
3. **Continuous survival and growth** : Proper staffing ensures continuous survival and growth of the enterprise, research & development, innovation.
4. **Optimum utilization of human resources** : Proper staffing helps to ensure optimum utilization of human resources. By avoiding over manning, it prevents underutilization of personnel and high labour costs. At the same time, it avoids disruption of work by indicating in advance the shortages of personnel.
5. **Improve job satisfaction** : Proper staffing improves job satisfaction and morale of employee through objective assessment and fair rewarding of their contribution.
6. **Helps in achieving organisational goals** : The efficiency and effectiveness of an organisation in achieving its goals is determined to a great extent on the competence, motivation and general effectiveness of its human resources.

Human resources are the foundation of any business. The right people can help a business to take it to the top where the wrong people can break the business. With efficient and competent personnel, the firm can maintain quality products and sell them profitably.

Conclusion : Staffing function must be performed efficiently by all organizations. If right kind of employee are not available, it will lead to wastages of materials, time, efforts and energy, resulting in lower productivity.

It is, therefore, essential that right kind of people must be available in right number at the right time.

Ans. 2 No. I do not agree with this statement. it is necessary due to the following reasons.

1. **Filling the roles** : It involves application of knowledge and approaches which helps in filling the position or roles in an organisation.
2. **Human emphasis** : Staffing lays greater emphasis on human elements like attitude, Loyalty, sincerity etc of the workers according to them assign a role.
3. **Availability of knowledge** : Our the period of time there is research and development on staffing due to this it increasing the efficiency and improving productivity of the worker.
4. **Speacialisation** : It is handle with specialised body of knowledge who are competent enough to assign eight job to the eight man.

Ans. 3 Work force of any organisation is not a commodity rather then it is one of the most important resources for an organisation. The success on an organisation is depend upon the performance of workers HRM is the process which develops and manages the human elements of an enterprise. It emphasizes the human aspect of individual workers and their aspiration and needs.

Thus staffing is considered to be a part of human resource management, which is much wider in its approach.

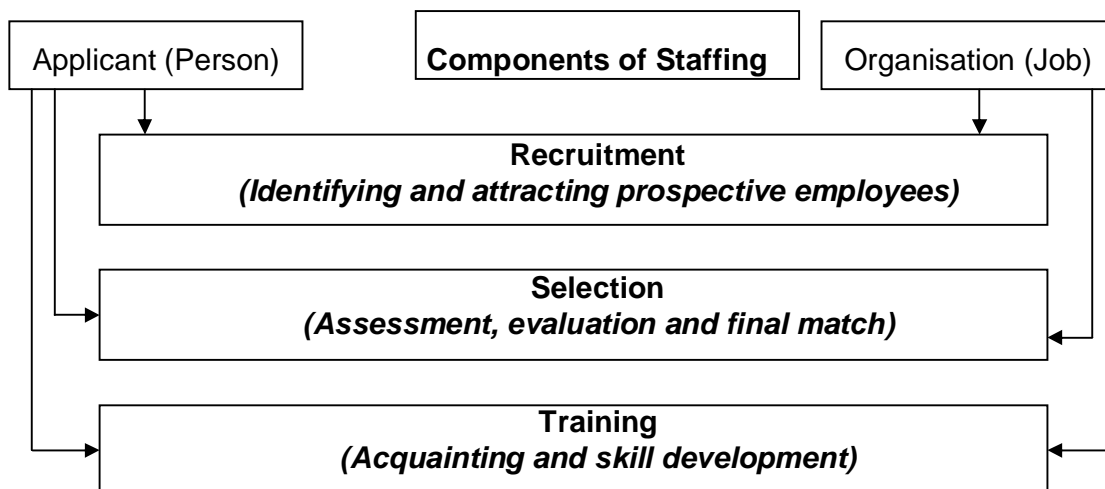
Ans. 4 Following are the aspects or components of staffing. Modern concept of staffing comprises three important components :

Recruitment : Recruitment is a positive process which aims at attracting a number of candidates to apply for the given job.

The higher the number of people who apply for a job, the higher will be the possibility of getting a suitable employee.

Selection : Selection, on the other hand, is a negative process. It aims at selecting the most suitable person out of the candidates who have applied for the job.

Training : Training is concerned with up gradation of the knowledge and skills of the employees so that their ability to perform can be enhanced.



Ans. 5

Basis	Internal Source	External Source
1. Nature of process	It is a quick process	It is lengthy process
2. Economy	This process is cheaper	This process is costly
3. Effect on staff	The existing staff is motivated	The existing staff dissatisfied
4. Quality of recruitment	Choice of candidate is limited. Less fresh talent.	More talented fresh candidate available.
5. Time involved	It is less time consuming process	It is more time consuming process.

Ans. 6 Difference between recruitment and selection.

Basis	Recruitment	Selection
1. Meaning	It is the process of searching candidates for vacant jobs and persuading them to apply for the same.	It is the process of selection of right types of candidates and offering them jobs.
2. Process	It is a positive thinking process.	It is negative thinking process.
3. Purpose	It's aims to attract more and more candidates for the vacant jobs.	It aims to reject unsuitable candidate.
4. Sequence	It take place prior to selection.	It is alone after the recruitment
5. Number	No restriction on the number of candidates	Only a limited number of candidates are selected.

Ans. 7 Training is necessary is an organisation due to following :—

- 1. Reduced learning Time** : A trained employee takes less time in learning the job as compared to untrained employee. Training is systematic learning always better than hit and trial methods which lead to wastage of efforts and money.
- 2. Better performance** : The performance of trained employees is always better than the performance of untrained employees as in the training programmes their qualities and capabilities are improved.

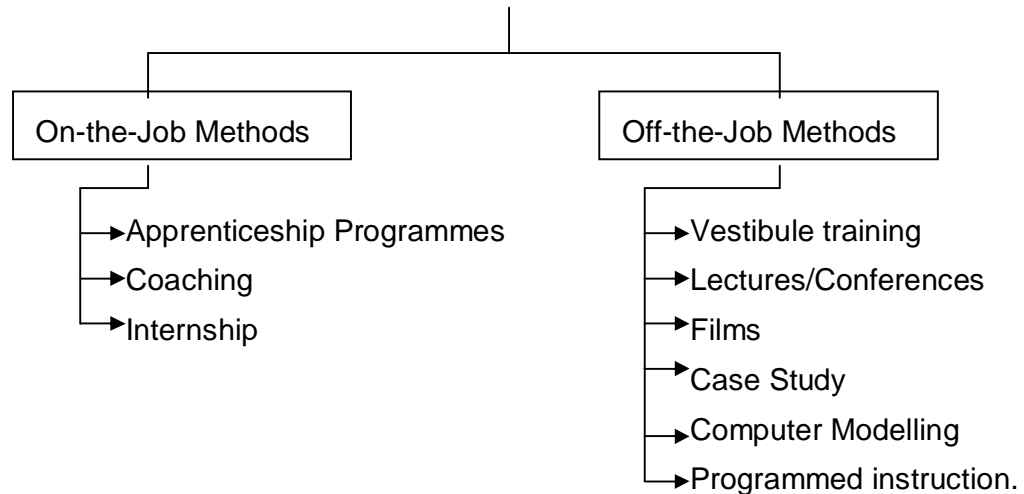
3. **Attitude formation** : The training and development aim at moulding the employees so that they develop positive attitude for the organisation.
4. **Improvement in quality and quantity of output** : Training helps to improve the quantity and quality of output.
5. **Better career** : Improved skills and knowledge due to training leads to better career to the individual.
6. **More learning** : Increased performance by the individual help him to earn more.
7. **Increase morale of Employees** : Training increase the satisfaction and morale of employees.

- Ans. 8
1. **Fresh Talent** : The entry of fresh talent into the organisation.
 2. **Wider choice** : The external sources provide a wider choice of personnel to choose from.
 3. **Qualified personnel** : Required qualifications are available for the external sources.
 4. **Competitive Spirit** : Competitive spirits is available by external source.

- Ans. 9
- Merits
1. **Qualified personnel** : More candidate available due to external source of recruitment so the qualified personal available
 2. **Fresh Talent** : Fresh Talent available by external source of recruitment.
 3. **Wide choice** ; Wider range of choice of candidates.
- Limitation
- Dissatisfaction among existing Employees.
- Costly process** : It is costly process. Expenses an advertising, conducting test.
- Lengthy Process** : It is very long process.

- Ans. 10
- There are various methods of training. These are broadly categorized into two groups on-the-job and Off-the-job methods.
- On-the-job method : refer to the methods that are applied to the work place, while the employee is actually working. "It means learning while doing."
- Off-the-job methods are used away from the work place. "it means learning before doing."

Training Methods



1. Apprenticeship programme training : The workers seeking to enter skilled job (e.g., plumbers, electricians or iron workers, etc.) are sent for apprenticeship training programme which is an on-the-job method of training.

In the Apprenticeship Programme, a master worker or a trainer is appointed who guides the worker or learner regarding the skill of job. The master worker performs the job and the trainee (learner) observes him performing. When the learner learns all the skills, then slowly he starts taking up the job step by step and master worker becomes the observer.

When the trainee becomes perfect in doing the job, the master worker goes and the trainee gets full charge of job, the master worker goes and the trainee gets full charge of job position.

- Generally, the time period, for apprenticeship programmed may vary from 2 to 5 years.
- During the apprenticeship period, the trainee is paid less than a fully qualified worker.

2. **Coaching** : In this method, the superior guides and instructs the trainee as a coach.

- Role of the coach or counselor :
- To set mutually agreed upon goals.
- To suggest how to achieve these goals.
- To review periodically trainees, progress.
- To suggest changes required in behaviour and performance.

3. **Internship** : This refers to a joint programme of training in which technical institutes and corporate enterprises cooperate to enable the students to gain a good balance between theory and practice. Selected Candidates carry on regular studies for the prescribed period. They also work in some factory or office to acquire practical knowledge.

- Internship is virtually a practical training of the theoretical knowledge.
- Sometimes it is a part of the course of study of the student (e.g., CA)

- It is not a service contract. No salary is given during the period. Normally, very small amount called '**stipend**' is given to the students.
 - Under this training programme, the companies get people with fresh ideas and latest knowledge and they have to pay very small amount of salary (called 'stipend'). on the other hand, the students get a chance to practice under the real work situation.
4. **Vestibule training** : Generally, when the sophisticated, modern and delicate machineries are involved, the employers avoid using on-the-job methods of training. A dummy model of machinery is prepared and instead of using original machinery, employees are trained on the dummy model. *Training is conducted away from the actual work floor.*
 5. **Class room lectures/conferences** : The lecture or conference approach is well adapted to convey specific information—rules, procedures or methods.
The use of audio-visuals or demonstrations can often make a formal classroom presentation more interesting for clarifying more difficult points.
 6. **Films** : They can provide information and explicitly demonstrate skills that are not easily represented by the other techniques.
Used in conjunction with conference discussions, it is a very effective method in certain cases.
 7. **Case study** : Taken from actual experiences of organizations, case studies represent attempt to describe, as accurately as possible, real problems that managers have faced.
Trainees study the cases to determine problems, analyse causes, develop alternative solutions, select what they believe to be the best solution and implement it.
 8. **Computer Modeling** : It simulates the work environment by programming a computer to imitate some of the realities of the job which allows learning to take place without the risk or high costs that would be incurred if a mistake was made in the real life situation.
 9. **Programmed instruction** : This method incorporates a pre-arranged and proposed acquisition of some specific skill or general knowledge. Information is broken into meaningful units and these units are arranged in a proper way to form a logical and sequential learning package.

Ans. 11 **Difference Between Training and Development**

Basis	Training	Development
1. Meaning	Training is a process of increasing the knowledge and skills.	Development is a process of learning and growth.
2. Scope	It is <i>narrower</i> in scope.	It is a <i>wider</i> term and includes training also.
3. Purpose	Training is concerned with maintaining and	Executive development seeks to develop

	improving current job performance. Thus, it has a short-term perspective.	competence and skills for future performance. Thus, it has a long-term perspective.
4. Use/Depth of knowledge	It is to enable the employee to do the job better.	It is to enable the overall growth of the employee.
5. Orientation/ Focus	Training is a <i>job-oriented</i> process. It seeks to make the workers proficient in their existing jobs.	Development is a <i>career-oriented</i> process. It seeks to prepare the employees for handling higher level jobs (i.e., more responsible and challenging jobs) in future.
6. Methods used	Job rotation, vestibule training, internship, etc.	Lectures, conferences, etc.
7. Initiative in learning	The employer takes initiative for imparting training to his subordinates.	The employee takes the initiative himself for his growth and development.
8. Duration	Fixed and certain.	Not defined. It is a never ending process.
9. Level of trainees involved	It is useful in the case of first level managers or non-managerial personnel, <i>i.e., operative employees.</i>	It is useful in the case of managerial personnel, <i>i.e.,</i> the middle and top level managers.
10. Work or person centered	It is work centered.	It is person centered.

Ans. 12 Benefits of Training to the organisation :

1. Increase efficiency of an employee
2. Reduce absenteeism and Employee Turnover
3. Minimises Need for supervision
4. Attitude formation.

Benefits to employees :

1. Increased Earning
2. More efficiency
3. Better careers Advancement opportunity

4. Essential for new employees

(Explain in brief)

Ans. 13 Duties of Human Resource Manager

1. Recruitment
2. Job Description and Analysis
3. Training & Development.
4. Grievances & conflict Handling
5. Interaction with Trade Unions.

(Explain in brief)

Ans. 1 Steps in Staffing Process

'Staffing' is the function of management which concentrates on employing and retaining the right person at the right place.

Steps in Staffing Process

1. **Prior to staffing** : Before the actual function of staffing starts a minimum preparation is required. A definite ideas should be made of the person. Who will be responsible for the staffing function.
2. **Staffing plan** : Before the actual work of recruiting and selecting employees takes place, a staffing plan should be prepared by the organisation.

Human resource planning (HRP) is the process by which managers ensure that they have the right number & kind of people in the right places and at the right times who are capable of effectively and efficiently performing the assigned tasks.

The two most important tasks of human resource planning, therefore, are :

assessing current human resources; and

assessing future human resource needs and developing a programme to meet those future needs.

3. **Appropriate qualifications** : Staffing involves matching the requirements of the job with the qualifications of the persons to be recruited.
4. **Developing assessment tests** : On the basis of the qualifications, assessment tests are developed to measure whether these qualifications are actually possessed by the candidates.
5. **Locating potential applicants** : The next step involves determining the sources of potential candidates, both internal as well as external sources.
6. **Advertising the job** : Internal sources of finding potential candidates can be send to a limited extent. For fresh talent and wider choice, external sources of recruitment are greatly relied upon, for which advertising is a necessary next step.

7. **Selection test/Interview** : The next step in the staffing process is to screen the candidates through different methods such as selection test, interview etc.
The objective of the selection process is to find the most suitable person for the job.
8. **Deciding and notifying applicants** : A final list of provisionally selected candidates is prepared for further verification.
9. **Character verification and reference check** : Character verification, reference check, etc., are also necessary for collecting important information about them before making a decision regarding their final selection.
10. **Final selection and placement** : The next step is making a final selection decision and communicating with the candidates. The selected candidates are then placed in the job.
Placement is the process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual and implies matching the requirements of a job with the qualifications of a candidate.
11. **Orientation/Induction** : Orientation is a planned introduction of employees to their jobs, their co-workers and the organisation. And initial training programme is provided to all the selected persons so as to induct them to the job. It is important to make the new persons comfortable to carry out the assigned jobs smoothly.
12. **Training** : There is a continuous need for up gradation of the skills and knowledge of the employees to improve their performance.

Five Steps to successful Staffing

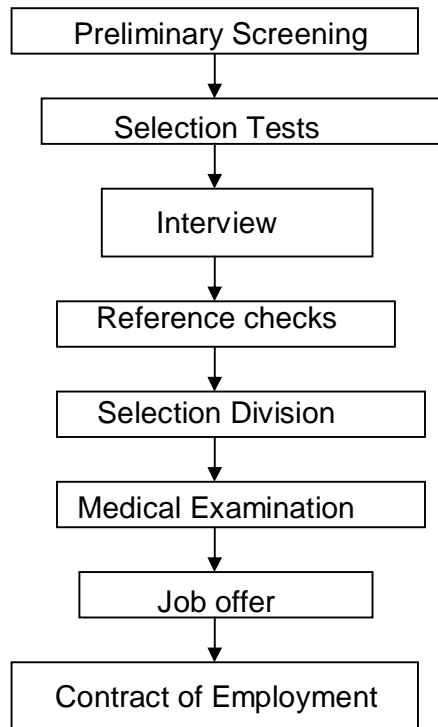
1. Define the position before hiring the person.
2. Recruit/Select the right person
3. Clearly communicate the employment expectations and conditions
4. A list of basic personnel policies
5. Conduct a regular performance appraisal
6. Provide for present and future training needs.

Ans. 2 Recruitment mean to create a pool of eligible candidates for placement in organisation. There are basis two sources recruitment -

1. **Internal sources** : These sources are with in the organisation Eg. Promotion-to positions of higher responsibility, lay off, transfer.
2. **External sources** : Here the employees from outside the orgaisation are recruited.
 - i) Campus placement- usually from universities
 - ii) Employment Exchange –maintain a list of suitable candidates requested with them.
 - iii) Casual callers
 - iv) Advertisement : though ads it in newspaper television etc.
 - v) Web Publishing – Soliciting application on web sites and job postals.

Ans. 3 Procedure for selection of employees :—

1.



1. **Preliminary Screening** : Scanning however suitable applicants.
2. **Selection Test** : Which is based on needs of job.
3. **Interview** : Which involves face to face interaction between employees and prospective employees.
4. **Reference check** : To check credentials employee.
5. **Selection Decision** : To select the most suitable candidate.
6. Medical fitness of employee examined.
7. Job offer to be given to selected employee
8. Contracted of Employment : Give to selected candidates.

Ans. 4 Meaning :— See Ans Q.1 S.A.

Needs of staffing

- I key to other management function : Staffing function and only affecting function and planning. but also directing and controlling.
 - Building a sound human organizations
 - Human resources as assets.
 - Effective use of other resources.
 - Increase in Production.
- Optimum utilization of human resources is ensured through proper staffing.

CHAPTER VI – DIRECTING HOTS QUESTIONS

- Q1. Give examples as to how directing takes place at each level of organization?
(1)
- Q2. A co. wants to replace manual production technique with mechanized techniques. labour unions are resisting this change. Which function of management will help in introducing this change and how? (1)
- Q3. An element of the directing function seeks to provide inducement to employees to act in a particular manner. Name this element. Can this inducement be in a negative manner also if so give examples. (1)
- Q4. In Maslow's need hierarchy identify the needs which can be satisfied with financial incentives and also those which can be satisfied with non financial incentives? (1)
- Q5. Narainmurthy and J R D Tata are leaders of great status and eminence. Why do you think these role was critical in building their organisation's fortunes? (1)
- Q6. Explain the elements in communication process which come in between the receiver and sender?
- Q7. Explain the concept of noise with suitable example?
- Q8. Explain how communication
- (a) Increases managerial efficiency
 - (b) promotes co-operation and industrial peace.
- Q9. What are the classification of vertical communication. Give example?
- Q10. What is grapevine communication. How is both useful and a cause for disturbance in an organization?
- Q11. Ram finds his task as a typist. routine and filled with boredom. His supervisor senses his predicament and wants to motivate him. Suggest ways and means by which he can be motivated?
- Q12. Sometimes emotions or state of mind stand in way of effective communication. Name the type of barriers cited above. Give any two examples of such type of barriers?
- Q13. Sachin, manager in evergreen industries Ltd is not successful as he is unable to communicate effectively. Suggest some measures where by he can improve his effectiveness.
- Q14. A type of communication satisfies social and psychological needs of employees? Name this type of communication. Why is it beneficial to an organisation?
- Q15. Techniques of direction cannot be standardised and be the same for all types of employees. Do you agree. Give reasons?
- Q16. Explain briefly how directing brings about stability in an organisation.

- Q17. To ensure that operations at the shop floor are ably carried out, the services of a good supervisor is required. Do you agree. Give reasons?
- Q18. Why are needs arranged in a Hierarchy? Explain the various types of needs as per Maslow's hierarchy citing individuals and organisation as examples.
- Q19. "What is a perquisites?"
- Q20. Money is the biggest motivates". Do you agree. Give examples of needs which cannot be satisfied with monetary incentives alone?

SUGGESTED ANSWER TO HOTS QUESTIONS

- Ans.1 (i) At lower level supervisor directs subordinates.
(ii) At middle level instructions & guidance given to lower level.
(iii) At top most level of management provides leadership & communicates objective & policies to entire organisation.
- Ans. 2 Directing by instructing guiding & motivating by subordinates.
- Ans. 3 The element is motivation
Negative inducements can be given in the form of transfers, stoppage of increments.
- Ans. 4 Needs which can be satisfied with financial incentives are physiological needs & safety & security needs. Needs satisfied by non financial incentives esteem & self actualization.
- Ans. 5 Leadership critical to an organisation because
(i) Influence of behaviour
(ii) Interpersonal relationship
(iii) Introducing changes
(iv) Conflict handler.
(v) Training to subordinates.
- Ans. 6 Various elements between sender & receiver
(i) Message
(ii) Encoding
(iii) Media
(iv) Decoding
(v) Feed back.
- Ans. 7 Noise-disturbance in process of communication Eg. Faulty decoding.
- Ans. 8 (a) Increases managerial efficiency by proper motivation, guidance & instruction.
(b) Promoter cooperation & industrial peace by resolving conflicts.

- Ans. 9 Vertical communication can be classified into upward & downward communication with suitable exs.
- Ans. 10 Explanation of grapevine
Useful— fast mode of communication
Harmful— as it gives rise to rumours.
- Ans. 11 Job enrichment & training with suitable explanation
- Ans. 12 Psychological barrier with explanation & suitable examples.
- Ans. 13 Measures of effective communication
- (i) Clarification of ideas
 - (ii) As per needs
 - (iii) Using good language
 - (iv) Follow up
- Ans. 14 Informal Communication explanation of benefits to the organisation.
- Ans. 15 Technique of direction-employee specific based on needs & state of mind of an employee.
- Ans. 16 Reduces employee turnover & brings about stability.
- Ans. 17 Importance of role of supervisor.
- Ans. 18 Needs as per Maslow needs are from basic to higher level a satisfied need can no longer motivate a person.
- Ans. 19 Perquisites: are certain additional benefits given to employee in addition to salary example free housing.
- Ans. 20 No, I don't agree. Esteem & self actualisation needs cannot be satisfied with monetary incentives alone.

QUESTION BANK

- | | | |
|------|--|-----|
| Q.1 | Define leadership. | (1) |
| Q.2 | What is incentive? | (1) |
| Q.3 | Give two functions of a supervisor. | (1) |
| Q.4 | Explain laissez faire or free rein leaders | (1) |
| Q.5 | Give the motivational process. | (1) |
| Q.6 | How's delegation a means of directing? | (1) |
| Q.7 | Explain informal leaders. | (1) |
| Q.8 | How are managerial and leadership qualities interrelated. | (1) |
| Q.9 | Define rumour. | (1) |
| Q.10 | Give the communication process. | (1) |
| Q.11 | Distinguish between formal communication & informal communication. | (1) |

- Q.12 Anil and Sunil are working in Astro Ltd as production incharge & sales incharge respectively. One day during lunch time Sunil informed Anil that due to computerization many people are going to be retrenched Name which type of communication is this, state any two limitations of this type of communication. (3)
- Q.13 'Directing is the process around which all performance of an organization revolves.. Do you agree. Give two points in support of your answer. (3)
- Q.14 Establish the importance of motivation in modern organization by giving three suitable reasons. (5)
- Q.15 Define the terms "Monetary and Non Monetary Incentive" Enumerate various Financial and non-financial incentives used to motivate people to improve performance. (3)
- Q.16 Explain the following :- (3)
- Job Enrichment
 - Suggestion system
 - Job security
- Q.17 "Efficiency and productivity" depend upon quality of leadership. Do you agree. Give two reasons to support your answer. (3)
- Q.18 Explain the 'communication network' and how it works? (3)
- Q.19 Name the type of written communication in which two departmental heads communicate with each other. Why is this type of communication required?(3)
- Q.20 Write a note on downward communication and upward communication. (3)
- Q.21 Differentiate between formal & informal communication on the basis of :- (5)
- Channel
 - Nature
 - Speed
 - Need
 - Records.
- Q.22 Workers of a factory often seek guidance of production Manager the production manager finds himself over burdened. Advise the way to relieve the production manager. (5)
- Q.23 How can an organisation overcome the barrier to effective communication? (5)
- Q.24 Give examples individual needs and organizational needs in relation to Maslow's need hierarchy. (5)
- Q.25 Explain briefly responsibilities of a supervisor towards workers. (5)

SUGGESTED ANSWER TO QUESTION BANK

- Ans. 1 Leadership may be defined as the process of influencing other people to work willingly for group objectives.
- Ans.2 An incentive is something which induces an individual to respond in a desired manner.
- Ans.3 1) Planning the work 2) Issuing order
- Ans.4 They are the leaders who give responsibility of setting goals and means to achieve then to the group members.

- Ans. Motivational process is :-
 i) Encouraging the needs. ii) Search for action iii) Fulfillment of need
 iv) Discovery of new need.
- Ans.6 Delegation is a useful technique of directing. It is a means of sharing authority with a subordinate and providing him an opportunity to learn. (1 mark)
- Ans. 7 Informal leaders are those who don't have formal authority over three followers. (1 mark)
- Ans.8 Both manager and the leaders have the following common qualities :-
 → Physical activities
 → Intelligence
 → Motivation drive
 → Fore sightedness (1 mark)
- Ans.9 Rumour is an untrue part of the grapevine. It consists of information which is transmitted through the grapevine without adequate evidence.
- Ans. 10 Communicator — Message — Encoding — Communication Channel — Receiver — Decoding — Feed back.
- Ans. 11

Formal Communication	Informal communication
1. Based on formal organizational relationship	1. Not based on formal organisation relationship.
2. The channels of communication are pre planned	2. The channels of communication are not pre planned.
3. It is rigid	3. It is flexible.

- Ans. 12. It is an example of informal communication.
 Limitations of Informal communication.
 Message tend to be distorted.
 It often carries rumours & distorted facts.
 (1 Mark for naming, 2 Marks for correct limitation.)
- Ans. 13. Yes, Directing refers to unstraying guiding & motivating subordinates in an organisation for achievement of organizational goals four elements of directing are
 (i) Supervision
 (ii) Communication
 (iii) Motivation &
 (iv) Leadership.
 (1 Mark for agreeing
 ½ x 4 mark for each correct element)

Ans. 14. Importance of motivation :—

- (i) Motivation sets in motion the action of people.
- (ii) Motivation improves the efficiency of work performance
- (iii) Motivation ensures achievement of organizational goals.

($\frac{1}{2} \times 3 = 4\frac{1}{2}$ for naming)

$\frac{1}{2} \times$ correct explanation)

Ans. 15. **Financial Incentives** — Incentives which are directly or indirectly associated with monetary benefits.

Non Financial Incentives — Incentives which are not measurable in terms of money.

Examples for financial Incentives — Pay, allowances productivity linked wage incentives, Bonus, Retirement benefits, Copartnership.

Eq Non Financial Incentives — Status, organizational climate, career advancement opportunity, job security etc.

(1×2 Mark each for definition)

$\frac{1}{2} \times 2$ Marks for correct eg.)

Ans. 16. One mark each for correct explanation.

- (a) **Job Enrichment** — is a method of motivating employee by making the task to be performed by him more interesting and challenging. The job in itself serves as a source of motivation to the employee and brings out the best in him.
- (b) **Suggestion System** — Is a system where suggestions regarding the work procedure, environment are solicited from employees. This increase their participation & importance in the working of the enterprise and hence motivates them.
- (c) **Job Security** refers to making the employee feel safe in his job positions. He is not threatened by transfers or removal from service and hence performs to the best of his abilities.

Ans. 17. Yes,

Importance of leadership

- (i) Leadership helps in guiding and inspiring employees to perform well
- (ii) By his exemplary character and conduct, a leader in stills confidence in subordinates.

(1 Mark for agreeing)

1 Mark each for right importance)

Ans. 18. **Communication network** : Refers to the pattern through which members of work groups communicate. Different forms of communication networks are —

- (i) Chain
- (ii) Wheel

- (iii) Circular
- (iv) Free flow
- (v) Inverted V

(One mark for definition'

Half mark each for correct form)

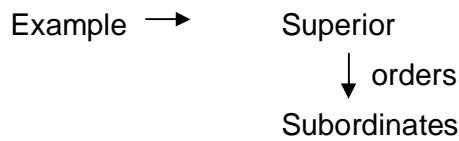
Ans. 19. **In Horizontal Communication** two departmental heads communicate with each other.

Flow of communicate between persons holding position at the same level of the organisation is known as horizontal communication.

(One mark for naming

two marks for correct explaining)

Ans. 20 **Downward Communication** : In this flow of communication is from the higher to the lower level.



Upward communication — It flows from a subordinate to his superior in the hierarchy. It can be regarded as a process of systematically encouraging employees to share their ideas. with management.



Ans. 21

	Formal Communication	Informal Communication
1. Channel	1. It follows formal or established line of command.	1. It is a based on informal relationship and arises as a result of personal social or group relations between people.
2. Nature	2. Rigid	2. Flexible
3. Speed	3. The speed of communication is usually slow	3. It transmits information swiftly.
4. Need	4. It serves organizational needs.	4. It serves organizational as well as individual needs to socialize with others.

5. Records	5. Its record is kept for future reference.	5. No record can be kept.
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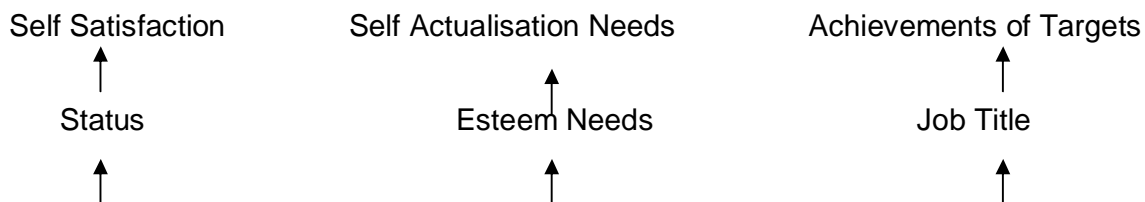
Ans. 22 The possible reason may be inability of The production manager to properly supervise the workers. To overcome the problem, the production manager should take the following measures.

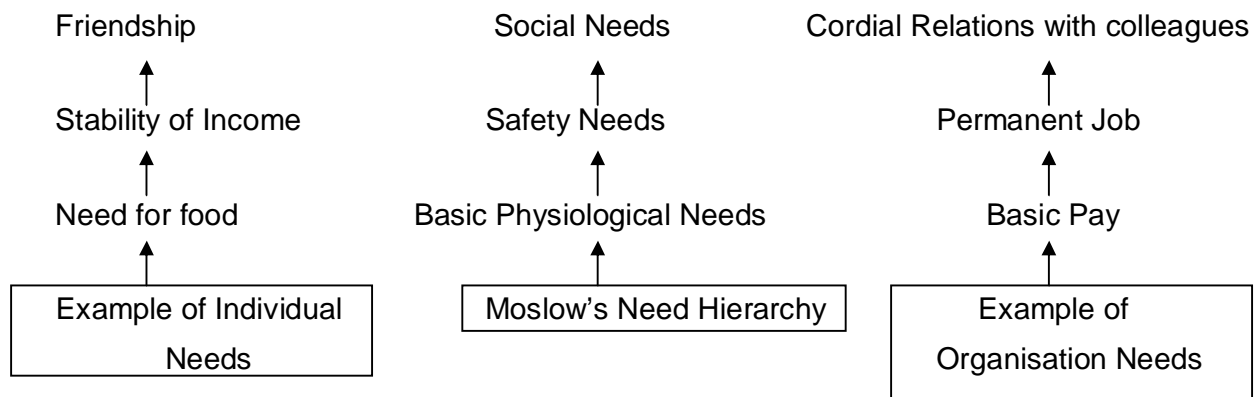
- (i) Arrange necessary training programmes for workers to increase their working efficiency. It also helps in building confidence among the workers.
- (ii) Determine the work schedule and lay down the time, procedure and method of its.
- (iii) Make necessary arrangements for the supply of materials machines and tools for the workers.
- (iv) Ensure that the tasks assigned to the workers and the targets laid down go together.
- (v) Recommend the cases of the workers for promotion, rewards, transfer, punishment etc.

Ans. 23. The barriers to an effective communication can be reduced by sing the following measures :—

- (i) **Clarify the Idea** : Clarify in the thoughts of the sender is must for effective 'communication'.
- (ii) **Use of proper people language** : Sender should try to make the message meaningful and understandable by using appropriate words.
- (iii) **Message should be precise** : Lengthy and unwarranted elaboration makes message less meaningful this should be avoided.
- (iv) **Ensure proper feedback** : The sender of the message should take the feedback from the receiver. Feedback of the conveyed message is an essential tool to the check that the message is duly understood.
- (v) **Effective use of organisation Facilities** : Effective use of organizational facilities like suggestion box complaint box secret box helps in making the communication effective.

Ans. 24 The following diagram shows the example of individual needs and organizational needs in relation to Maslow's need hierarchy





Ans. 25

Supervision means overseeing the subordinates at work. Supervision performs the following important functions which help the organisation to achieve objectives function of the supervisor :

- (i) **Planning the work** : The supervisor has to determine work schedule for even and steady flow of work.
- (ii) **Issuing orders** : The supervisor issues orders and instructions to the workers for achieving coordination.
- (iii) **Providing guidance and leadership** : The supervisors leads the workers of his department. He fixes production targets for them & provides them the necessary guidance for doming the work assigned to them.
- (iv) **Motivation** : The supervisor motivates his subordinates by providing financial and non financial incentives. He inspires them for higher quality & productivity.
- (v) **Controlling output** — The supervisor controls the performance of the workers by comparing their performance with the standards. He also takes necessary action to ensure that production is done according to the predetermined standards.

Chapter – VII Controlling Hots Questions

1. What is feedback in controlling ?
2. What is the significance of standard ?
3. What is deviation in controlling ?
4. Which two steps in the process of control are concerned with compelling events to conform to plan ?
5. What is compared with that in controlling ?
6. What is the last step in the process of controlling ?
7. What is meant by budgetary control ?
8. Name the two techniques of analysing deviations ?
9. How does controlling help in achieving organizational goals ?
10. How does controlling help in efficient utilisation of resources ?
11. How does controlling helps in ensuring order and discipline ?
12. Why is controlling called a backward looking function ?
13. What is critical point control ?
14. What do you mean by 'key result area (KRA's) in the context of controlling ?
15. Only increase in labour cost beyond 2% should be brought to the notice of the management. Which principle of control have been highlighted by this statement ?

3 Mark

- Q1. "Controlling is blind without Planning' Comment.
- Q2. "Controlling is the last function of management". Comment.
- Q3. 'If you try to control everything, you may end up controlling nothing". Explain.
- Q4. "Planning is looking ahead and controlling is looking back". Comment.
- Q5. What is 'critical point control' ?
- Q6. What is control by Exception.

4 Mark

- Q1. "Controlling doesn't require any process". Comment.
- Q2. "An ideal control technique is one that check every bit of performance" comment.

5-6 Mark

- Q1. Explain 'Budgetary control' as a technique of managerial controlling.
- Q2. Y Ltd. Produces safety pins on a mass scale. The co.'s policy is that at the most 2% of the daily production could be defective over a three months period it has been observed that 8-10% of the production is defective.

Identify the managerial function required to correct the above situation. Briefly explain the procedure to be followed for the purpose.

1 Marks

- Ans 1. Report of happening.
- Ans 2. Helpful in analyzing deviation.
- Ans 3. Differences between actual performance and standard performance.
- Ans 4. Analysing deviations and taking corrective actions.
- Ans 5. Actual performance is compared with standard.
- Ans 6. Taking corrective action.
- Ans 7. Budgetary control is a technique of managerial control in which all operations are planned in advance in the forms of budgets and actual results are compared with budgetary standards.
- Ans 8. Critical point control and management by exception.
- Ans 9. Controlling helps in achieving organizational goals by correcting unfavorable deviations between actual performance and standard performance.
- Ans 10. By exercising control, a manager seeks to reduce wastage and spoilage of resources. This helps in effective and efficient utilisation of resources.
- Ans 11. Dishonest behaviour on the part of the employees is minimized by keeping a close check on their activities.
- Ans 12. Controlling finds out the deviations from the standards in that sense controlling is a backward looking function.
- Ans 13. Key areas that are critical for the success of an organization should be the focus of control.
- Ans 14. KRAs are the critical points which are critical to the success of an organisation.
- Ans 15. Control by Exception.

3 Marks

- Ans 1. “Controlling is blind without Planning”-
- Under the system of control actual performance is compared with budgeted standards to judge the effectiveness of performance. These standards are provided by planning. In the absence of standards there will be no justification left for control. Therefore it is correct to say that controlling is blind without planning.
- Ans 2. “Controlling is the last function of management” Comment controlling should not be mis-understood as the last function of management. The controlling functions measures actual performance against standards, finds out the deviations analyses the causes of such deviations and takes corrective actions. This process helps in formulation of future plans in the light of the past problems. Thus controlling only completes one cycle of management process and improves in the next cycle.
- Ans 3. According to the principle of ‘control by Exception’ if you try to control everything, you may end up controlling nothing.
- Minor deviations from standards are insignificant for success. They can be ignored.

Therefore only significant deviations, which go beyond the permissible limits, should be reported to the management so that management may take corrective action to deal with the situations.

Ans 4. It is often said that — planning is looking ahead while controlling is looking back” However, this statement is only partially correct —

Planning is deciding in the present what to do in the future, thus it is looking ahead and it is toward looking function.

Controlling is like a past-mortem of the past activities to find out the deviations from the planned standard. Thus is a backward looking function.

However future planning is guided by the past experience and corrective action initiated by controlling functions.

Thus planning and controlling are both backward looking as well as forward looking function.

Ans 5. A since it is neither easy nor economical to check each and every activity in an organisation, the control should focus on key result areas (KRAs). These KRAs are very essential activities for the success of organisation and act as critical point. If anything goes wrong to these critical point, the entire organisation suffers.

For Example— Increase in material cost by 10% is more harmful than 20% increase in stationery expenses. So management should focus the controlling these KRA or critical point.

This concept of also known as Management by exception.

Ans 6. Same as above in Ans. 5.

4 Mark

Ans 1. The given statement – “Control does not require any process” is not correct. Process of management control involves the following steps.

Setting performance Standard : Standards are required to judge whether the actual performance is proceeding in the right way. Standards must be in numerical or measurable terms.

Measurement of Actual performance : Actual performance is evaluated and expressed in terms of planned standards.

Comparing Actual performance with standards : Actual performance is compared with the planned performance and deviations if any found out.

Analysing the deviations : In order to know the causes of deviations, and in order to take corrective actions, deviations are analysed.

Taking corrective Actions : If the deviations exceed the acceptable limits they should be immediately brought to the notice of management for taking corrective measures.

Thus it is clear that controlling requires systematic process.

Ans. 2 The given statement-"A ideal technique is one that checks every bit of performance” is wrong. An ideal control technique should focus on ‘key result areas (KRAs)—

It is neither economical nor easy to keep a check on each and every activity in an organisation. There may be several activities to be controlled. In practice it is not

possible for management to control each and every activity due to limited time & resources.

Therefore controlling should focus on KRAs which are critical to the success of an organization. The KRAs are set as the critical point. If anything goes wrong at the critical point, the entire organization suffers. So controlling should focus on these very important activities or KRAs.

5-6 Mark

Ans 1. Budgetary control is a technique of managerial control under which different operations of an organisation are planned in advance in the form of budgets viz sales budget, cash budget, material budget, production budget etc. These budgets act as standards for comparing with the actual performance and taking necessary corrective action if need be, for attaining organizational goals

Advantages of budgetary control :—

- (i) Helps in attaining targets — It helps in attaining organisational objectives by focusing on specific and time bound targets.
- (ii) Optimum utilization of resources — It ensures the optimum utilisation of resources by allocating them among different departments according to their requirement.
- (iii) Helps in coordination — It helps in achieving co-ordination among different departments.
- (iv) Facilitates the management by exception — By stressing on the operations which deviate from the budgeted standards it helps the management to control by exceptions. However, the effectiveness of budgeting depends on how accurately estimates have been made about future.

Ans 2. Here the actual deviations are more than planned acceptable deviations, so the management need to take corrective action to rectify the problems. The function of comparing actual performance with planned performance and taking corrective action is called ‘controlling’—

The steps involved in the process of controlling are —

- (i) Setting Performance Standard.
- (ii) Measurement of Actual Performance.
- (iii) Comparing Actual Performance with Standards.
- (iv) Analysing Deviations.
- (v) Taking Corrective Action and re setting the performance standard.

[Explain the steps of controlling in brief.]

Q 3. Y Ltd. Produces safety pins on a mass scale. The company’s policy is that at the most 2% of the daily production could be defective. Over a three months period, it has been observed that 8-10% of the production is defective.

Identify the management function required to correct the above situation.

Briefly state the procedure to be followed for the purpose.

Ans. 3 The management function required to correct the above situation is known as ‘controlling’.

Procedure to be followed for improving the quality of production :

- Find out the causes of deviations.
- Take appropriate corrective actions.

Causes of deviation	Corrective action to be taken
1. Poor motivation of workers	1. Introduce incentives for less rate of defective.
2. Lack of effective supervision	2. Supervisors should ensure regular & close supervision.
3. Frequent breakdown of power	3. Install generators & remove cause of frequent breakdown of powers.
4. Defective materials	4. Change the quality specification for the materials.
5. Defective machinery.	5. Repair the existing machine or replace the machine if it cannot be repaired.
6. Obsolete machinery.	6. Undertake technological upgradation of machinery.
7. Defective process	7. Modify the existing process.
8. Defective physical conditions of work	8. Improve the physical conditions of work.

Q4. X Ltd. is engaged in manufacturing machine components. The target production is 200 units per day. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies b/w 150 & 170 units.

Identify the management function to rectify the above situation. Briefly state the procedure to be followed so that the actual production may come up to the target production.

Ans. 4 'Controlling' is the management function to rectify the above situation.

Procedure to be followed to increase the level of production

- (i) Find out the causes of deviation
- (ii) Take appropriate corrective action.

Causes of deviation	Corrective Action to be taken
1. Poor motivation of workers	1. Provide incentives to improve employees productivity.
2. Lack of effective supervision	2. Supervisors should ensure regular & close supervision.
3. Frequent breakdown of power.	3. Install generators & remove cause of frequent breakdown of power.
4. Obsolete machinery.	4. Install new machinery with advanced technology.
5. Poor physical conditions of work	5. Improve the physical conditions of work e.g., ventilation, proper lighting etc.

Q. 5 “Control does not require any process”. Comment.

Ans. The given statement—“Control does not require any process”. Process of management control involves the following steps.

- (i) **Setting performance standards** : Standards are targets against which actual performance can be measured and deviations can be found.
- (ii) **Measurement of actual performance** : This step involves actual performance of various individuals and groups for comparing it with the standards.
- (iii) **Comparing actual performance with standards** : After measuring the performance, the next step is to compare actual performance with the standard performance.
- (iv) **Analysing deviation** : Control technique should focus on the key result areas only which are critical to the success of an organization.
- (v) **Taking corrective measures** : No corrective action is required when the deviations are within the acceptable limits.

Q 6. Explain to a newly appointed foreman, under whose supervision school bags are being made, how he has to carry out process of control ?

Ans. The foreman should take following steps :

- (i) **Setting performance standards** : Standards are targets against which actual performance can be measured and deviations can be found.
- (ii) **Measurement of actual performance** : This step involves measuring actual performance of various individuals and groups for comparing it with the standards. There are several techniques for measurement of performance personal observation, sample checking, performance reports etc.
- (iii) **Comparing actual performance with standards** : After measuring the performance, the next step is to compare actual performance with standard performance.

Such comparison will reveal the deviation between actual and desired results.
- (iv) **Analysing deviations** : If the deviations are within reasonable limits they may be ignored. Only significant deviations from the standards should be reported to the management.
- (v) **Taking corrective actions** : No corrective action is required when the deviations are within the acceptable limits.

Q 7. “An ideal control technique is one that checks every bit of performance”. Comment.

Ans. The given statement- “An ideal control technique is one that checks every bit of performance is wrong. An ideal control technique should focus on the key areas.

- (i) **Critical point control** : There are several activities’ to be controlled. In practice, it is not possible for management to control each and every activity due to limited time.
- (ii) **Control by exception/management by exception** : An attempt to control everything may end up by controlling nothing.

- (iii) **Advantages of critical point control and Management by exception :** It identifies the critical problems which need timely action. The routine problems are left to the subordinate. It saves time and efforts of managers.
- (iv) **“Feedback” in controlling :** Without the availability of feedback no action can be taken by the managers. Manager have to review the standards improve the quality of materials.
- (v) **“Deviation” in controlling :** Deviation means the difference between actual performance and standard performance. Once the nature and magnitude to deviations are ascertained, the causes of deviations should be identified.

Q 8. There are two managers Rahim and Pankaj. Rahim is saying that controlling is forward looking where as according to Pankaj controlling is looking back Who correct ? Explain why ?

Ans. Both Rahim & Pankaj are partially correct. Controlling is bath backward looking as well as forward looking.

- (i) Controlling is blind with out planning if the standards are not set in advance, managers have nothing to control.
- (ii) Planning with out controlling in meaningless because once a plan becomes operational, controlling is necessary to monitor the progress Planning is looking ahead while controlling is looking back.
- (iii) Plans are prepared for future to achieve the organizational goals. Planning is deciding in the present what to do in the future. Planning involves looking ahead and is called forward looking function.
- (iv) Controlling is the process through which managers ensure that actual performance in according to planned standards. Controlling is finding out deviations from past. In this manner controlling is a backward looking function.

Q 9. If planning is done carefully and accordingly other functions of management are going in the right direction, then there is no need of the controlling functions of management’. Do you agree with the statement. Give reasons in support of your answer ?

Ans. No, I don’t agree with the given statement. Controlling is an indispensable function of Management Importance of Controlling.

(i) Controlling helps in achieving organizational goals

Management is setting organizational goals and establishing a procedure to achieve them performance may or may not necessarily according to plans.

(ii) Controlling helps in judging accuracy of standards

An efficient control system enables management to verify whether the standards set are accurate.

Controlling helps in making efficient use of resources :

By exercising, a manager seeks to reduce wastage and spoilage of resources. This ensures effective and efficient utilization of resources.

(iv) **Helps in motivating employees**

Good control system ensures to decide in advance what to do and how to do and on the basis of this their performance is evaluated.

(v) **Facilitates Coordination**

Coordination provides direction to all activities and efforts for achieving goals.

(vi) **Ensures order and discipline**

Controlling creates an atmosphere of order and discipline in the organization Helps to minimize dishonesty

QUESTION BANK

(1 Mark)

1. Name the two techniques of Controlling.
2. What is 'deviation' in Controlling Process ?
3. Name any one type of budget.
4. How does controlling help in achieving organizational goals ?
5. How does controlling help in ensuring order and discipline ?
6. What is MBE ?
7. Define Standard.
8. Why controlling is called backward looking function ?
9. Name the first step in Controlling Process.
10. What is Managerial Control ?
11. What is Feedback in Controlling ?
12. What is CPM ?
13. What is meant by Budgetary Control ?
14. What is the basis of Controlling Process ?
15. Give one corrective measure to improve the motivation level of workers.

(3-4 Marks Questions)

1. State any four objectives of Controlling.
2. State any three points of importance of Controlling.
3. How does controlling help in financial matters ?
4. "Planning is meaningless without controlling." Explain.
5. Controlling is blind without planning.
6. Explain MBE.
7. Explain the benefits of MBE.

(5-6 Marks Questions)

1. Define management controlling. Explain the various steps involved in controlling process.
2. Explain the importance of controlling.
3. 'If planning is done carefully and accordingly other functions of management are going in right direction then there is no need of the controlling function of management.' Do you agree with the statement ? Justify your answer.
4. How are planning and controlling interdependent and inter-linked ?
 5. Taking corrective action is the last step in the process of management (a) Name the function (b) Explain the steps involved in this process.

ANSWERS TO QUESTION BANK

(1 Mark)

1. PERT and CPM
2. The difference between actual performances and planned performance.
3. Sales Budget.
4. It compares standards with actual performance, finds deviations and takes corrective action to achieve goals.
5. Dishonest behaviour on the part of the employees is minimized by keeping a close check on their activities.
6. Management of Exceptions.
7. The criteria against which the actual performance is measured are known as standard.
8. As it involves comparing the actual performance with the planned standards which have been set in past.
9. Setting up of Standards.
10. Managerial controlling is a process of setting up standards, comparing the actual performance, finding deviations and taking corrective actions.
11. Report of happening.
12. Key areas that are critical for the success of an organization should be The focus of control.
13. Budgetary control is a technique of control in which all operations are planned in advance in the form of budgets.
14. Planning is the base of controlling process.
15. Introduce incentives for less rate of defectives.

(3-4 Marks)

Answers 1 : Four objectives of controlling are as under :

- (i) To seek planned results from subordinates.
- (ii) To evaluate the progress of the work.

- (iii) To detect deviations from the planned activities.
- (iv) To find the causes of deviations

Answers 2 : Importance of controlling is as under :

- (i) It helps to accomplish organizational goals.
- (ii) It helps in maximum utilization of available resources at minimum cost.
- (iii) Systematic evaluation of performance and consequent rewards motivate employees to put in their best efforts.

Answer 3 : Through controlling, managers keep tight control over finance and spend well within the budget. To access different aspects of the organizations financial position and for optimum utilization of various resources of finance, managers take recourse to financial controls. They use modern techniques for controlling such as ratio analysis, cash flow statements. etc.

Answer 4 : Planning can be successful only in the presence of control. Under the process of planning, future activities are decided beforehand. Standards are stated and determined to achieve business objectives. But to ascertain the extent to which such activities and standards have been successfully implemented and achieved, the implementation of an appropriate control system is required. Therefore, it is correct to say that planning is meaningless without control.

Answer 5 : Under the system of control, actual performance is compared with budgeted standards to judge the effectiveness of performance. These standards are provided by planning. In the absence of standards, there will be no justification left for control.

Also, planning is required to correct the deviation identified in the process of control.

Thus, without planning, controlling is blind.

Answer 6 : It implies that manager must focus attention only on factors critical to performance. Normal factors or deviation should be ignored as they can be corrected at lower levels. It is based on the maxim – “and attempt to control everything results in nothing.

Based, on this, only major deviations from standards should be reported to top-level management and other routine problems should be looked into by the subordinates.

For example, if a plan allows 5 percent decrease in the output as acceptable range of deviation then only such decrease in output should be reported to the management as 1’s well beyond 5 percent.

Answer 7 : Benefits of management by exception are as under :

- (i) It saves the valuable time of the management.
- (ii) It helps the management to identify important deviations which need timely action to keep the organization on the correct path.
- (iii) It facilitates delegation of authority and helps in increasing morale of employees.
- (iv) It helps the management to concentration on important matters beneficial for the long-term profitability of the organization.

(5-6 Marks) :

Answer 1 :- Managerial control implies the measurement of accomplishment against the standard and the correction of deviation to assure attainment of objectives according to plans.

Steps :

- * **Establishment of Standards :** The first step in control process is setting up of standards of performance. Standards are the criteria of performance and specify what should be accomplished. It is therefore, necessary that standards should be set and stated in measurable terms.
- * **Measurement of Performance :** The second step in controlling is measurement of performance. It means evaluation of work actually done and result achieved. Measurement is Most useful if actual performance is expressed in the same unit as the planned targets or standards comparison of actual and planned performance then becomes easier.
- * **Comparison of actual performance with standards and analysing deviation :** Comparisons of actual performance with the planned target or standard involves two steps :
 - (a) finding the extent of deviation
 - (b) identifying the causes of such deviations.
- * If performance falls short of standards, managers must find out the extent of deviation generally, minor deviations do not require managerial attention. To save time, managers concentrate on major deviations only.
- * **Taking corrective action :** The purpose of control is not only to detect errors and defects in performance of work but also to adopt remedial measures. Corrective actions are therefore, initiated on the basis of factors causing deviations between standards and actual results.
- * Corrective action may involve a change in methods, machinery rules or procedure, improving physical conditions of work, or changing the nature of supervision may also be necessary at times. Where the deviations cannot be rectified through managerial action, the standards may have to be revised.

Answer 3 : Importance of Controlling :

8.4 Importance of Controlling

Controlling is an indispensable function of management. Just as road signals are essential to ensure accident-free and smooth traffic, managerial controlling is necessary for the smooth running of business.

“Control is the soul of business management.”

A good control system helps an organization in the following ways :

1. **Controlling helps in achieving organizational goals :** The first steps in management is setting organizational goals and establishing a procedure to achieve them. The objective may be in terms of a target profit, target sales or target production. However, actual performance may or may not necessarily be according to plan.

If deviation are detected early, remedial action can be taken and the desired target is ultimately achieved. This will only happen if there is a control mechanism which detects and corrects deviations between actual and desired results.

2. **Controlling helps in judging accuracy of standards :** An efficient control system enables management to verify whether the standards set are accurate and objective by keeping a careful check on the changes taking place in the organization and in the environment.
3. **Controlling helps in making efficient use of resources :** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards. This ensures effective and efficient utilization of resources.
4. **Controlling helps in improving employees motivation :** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which their performance will be evaluated. It, thus, motivates them and helps them to give better performance.
5. **Controlling ensures order and discipline :** Controlling creates an atmosphere of order and discipline in the organization. It helps to minimize dishonest behaviour on the part of employees by keeping a close check on their activities.
6. **Controlling facilitates coordination in action :** Controlling provides direction to all activities and efforts for achieving organizational goals. Each department and employee is governed by predetermined standards which are well coordinated with one another. This helps in accomplishing the overall organizational objectives.

Answer 4 : The given statement is wrong. Controlling is an indispensable function of management. Rest is same to answer 3 in above.

Answer 5 : Planning and controlling are interrelated and interdependent as follows :

(i) Planning is the basis for controlling

Planning is the basis for controlling too. In the absence of plans it is not possible to measure and assess performance. For example, if the output is 500 units, the manager can know whether it is adequate or not only when there is a standard output set up by the planners. Thus, planning provides the base for comparison of actual performance with the budget performance.

(ii) Controlling helps in planning

Without effective controlling, activities can not be properly planned. Planning is guided by past experiences and corrective measures suggested by controlling.

(iii) Effective controlling helps in formulation of future plans

Controlling helps in revising plans to reap maximum benefits at minimum cost. Controlling ensures improvement in future performance.

(iv) Finding out deviations and cause there of effectiveness of planning can be measured with the help of controlling. Planning is based on fore cast about future conditions. Controlling sets standards and finds out deviations from standards. After that corrective actions are to be taken by controlling function.

Answer 6 (a) Controlling

Steps involved in the process of controlling

(i) Setting performance standards

Standards are the criteria, set in both quantitative and qualitative terms, against which actual performance can be measured. Standards are the benchmarks

towards which efforts of entire organization are directed. In order to determine whether the actual performance is proceeding in the right way, standards are required. Thus standards act as a lighthouse that warns and guides the ships at sea. As far as possible, standards must be set up in numerical or measurable terms.

For example

Standard output – 1000 units per day.

Standard scales – Rs. 50 lakh per annum.

(ii) Measurement of Actual performance

After setting the standards, next step in the process of controlling is to be measure and evaluate the actual work. It means evaluation of work actually done. It is also preferable to get reports on performance of an employee at regular intervals. Performance may involve ratio analysis and preparation of cash flow statement etc at periodic intervals of time.

(iii) Comparing Actual performance with standards : This steps involved comparing the actual performance with the laid down standards. The standards should be in quantitative terms to facilitate such comparison.

(iv) Analysing Deviations : After identifying the deviations, various causes for same are analysed and the most exact causes are identified in order to take corrective measures. While analyzing the deviations, 'Critical Point Control' and 'Management by exception' techniques should be used.

(v) Taking Corrective Actions : The final step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed the acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important and critical areas.

From the above it can be concluded that controlling requires a systematic process. Controlling without a process is a meaningless activity. Controlling process helps to assure management that actual performance confirms to the planned performance.

CHAPTER–VIII
FINANCIAL MANAGEMENT
HIGH ORDER THINKING SKILLS QUESTIONS

- Q. 1 Write the full form of the terms :-
a) EBIT b) ROI (1)
- Q.2 State which type of capital structure (more equity based or debt based) would a company adopt when.
a) The stock market is bullish b) The stock market is bearish. (1)
- Q.3 Seema is a manufacture who deals in bakery products. Reena also a manufacturer deals in stainless steel ware. Based on length of operating cycle state who would require more working capital? (1)
- Q.4 State the foremost objective of financial management. (1)
- Q.5 “Ploughing back of profits holds the key to success of a business enterprises”. Do you agree. Give two reasons.
- Q.6 Give reasons why fixed capital requirement of the electronic and computer industry are different from those of furniture industry.
- Q.7 A decision in financial management is basically concerned about how much to raise and from which source.
Name the type of decision. Also explain two vital factors to be kept in mind while taking such decisions. (3)
- Q.8 You are the finance manager of DO WELL INDUSTRIES LTD.. The firm has earned a profit of 100 crores. Management wants to retain the profit fully in the business without paying any dividend Advise the management on the negative impact of doing so. (Any two reasons). (3)
- Q.9 Name the activity which essentially involves “preparation” of financial blue of an enterprise’s future operations. “Also state any two advantages of this activity. (3)
- Q.10 Explain giving reasons why firms with :- (4)
a) High debtors turnover ratio and
b) High inventory turnover ratio require lesser amount of working capital.
- Q.11 Explain with the suitable example how ‘lead time’ affects working capital requirements of a business? (4)
- Q.12 Apollo Ltd, has earned a profit which is very high,. However the firm faces a short term liquidity crunch .Explain how it will affect the dividend decision which are to be taken. (4)
- Q.13 What are the condition that a company must consider before it tardes on equity? (4)
- Q.14 “Capital budgeting decisions can make or break a firms fortunes? Do you agree. Give reasons why? (four reasons) (5)

- Q.15 Swaja, the finance manager of OPTIMA LTD. A firm dealing in telecommunication equipment chose a capital structure which was Lighly geared :-
- i) What do you understand by a highly geared capital structure?
 - ii) What are the implications of choosing such a structure? (5)
- Q.16 Rama Enterprises a small business concern wants to expand its capital base. However the firm faces a major threat of takeover by a bigger concern in the same line of operations. (5)
- a) Advice the firm on what type of capital it should raise?
 - b) Give reasons also.
- Q.17
- i) What is interest coverage ratio? (6)
 - ii) How does it affect capital structure?
 - iii) Illustrate effect of interest coverage ratio on capital structure with a suitable example.
- Q.18 State whether the following require huge or low fixed capital give reason also
- i) The manufacturing concern. (6)
 - ii) The cottage/small scale industry.
 - iii) A petrochemical Co. which is going to diversify operations and enter the textile business also .
- Q.19 Inflation has affected working capital requirement of all firms". (6)
- a) What do you think is impact of inflation on working capital?
 - b) Give reasons for your answer.
 - c) Also explain how credit allowed and credit availed affects working capital requirements of a business.
- Q.20 Comment on the fixed capital requirement of the following industries giving suitable reasons :- (6)
- a) A construction firm? Which has provisions to tease earthmoving equipment and bulldozers.
 - b) A electronic goods manufacture who has entered into a collaboration with a giant firm in South East Asia.

SUGGESTED ANSWER FOR HOTS QUESTION

TOPIC – FINANCIAL MANAGEMENT

- Ans.1 EBIT refers to earnings before interest & taxes. ROI refers to return on investment. (½x2=1)
- Ans.2
- a) When the stock market is bullish equity based capital structure can be easily raised .
 - b) When the stock market is bearish a company must go in for more of loans or debt in its capital structure. (½x2=1)

- Ans.3 The length of operating cycle of Reena's firm stainless steel ware is longer i.e. The conversion time for raw material to stainless steel product may require more time in case of Reena's firms. Hence Reena would require more working capital as compared to Seema. (1)
- Ans.4 The foremost objective of financial management is "maximization of share holder's wealth. (1)
- Ans.5 Yes, agree. (1)
- This is because (i) the company need not raise finance from other sources hence cost of financing of the Co. is kept at minimum.
- ii) When retained earnings are ploughed back business this greatly enhances prestige of Co. in the eyes of shareholder and the general public. (1)
- Ans.6 Electronic & computer industry are industries which require constant technological up gradation . The assets in such industries become obsolete very quickly and require constant replacement hence they require greatest fixed capital investment. Furniture industry does not face danger of technological upgradation and hence they require less investment in fixed assets. (1½x2=3)
- An.7 The types decision is financing decision. Two vital factors to be kept in mind while taking such decision are :- (1+1=2)
- The cost of raising such funds.
 - Risk associated with deferent course – debt capital are generally considered more riskily.
- Ans.8 Negative impact of not paying dividend to share holder despite earning good profits.
- It may adversely affect the share prices, stock market reacts adversely to non payment of dividend.
 - Chase holder will feel dissatisfied and this may lead to heavy seeling of shares which would in turn affect reputation of the firm. (1½x2=3)
- Ans.9 The activity which involves preparation of financial blue print of an enterprises future operation is financial planning Advantages :-
- It ensures availability of funds to a firm whenever it requires it.
 - To ensure that the firm does not raise resources unnecessarily or waste financial resources. (1+1=2)
- Ans. 10 a) High debtors turnover ratio signifies firm's efficiency in realizing value of credit sales from debtors . Therefore such firms need relatively less amount of working capital.
- b) High inventory resources ratio also indicates operational efficiency e.i. the firm's stock is quickly converted into sales. Hence these firms also require less investment in working capital. (2x2=4)
- Ans.11 Lead time refers to the time lag between placing an order and obtaining delivery of raw materials. Firms which have longer lead time therefore require maintenance of high levels of stock and therefore more investments in working capital. For example :-

Firm x dealing in tyre and tube has a lead time of one week and firm y dealing in computer spare parts has a lead time of three weeks. Firm would need to maintain more inventory and therefore require more working capital. (2+2=4)

Ans.12 Dividend decision are taken on the basis of several factors most important of which is cash flow position of a company. Company's which face liquidity Creech or shortage of cash generally do not declare high percentage of dividend as it involves hige outflow of cash as payment of dividend to share holders. (4)

Ans.13 Trading on equity involves usage of highel percentage of debt in capital structure to ensure better return to equity share holders. The two conditions to be kept mind while trading on equity are :-

i) Rate of return must be greater that interest payable on fixed interest securities.

ii) Interest must be tax deductible. (2+2=4)

Ans.14 Yes,

Reasons

i) Huge amount of funds are involved.

ii) Such decisions have long term implication.

They are irreversible decisions.

There are associated cause with capital budgeting decisions (1+1=2)

Ans.15 i) A highly geared capital structure is one in which mole debt is employed to ensure return to equity share holders.

Implications of such a structure are

- EPS will increase

- But the higitive impact is that as more debt is used it is more risky for the business enterprise.

Ans.16 a) Firm should choose a capital structure which is more based on debt.

b) As the firm faces threat of takeover equity Bhares are totally unsuitable as they will dilute the owner's inter in the business. Further where equity shares are issued the bigger concern right purchase its share and acquire greater stake in the business and ultimately take over the enterprise. (4)

Ans.17 i) Interest coverage ratio refers to no. of times EBIT covers interest obligation of a business. Formula for calculation is

EBIT

Interest

ii) Interest coverage ratio determines the maximum amount the company can raise by way of debt keeping the mind the return on investment and interest obligations to be met .

iii) Illustration of interest coverage ratio – If a company has EBIT at RS 10,00,000. If Co. had issued 10% debentures of Rs. 50,00,000. The interest coverage ratio is

$$\frac{10,00,000}{50,000} = 20 \text{ times}$$

The Co. is at a lower risk of failing to meet its interest obligation as compared to a Co. with a lower interest coverage ratio. (2x3=6)

Ans.18 I) Manufacturing concern converse requires higher investment in fixed assets and therefore requires more working capital.

ii) Cottage/small scale industries are generally labour intensive. So their fix capital requirement are not very high.

iii) A petro chemical Co. diversify in activities into textile sector requires high initial investment for purchase of fixed assets for purpose of manufacture of textiles. (2+2+2=6)

Ans.19i) When there is inflation in the economy more working capital is required.

ii) This is because under inflationary conditions cost of raw materials, labour inputs etc. Also increase leading to higher requirements of working capital.

iii) When credit is allowed by a firm it needs to maintain higher working capital as sometime is required before credit sales are realized from. Credit availed help a firm to operate with less working capital as credit purchases of raw material, spare parts etc. can be made. (2+2+2=6)

Ans.20 a) Construction firm with provisions for leasing need not invest heavily in fixed capital as these assets which involve huge cost can be leased or hired based on need.

b) The electronic goods manufactures who entered in collaboration of South West Asia also requires lesser fixed capital as this joint venture enables pooling of resoures such as machinery equipment and therefore and also joint investment for purchase of certain fixed assets hence there fixed capital need tends to be lower.

QUESTION BANK

- | | |
|---|---|
| Q1. When is the dividend decision treated as a residual decision ? | 1 |
| Q2. What is 'stock dividend' ? How does it affect a company ? | 1 |
| Q3. When is a capital structure said to be optimum ? | 1 |
| Q4. State the concept of financial leverage ? How is it computed ? | 1 |
| Q5. Explain the term financial risk. | 1 |
| Q6. Define business finance. | 1 |
| Q7. Give the full form of | 1 |
| • ROI | |
| • ICR | |
| Q8. When an asset said to be more liquid ? | 1 |
| Q9. To avoid the problem of shortage and surplus of funds what is required in financial management ? Name the concept involved. | 1 |

- Q10. Depict the effect of a higher debtor turnover ratio on working capital needs of a firm. 1
- Q11. Distinguish between fixed and working capital. 3
- Q12. What are the three possible situations of capitalisation ? 3
- Q13. Capital structure and capitalisation way consist of the same components and yet they may differ". Explain briefly. 3
- Q14. Explain any four factors which affect the capital structure of a business enterprises. 4
- Q15. What are capital budgeting decisions ? Explain factors affecting such decisions. 4
- Q16. State and explain whether the following have small or large working capital requirements.
- (i) A firm trading in biscuits
 - (ii) A manufacturer of steel pipes
 - (iii) A firm selling ice-creams.
 - (iv) A firm following a liberal credit policy. 5
- Explain why management of fixed capital is considered critical to an enterprises success.
- Q17. Explain how the following affect capital structure
- (a) Stock market conditions
 - (b) cost of debt. 5
- Q18. Clearly state the role of a financial manager in a business. 6
- Q19. Explain any five factors affecting financing decisions. 6
- Q20. (a) Which decision determines the amount of profit to be retained in the business ? Explain any two factors affected this decision.
- (b) Name the other two important decision taken by a financial manager. 6

Answer to Question Bank

Very Short Question.

- Ans1. To finance investment projects the firm has two alternatives either to raise external equity or to internally finance from the retained earnings available. thus, the company will pay dividends only when it cannot profitably invest the earnings. In this case, the dividend is treated as a residual or passive decision. 1
- Ans2. When a co. instead of paying dividend in cash issues shares to its shareholders it is known as bonus shares or stock dividend. The effect of issuing bonus shares is that it increases the capital base of the Co. 1
- Ans.3 A capital structure is said to be optimum when the proportion of debt and equity is such that it results in an increase in the value of the shares. 1

- Ans.4 The proportion of the debt in the overall capital is called financial leverage. It is computed as $\text{debt} / (\text{debt} + \text{equity})$. 1
- Ans.5 Financial risk is risk which arises due to inability of a firm to meet its fixed financial commitments, for eg. interest on debentures. 1
- Ans.6 Business Finance refers to money required to carry out activities pertaining to business. 1
- Ans.7 ROI – Return on Investment.
ICR – Interest Coverage Ratio $\frac{1}{2} + \frac{1}{2} = 1$
- Ans.8 An asset is more liquid when it can be converted into cash quickly and without any reduction in its value. 1
- Ans.9 To avoid the problem of storage and surplus of funds financial planning is required in management. 1
- Ans.10 A high debtor turnover ratio indicates faster realization of cash receivables. It will be reduce the working capital requirement of a firm. 1
- Ans.11 Fixed Capital :
- i) Capital invested in fixed assets such as building, machinery etc.
 - ii) Fixed assets have a long life and are not meant for resale.
 - iii) Basic objective is to provide infrastructure or production capacity for the manufacture of furnished goods.
- Working capital :
- i) It is invested in floating assets i.e. stock debtors.
 - ii) Floating assets are for short term and these can be converted into cash quickly.
 - iii) It's aim is to meet day to day expenses of production process. 3
- Ans.12 Three possible situations of capitalization are :
- Fair and normal Capitalisation – Business employs correct amount of capital.
Once Capitalistaion – Business employs more capital than warranted.
Under Capitalisattion – Business employs less capital than warranted.
- Ans.13 Capitalisation is a quantitative aspect of financial planning of an enterprise, while capital structure is concerned with qualitative aspect. Capitalisation refers to total amount of securities issued by a company while capital structure refers to the kind of securities and their compositions in total funds raised by a Co. 3
- Ans. 14 The capital structure of a company refers to the composition of its long term funds. The following factors effect the capital structure of a company –
- I) Position of cash Flow :- The decision relating to composition of capital structure depends upon the ability of the business to generate enough cash flow. Funds are required to meet its day to day requirements. long term investments & to pay fixed commitments.

II) Return on investment (ROI) :- It refers to the earnings expected from the investment. If ROI is high a Co. can opt for trading on equity to increase the earning per share. Thus, it is an important determinant of the extent of trading on equity and hence, capital structure.

III) Interest Coverage Ratio :- The purpose of calculating this ratio is to determine the composition of debt funds in the capital structure of a Co. It is a ratio between earning before interest and taxes (EBIT) and interest obligation $ICR = \frac{EBIT}{Interest}$

IV) Debt Service Coverage ratio (DSCR) :-

This ratio takes care of the limitation of ICR. It is calculated as follow

$$= \frac{\text{Net profit after tax} + \text{depreciation} + \text{Int. on term borrowings}}{\text{Repayment of term borrowings} + \text{Int. on term borrowings}}$$

4

Ans.15 Capital Budgeting decision refers to investment decision to which are to be taken by a finance manager for investment in long term projects. The basic criteria involved for taking such decisions are :-

(a) Rate of return and (b) risk involve. Firms try to invest in projects with maximum rate of return and minimum risk. The other factors to be considered are

(i) Cash flow of project :- A project must be able to generate reasonable cash flow.

(ii) Investment Criteria involved :- Calculations regarding amount of investment, interest rate and purpose have to be carefully analysed before making such decision. 6

Ans.16 a) A firm trading in biscuits need relatively less working capital as it requires the processing time for sales can be effected immediately and hence less working capital need be maintained.

(b) Steel pipes have a long manufacturing process is conversion time from raw materials to furnished products is long. Hence more working capital is required. 4

(c) Ice-creams are seasonal products . They are demanded more during summer season. Hence more working capital is required in such firm only during summer months.

(d) A firm following a liberal credit policy has higher investment in debtors and hence requires more working capital.

Ans.18 Role of finance manager in a business :-

a) The finance manager determines size and composition of fixed assets in the business.

b) The finance manager determines the quantum of current assets as well as its break up into cash inventories.

- c) He must also determine the long term and short term financing to be used.
- d) The finance manager determines break up of long term finances into debt and equity.

Ans.19 The five major factors affecting financing decisions are :

- a) Cost of raising funds through various sources analysed and cheapest source is determined.
- b) Risk-funds with least risk associated are selected.
- c) Floatation Cost :- Higher floatation costs makes a source less attractive.
- d) Cash Flow position of business :- When cash flow position is good debt financing may be more reliable.
- e) Level of fixed operating costs : If fixed operating costs like rent insurance premium of a business are high then low debt financing must be resorted to.
- f) Control Consideration : Equity leads to dilution of control. Hence firm facing takeover bids generally go for debt financing.
- g) State of Capital Markets : If capital markets are in a state of boom raising funds through equity becomes easy.

20. Dividend decision determines amount of profits to be retained in the business factors affecting dividend decisions are :

- (a) Growth opportunities : Companies with growth opportunities retain dividend for expansions and distribute lesser amount as dividend.
- (b) Earnings : If earnings are high more dividend can be distributed and vice versa. The other two types of decisions taken by a finance manager are :
 - (i) Investment decisions and
 - (ii) Financing decisions.

Chapter – IX

Financial Market

HOTS QUESTIONS

- Q1. Write the full form of
- i. OTCEI
 - ii. NSE
- Q2. What is the basic difference between REPO rate & reverse REPO rate ?
- Q3. State the minimum capital requirement for a Co. to be listed with OTCEI.
- Q4. De materialization of securities has totally stream level the working of Stock Exchanges in India. Comment.
- Q5. Volvo Ltd is proposing to issue capital through on live system of stock exchange and has entered into an agreement with The Stock exchange. What would this type of issue be called ?
- Q6. “Demutualization has reduced conflict the interest between exchange & broker”. Explain How ?
- Q7. Certain instruments of money market is short term self liquidating & used to finance credit sales name the instruments.
- Q8. Name the market segment of NSE which provide trading platform for central Govt. Securities, treasury bills, bonds of public sector etc.
- Q9. State briefly how SEBI acts as watch dog of investors interest.
- Q10. “Financial market perform an allocative function”. How ?
- Q11. Explain briefly how call rate is interlinked to other sources of finance such as commercial papers and certificate deposit.
- Q12. A Method of floating new issues does not deal directly to public but operates through inter me chases like issuing houses and brokers’ Name the Method.
- Q13. “Stock Exchange spread the equity cult in the country”. Do you agree. Give reason.
- Q14. Name the benchmark of the BSE (Bombay stock Exchange). What does it indicate ?
- Q15. Distinguish between rights issue and private placement as methods of floating new issue.
- Q16. How has SEBI played a developmental role in raising the standard of trending in ‘Indian Stock Market’ ?
- Q17. Briefly discuss price discovery mechanism in financial market.
- Q18. What are financial assets ? How do financial market provide liquidity to time ?
- Q19. What is the other name given to zero coupon bond issued by RBI on behalf of Govt of India ? Why are they called zero coupon bond.

- Q20. Financial market are a boon to buyers & sellers as they reduce the cost of transaction. Explain how ?
- Q21. What is bridge financing ?

Answers to Hots Questions

- Ans. 1. Fill form of
1. OTCEI is Over the Counter Exchange of India.
 2. NSE is National Stock Exchange. ½×2=1
- Ans. 2. The basic difference between repo rate & reverse reparate is as follows:—
- Repo rate is the rate at which commercial banks borrow from RBI.
- Reverse repo rate is the rate of which RBI borrows from commercial banks. ½×2=1
- Ans. 3. For company to be listed with OTCEI minimum paid up capital Rs. 30 Lacks or more. 1
- Ans. 4. De materialization of securities refers to book entries when securities are traded. There is no physical transfer to share certificates therefore the danger of loss of theft or forgery etc is minimized 1
- Ans. 5. The issue of Volvo Ltd would be called an E-I PO. 1
- Ans. 6. De mutualisation refers to reparation of ownership and management in stock exchange. Earlier brokers & intermediaries owned and operated stock exchange with demutualisation the conflict of interest between various groups has been minimized. 1
- Ans. 7. The instrument is short term self liquidatity instrument used to finance credit sales is commercial bill. 1
- Ans. 8. The segment of NSE providing trending platform for govt. securities treasury bills is the wholesale debt market segment. 1
- Ans. 9. SEBI acts as a watch dog of investor interest by providing adequate & authentic information on a regular basis. 1
- Ans. 10. Financial markets channelise savings of investors and makes them available for needs of industry and hence they are set to perform the allocated function. 1
- Ans. 11. Call rate is interlinked to other sources of finance such as commercial paper in the following way ;
- As call rate increases the demand for other sources such as commercial papers becomes more as they become cheaper in comparison to call money. 1
- Ans. 12. The method is offer free sale. 1
- Ans. 13. Yes, stock exchange spread equity cult in the country because will share of ownership of share of company's possible. When share are offered in the stock exchange and subscribell by members of the public.

- Ans. 14. The bench mark of BSE is the sensex, it indicates the price movement of shares There by the health of the economy as whole.
- Ans. 15. Rights issue refers to the right of existing shareholders of a company to e subscribe to new issue of shares in proportion to their holding.
- Ans. 16. Private placement is when new issue is not offered to public bu to institutional investors and members of the public.
- Ans. 17. Shares prices in a stock exchange are determined by prices of demand and supply. As demand for share of a particulars company increases the price also increases and vice versa. The role of intermediaries like brokers also influence movement of shares prices by their buying and selling.
- Ans. 18. financial assets basically refer to assets which can be traded in the financial market like shares or debentures. Financial Markets provide Liquidity to such assets as they can be readily sold and converted into cash whenever require.
- Ans. 19. The other name given to Zero Coupon Bonds is 'Treasury Bill's. They are called zero coupon as they are issued at a price less than the face value but are repaid at par.
- Ans. 20. Financial markets reduce cost of transaction as they save time money and effort of both buyers and sellers by providing a common platform for them to meet and deal with each other.
- Ans. 21. Bridge finance is the intermediary finance which a company needs to raise in association with a long term finance for eg. I) a company needs to raise long term finance from capital market, bridge finance enables it to meet flotation cost associated with issue such brokerage. This raised through commercial paper.

Question Bank

- Q1. State the two categories into which financial markets are classified? (1)
- Q2. Why are financial markets said to perform allocative function? (1)
- Q3. State the financial limit for companies to trade in OTCEI. (1)
- Q4. Brite Industries Ltd raises its share capital by allotment to some selected individuals and institutional investors. Name the method chosen by it to raise capital? (1)
- Q5. Define a stock exchange? (1)
- Q6. Explain briefly how stock exchanges provide liquidity and market ability to existing securities? (1)
- Q7. What is a treasury bill? (1)
- Q8. State the two segments of the NSE? (1)
- Q9. What is the name given to the benchmark index of the Bombay stock exchange? (1)
- Q10. State briefly have SEBI protects the interest of the inrestors? (3)
- Q11. Explain the following concepts with reference of a stock exchange:-
- (a) Listing of security
 - (b) Badla

- Q12. Excel Ltd proposes to raise capital from the public to the tune of Rs.100 crores. It proposes to go public through the online system of the stock exchange. What is this method of raising capital called? State briefly the procedure for the same? (3)
- Q13. Briefly differentiate between dematerialisation of securities and demutualisation of stock exchange? (3)
- Q14. State briefly the names of the three interest groups for productions of whose interest SEBI was established. Also write how it protects the interests of any one such group? (3)
- Q15. How does a stock exchange aid in pricing of securities? (3)
- Q16. What is call money? Explain the effect of call rate on other sources of finance such as commercial paper. (4)
- Q17. State any four objectives of NSE? (4)
- Q18. Write a brief note on the organisation of SEBI? (4)
- Q19. Explain briefly with an example why treasury bills are also called zero coupon bonds? (4)
- Q20. What is Bridge Financing? Which instrument of money market is used as a source of Bridge Financing? (5)
- Q21. Write the objectives of SEBI? (5)
- Q22. (a) Name the methods of floatation of issues in the primary market. (6)
- (c) Name and describe the privilege given to existing shareholders to subscribe to new issues.
- (d) Name the main investors in the primary market.

ANSWERS TO QUESTIONS BANK

- Ans. 1 Two categories into which financial markets are classified :- (½×2=1)
a) Money Market b) Capital Market
- Ans.2 Financial Markets are said to perform the allocative function as they channelise savings of individual investors to finance the needs of industry. (1)
- Ans.3 For a company to trade in OTCEI it must have a paid up share capital of 30 lakhs or more. (1)
- Ans.4 Private Placement .
- Ans.5 A stock exchange has been defined by Securities Contracts Regulation Act 1956 as a body of individuals whether incorporated or not constituted for the purpose of assisting, regulating or controlling the business of buying selling or dealing in securities
- Ans. 6 Stock exchange provides a continuous market where securities are brought and sold. It thus provides opportunities for investors to disinvest and re-invest in securities. It thereby provides liquidity and easy marketability to securities.

- Ans.7 Treasury bills is an instrument of short term.
(1) borrowing by Govt. of India maturing in less than one year. They are issued at a price less than par value and can be redeemed at par value. The difference between issue price and redemption value represents interest payable on them.
- Ans. 8 The two main market segment of NSE are :- (1)
a) Wholesale debt market segment and b) Capital Market segment
- Ans.9 The benchmark of Bombay Stock Exchange is SENSEX. (1)
- Ans. 10 SEBI protects interests of investors of by providing adequate and authentic information and disclosure of information on a regular basis. (1)
- Ans.11 a) Listing refers to inclusion of a company's name on the official trading list of the stock exchange. Companies must fulfill requirements set to get their securities listed.
b) Badla :- When transaction in a stock exchange are carried over it is called badla. Transactions made in one accounting period are settled by payment for purchases and delivery of share certificate in the next settlement period.
- Ans.12 The method to be adopted is called 'E-IPO' or electronic Initial Public offer under this method the company Excel Ltd has to enter into an agreement with the stock exchange. SEBI registered brokers have to be appointed for accepting applications and placing orders with the company. The company should also appoint a registrar to the issue having electronic connectivity with the exchange. The issuer company can apply for listing of its securities on any other exchange other than exchange through which it was offered its securities . A head manager may be appointed to co-ordinate the issue. (3)
- Ans.13 Demutualization :- Refers to separation of ownership and control of stock exchange from trading rights of members. This reduces conflict of interest between exchange and brokers and reduces chances of brokers using stock exchanges for personal games.
Dematerialisation of Securities :- Refers to electronic book entry form of holding and transferring securities. There is no physical transfer and therefore problem of the theft, forgery, delay etc. are eliminated. (3)
- Ans.14 The three interest group are :- Issuers, investors and intermediaries. SEBI protects interest of intermediaries by offering a competitive, professional and expanding market with adequate and efficient infrastructure so that they are able to render better service to investors and issuers. (3)
- Ans. 15 In the financial market, the forces of demand and supply interact and fix the prices of securities. Investor, household represent supplier of funds and business forms the demand. Various market forces also interact and help in fixation of prices of securities.
- Ans. 16 Call money is a short term finance repayable on demand with a period of one to fifteen days. It is used to finance inter bank transaction. It is method by which banks borrow from each other to be able to maintain the cash reserve ratio with the RBI. (4)
- Ans. 17 The four main objectives of NSE are :-
d) Establishing nation wide trading facility for all types of securities.

- e) To provide equal access to investors all over the country.
- f) A transparent and efficient system of trading provided.
- g) It help in meeting international standards and benchmarks.

Ans. 18 SEBI is a statutory body. Its activities have been divided into five major departments. Each department is leaded by an executive directors. It has head office in Bombay. It has two advisory committees – Primary and secondary Market Advisory Committees. These committees consist of market players investors association and eminent persons in the capital markets (4)

Ans. 19 Zero coupon Bonds is the other name given to treasury bill. This is because they are issued at a price lower than face value and are redeemed at par. The difference between issue price and redemption value represent interest receivable on them also called discount. For eq. a treasury bill of face value Rs. 100,000 may be issue at Rs. 96,000, Rs. 4000 representing the interest payable. (4)

Ans. 20 Commercial paper is a source of bridge financing. Bridge financing refers to short term funds for seasonal and working capital needs. Le it may be used as an associated source of financing. If a company needs long term finance buy machinery it must raise these finds from the capital market. For this company must incur floatation costs – brokerage commission funds used to finance such needs over called bridge financing. (5)

Ans. 21 The objectives of SEBI are :-

To regulate working of stock exchanges and promote their orderly functioning.
It aims to protects rights and interests of investors.
It strives at preventing and eliminating trading mal practices.

Regulates and develops a code of conduct and fair practices by intermediaries and brokers. With a view to make them competitive and professional. (5)

Ans. 22 (a) Method of floatation of new issues in the primary market are :-

- Offer through prospectus.
- Offer for sale
- Private placement
- Rights issue
- E-IPOS

(b) Rights issue — refers to the privelege given to existing shareholders. Any new issue is first offers to them before it is offered to the public.

(c) The main investors in the primary market are banks, financial institutions insurance companies , mutual funds and individuals.

(3x2=6)

Chapter–X

Marketing Management

1 Marks Questions.

- Q1. Main Focus of Production concept of Marketing is :—
Ans. Quantity of Product.
- Q2. Marketing Mix consist of
Ans. Product, Prize, Place and promotion.
- Q3. Modern Marketing Concept Consist of.....
Ans. Satisfaction of customers.
- Q4. Who is a Marketer ?
Ans. Seller.
- Q5. Explain the concept of 'Market'.
Ans. It refers to a place where the buyers and sellers meet each other for sale and Purchase of the commodity. Focus of term market is on the meeting of buyer and seller and also on commodity but not on the place. They can conduct business by telephone, mail or internet.
- Q6. What do you under stand by convenience goods ?
Ans. Convenience goods are those goods which are most commonly and frequent by purchased by the consumers with least amount of efforts e.q. slat, sugar, soap, tea, Rice, etc.
- Q7. What do you understand by shopping goods ?
Ans. When buyers devote considerable time to compare Price, Quality, durability and style in a number of stores before purchasing.
- Q8. What is generic name ?
Ans. The term generice refers to the name of the whole class of the product.
- Q9. What kind of 'Market offer' is judge good ?
Ans. A good market offer is one which is developed after analyzing the needs and preferences of the potential buyers.
- Q10. Some product have certain unique Features. They after significant groups of buyers. Identify the kind of Product.
Ans. Such Product are known as 'Speciality Products'.
- Q11. It is impersonal form of advertising and the manufacturer does not have control over such means of communication. Name such promotional tool.
Ans. Publicity.
- Q12. What is derived demand ?
Ans. The demand for a raw material varies indirect proportion to the demand for final products. e.g. the demand for leather will be dependent on the demand for the final products like shoes, purses, jackets etc.
- Q13. Why is Packaging is called a silent salesman ?

Ans. Packaging is called a silent salesman because attractive packing encourages people to buy a Product just like a salesman.

Q14. Name the Product which can be used again and again.

Ans. Durable product.

Q15. Name the function which inform the consumer about the product.

OR

It refers to the use of communication with the twin objective of informing Potential customers about a Product and persuading them to buy it. Name it.

Ans. Promotion.

3, 4, & 5 Mark Questions

- Q. 1 How can marketing help a firm to build its goodwill in the market ?
- Q. 2 What role does marketing play in the success of a firm ?
- Q. 3 What is Price Mix ? Explain briefly the factors to which the marketers should pay attention before fixing the price of the Product ?
- Q. 4 Suppose you are the manager in charge of advertising of an organisation manufacturing toys, which media would you recommend for advertising your product and why ?
- Q. 5 The manager of Impact Enterprises dealing in cosmetics is facing the problem of poor sales ? Suggest and explain promotional measures that he can undertake to improve the sales (Any Four).
- Q. 6 Briefly explain any four objectives of marketing management.
- Q. 7 Explain the features of a good brand name.
- Q. 8 What do you mean by Packaging ? Explain its four functions.
- Q. 9 What do you mean by Physical distribution ? Explain its components.
- Q. 10 Enumerate any six functions of marketing.
- Q. 11 Difference between marketing and selling.
- Q. 12 What do you mean by Labeling ? Explain its four functions.
- Q. 13 What do you mean by Personal selling ? Explain the role of personal selling.

6 Mark Questions

- Q. 1 What do you mean by Marketing Mix ? Explain its elements.
- Q. 2 "Advertising misleads customers and increases the Cost of Product". Do you agree with this statement ? Give reasons in support of your answer.
- Q. 3 Briefly explain the factors that determine the choice of channels of distribution of any product.
- Q. 4 Difference between advertising and personal selling.
- Q. 5 Explain any six factors that should be taken into consideration while taking decisions on a particular Medium of advertisement.
- Q. 6 What do you mean by Product Mix ? Explain its components.

Q. 7 What do you mean by sales Promotion? Explain its Techniques/Methods/Tools.

Answer- 3, 4, & 5 Marks

Ans. 1 Marketing is consumer oriented, it helps a firm to build goodwill in the market over period of time. By selling quality goods at reasonable price, the firm tries to earn its name in the market. Only useful goods and services are produced and sold. Basically marketing aims to building the reputation of firm through various image-building activity i.e, advertising, reasonable price, better quality etc.

Ans. 2 1. **Role of marketing in a firm** : It help in identifying and analyzing the needs of customers and design the prodcing accordingly.
2. **Role of Marketing is an economy** : People are inspired to set up enterprises for producing goods to fulfill the needs of the customers due to marketing.

Ans. 3 1. **Meaning** : Pricing refers to the process of fixing the price of a product or service.

The term 'Price'. refers to the exchange value of a product expressed in money. factors considered before fixing price are.

I Pricing objectives.

If a firm is operating in the competitive market and wants to introduce a more efficient substitute by a competitor, it may charge lower price for it.

To attain product quality leadership, a firm normally charges higher prices to cover high quality and high cost of Research and Development (R & D).

Thus, the price of a firm's products and services is affected by the pricing objective of the firm.

2. **Product cost** : The second important factor to take care of while fixing the price is the product cost. *Costs set the lower limits of the price.* It is important that the price should recover total costs in the long run including a fair return for undertaking the marketing efforts and risk.

Two important types of costs need to be differentiated : fixed costs (e.g., rent of the premises, salaries of the permanent staff) and *variable costs* (e.g., cost of raw materials, direct labour costs, etc.)

The price must be able to recover the total cost in the long run. But sometimes in the short run, a product may be priced below the cost level in order to meet competitive challenges like making the entry of the rival difficult or out cutting the competitor.

3. **Extent of competition in the market** : Competition is another important consideration while pricing a product. When a firm does not face any competition, it can enjoy complete freedom in fixing its price.

But when there are competitors selling the same or similar products, the pricing freedom of the firm is considerably reduced. It price must fall in line with the competitors.

For example, Maruti's Zen now faces a lot of competition from brands like Santro, Indica and Palio. Therefore, its pricing cannot be approached in isolation without considering the prices of other cars.

4. **The utility and demand** : The utility provided by the product and consumer's demand set the upper limit of price, which he is willing to pay.

According to the law of demand, consumers buy more units of product at a lower price than at a higher price.

Ans. 4 I would recommend T.V. advertising because of reasons.

1. Like by children : Children like to watch their programmes like cartoon, Phulwari Bachhon ki etc.
2. Catch quick attention : T.V. advertising will catch quick attention of the viewing children and leave a lasting impact on them
3. It combining right, sound and motion effects.
4. Its cover the wide range.

Ans. 5 The following tools for sales promotion

1. **Free samples** : Free samples of the small size of the cosmetics products can be distributed.
2. **Discount Coupons** : Discount coupons can be issued to the prospective buyers.
3. **Special Display** : Special display allowances can be provided to the retailers for making an display counter.
4. **Packaged Premium** : Packaging premium can be allowed for example 100 g. tube extra 20%.

Ans. 6 The following are the objectives of marketing management :—

1. **Creation of demand** : Main objectives of marketing is to create demand through various means. Before making the production it is necessary to find out the needs of customers that what customers want them produce goods according to the needs of customers.
2. **Capturing market share** : marketing is to capture a reasonable share of the market various promotional methods are used to make the goods popular.
3. **Creation of Goodwill** : Marketing aims to build good will of the product and firm in the market over a period of time by selling quality products at reasonable price, the firm's tries to earn its name in the market
4. **Consumer satisfaction** : Marketing concept to find out the needs of customers and make the production of goods according to the needs of customers. They also provide after sales service

Ans. 7 1. **Short and simple** : Brand name should be short and simple long and complex word should be avoided because they are difficult to read and remember.

2. **Suggestive** : Brand name should be suggestive because they can convey the product quality or benefits. e.g. Hajmola suggests digestive.
3. **Meaning of brand name** : Brand name should be selected after considering its meaning in other languages and cultures. Some words are perfect in one country but have be inappropriate in other country e.g.,. In India Ambassador car (Nora) French meaning who cannot run.
4. **Easy to Pronounce** : Brand name should be easy pronounceable.
5. **Brand name should be adoptable to packing and labeling.**

Ans. 8 **Meaning** : It is a set of task or activities, which is concerns with the design and production of an appropriate container for the product.

Followings are the function of packaging

1. **Protection** : It protects the product from damage which it may suffer on the way to the market. Appropriate packaging save the product from sun, moisture, breakage etc.
2. **Identification** : With the help of packaging, product can be easily identified. from the unique battle or coke one can easily identify it from other.
3. **Convenience** : Packaging the convenience both for middleman and consumer.
4. **Promotion** : Packaging play an important role of silent salesman. Throng packaging good should be attractive and it induce consumers to make a purchase.
5. **Innovation** : BY developing innovative package the marketer can capture new customer segment.

Ans. 9 **Meaning** : Physical distribution involves physical handling and movement of goods from place of production to the place of consumption.

1. **Transportation** : It is concerned with the physical handling and movement of goods from place of production to the place of consumption.
2. **Inventory** : Inventories need to be main tained because they ensure product availability as and when customers demand arise.
3. **Warehousing** : Production of goods continue through off the year but goods are not consumed immediatly. therefore every company needs to store finished goods until they are sold in the market.
4. **Order Processing** : The order cycle involves steps like order placement to the salesperson, order entry in the company system, customer credit check, inventory and production scheduling. There is a direct connection between the processed and the customer satisfaction level.

Ans. 10 1. **Marketing research** : Marketing research is the systematic investigation of the fast election to various aspects in the market. It s helps to manager in decision making.

2. **Market planning** : To achieve the marketing objectives of the organisation, appropriate marketing objectives of the organisation,

appropriate marketing plans covering various important aspects should be developed.

3. **Buying and assembling** : Buying the raw materials or purchase the finished goods for the purpose of sales. Assembly means collection of particular types of goods bought from different places under common roof.
4. **Packaging & Labelling** : Packaging is the act of designing and producing the package for a product.
Labelling means putting identification marks on the package.
5. **Branding** : It is the process of stamping a product with some identifying name or mark.
6. **Customer support services** : Services as after sales services maintenance services technical services & handling complaint are developed.

Ans. 11. Following are the difference between marketing & selling.

Basis	Selling	Marketing
1. Scope	Selling is only <i>a part of the process of marketing</i> and is concerned with promoting and transferring possession and ownership of goods from the seller to the buyer.	Marketing is a <i>wider term</i> consisting of a number of activities such as identification of the customer's need, developing the products to satisfy these needs, fixing price and persuading the potential buyers to buy the same. Thus, selling is merely a part of marketing.
2. Focus	The main focus of selling is on affecting <i>transfer of little</i> and possession of goods from sellers to consumer's i.e., converting his goods into cash. Its focus is <i>short run</i> .	Marketing focuses on achieving maximum satisfaction of customers' needs and want, i.e., its focus is long run.
3. Start and End of the activities	Selling starts with the product (i.e., after production takes place) and ends when it is sold.	Marketing begins before actual production takes place. It starts much before the product is produced and continues even after the production has been sold.
4. Strategies	Selling involves efforts like promotion and persuasion.	Marketing uses integrated marketing efforts involving strategies in respect of

		product, promotion, pricing and physical distribution.
5. Predominance	<i>Product</i> is given priority or supreme importance.	<i>Customer</i> is treated as a king. He is given supreme importance.
6. Aim/Objective	Selling aims at <i>profits through sales volume</i> .	Marketing aims at <i>profits through customer satisfaction</i> .
7. Emphasis	Bending the customer according to the product.	To develop the product as per the customer needs.

Ans. 12. A label identifies the product or brand. It helps to provide identification and some information to the customers.

Functions of Labelling

1. **Helps in identifying the product or brand** : The label helps the customers to identify the product from the various types available. *For example*, we can easily identify a Cadbury chocolate from the various chocolates kept in the shelf of a shop by the colour of its label.
2. **Helps in grading the products into different categories** : With the help of label, products can be graded in different categories. For example, Brook Bond Red Label, Brook Bond Yellow Label, Green Label, **etc.**
3. **Carrier of information** : The manufacturer cannot communicate to each and every customer personally. So, if he wants to communicate and each and every customer personally. So, if he wants to communicate and share some information about the product with the customer, it is done through labels. The manufacturer prints all the information related to product such as the contents, price, instructions to use, etc. *For example*, pack of Maggie Noodles describe the procedure of cooking noodles.
4. **Legal requirement** : Labelling performs the function of providing information required by law. *Examples* :

The statutory warning on the package of cigarette, “*Smoking is injurious to Health*”.

In case of hazardous or poisonous material, appropriate safety warning needs to be put on the label.

Ans. 13 **Meaning** :— It involves face to face interaction between the seller and the prospective buyers sales person as certain customers needs, identifies right product, communicates product features benefits and help him buy the product.

I. Importance to Businessman

1. **Consumer attention** : When seller does the talking, the buyer cannot be totally aloof to what is being communicated. the buyer has to listen and pay attention.
2. **Lasting relationship** : Personal selling allows a salesperson to develop personal relationships with the prospective customers, which may personal relationships with the prospective customers, which may become important in making sales
3. **Role in introduction stage** : Personal selling plays very important role in the introduction stage of a new product as it helps in persuading customers about the merits of the product.

II. Importance of Customers : The role of personal selling becomes more important for the illiterate the rural customers who do not have many other means of getting product information.

1. **Helps in improving standards of living** of customers by inducing them to purchase new products that satisfy their needs in a better way.
2. **Consumer get latest market information** : regarding price changes, product availability and new product introduction, which help them in taking the purchase decisions in a better way.
3. **Helps the customers in identifying their need and wants** and in knowing how these can best be satisfied.
4. **Customers get expert advice** in purchasing various goods and services.

III. Importance of Society

1. **Converts latent demand into effective demand**, leading to more products and services and hence economic growth of the nation.
2. **Employment opportunities** : Personal selling provides attractive career with greater opportunities to the unemployed youth.
3. **Career opportunities** : Personal selling provides attractive career with greater opportunities for advancement and job satisfaction as well as security, respect and independence to young men and women.
4. **Mobility of sales people** : There is a greater degree of mobility in sales people, which promotes travel and tourism in the country.
5. **Product standardization** : Personal selling increase product standardization and uniformity in consumption pattern in advisers society.

6 Marks

Ans. 1 Marketing refers to the tools or the variables which the marketer mixes in order to interact with a particular market.

“Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objective is the target market”. Kotfer.

Product Mix : When a firm becomes a multi-product company, the total number of products and items it offers to the market is called product mix or product assortment. Product mix of ITC consists of product lines like hotels (Welcome group), cigarettes (Wills, India Kings), readymade garments (Will Sport) and grocery line (Aashirvaad).

Components of Product Mix are :

Branding
Packaging
Labelling

Price mix : Price is the value which a buyer passes on to the seller in lieu of the product or service provided. The marketing manager should determine the price in such a way that the firm is able to sell its products successfully.

Main factors that must be taken into consideration while fixing the price are :

Company objectives
Costs
Competition
Customer demand

Promotion mix : It deals with informing the customers about the firm's product and persuading them to purchase the same.

Elements or components of promotion mix are :

Personal selling
Advertising
Publicity
Sales promotion.

Place mix/Physical distribution mix : The two major decision areas under this function include

- (i) decision regarding channels of distribution or the marketing intermediaries (like wholesalers, retailers) to be used and
- (ii) Physical movement of the product from the producer to consumers.

It also involves decisions regarding storage and transportation, managing inventory (levels of stock of goods), etc.

Ans.2 Yes I agree with this statement

1. Its encourage to customers to buy the product when they do not really need.
2. It destroys old models of goods.
3. Increase the cost of product
4. It confuse the customers.
5. Some advertisement is not suitable for children and women.

Ans. 3 **I market related factors**

- (i) **Size of Market** : If the buyers are in small number short channels are used. But if the number of buyers of large, as in the case of most convenient products like soft drink, toothpaste, etc. longer channels involving large number of intermediaries are used.
- (ii) **Geographical concentration of potential buyers** : When buyers are concentrated in a limited geographic area like industrial customers, direct selling could be used.

Serving geographically spread customers requires use of more middlemen.
- (iii) **Size of order, i.e., quantity purchased** : if the size of the order is small, as in the case of most consumer products, large number of intermediaries may be used. But if the size of order is large, direct channels may be used.

Product Related Factors

- (i) **The unit value of the product** : When the goods to be distributed are costly (like gold jewellery, industrial machine, etc.), shorter channels are recommended, whereas for less costly, inexpensive products, longer channel could be used.
- (ii) **Product complexity** : Technically, complex products require expert advice and counseling at the point of sale. Therefore, direct or short channels are more appropriate.
- (iii) **Nature of product** : Industrial products are usually technical, made to order and expensive products purchased by few customers. These products require short channels, i.e., direct channel or involving few middlemen.

One the other hand, consumer products are usually standardized, less expensive, less bulky, not technical and frequently bought products. These can be better distributed by long network of channels, involving many middlemen.

- (iv) **Perishable vs non-perishable products** : Perishable products like fruits, vegetables and dairy products are best sold through short channels. While non-perishable products like toiletry products (e.g., soap, toothpaste, hair oil, etc.), groceries (vegetable oil, tea, leaf, etc.), fabrics require longer channels to reach wide spread consumers.

Company Related Factors

- (i) **Financial strength of the company** : A firm which has deep pockets and enjoys considerable financial strength can evolve its own channels. But the financially weak firms would have to bank upon existing middlemen for their services.
- (ii) **Degree of control** : If the management wants to have greater control on the channel members, short channels are used.

But if the management does not want more control over the middlemen it can go in for longer channel or large number of intermediaries.

- (iii) **Management** : If the management of a firm has sufficient knowledge and experience of distribution, it may prefer direct selling.
- (iv) **Competitive factory** : Before taking decision regarding choice or channels a company should observe the channel selected by competitors in the same industry. A company may decide to choose the same or not.
- (v) **Environmental factors** : Economic condition and legal factors also affect the choice of channels. Shorter channels will be used in case of depressed economy.

Ans. 4

Advertising	Personal Selling
1. Impersonal form of Communicative.	1. Personal form of communicate.
2. It is inflexible	2. It is highly & flexible.
3. It reach a large No. of people	3. Reach a limited No. of people.
4. Cost per person is very low	4. Cost per person is very high.
5. If use of mass media e.g. T.V. Radio, new papers	5. It make use of saler staff.
6. It lack direct feedback	6. Its provide direct and immediate feed back.

Ans. 5 Following factors influence choice of medium of advertisement. The success of an advertisement depends upon the media used. Therefore, due care should be taken in selecting the media of advertising. While choosing an appropriate advertising media, following factors should be kept in view :

- (i) **Selectivity** : This refers to the ability of a medium to reach a particular audience. Illiterate and poor people can be approached through radio, films and television. Newspaper, magazines, outdoor displays and direct mail may be used to convey the message to the educated.
- (ii) **Coverage** : This refers to the size of audience the medium can reach. Advertising in local market can be done profitably through local newspapers, films and outdoor displays. Newspapers, magazines and direct mail are more appropriate media for advertising in national and international markets.
- (iii) **Flexibility** : It refers to the speed and ease with which an advertisement can be placed in a medium, changed or deleted. For example, it is very difficult to change an advertisement given on TV. But it is easier to do so on posters newspapers, etc.




- (iv) **Cost** :It refers to the payment or charges for buying a certain amount of time or space. Therefore, amount of funds available for advertising and the cost of the media are important considerations.
- (v) **Editorial environment** : It refers to the nature of information or entertainment material that surrounds the advertisement. Consumer products such as toothpaste, cold drinks, soaps, etc. should be advertised through newspapers, radio films and outdoor displays. On the other hand, industrial goods like raw materials, tools, machinery, etc. can be advertised better in technical and professional magazines.
- (vi) **Performance** : This refers to the durability of the medium.
- (vii) **Objectives of advertising** : When the objective is to introduce a new product or to fight competition, a combination of various media may be used.
- (viii) **Media used by competitors** : The media used by competitors also influences the choice of the advertising media.
- (ix) **Type of message** : Small advertisements can be given economically in radio, TV. etc. But for large advertisements, newspapers, magazines and films are more appropriate.

Ans. 6 Product mixed deals with decision concerning veracity quality features, packaging, size, brand, guarant racing services to be offered in respect or the first product. comments of product mix

1. **Branding** : “Branding” can be defined as the process of using a name, sign, symbol or design to a product. Branding isnot only done to identify the seller or the maker, but also to create a distinct identity of the product from that of competitors.

Examples :

- Some of the common brands are Bata, Lifebouy and Parker..
- Asian paints, Safola and Uncle Chips are the brand names.
- Gattu of Asian paints, Devil of Onida, etc., are some examples of brand marks.

-  ,  and  are trade marks of Mercedes, Nike and Pepsi, respectively.

2. **Packaging** : Packaging refers to the act of designing and producing the container or wrapper of a product.

The physical product that we usually buy comes in packaged form.

- Soaps comes in paper boxes or plastic wrappers.
- Biscuits come carton, papers or plain paper packaging.
- Refrigerators or televisions come in hard wood and board cartons.
- Expensive perfumes and liquor come in boxes and designer bottles.

Packaging plays an important role in determining customer attitude towards the product. Sometimes by looking at the packaging the customer

tries to assess the product quality. Good packaging often help in selling the product. Packing is, therefore, sometimes called a silent salesman

3. **Labelling** : A label is carrier of information which is to be provided to the customers, which describes the product, its contents, the manufacturer, date and time of manufacture, etc.

The label is to put on the package.

Q. 7. **Meaning** : Sales promotion refers to short term inventions which are designed to encourage the buyers to make immediate purchase of a product or service tools.

- Ans. (i) **Rebates** : Offering products at special prices to clear off excess inventory.
- (ii) **Dis Counts** : Certain percentage of price is rented as discount from the 1st price.
- (iii) **Refunds** : Refunding a part of prize pend by customer on producing some proof of purchase.

Example : A toothpaste manufacturer may offer to refund Rs 5 on sending the empty cover of the pack.

- (iv) **Product combinations** : Offering another product as gift along with the purchase of a product. as gift along with the purchase of a product.

Example :

- Shakti Bhog Atta's offer of a pack of rice with a bag of atta.
- Get 64 MB memory card free with a Nokia cell phone.
- 100 gm bottle of sauce free with 1 Kg detergent.

- (v) **Quantity gift** : Offering extra quantity of the product.

Example :

- 'Buy three get one free' offer currently available for soaps like Nirma and Lux No. 1.
- '50 grams extra' free offe rof Fena or 555 detergent bar.
- Dettol shaving cream's offe rof '40% Extra'.
- 'Buy 2 get 1 free offer of Peter England on shirts.

- (vi) **Sampling** : It means giving free sample of product to the customer. These are done to make customers try the product and learn about it.

Example : HLL did extensive sampling of their Surf Excel when the brand was initially launched.

- (vii) **Contests** : Consumers are required to participate in some competitive events involving application of skills or luck and winners are given some reward.

Example : Harvest Gold, maker of 'premium Bread' usually have children drawing competitions.

- (viii) **Lucky draw** : For example, lucky draw coupon on puchase of easy undergarment and win a car offer.

- (ix) **Packed premium** :In this type of sales promotion, marketers pack some gifts inside the product package. The gifts create a lure to buy the product.
- (x) **Usable benefit** : For example, 'Purchase goods worth Rs 3,000 and get a holiday package worth Rs. 1,000 free'.
- (xi) **Container premium** : This category of sales promotions is also very popular with the marketers of products like milk additives, jams, now even detergents and soaps. In these schemes, the marketer devises special containers for packaging the product which could be used by the customer for some use.

Chapter–XI
Consumer Protection
HOTS QUESTIONS

- Q. 1 MS X purchased a car of Rs.15 lakh but he is to satisfied with the quality and performance of the car. The company of the car did not provide any remedy to him. Under which authority of consumer protection Act' 1986 he can file an appeal ?
- Q. 2 Without what period of purchase the complaint can be filed under consumer protection Act ?
- Q. 3 On which type of products can eco mark is used ?
- Q. 4 On which type of products can eco mark be used ?
- Q. 5 “X, who was a vegetarian went to a snack bar for having burger and later found that it had a non-vegetarian content. Neither the advertisement nor the packing of the product displayed about the content”. Which right of consume is violated ?
- Q.6 Amit wants to buy Gold Jewellery. As an aware customer how can he be sure about the quality of the jewellery ?
- Q. 7 A consumer is not satisfied with the order of the District forms, where can he appeal ?
- Q. 8 If a case is decided by the District form, can it be appealed before the supreme court.
- Q. 9 Which kind of appeals can be taken to the Supreme Court ?
- Q. 10 Which consumer right gives the business firm freedom set up their own consumer service & grievances cell.
- Q. 11 Which consumer right entitles the consumer to get relief in case the product or service falls short of his expectation ?
- Q.12 On which day, the world consumer rights day is celebrated ?
- Q.13 Which judicial machineries are available to deal with consumer grievances ?
- Q. 14 Which consumer right suggests that a consumer must be protected from goods & services hazardous to life & health ?
- Q. 15 Which consumer right have access to a variety of products & services ?
- Q. 16 Name any two important acts framed to safeguard consumer interest .
- Q. 17 Name the apex institution to seek redressal under Consumer Protection Act, 1986.
- Q. 18 Name the quality certification mark used is case of food products.
- Q. 19 Name any two consumer organizations engaged in protecting and promoting consumers interest.
- Q. 20 What are the two aspects of consumer protection ?
- Q. 21 Which quality certification mark is used in case of electrical goods ?

Q. 22 When the provisions of consumer Protection Act came into force ?

1 Mark question

Ans. 1 District form.

Ans. 2 Within 3 months of purchase.

Ans. 3 Environmental friendly products.

Ans. 4 Agriculture products.

Ans. 5 Right of Information.

Ans. 6 Hall mark.

Ans. 7 State commission.

Ans. 8 No, it can be challenged in state common.

Ans. 9 Only those where consumer is not satisfied with the decision of National Commission and value of goods exceeded Rs 1 crore.

Ans. 10 Right to be heard.

Ans. 11 Right to seek redressal.

Ans. 12 15th March.

Ans. 13 District forum, state commission, National Commission.

Ans. 14 Right to safety.

Ans. 15 Right to choose.

Ans. 16 Essential commodities Act, 1955, MRTP Act, 1969.

Ans. 17 National commission.

Ans. 18 FPO.

Ans. 19 Common cause (New Delhi), voice, Consumer Guidance society of India, Mumbai.

Ans. 20 (i) Educating the consumers about their rights

(ii) Redressal of their grievances.

Ans. 21 ISI

Ans. 22 1-July-1987.

3-4 MARKS

Q. 1 What is the need of consumer protection in developing countries like India ?

Q. 2 State the various laws and legislation to protect the interest of consumer enacted by Government.

Q. 3 What are the various ways & means to protect the consumer ?

Q. 4 Who is a 'consumer' according to the consumer Protection Act, 1986 ?

- Q. 5 Under what circumstances complaints can be filed under Consumer Protection Act' 1986.
- Q. 6 Who can file a complaint under Consumer Protection Act, 1986 ?
- Q. 7 Explain briefly the salient features of District Forum/State Commission/National Commission.
- Q. 8 What kind of cases can be filed in a District form/State commission/National Commission ?

5-6 MARKS

- Q. 1 Explain the various rights of Consumer under Consumer protection Act 1986.
- Q. 2 Explain briefly the responsibilities of a consumer.
- Q. 3 What are the various relief/Remedies available to a consumer under the consumer Protection Act' 1986.
- Q. 4 Explain the redressal mechanism available to consumers under the Consumer Protection Act, 1986.
- Q. 5 Explain the role of consumer organizations and NGOs in consumer protection.

HOTS QUESTIONS

- 1. As a well informed customer, what kind of quality certification marks you will look for before buying products? Specify any six.
- 2. "An order passed by the National Commission in a matter of its original jurisdiction is appealable before the Supreme Court". In this context, What does original jurisdiction mean?
- 3. Mr. Deepak purchased a book from a book-seller and book the cash memo of Rs. 200 which he paid for the book. Later, he found that the actual price of the book is Rs. 180 but the book – seller had put a sticker of Rs. 200 on the original price. Can Deepak recover the extra money that he paid? What other options are available to him book –seller?
- 4. Mr. Ashu, a consumer, purchased medicines without noticing the date of expiry. He also did not obtain the cash memo. Do you think he will able to protect himself by the loss caused due to expired medicines? Give reasons in support of your answer of your answer.

HOTS (ANSWERS)

- 1. Some of the quality certification marks are :-
 - a) FPO – It contains specification and quality control requirements regarding the production and marketing of processed fruits and vegetables, sweetened aerated water, vinegar and synthetic syrups.
 - b) ISI – on consumer durable products.
 - c) Hall Mark – BIS certification scheme gold jewellery items.

- d) Earthen pitcher – for labeling environment friendly products.
 - e) AGARK – It is a grade standard for agricultural commodities and live stock products.
 - f) WOOL MARK – It signifies 100% pure wool.
2. Only those appeals where the value of goods and services in question, along with the compensation claimed exceeded Rs. 1 crore and where the aggrieved party was not satisfied with the order of the National Commission.
 3. Mr. Deepak is a cautious consumer. He had taken the cash memo for the book he purchased. Therefore, he can recover the extra money (Rs. 20). Besides as per the Consumer Protection Act, 1986, following options are also available to him against the book-seller :-
 - a) He can return the book and ask for the repayment of Rs. 200 which he paid for buying the book.
 - b) He can sue the book – seller for using unfair and restrictive trade practices.
 4. In the given case, Mr. Ashu, as a consumer, was not able to fulfill his responsibility at two fronts :-
 - a) He did not go through the packing specification mentioned on the product at the time of purchases.
 - b) Most importantly, he did not obtain the cash memo from the seller. A cash memo is a proof of purchases and a must for filing any complaint. Hence, he will not be able to protect himself by the loss caused due to expired medicines.

Consumer Protection (Question Bank)

Questions ($\frac{3}{4}$ marks)

- Q.1 Who is a Consumer under Consumer Protection Act, 1986?
- Q.2 Who can file a complaint under Consumer Protection Act, 1986?
- Q.3 When or under what circumstances the complaints can be lodged by the consumer?
- Q.4 Explain the role of Consumer Organizations and NGOs.
- Q.5 What are the various ways & means of Consumer Protection?

Answer to $\frac{3}{4}$ marks Questions

- Q.1 According to Consumer Protection Act, a consumer is:
 - a) One who buys goods or service for some value
 - b) Any user of such goods or beneficiary of service with approval of the buyer.
 - c) Any one who uses the goods bought or service hired for earning livelihood by self-employment.
- Q.2 A complaint can be filed by :-

- a) Any consumer
 - b) Any registered Consumer Association.
 - c) The central or state government
 - d) One or more consumer on behalf of numerous consumers
 - e) A legal heir of a deceased consumer.
- Q.3 Complaints can be filed and compensation can be claimed by the consumer with respect to :-
- a) Fraudulent practices of traders and manufactures
 - b) If goods are defective
 - c) If there is any deficiency in the services hired
 - d) Over charging of prices
- Q.4 Non Government Organizations are voluntary organizations established to protect and promote the interests of under privileged sections of society. Child Relief and you (CRY) for example is a NGO for protection and welfare of children. NGOs and can take the following steps for consumer protection :-
- a) To inform and educate consumers about their rights and responsibilities.
 - b) To file consumer grievances with appropriate authorities for redressal.
 - c) To act as spokemen/representatives of consumers.
 - d) To organize consumers.
 - e) To advise and assist government agencies in matters relating to cosumer education.
 - f) To undertake research and publish journals for the welfare of consumers.
5. Means for protecting consumers in India are given below :-
- a) Publicity : All India Radio and Doordarshan telecast regular programmes on consumer protection. Film documentaries and video documentaries have been prepared to educate consumers. The Ministry publishes a quarterly journal 'Upbhokta Jagaran' directories and brochures on consumer affairs. World Consumer Rights Day is celebrated on 15th March every year.
 - b) Awards : Government of India offers awards to youth and women in order to encourage their participation in consumer protection.
 - c) Consumer welfare fund : Govt. of India has created a fund for the welfare of consumers. This fund is to be utilized on consumer education, training and research in consumer education, setting up counseling, guidance and complaint handling facilities, setting up of product testing laboratories, etc.
 - c) Lok adakats : In a lok adalat the aggrieved consumer can directly present his grievance. The officials of the concerned firm discuss the matter and take appropriate decisions. This method saves time and money of people. It is a speedy and economical redressal system. Delhi Development Authority, Delhi Transport Corporation, Mahanagar Telephone Nigam Limited and India Railways organize lok adalats from time to time.

Questions 5/6 marks

1. Explain the importance of Consumer Protection in a developing country like India.
2. Explain the various right of consumer given under Consumer Protection Act, 1986?
3. What responsibilities should a consumer keep in mind while purchasing, using and consuming goods and services?
4. What are the various remedies available to a consumer under Consumer Protection Act, 1986?
5. What type of judicial machinery is available to deal with consumer grievances and disputes?

Answers to 5/6 marks questions

1. The need for Consumer Protection arises due to following reasons :-
 - A. From Consumer Point of view :
 - a. **Consumer Ignorance** : In India, incidence of poverty and level of illiteracy high. Therefore it become necessary to educate them about the pure and adulterer goods so as to achieve consumer awareness.
 - b. **Unorganized Consumers** : In India consumer have yet not organized themselves in the form of consumer organizations. Therefore, adequate protection is required to be given to consumers till these organizations become powerful enough.
 - c. **Widespread Exploitation of Consumer** : Consumers can be exploited by unfair trade practices like defective and unsafe products, false and misleading advertisements etc.
 - B. From Business Point of view
 - a. Long term interest of the business : Enlightened business man only realizes that it is in their long interest to satisfy customers because they can only lead to repeated sales.
 - b. **Social Responsibility** : A business has social responsibilities towards various interest groups including consumers. Thus, consumers like other stakeholders; their interest has to be well taken care of.
 - c. **Moral Justification** : It is the moral duty of any business to take care of consumer's interests and avoid any form of their exploitation and unfair trade practices.
 - d. **Government Interventions** : A business engaging in any form of exploitative trade practices would invite government interventions or action. This would tarnish the image of the company.
2. The Consumer Act Provides the following six rights of Consumers.
 - a) **Right to safety** : It means the right to be protected against products, production processes and services which are hazardous to health to life. It also includes protection against environmental pollutions.

- b) **Right to be informed** : A consumer has a right to be informed about the quality, quantity, potency, purity, standard and price of goods or services, so as to make the right decision and protect themselves against abusive practices.
- c) **Right to choose** : It deals with the issue of choosing between different alternatives. It can be defined as an assurance, whenever possible, of availability, ability and access to a variety of products and services at competitive prices.
- d) **Right to representation** : It means the right to advocate consumer's interests with a view to receiving full and sympathetic consideration in the formation and execution of economic and other policies, which affect consumers.
- e) **Right to seek redressal** : This right includes the right to receive compensation for supply of unsatisfactory services or shoddy goods and availability of forms of legal aid or redress for small claims whenever necessary.
- f) **Right to consumer education** : It means the right to acquire the knowledge and skills to be an informed consumer. It is easier for the literate to know their rights and to take actions to influence factors which affect consumers decisions.

3. Following are the responsibilities of consumers to safeguard their interests :

- a. **Awareness of rights** : Consumers must be aware of their own rights. These rights are to safety, right to be heard, right to choose, right to be informed, right to seek redressal and right to consumer education. Consumers must exercise their rights.
- b. **Full information** : A consumer must have all relevant information before making the purchase. He should not depend entirely on the seller. He should verify the quality, quantity, utility, price etc. of products and services.
- c. **Cash memo** : A consumer must insist on cash memo, cash memo acts as a proof of purchase. Every seller is bound to give a cash memo.
- d. **Cautious reliance on advertisement** : Consumer should not believe the advertisements blindly. Consumers should compare the uses of the product given in the advertisement copy and actual product. Any discrepancy should be brought to the notice of relevant authorities.
- e. **Quality conscious** : Consumers must look at standard quality certification markets like ISI, Agmark, FPO, etc.
- f. **Redressal of grievances** : Consumers should file complaints for the redressal of genuine grievances.

4. Following are the remedies available to a consumer under Consumer Protection Act :

- a. Removal of defects from the goods.
- b. Replacement of the goods

- c. Refund of the price paid
 - d. Award of compensation for or injury suffered.
 - e. Removal of deficiency in services.
 - f. Discontinuance of unfair trade practice or restricted trade practice.
 - g. Stopping the sale of hazardous goods.
 - h. Withdrawal of hazardous goods from being offered for sale.
 - i. Payment of adequate costs to parties.
5. The Consumer Protection Act, 1986 provides for three tier machinery for the redressal of consumer grievances :
- a. **District forum** : This is established by the state government in each district. It shall consists of a chairman and two members appointed by the state Government. Only those complaints can be filed in the District Forum where the value of goods or service and the compensation claimed is upto rupees twenty lakhs. An appeal against the order of the District forum can be filed with the State Commission within 30 days.
 - b. **State Commission** : This is established by the Government in the state. It shall consist of a President who either is or has been a Judge of a High Court and two other members. All the three shall be appointed by the State Government. Only those complaints can be filed in the state commission where the value of goods or services and the compensation claimed exceed 20 lakhs but does not exceed Rs. 1 Crore. An appeal against the order of the state commission can be filed before the National Commission within 30 days.

National Commission : This is established by the Central Govt. It shall consist of a President who is or has been a judge of the Supreme Court and four other members. All shall be appointed by the Central Govt. All the complaints where the value of goods or services and the compensation sought is more than rupees 1 crore can be filed with the National Commission. An appeal against the order the National Commission can be filed before the Supreme Court within 30 days.

SAMPLE QUESTIONS PAPER – I

- Q1. You are working in Angora Ltd and your job is to recruit the casual labourers. At which level of management are you working?
- Q2. Mc Donalds, the fast food giant, made major changes in its menu to be able to survive in the Indian market. Which characteristics of management is highlighted?
- Q3. The director of Bhupender Ltd. An organization manufacturing computers, wants to double the sales and have given this responsibility to sales manager but he has no authority to increase the sales expenses or appoint new sales person. He couldn't achieve the target. Is sales manger responsible for not achieving the target? Mention the relevant principle?
- Q4. State how the management principles are flexible?
- Q5. "Offering 30% jobs to women" what type of plan is it?
- Q6. Which Concept of marketing suggests that the organization should earn profit though consumer satisfaction and social welfare?
- Q7. Name the non-paid form of communication of information about the product?
- Q8. Name any two specialty product?
- Q9. Give two examples of 'Noise' in the process of communication?
- Q10. Name the quality certification work used in case of food product?
- Q11. "A supervisor is not at all required in an organization" Do you agree? Give three reasons to support your answer?
- Q12. Explain any three barriers to effective communication?
- Q13. "An ideal control technique is one that checks every bit of performance" comment?
- Q14. The main objective of financial management is to maximize the wealth of the owners (or shareholders) of the co. How? Explain.
- Q15. Differentiate between money market & capital money on the basis of following points:-
(1) Meaning
(2) Participants.
(3) Liquidity
- Q16. Swapnil runs a factory wherein She manufactures shoes. The business has been doing well and she intends to expand by diversifying in to leather bags as well as western formal wear, thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one shop for working women. Which type of structure would you recommend for the expanded organization and why?
- Q17. Explain staffing as a part of Human Resource Management?

- Q18. There are two Sr. officer in JMD Ltd. Mr.Sunder and Mr.Mritunjay. Mr.sunder is of the opinion that 'Planning is looking ahead whereas controlling is looking back' on the other hand Mr.Mritunjay is of the opinion that "Planning is looking back where controlling is looking ahead?
- Q19. What is financial Planning? Explain its importance?
- Q20. You are the manager of organization producing refined mustard oil used in cooking. Which media will you choose to advertise your product and why?
- Q21. How would you say that management is not pure science?
- Q22. "Fayol's & Taylor's contribution to the field of management is complementary to each other " Explain?
- Q23. Explain the Maslows need Hierachey theory?
- Q24. What are the factors to be kept in mind while designing the capital structure of a co.?
- Q25. Explain the various functions of SEBI?
- Q26. "Planning doesn't guarantee the success of business" How?
Or
Explain the importance of planning process?
- Q27. Differentiate between 'Delegation' and Decentralisation?
Or
Distinguish between formal & Informal organization on the basis of (1) Origin (2) Authority
(4) Flow of communication (4) Behaviour (5) Nature (6) Leadership.
- Q28. Explain the selection process.
Or
Explain the following types of training
(1) Vestibule training
(2) Apprenticeship
(3) Job Rotation
- Q29. What are the various factors which affect the choice of Channels of physical distribution of Product?
Or
Explain the following functions of marketing
(1) Gathering and analyzing the market information
(2) Market Planning
(3) Product designing & development
(4) Customer support service.
- Q30. Explain the four responsibilities of a consumer?
Or
Non – Govt. organizations performs several function for the protection and promotion of interest of consumers. State any six functions performed by them?

MARKING SCHEME

1. Operative Level of Management.
2. Dynamic Nature of management.
3. No sales manager can't be held responsible as he has not been given sufficient authority to perform the responsibility. The principle of "Authority and responsibility" has been avoided.
4. Managerial Principles are applied according to situation so they are flexible.
5. 'Policy'.
6. Societal concept of marketing.
7. Publicity.
8. Paintings, Sculpture
9. A poor telephone connection voice disturbance due to traffic.
10. FPO.
11. I don't agree with the statement – "A supervisor is not at all required in an organization" The importance of supervisors can be understood from multiples roles performed by him.
Explain Role of Supervisors.
(1 mark for correct answer + 2 mark for role.)
12. Explain any three barriers to effective Communication.(One mark for each)
13. The given statement – "An ideal control technique is one that checks every bit of performance" is wrong. An ideal control technique should focus on key Results Area. (KRAS).
Explain the meaning of KRA (CPM) 3 marks
14. Yes the main objectives of financial management is to maximise the wealth of Shareholders through achieving following objectives –
 - (1) Profit maximization
 - (2) Efficient utilization of resources.
 - (3) Meeting financial commitments on time.(1 mark for correct answer + 2 marks for any other objectives)
15. Give one mark for correct difference. In money market & capital market. (any three)
3 marks
16. Divisional structure -
Explain three points of benefits of adopting divisional structure one mark for each correct importance.
1mark + 3 = 4
17. Human Resource Management – HRM is a specialised and separate function which is related with the recruitment, selection, development and the best use of

human factor in organization H.R.M is a wider concept which ensures that every employee makes has maximum contribution to the achievement of organizational goals. Staffing is concerned with selection of suitable candidates & their training & development is a part of H.R.M.

(1 mark for meaning +3 marks for explanation= 4)

18. The statements of both managers are correct. Explanation to statement planning is looking ahead whereas controlling is looking back.

Explanation to second statement.

(2 marks for each explanation)

19. Meaning of financial Planning:-
Financial Planning means estimating the amount of capital required by enterprise and determining its compositions. It is the process of establishing the objectives, policies, procedures, programmer and budgets etc to deal with the financial activities of the organization. Importance of financial planning:- Any three.

- (1) Optimum utilization of funds
- (2) Coordinates different functional areas
- (3) Avoids confusion and wastage.
- (4) Reduces financial uncertainties
- (5) Helpful in financial control.

(1+3 = 4)

20. Any of Television/Radio:-

The reasons for choice of media of advertising (Any three)

- (1) Reach (2) Frequency (3) Selectivity (4) Flexibility (5) Life of the advertisement

(1+3 = 4)

21. Management is not pure science rather it is social science or behavioural science. As a manager aims at modifying the behaviour of human factor in a work place through managerial practice and techniques which are not managerial practice and techniques which are not absolute and rigid rather flexible:- Give reason to support the answer -

Nature of management as science:-

(2+3=5)

22. Yes, Taylor's principles of scientific management and Fayol's principles of management are mutually complementary. Give points to support the answer.

Basis	Taylor	Fayol
1. Personality	Taylor was a scientist.	Fayol was a practitioner
2. Focus	Focus on workers efficiency and Production.	Focus on improving over-all Management efficiency.
3. Nature	Taylor's techniques are more specific and can be applied	Fayol's Principles are more General & can be applied without medication.with modifications.
4. Scope	Mainly related to production activities	Fayol's principles are Relevant in all functional area.
5. Expression.	Scientific Management	General theory of management

(1+4=5)

23. 1 mark for each explanation of five needs given by Maslows.

24. Factors affecting capital structure (any five)

- | | |
|-----------------------------|---------------------|
| (1) Cash flow position | (2) Control |
| (3) Flexibility | (4) Floatation cost |
| (5) Nature of industry | (6) Tax Rate |
| (7) Return on Investment | (8) Cost of Debt |
| (9) Stock market conditions | |

(One mark for each factor)

25. Any five functions of SEBI -
Protective –

- (1) Prevents Insider Trading
 - (2) Promotes fair practices
 - (3) Educates Investors
 - (4) Prohibits fraudulent and unfair trade practices
- Regulatory functions – Registration of Brokers & Agents
- Levying of Fee
 - Notification
- Developmental function – Training
Research

One mark for each function.

26. Explain the limitations of planning

(Any six)

Or

Give points of importance of planning.

(any six)

(One mark for each point)

27. Any six correct points of difference between Delegation and Decentralization.

Or

BASIS	FORMAL	INFORMAL
1. Origin	Deliberately created	arises automatically due to social interactions.
2. Authority	Arises due to position	Arises on the basis of personal qualities
3. Behaviour	Standard	No set Behaviour pattern.
4. Nature	It is rigid	It is flexible.
5. Leadership	Managers are leaders	Group choose the leaders.

(One mark for each correct difference)

28. Selection process (any six)

- Scrutiny of application
- Preliminary Interview
- Selection Test
- Interview
- Checking the references
- Medical Examination
- Final Selection.

(1 mark for each step)

Or

Vestibule Training - Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor.

Apprenticeship – The trainees work under the guidance of a master worker. During the training period. He is paid less than a qualified worker.

Job Rotation – The Trainees move from one job to another to understand different activities and with time develop. Into multi utility employee. Used for freshers to learn by doing.

(2 mark for each)

29. Factors affecting the choice of channels of distribution – (Any six)

(1) Market related Factors:-

- (a) The nature of market
- (b) Size of the market
- (c) Geographic concentration.
- (d) Quantity Purchase

(2) Product related factors-

- (a) unit value of the product
- (b) product complexity
- (c) the nature of product

(3) Company related factors-

- (a) Finance
- (b) Degree of control.

Or

Functions of marketing:-

(1 ½ marks for each correct

explanation)

30. 1 ½ marks for each explanation

Or

Functions of NGO's

- (1) Creating consumer awareness
- (3) Filing complaints
- (5) Provide legal Assistance

- (2) Encouraging the consumers
- (4) Focus on consumer problems
- (6) Protesting against traders

(1 mark of each)

SAMPLE QUESTION PAPER II**Subject : B. Studies****Class : XII****BLUE PRINT**

UNITS	Very Short Answer (1)	Short Answer (3, 4)	Long Answer (5, 6)	Total
Unit-1 (7)	1(2)	-	5(1)	7(3)
Unit-2 (7)	1(2)	-	5(1)	7(3)
Unit-3	-	-	-	-
Unit-4 (7)	1(2)	-	5(1)	7(3)
Unit-5 (10)	-	4(1)	6(1)	10(2)
Unit-6 (10)	-	4(1)	6(1)	10(2)
Unit-7 (12)	1(2)	4(1)	6(1)	12(4)
Unit-8 (7)	-	3(1), 4(1)	-	7(2)
Unit-9 (12)	-	3(2)	6(1)	12(3)
Unit-10 (8)	-	3(1)	5(1)	8(2)
Unit-11 (14)	-	3(1)	5(1), 6(1)	14(3)
Unit-12 (6)	1(2)	4(1)	-	6(3)
	10(10)	35(10)	55(10)	100(3)

DESIGN OF QUESTION PAPER

B. STUDIES

Weightage to forms of Questions :

S. No.	Forms of Questions	Marks for each ques.	No. of Questions	Total Marks
1.	Very Short Answer Type	1	10	10
2.	Short Answer Type (SA I)	3	5	15
3.	Short Answer Type (SA II)	4	5	20
4.	Long Answer Type (LA I)	5	5	25
5.	Long Answer Type (LA II)	6	5	30
			30	100

Weightage to difficulty level of questions :

S. No.	Estimated difficulty level of questions	Percentage
1.	Easy	30%
2.	Average	50%
3.	Difficult	20%

There will be no overall choice. However, there is an internal choice in every question of 6 marks.

12. "Management cannot be seen but the effects of it are noticeable in an organization." Which characteristic is highlighted in the above statement. 1
13. Muskan Ltd. An organization dealing in paints has the basic objectives of survival growth and profit making. What are such objectives called ? 1
14. Give one reason why management has not attained the status of a full fledges profession ? 1
15. 'Management principles are behavioural'. Explain why ? 1
16. A type of plan lays out routine steps on how to carry out activities in an exact chronological order. Name the type of plan. 1
17. This is the last step in the planning process and monitors that activities confirm to schedule. State the step. 1

18. Define communication. 1
19. Name two examples of non financial incentives. 1
20. Which consumer right ensures safety to consumer against harmful and hazardous goods ? 1
21. Rahul purchased a television for Rs. 25,000. The TV was defective and the manufacturer did not redress his grievance properly. Where should he file the complaint. 1
22. What is compared with what in the process of controlling ? What is the specific name given to the difference ? Explain with example. 3
23. A branch of management is concerned with procurement and optimum use of funds in a business. Name this branch. Also write three major type of decisions needed to be taken under this branch. 3
24. Explain how stock exchanges act as barometer of economic development in a country. 3
25. Distinguish between advertising and personal selling on the basis of :
 - (a) Reach
 - (b) Cost
 - (c) Made. 3
26. Why do the fixed capital requirement of labour intensive companies differ from those of capital intensive companies. 3
27. State any four benefits of staffing to a organization. 3
28. What are key result areas ? How is critical point control an efficient method of monitoring activities of an organization ? 4
29. Maslow in his need hierarchy refer to a particular need as a drive to become what one is capable of becoming :
 - (i) Name the need
 - (ii) Also name and explain two types of needs which can be satisfied with monetary incentives.
30. Differentiate between Authority, Responsibility and Accountability on the basis of :
 - (a) Direction of flow
 - (b) Meaning
 - (c) Delegation
 - (d) Origin. 4
31. Give two reasons from consumer point of view and business point of view why protection of consumer rights is necessary ? 4
32. "Coordination is a thread which links and binds all functions of management." In the light of the statement explain nature of coordination. 5
33. "Cost determines the bottomed and demand the higher end for fixation of price of a product." Do you agree. Give reasons also write two other factors which determines price of a product. 5

34. "One principle technique each of Fayol and Taylor contradict each other." Name both the principle and explain any one of them. 5
35. (i) State how planning reduces creativity ?
(ii) How planning may not work in a dynamic environment ? 5
36. Explain any five components of the Money market. 5
37. Kavin wants to start a Co., which will manufacture and sell confectionary, bakery and ready to eat items. He wants your advice on the type of organizational structure he must choose ?
(i) Advice him in this regard.
(ii) Also write two merits and two demerits of this structure.

OR

- Describe the steps involved in the process of organizing. 6
38. What are the three main aspects of staffing ? Explain them in detail.

OR

- A method of recruitment provides motivation and encouragement to existing employees with in an organization :
- (i) Name this method of recruitment.
(ii) Also write and explain any two ways in which this type of recruitment is carried out.
(iii) Write two demerits of this method. 6
39. "Role of supervisor should be abolished in an organization." Do you agree. Give five reasons.

OR

- "All managers are leaders but all leaders are not manager." Do you agree. Give reasons.
40. "A division in financial management is concerned with portion of profit to be retained in business and distributed among shareholders." Name the type of decision also write factors affecting such decisions.

OR

- a. What are the two divisions of the capital market ?
b. Write any two basic differences between a capital market and a money market.
c. Discuss any two instruments which are traded in the money market. 6
41. "An element of the marketing mix is concerned with making available products to the consumers at the right place and at the right time." Name this element. Also explain the components of this element.

OR

- 'Milk is sold in plastic sachets.' Which level of packaging is it ? Name two other levels of packaging. Also write any three points which highlight the importance of packaging. 6

MARKING SCHEME FOR MODEL TEST PAPER

1. Characteristic highlighted is that management is an intangible force. 1
2. Such objectives are called organizational objectives. 1
3. One reason why management has not attained the status of a full fledged profession :
There is no restricted entry—no minimum educational qualification is prescribed.
4. Management principles are said to be behavioural as they aim to influence behaviours of human beings in a positive manner. 1
5. The type of plan is – procedure. 1
6. The step mentioned is follow-up action. 1
7. Communication may be defined as exchange of facts, ideas or messages between two or more persons to create common understanding. 1
8. Status, recognition, job enrichment. 1
9. Right to safety. 1
10. He should file a complaint with the district commission as value of compensation does not exceed Rs. 20 lakhs. 1
11. Actual performance is compared to standards set. The difference between the two is called deviation. For example. 1+1+1=3
A scooter company may set a production target of 1000 scooter in a month. If the actual production is 800 scooters, 200(1000 – 800) is the deviation.
12. Financial Management Investment, Financing and dividend decisions.
[1 mark for naming, 2 marks for decisions]
13. Stock Markets channelise savings to most productive channels hence are barometer. (3marks for proper explanation)
14. 3 points of difference 1 mark each.
15. Labour intensive less fixed capital. Capital intensive more investment in machinery.
16. Any four benefits. 4×1=4
17. KRA-Areas critical to an organizations success Critical Point Control efficient method of monitoring because manager can concentrate an core areas.
18. (i) Self actualization.
(ii) Physiological and security needs.
19. Four points of difference (One mark each).
20. Need for consumer protection 2 points each from viewpoint of business and consumer. 2×1=2
21. Nature of coordination. 5×1=5
22. Yes, 1 mark for agreeing
2 marks each for any other two factors.

23. Unity of command and functional foremanship Explanation of any one of them.
5
24. Planning reduces creativity no scope for innovation may not work in a dynamic environment as there may be unanticipated changes.
25. Five components. 5×1=5
26. Divisional structure. 1
Two merits and two demerits. 2½
- OR**
- 1 Mark each one step.
27. Aspects recruitment, selection and training. 2×3=6
- OR**
- Internal recruitment 1
Two ways-transfer and promotion 1½×2=3
any two demerits 2
28. Importance of supervisor any 2 points. 6
- OR**
- Explanation of above statement. 6
29. Dividend decisions 1
Factors affecting dividend decisions 5
- OR**
- Primary and secondary market 2
Two basic differences between capital and money market 2
Any two instruments traded in money market 2
30. Place mix 1 for naming
5 Marks for naming and explaining the elements
- OR**
- Primary level 1
Other two level secondary and tertiary 2
- 3 points on importance of packaging 3

Design of Question Paper

Weight age to forms of Questions

S. No.	Forms of Questions	Marks for each question	No. of Questions	Total marks
1.	Very short answer type (VSA)	1	10	10
2.	Short answer type (SAI)	3	5	15
3.	Short answer type (SA II)	4	5	20
4.	Long answer type (LA I)	5	5	25
5.	Long answer	6	5	30
	Total		30	100

Scheme of options :

There will be no overall choice. However there is an internal choice in every Question of 6 marks.

Weightage to difficulty level of question

S. No.	Estimated difficulty level of Questions	%
1.	Easy	30%
2.	Average	50%
3.	Difficult	20%

Topology of Question

In order to assess different abilities related to the order subject, the question paper includes questions based on higher skills, open ended questions, diagrams etc.

Blue Print

Units	Very Short Answer, (I)	Short Answer R I & II (3,4)	Long Answer I & II (5,6)	Total
Unit-1 (7)	1 (2)	-	5 (1)	07 (3)
Unit-2 (7)	1 (2)	-	5 (1)	07 (3)
Unit-3 (0)	-	-	-	-
Unit-4 (7)	1 (2)	-	5 (1)	07 (3)
Unit-5 (10)	-	4 (1)	6 (1)	(10) 2
Unit-6 (10)	-	4 (1)	6 (1)	(10) 2
Unit-7 (12)	1 (2)	4 (1)	6 (1)	12 (4)
Unit-8 (7)	-	3 (1), 4 (1)	-	7 (2)
Unit-9 (12)	-	3 (2)	6 (1)	12 (3)
Unit-10 (8)	-	3 (1)	5 (1)	08 (2)
Unit-11 (14)	-	3 (1)	5 (1) 6 (1)	14 (3)
Unit-12 (6)	1 (2)	4 (1)	-	6 (3)
Total	10 (10)	35 (10)	55 (10)	100 (30)

MODEL TEST PAPER (2008-09)

BUSINESS STUDIES

TIME : 3 HRS.

M.M. : 100

- Q. 1 The production manager of a company is trying to produce goods with minimum cost. Name the concept which is being focused by management. 1
- Q. 2 A leading Software Company has spent money towards building public conveniences. What kind of objective of management is the organisation trying to achieve through it? 1
- Q. 3 Name the level of management involved in
(i) Overseeing the activities of workers.
(ii) Taking key decisions. 1
- Q. 4 Why is it said that management principles are dynamic? 1
- Q. 5 A company gives guidelines to its manager for a project. What type of plan is it? 1
- Q. 6 One of the functions of management establishes authority subordinate relations in an organisation. Name that function. 1
- Q. 7 Give one eg. of esteem need. 1
- Q. 8 Define leadership. 1
- Q. 9 Within what period can a consumer file a complaint? 1
- Q. 10 Kesar purchased a machine for Rs. 20 Lacs from a company and found its working defective. Despite many complaints, defect was not rectified. Suggest to him the appropriate authority where he could file a complaint under Consumer Protection Act.
- Q. 11 "Planning is not a guarantee of success of a business". Comment. 3
- Q. 12 Explain the term financial management. 3
- Q. 13 State 3 advantages of OTC market. 3
- Q. 14 Bhuvan & co, has launched a new product in the market. As a marketing manager suggest the sales production techniques which Bhuvan & Co. can adopt to increase the sale of new product. 3
- Q. 15 How is trading on equity favorable to share holders. Explain with an eg. 3
- Q. 16 State any four methods of on the job training methods. 4
- Q. 17 Establishing standards is the first step in one of the management functions.
(a) Name the function.
(b) Explain other steps of above mentioned functions.
- Q. 18 In an organisation all the employees take things easy and are free to approach any one for minor problems. This has resulted in everyone talking with each other and in efficiency in the office. It has also resulted in

- leakage of secret. What system communication is existing ? What system to you think managers should adopt to improve communication. 4
- Q. 19 Distinguish between functional and divisional structure on the basis of :—
 (a) Basis of formation (b) Accountability
 (c) Economy (d) Development of managers. 4
- Q. 20 State any 4 consumer rights under consumer Protection Act ? 4
- Q. 21 Co-ordination is the essence of management Comment. 5
- Q. 22 Explain factors determining the choice of channels of distribution. 5
- Q. 23 Briefly explain the following principles of management :—
 (a) Scalar chain
 (b) Functional foremanship. 5
- Q. 24 Planning has a significant role to play in the success of an organisation. Comment. 5
- Q. 25 What is meant by SEBI ? Briefly explain its objectives. 5
- Q. 26 What is meant by informal organisation ? State any two advantages & two disadvantages & of such structures. What is organizing in an organisation? 6
- Q. 27 External source of recruitment is better than internal source of recruitment. Comment.

OR

You are the Personnel manager of XYZ Ltd. You want to appoint staff for your company. Explain the Staffing Process you should follow for this. 6

- Q. 28 A good rapport between the superior and Subordinate is a major factor leading to success in an organisation. Which element of directing is this ? Briefly explain its significance. (Any 5)

OR

It is only 'Supervision' through which the managers can monitor the subordinates so as to give their best to the organisation. In the light of this statement explain the points to show the importance of supervision. 6

- Q. 29 Explain briefly factors kept in mind. While planning the capital structure of a company. 6

OR

You are the finance manager of a company. The board of directors have asked you to decide the dividend policy. What factors you would keep in mind to perform this function. 6

- Q. 30 What is meant by marketing mix ? Explain different elements or components of marketing mix.

OR

Explain factors determining the choice of channels of distribution. 6

Suggested Answers.

Q.1	Efficiency.	1
Q. 2	Social Objective.	1
Q. 3	(i) Supervisory level. (ii) Top level.	$\frac{1}{2}+\frac{1}{2}$
Q.4	Management has to make changes in goals, objectives and other activities as per changes in external environment. (Social, economical, political or technical.)	1
Q.5	Policy.	1
Q. 6	Organising.	1
Q. 7	Promotion.	1
Q. 8	Leadership is a process of influencing the behavior of people at work towards the achievement of specified goal.	1
Q. 9	The complaint must be filed within 3 months of purchase and if some testing of goods is required. Then within 5 months.	1
Q. 10	Kesar could file a complaint under. 'Consumer Protection Act' to the District forum. Since for goods worth Rs. 20 lacs and less. complaint is filed with this agency.	1
Q. 11	It is right to say that planning is not a guarantee of success of business because planning function is based on certain assumptions regarding future and no one can give guarantee on assumptions regarding future are hundred percent accurate.	3
Q. 12	Financial management refers to efficient acquisition of finance, efficient utilization of finance and efficient distribution and disposal of surplus for smooth working of company.	3
Q. 13	(a) It provides trading platform to smaller and less liquid companies which cannot be listed in regular stock exchange. (b) It provides transparency in dealings. (c) The cost of issuing securities in OTC is much less.	1×3
Q. 14	Briefly explain any Three schemes :— 3. Rabate 4. Discounts 5. Refunds.	1×3
Q. 15	Trading on equity means ; putting a debt component in the capital structure. Can result in maximizing the shareholders return. It can be illustrated with following eg. —	

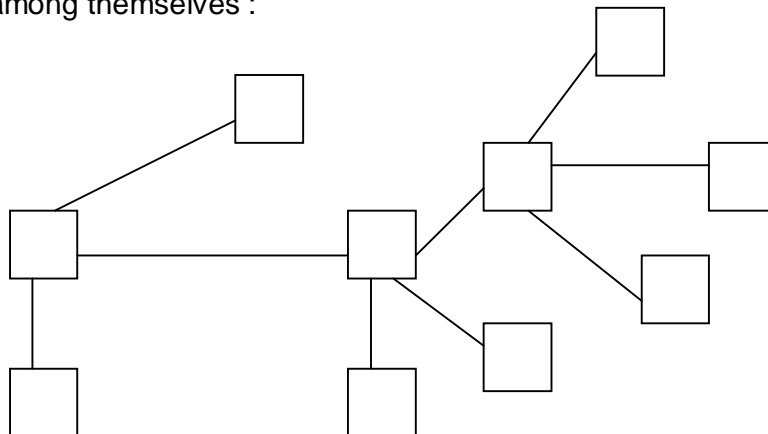
Effects of Trading on Equity.

	Proposal A	Proposal B
Earnings before interest & Tax (EBIT)	Rs. 4,00,000	Rs. 4,00,000
Less : Interest on Debentures		Rs. 1,00,000
Earnings before Tax (EBI)	Rs. 4,00,000	Rs. 3,00,000
Less Tax @ 30%	Rs. 1,20,000	Rs. 90,000
Earning after tax (EAT)	Rs. 2,80,000	Rs. 2,10,000
Earnings per share (EPS) = EAT	Rs. 2,80,000	Rs. 2,10,000
No. of shares	3,00,000	2,00,000
	Rs. 0.93	Rs. 1.05

Proposal A — [3,00,000 equity shares of Rs 10 each, Rate of tax = 30%]

Proposal B — [2,00,000 equity shares of Rs. 10 each, 10% Rs. 1,00,000 debentures]

16. On the job training methods (Any 4)
- a) Apprenticeship Programme.
 - b) Job rotation,
 - c) Internship
 - d) Coaching. Explain briefly.
- 1x4=4
17. 1. Controlling. Other steps in the controlling process are :—
2. Measurement of performance.
 3. Compare performance against standard.
 4. Analysing Deviations.
- (Brief explanation of each step) 1+3
18. Presently the organisation is following free flow. But most suitable channel in this case is wheel pattern. Under wheel pattern all subordinates. under one superior communicates through him only. Subordinates are not allowed to talk among themselves :



19.

Points of Difference	Functional Structure	Divisional Structure
1. Basis of formation	Structure formed on basis of function.	Structure is formed on the basis of product.
2. Accountability	Difficult to fix accountability as all departments are interdependent	Easy to fix accountability as departments work independently
3. Economy	It is economical	Not economical. All resources in different departments
4. Development of managers	Less chances. Manager is specialized only in one functions	More chances Managers perform meet functions.

1×4

20. 4 Consumer rights (Any 4) with brief explanation.

- Right to Safety
- Right to Information.
- Right to choice
- Right to seek redressal.

1×4

21. Co-ordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. such as purchase, production, sales and finance to ensure continuity in the working of organisation. It is through co-ordination that a manager ensures orderly arrangement of individual and group efforts. Thus co-ordination involves synchronization of different actions of the various units of an organization to effectively attain organisational goals.

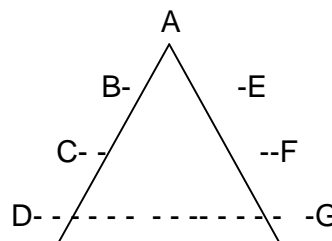
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22. Factors determining the choice of channels of distribution :—

- (i) Market related factors
- (ii) Product related factors
- (iii) Company related factors
- (iv) Environmental factors
- (v) Competitive factor.

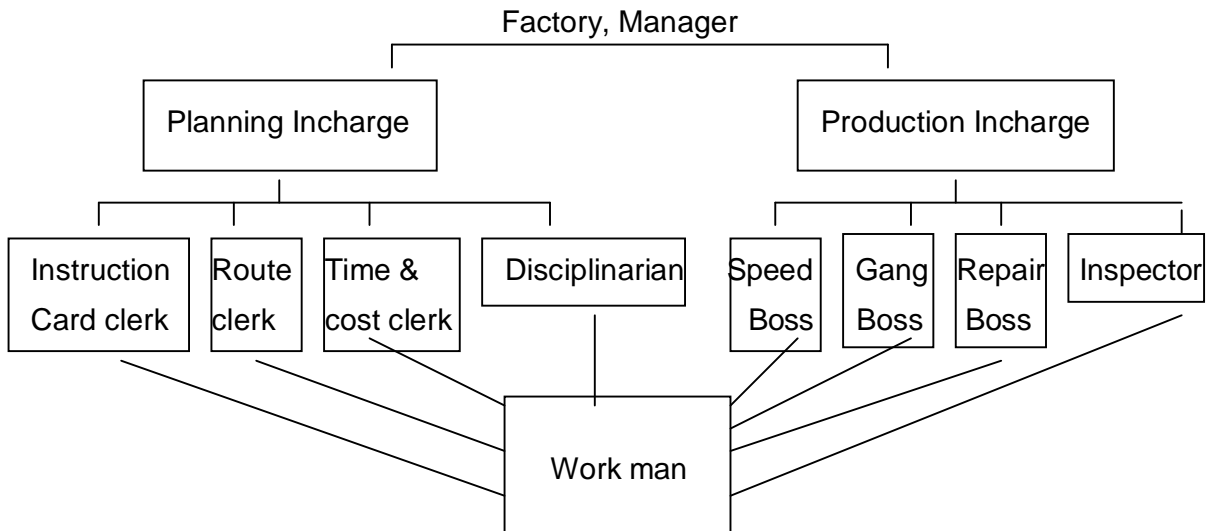
1×5

23. Scalar Chain : Scalar chain means line of authority or chain of superior from highest to lowest rank. Fayol insists that this chain must be followed strictly in the organisation.



In the above diagram, if D want to contact G, he has to move through D→C → B → A→E→F→ G. But some times this process cause delay in communication. So, at the time of emergencies, D can directly contact G through a short cut called gang-plank (Represented by dotted line). But they should keep their superiors informed.

Functional foreman ship



In this technique Taylor suggested the division of into 2 department : Planning department and Production department. Each department must have functional experts to supervise, guide, and instruct the workers. Taylor’s suggested eight specialist to supervise and give orders to workers. This technique each an extension of the principal of division of labour leading to specilisation illustrated as above.

24. Significance of planning (Any 5) with brief explanation.
- Planning provides direction
 - Planning reduces the risk of uncertainties
 - Planning reduces overlapping and wasteful activities
 - Planning establishes standard for controlling
 - Planning facilitates decision making.
- 1×5
25. SEBI (Securities and exchange Board of India) is an apex (top) body for overall development and regulation of the securities market.
- Objectives of SEBI
1. To provide a fair, efficient and transparent security market.
 2. To set up standards in market practices and technology.
 3. To enable shorter settlement cycle.
 4. To enable investors equal access all over the country.
- 1+4

26. It is an organisation spontaneously created in thin a formal organisation as a result of social and friendly groups in the organisation.

- 2 Advantages —
1. fast communication
 2. Fulfills social needs.
- 2 Disadvantages —
1. Spread Rumors
 2. No systematic working

Brief explanation of each point. 2+2+2

OR

Organising can be defined as identifying and grouping different activities in the organisation and bringing together the physical, financial and human resources to establish most productive relations for the achievement of specific goal or organisation.

Significance of Organising (Any Four)

1. Benefit in specialization.
2. Role clarity
3. Optimum utilization of resources.
4. Co-ordination and effective administration. 2+4

27. When the candidates from outside the organisation are invited to fill the vacant job positions. Then it is known as external recruitment.

Advantages :

- (1) Fresh Talent
- (2) Wider Choice
- (3) Qualified Personnel
- (4) Latest Technology Knowledge
- (5) Competitive spirit. (Brief explanation of each). 1+5

OR

Staffing Process :

- (1) Estimating manpower requirement
- (2) Recruitment
- (3) Selection
- (4) Placement and orientation
- (5) Training and development. (Brief explanation of each). 6

27. Communication

Significance of Communication :

- (1) Act as basis of co-ordination and co-operation.
- (2) Act as basis of Decision making.
- (3) Increase managerial efficiency.
- (4) Establish effective leadership.
- (5) Helps in process of Motivation and Morale development. 1+5

OR

Importance of supervision :

- (1) Ensures issuing of instructions.

- (2) Facilitates control
 - (3) Optimum utilization of Resources
 - (4) Discipline
 - (5) Feedback
 - (6) Improves Communication. (Brief explanation of each) 1×6
29. Factors determining the capital structure : (any SIX)
- (1) Cash flow position.
 - (2) Interest coverage ratio.
 - (3) Return on Investment.
 - (4) Cost of Debt.
 - (5) Tax rate.
 - (6) Flotation costs. 1×6
- Factors deciding dividend policy :**
- (1) Growth opportunities.
 - (2) Stability of Dividend.
 - (3) Access to Capital Market.
 - (4) Preference of shareholders.
 - (5) Legal Restrictions.
 - (6) Cash flow position (with brief explanation). 1×6
30. The marketing mix refers to the ingredients or the tools or the variables which the marketer mixes in order to interact with a particular target market.
- Components of marketing mix :**
- (1) Product
 - (2) Price
 - (3) Place
 - (4) Promotion
- (Brief explanation of each). 2+4
- Factors determining the choice of channels of distribution : (any 4)
- (1) Product related factor
 - (2) Company related factor
 - (3) Competitive factors
 - (4) Market related factor
 - (5) Environmental factor.
- Brief explanation of each. 1½×4

Blue Print of Sample Paper IV

Chapter	VSA	SA(1 x 11)	LA(1 x 11)	Total
Nature and significance of management	1(2)		5(1)	7(3)
Principles of Mgt.	1(2)		5(1)	7(3)
Planning		3(1)		7(2)
Organising	1(1)	3(1)	6(1)	10(3)
Staffing		4(1)	6(1)	10(2)
Directing		3(1)	5(1)	12(3)
Controlling	1(1)		6(1)	7(2)
Bus. Finance	1(2)	4(1)	6(1)	12(4)
Financial Market		3(1)	5(1)	8(2)
Marketing Mgt.		3(1)	5(1)	14(3)
Cons. Protection	1(2)	4(1)	6(1)	6(3)
	10(10)	35(10)	55(10)	100(30)

1. What is the process called by which a manager synchronizes the activities of different department ? 1
2. Name the level of management engaged in taking key decisions. 1
3. What is the purpose of gang plank ? 1
4. "A manager should replace 'I' with 'we' in all his conversation with workers to foster team spirit." Identify the Fayol's principle of management emphasized here. 1
5. Define span of management. 1
6. What is compared with what is controlling ? 1
7. "A decision is taken to put capital of the company in different assets." What is this decision called ? 1
8. Name the concept which increases the return on equity shares with a change in the capital structure of a company. 1

9. Anil wants to buy Gold jewellery. As an aware customer how can he be sure about the quality of the jewellery ? 1
 10. Which consumer right gives the business firm freedom to set up their own consumer service and grievance cell. 1
 11. Explain in brief the meaning of 'Policy' and 'rule' as types of plans giving one example of each. 3
 12. Differentiate between capital market money market on the basis of :
 - (i) Duration
 - (ii) Liquidity
 - (iii) Instruments traded. 3
 13. "A soap free with a shampoo" is an example of the technique of sales promotion. Name this technique and also explain any other two sales promotion techniques. 3
 14. Why is informal organisation considered better than formal organisation ? 3
 15. Establish the relationship between motive, motivation and motivators. 3
 16. How are the shareholders of a company likely to gain with a debt component in the capital employed ? Briefly explain with the help of suitable example. 4
 17. "Sometimes planning fails in spite of the best efforts of management." Do you agree ? Give any four reasons in support of your answer. 4
 18. What reliefs or remedies are available to consumer on complaints filed by him ? 4
 19. You are working at the middle level of management. Your superior, a top management personnel, sent a message for you which you received and well understood. Is the communication process complete ? Give reason explaining the process of communication in brief. 4
 20. What are the various types of tests which are conducted by the organizations to select the employees ? Explain any two of them. 4
 21. Describe briefly any five features of management. 5
 22. What is stock exchange ? Explain briefly its four functions. 5
 23. Bajaj, the marketing manager of a reputed watch company, is faced with the problem of selecting the channel level for the company's new expensive watch. Which channel level should he select ? Give reasons to support your answer. 5
- 5
24. "Leadership is required only for less efficient subordinates." Do you agree ? Give any five reasons in support of your answer. 5
 25. Explain the technique of differential wage system. Develop an imaginary plan of differential piece rates to be introduced for the workers, engaged in sewing shirts. 5
 26. Distinguish between functional and divisional structure on the basis of :
 - (i) Formation
 - (ii) Specialization

- (iii) Responsibility
- (iv) Managerial development
- (v) Cost
- (vi) Coordination. 6

OR

“Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance.” Explain the Clements of delegation in the light of this statement. 6

27. What is Price Mix ? Explain briefly the factors to which to marketers should pay attention before fixing the price of a product. 6

OR

What do you mean by Packing ? Explain the various levels of packaging giving examples for each level. 6

28. Mr. Ashok is a Human Resource Manager of a large steel manufacturing Company. As of now company employs 800 persons and has an expansion plan in which it may require another 200 persons. Mr. Ashok has been given complete charge for this :

- (a) Point out what functions he is supposed to perform as HRM of the company.
- (b) What problems do you foresee in his job ?

OR

The workers of a factory remain idle because of lack of knowledge of hi-tech machines. Frequent visit of engineer is made which causes high overhead charges. How can this problem be removed ? Explain. 6

29. Which function of management ensures work accomplishment according to plans ? Explain the procedure of this function. 6

OR

Explain Budgetary control, Break-even analysis and PERT as techniques of controlling. 6

30. You are the finance manager of a company. The board of directors have asked you to decide the dividend policy. What factor you would keep in mind to perform this function ? 6

OR

What is meant by financial planning ? Explain any four points of importance of financial planning.

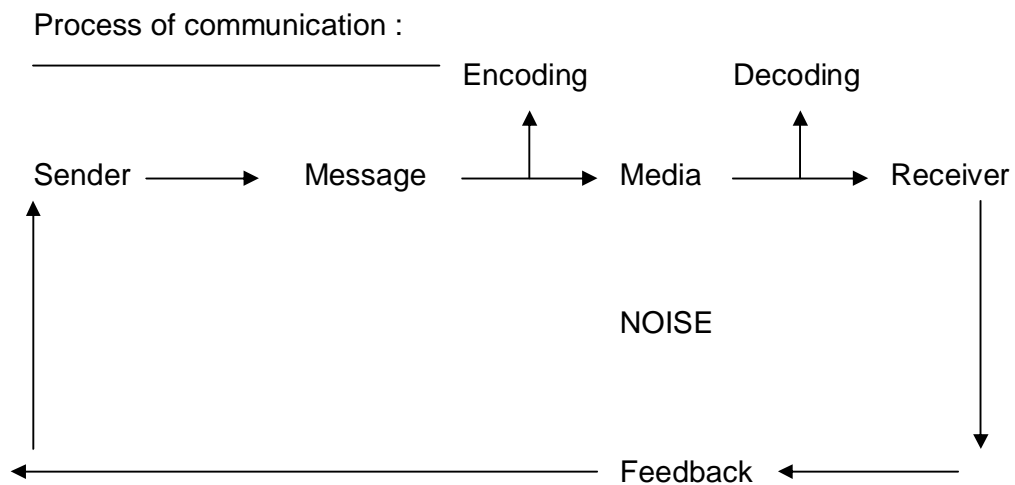
Marking Scheme

- 1. Co-ordination 1
- 2. Top level management 1
- 3. To enable two employees to communicate directly with each other in case of emergency 1
- 4. Esprit de corps 1

5. The number of subordinates that can be effectively managed by a superior 1
6. Actual Results with standards 1
7. Investment decision 1
8. Trading on equity 1
9. Hallmark 1
10. Right to be heard 1
11. **Policy :-** Organisation's general response or own way of handling a particular problem or situation. 1
- Example :-** A school admission policy to grant admission to students securing more than 60%. ½
- Rule :-** Rules spell out special actions or non-actions of the employees. There is no direction allowed in rules. 1
- Example :-** No smoking. ½
12. Basis Capital Market Money Market 1
- Duration Medium and Long term Short term 1
- Liquidity Less liquid highly liquid 1
- Instruments Equity, debenture bonds etc. T. Bill, CD. CP. etc. 1
13. Production Combination/Premier Gifts. 1
- Carry two of followings :
- (i) Rebate
- (ii) Discounts
- (iii) Refunds
- (iv) Contests
- (v) Samples
- (vi) Packaged Prem. 1x2
14. Any 3 advantages of informal organisation (with explanation) :
- (i) Fast communication
- (ii) Fulfills social needs
- (iii) Correct feedback
- (iv) Fills inadequacies of formal structure. 1x3
15. **Motive :-** An inner state that energises, activates and directs behaviour towards goals. Ex. hunger, thirst.
- Motivation :-** Process of stimulating people to act in desired manner 1
- Motivator :-** Technique used to motivate people ex. Praise recognition 1
16. With a loan component is the total capital, shareholders are likely to have the benefit of a higher rate of return on share capital :

	Co. X	Co. Y
Share capital	10,00,000	4,00,000
Loan (15% int)	-	6,00,000
	10,00,000	10,00,000
PBIT	3,00,000	3,00,000
Int.	-	90,000
PBT	3,00,000	2,10,000
Tax 50%	1,50,000	1,05,000
PAT	1,50,000	1,05,000
Rate of return on share capital	$\frac{15}{10} \times 100 = 15\%$	$\frac{1.05}{4} \times 100 = 26.25\%$

17. Yes (Carry four limitations of planning) :
- (i) Planning does not work in dynamic environment.
 - (ii) Planning is a time consuming process.
 - (iii) Planning involves huge cost.
 - (iv) Planning creates rigidity. 1×4
18. (Any four remedies) :
- (i) Removal of defects from the goods
 - (ii) Replacement of the goods
 - (iii) Refund of the price paid
 - (iv) Compensation of loss
 - (v) Stopping the sale of hazardous goods
 - (vi) Discontinuation of unfair trade practices. 1×4
19. No, feedback is left. 1



20. Types of test :
- (i) Intelligence Tests
 - (ii) Aptitude Tests
 - (iii) Personality Tests
 - (iv) Trade Tests
 - (v) Interests Tests
- (Correct explanation of any two) 2
21. Features of management (any five) :
- (i) Goal oriented process
 - (ii) Pervasive
 - (iii) Management is multidimensional
 - (iv) Management is a continuous process
 - (v) Group Activity
 - (vi) Dynamic function
 - (vii) Intangible. 1×5
22. **Stock-Exchange** :- An institution which provides a platform for buying and selling of existing securities. 1
- Functions** (any four) :
- (i) Provides liquidity and marketability
 - (ii) Pricing of securities
 - (iii) Contributes to economic growth
 - (iv) Promotes the habits of savings
 - (v) Safety of transaction
 - (vi) Provides scope for speculation. 1×4
23. He should chose one level channel :
- Manufacturer → Retailer → Customer 1
- In this arrangement one intermediary is used in between the producer and the customer. 1
- Reasons** :
- (i) One level is usually suitable for specialty goods like expense watches. 1
 - (ii) Not a fast moving item, so more intermediaries can't held the stock for the same. 1
24. No
- Importance of leadership** (any four points) :
- (i) Helps in inspiring and guiding the employee
 - (ii) Secures co-operation
 - (iii) Creates confidence

- (iv) Improves productivity
- (v) Improves job satisfaction
- (vi) Improves team-spirit. 1×4

25. **Differential piece wage system :**

- (i) Emphasis on paying different rate of wages for efficient and in efficient workers.
- (ii) Extra wages for efficient employees.
- (iii) A standard target fixation :- Workers producing equal to more than the target should be given wages at higher rates and who are producing less than standard who are producing less than standard output must be paid with less wages.

Ex : Standard target = 10 units a day

Rate = Rs. 50 each unit

Output = 12 unit = $12 \times 60 = 720$

- (iv) Output = 9 mm = $9 \times 40 = 360$

26. Were not printed.

27. **Price Mix :-** Important distractions related to fixing of price of a commodity.

1

Factors : (any five)

- (i) Pricing objectives
- (ii) Product cost
- (iii) Extent of competition in the market
- (iv) Customer's demand and utility
- (v) Government and legal regulation
- (vi) Marketing methods used.

OR

Packaging :- "A set of tasks or activities which are concerned with the designing, production of an appropriate wrapper, container as bag for the product."

Levels	Ex.	
(i) Primary package	Tube of laste, mater motel box	1 mk for explanation
(ii) Secondary package	Card board boxes of tube	½ m for exam each
(iii) Transportation package	Corrugated boxes	

28. Functions (any three with explanation) :

- (i) Human Resource Planning
- (ii) Employing people
- (iii) Career Growth
- (iv) Performance appraisal

Problems (any three with explanation) :

- (i) Finding out basis skills necessary to perform the jobs
- (ii) Selecting appropriate training methods
- (iii) Fixing adequate compensations
- (iv) Selective incentive to motivate the employees.

OR

Workers are needed to be given appropriate training to learn the use of hi-tech machines. The suitable method of training in this case is vestibule training.

Vestibule Training :

Correct Explanation with examples. 4

29. (i) **Control** 1
- (ii) **Process of Controlling** (Correct explanation)
- (a) Setting up targets
 - (b) Measuring of performance
 - (c) Compare performance against standards
 - (d) Analyzing deviation
 - (e) Taking corrective measures. 5

OR

Budgetary Control :- Budget is a statement of expected results and costs expressed in numerical terms. Eg. Sales budget, production budget etc. Budgetary control helps sub ordinates to compare their performance with standards and do self appraisal.

Break Even Analysis :- A technique to study relationship between cost and profits. Break even is point of no profit no loss. With the help of B.E. Analysis a manager can estimate profit at different levels of cost and revenue. 2

PERT (Programme Evaluation and Review Technique) :

- (iii) Deals with terms scheduling and resource allocation for activities and aim at effective execution of projects within given time schedule and cost.

31. **Factors affecting dividend policy** (any six with explanation) :

- (i) Earning
- (ii) Stability of Earning
- (iii) Cash flow position
- (iv) Growth opportunities

- (v) Stability of dividend
- (vi) Preference of shareholders
- (vii) Taxation policy
- (viii) Contractual constraints. 1×6

OR

Financial Planning :-

The process of estimating the funds requirement of a business and determining the sources of funds is called 'financial planning'.

- (i) Estimating the funds requirement
- (ii) Determination of kinds of securities to be issue. 1×4

Importance (any four points) :

- (i) Facilitates the collection of optimum funds
- (ii) Helps in fixing the most appropriate capital structure
- (iii) Helps in operational activities
- (iv) Basis for financial control
- (v) Link between investment and financing decisions
- (vi) Helps in coordination.