A WORD TO MY DEAR STUDENTS

It gives me great pleasure in presenting the Students' Support Material to all KV students of class XII.

The material has been prepared keeping in mind your needs when you are preparing for final exams and wish to revise and practice questions or when you want to test your ability to complete the question paper in the time allotted or when you come across a question while studying that needs an immediate answer but going through the text book will take time or when you want to revise the complete concept or idea in just a minute or try your hand at a question from a previous CBSE Board exam paper or the Competitive exam to check your understanding of the chapter or unit you have just finished. This material will support you in any way you want to use it.

A team of dedicated and experienced teachers with expertise in their subjects has prepared this material after a lot of exercise. Care has been taken to include only those items that are relevant and are in addition to or in support of the text book. This material should not be taken as a substitute to the NCERT text book but it is designed to supplement it.

The Students' Support Material has all the important aspects required by you; a design of the question paper, syllabus, all the units/chapters or concepts in points, mind maps and information in tables for easy reference, sample test items from every chapter and question papers for practice along with previous years Board exam question papers.

I am sure that the Support Material will be used by both students and teachers and I am confident that the material will help you perform well in your exams.

Happy learning!

Santosh Kumar Mall
Commissioner, KVS
FOREWORD

The Students' Support Material is a product of an in-house academic exercise undertaken by our subject teachers under the supervision of subject expert at different levels to provide the students a comprehensive, yet concise, learning support tool for consolidation of your studies. It consists of lessons in capsule form, mind maps, concepts with flow charts, pictorial representation of chapters wherever possible, crossword puzzles, question bank of short and long answer type questions with previous years' CBSE question papers.

The material has been developed keeping in mind latest CBSE curriculum and question paper design. This material provides the students a valuable window on precise information and it covers all essential components that are required for effective revision of the subject.

In order to ensure uniformity in terms of content, design, standard and presentation of the material, it has been fine tuned at KVS Hqrs level.

I hope this material will prove to be a good tool for quick revision and will serve the purpose of enhancing students' confidence level to help them perform better. Planned study blended with hard work, good time management and sincerity will help the students reach the pinnacle of success.

Best of Luck.

U.N. Khaware
Additional Commissioner (Acad.)
STUDENT SUPPORT MATERIAL

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- Shri. U.N. Khaware, Addl. Commissioner (Academics), KVS (HQ)

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- Mr. P.V. Sai Ranga Rao, Deputy Commissioner (Acad), KVS (HQ)
- Ms. Aprajita, AEO (Acad), KVS (HQ)

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# BUSINESS STUDIES

## Syllabus (Session-2016-17)

**BUSINESS STUDIES**

**CLASS XII**

**Time 3 hrs**

**MM : 100**

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# QUESTION PAPER DESIGN 2016-17

## CODE NO: 054

### BUSINESS STUDIES

#### CLASS XII

**TIME: 3 HOURS**

Max. Marks 80

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<th>Learning outcomes &amp; testing skills</th>
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<tr>
<td>01</td>
<td>Remembering - (Knowledge based simple recall questions, to know specific facts, terms, concepts, principles, or theories, Identify, define, or recite, information)</td>
<td>Reasoning, analytical skills, critical skills</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>14</td>
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<td>02</td>
<td>Understanding- (Comprehensive to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)</td>
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<td>2</td>
<td>1</td>
<td>1</td>
<td>_</td>
<td>1</td>
<td>18</td>
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<tr>
<td>03</td>
<td>Application (Use abstract information in concrete situation, to apply knowledge to new situation, use given content to interpret a situation, provide an example, or solve a problem)</td>
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<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>20</td>
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<tr>
<td>04</td>
<td>High Order Thinking Skill (Analysis &amp; synthesis classify, compare, contrast, or differentiate between different piece of information, organize and/or integrate unique pieces of information from a variety of sources)</td>
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<td>2</td>
<td>1</td>
<td>2</td>
<td>_</td>
<td>1</td>
<td>19</td>
<td>24%</td>
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<td>Essay Type (6 marks)</td>
<td>Total Marks</td>
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<td>Evaluation and Multi-Disciplinary- (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values.)</td>
<td>Reasoning, analytical skills, critical skills</td>
<td>8x1=8</td>
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<td>1(value based)</td>
<td>1</td>
<td>_</td>
<td>09</td>
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<td>TOTAL-2 Projects (10 marks each) 20</td>
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<td></td>
<td>5x3=15</td>
<td>6x4=24</td>
<td>3x5=15</td>
<td>3x6=18</td>
<td>80(25) (project)</td>
<td>(20)</td>
<td>100%</td>
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**BUSINESS STUDIES**

**BLUE PRINT**

**CBSE EXAMINATION (2016-17)**

**XII**

**(BUSINESS STUDIES)**

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<th>Short Answers 3, 4</th>
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<td>4 (1)</td>
<td>1(2)</td>
<td>6 (3)</td>
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<td>......</td>
<td>3 (1)</td>
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<td>3(1),4(1)</td>
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<td>8.</td>
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<td>5 (1)</td>
<td>......</td>
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<td>6 (1)</td>
<td>......</td>
<td>......</td>
<td>6 (1)</td>
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<td>3(1),4(1)</td>
<td>1 (1)</td>
<td>8 (3)</td>
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<td>6 (1)</td>
<td>4 (1)</td>
<td>1 (1)</td>
<td>11 (3)</td>
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<td><strong>8 (8)</strong></td>
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Note: Number of questions are given within brackets and total marks outside the brackets.
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<tr>
<td></td>
<td>Concept includes meaning and features After going through this unit, the student/ learner would be able to:</td>
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<td></td>
<td>Understand the concept of management.</td>
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<td></td>
<td>Explain the meaning of Effectiveness and Efficiency.</td>
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<tr>
<td></td>
<td>Discuss the objectives of management.</td>
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<td></td>
<td>Describe the importance of management.</td>
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<td></td>
<td><strong>Management as Science, Art and Profession</strong></td>
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<td>Examine the nature of management as a science, art and profession.</td>
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<td></td>
<td>Principles of Management- concept and significance</td>
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<td></td>
<td>After going through this unit, the student/ learner would be able to:</td>
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<tr>
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<td>Understand the concept of principles of management.</td>
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<td></td>
<td>Explain the significance of management principles.</td>
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<td></td>
<td><strong>Taylor’s Scientific management- principles and techniques</strong></td>
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<tr>
<td></td>
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<td></td>
<td>Compare the contributions of Fayol and Taylor.</td>
<td></td>
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<tr>
<td></td>
<td>Principles of Management- concept and significance.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fayol’s principles of management.</td>
<td></td>
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<tr>
<td></td>
<td>Taylor’s Scientific management- principles and techniques.</td>
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<td><strong>After going through this unit, the student/ learner would be able to:</strong>&lt;br&gt;Understand the concept of ‘Business Environment’.&lt;br&gt;Appreciate the importance of business environment.</td>
</tr>
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<td></td>
<td><strong>Dimensions of Business Environment- Economic, Social, Technological, Political and Legal</strong></td>
<td>Describe the various dimensions of ‘Business Environment’.&lt;br&gt;Impact of Government policy changes on business with special reference to liberalization, privatization and globalization in India&lt;br&gt;Examine the impact of government policy changes on business and industry with special reference to liberalisation and globalization since 1991.&lt;br&gt;Appreciate the managerial response to changes in business environment.</td>
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<td><strong>Planning</strong>&lt;br&gt;Concept, importance and limitation</td>
<td><strong>After going through this unit, the student/ learner would be able to:</strong>&lt;br&gt;Understand the concept of planning.&lt;br&gt;Appreciate the importance of planning.&lt;br&gt;Understand the limitations of planning.</td>
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<tr>
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<td><strong>Planning process</strong></td>
<td>Describe the steps in the process of planning.</td>
</tr>
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<td></td>
<td><strong>Single use and standing plans. Objectives, Strategy, Policy, Procedure, method Rule, budget and Programme</strong></td>
<td>Develop an understanding of single use and standing plans&lt;br&gt;Describe objectives, policies, strategy, procedure, method, rule, budget and programme as types of plans.</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td><strong>Organising</strong>&lt;br&gt;Concept and importance</td>
<td>After going through this unit, the student/ learner would be able to:&lt;br&gt;Understand the concept of organizing as a structure and as a process.&lt;br&gt;Explain the importance of organizing.<strong>Organising Process</strong>&lt;br&gt;Describe the steps in the process of organizing.</td>
</tr>
<tr>
<td></td>
<td><strong>Structure of organisation- functional and divisional concept. Formal and informal organisation- concept</strong></td>
<td>Describe functional and divisional structures of organisation.&lt;br&gt;Explain the advantages, disadvantages and suitability of functional and divisional structure.</td>
</tr>
</tbody>
</table>
Understand the concept of formal and informal organisation. Discuss the advantages, disadvantages of formal and informal organisation.

**Delegation, concept, elements and importance**
- Understand the concept of delegation.
- Describe the elements of delegation.
- Appreciate the importance of Delegation.

**Decentralization: concept and importance**
- Understand the concept of decentralisation.
- Explain the importance of decentralisation.
- Differentiate between delegation and decentralisation.

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<tr>
<th>6</th>
<th><strong>Staffing</strong>&lt;br&gt;<strong>Concept and importance of staffing</strong>&lt;br&gt;After going through this unit, the student/ learner would be able to:</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Understand the concept of staffing.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Explain the importance of staffing.</td>
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</tr>
</tbody>
</table>

**Staffing as a part of Human Resource Management concept**
- Understand how staffing is a part of Human Resource Management

**Staffing process**
- Describe the steps in the Process of staffing **Recruitment process - steps.**
- Understand the meaning of recruitment.
- Discuss the sources of recruitment.
- Explain the merits and demerits of internal and external sources of recruitment.

**Selection- process**
- Understand the meaning of selection.
- Describe the steps involved in the process of selection.

**Training and Development- Concept and importance, Methods of training- on the job and off the job- Induction training, vestibule training, apprenticeship training and internship training**
- Understand the concept of training and development.
- Appreciate the importance of training to the organisation and to the employees.
- Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training.
- Differentiate between training and development.
- Discuss on the job and off the job methods of training.
| 7 | **Directing** **Concept and importance**  
   After going through this unit, the student/learner would be able to:  
   - Describe the concept of directing.  
   - Discuss the importance of directing  
   **Elements of Directing**  
   - Describe the four elements of directing  
   **Supervision – concept, function of a supervisor**  
   - Understand the concept of supervision.  
   - Discuss the functions performed by a supervisor.  
   **Motivation – concept, Maslow’s hierarchy of needs, Financial and non-financial incentives**  
   - Understand the concept of motivation.  
   - Develop an understanding of Maslow’s Hierarchy of needs.  
   - Discuss the various financial and non-financial incentives.  
   **Leadership – concept, styles – authoritative, democratic and laissez faire**  
   - Understand the concept of leadership.  
   - Understand the various styles of leadership.  
   **Communication – concept, formal and informal communication; barriers to effective communication, how to overcome the barriers**  
   - Understand the concept of communication  
   - Understand the elements of the communication process.  
   - Discuss the concept, merits and demerits of formal and informal communication.  
   - Discuss the various barriers to effective communication.  
   - Suggest measures to overcome barriers to communication. |
|---|---|
| 8 | **Controlling** **Concept and importance**  
   After going through this unit, the student/learner would be able to:  
   - Understand the concept of controlling.  
   - Explain the importance of controlling.  
   **Relationship between planning and controlling**  
   - Describe the relationship between planning and controlling  
   **Steps in process of control**  
   - Discuss the steps in the process of controlling. |
### PART B: BUSINESS FINANCE AND MARKETING

#### Financial Management
**Concept and objective of Financial Management**
After going through this unit, the student/learner would be able to:
- Understand the concept of financial management.
- Explain the role of financial management in an organisation.
- Discuss the objectives of financial management.

**Financial decisions: investment, financing and dividend - Meaning and factors affecting**
- Discuss the three financial decisions and the factors affecting them.

**Financial Planning - concept and importance**
- Describe the concept of financial planning and its objectives.
- Explain the importance of financial planning.

**Capital Structure - Concept**
- Understand the concept of capital structure.
- Describe the factors determining the choice of an appropriate capital structure of a company.

**Fixed and Working Capital - Concept and factors affecting their requirements**
- Understand the concept of fixed and working capital.
- Describe the factors determining the requirements of fixed and working capital.

#### Financial Markets
**Financial Markets: Concept, Functions and types**
After going through this unit, the student/learner would be able to:
- Understand the concept of financial market.
- Explain the functions of financial market.
- Understand capital market and money market as types of financial markets.

**Money market and its instruments**
- Understand the concept of money market.
- Describe the various money market instruments.
- Differentiate between capital market and money market.

**Capital market and its types (primary and secondary)**
- Discuss the concept of capital market.
Explain primary and secondary markets as types of capital market.
Discuss the methods of floating new issues in the primary market.
Distinguish between primary and secondary markets.

**Stock Exchange- Functions and trading procedure**
Give the meaning of a stock exchange.
Explain the functions of a stock exchange.
Discuss the trading procedure in a stock exchange.

**Securities and Exchange Board of India (SEBI) -objectives and functions**
Give the meaning of depository services and demat account as used in the trading procedure of securities.
State the objectives of SEBI.
Explain the functions of SEBI.

11 Marketing Management
**Selling and Marketing- Concept**
After going through this unit, the student/ learner would be able to:
Understand the concept of selling, marketing.
Explain the features of marketing.
Distinguish between marketing and selling.

**Marketing Management- Concept**
Describe the concept of marketing management.

**Marketing Functions**
Discuss the functions of marketing.

**Marketing management philosophies**
Explain marketing management philosophies.

**Marketing Mix – Concept and elements**
Understand the concept of marketing mix.
Describe the elements of marketing mix.

**Product- Concept, branding, labelling and packaging**
Understand the concept of product as an element of marketing mix.
Understand the concept of branding, labelling and packaging.

**Price- Concept, Factors determining price**
Understand the concept of price as an element of marketing mix.
Describe the factors determining price of a product.
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<th><strong>Physical Distribution - concept and components, channels of distribution: types, choice of channels.</strong></th>
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<td>Understand the concept of physical distribution.</td>
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<td>Explain the components of physical distribution.</td>
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<td>Describe the various channels of distribution.</td>
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<td>Discuss the factors determining the choice of channels of distribution.</td>
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<td><strong>Promotion – Concept and elements; advertising concept, role, objections against advertising, personal selling-concept and qualities of a good salesman, sales promotion- concept and techniques, public relations-concept and role</strong></td>
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<td>Understand the concept of promotion as an element of marketing mix.</td>
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<td>Describe the elements of promotion mix.</td>
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<td>Understand the concept and features of advertising.</td>
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<td>Describe the role of advertising.</td>
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<td>Examine the objections to advertising.</td>
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<td>Understand the concept of personal selling.</td>
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<td>Discuss the qualities of a good salesman.</td>
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<td>Understand the concept of sales promotion.</td>
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<td>Explain the commonly used techniques of sales promotion.</td>
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<td>Discuss the concept and role of public relations.</td>
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<td>12</td>
<td><strong>Consumer Protection - Concept and importance of consumer protection</strong></td>
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<td>After going through this unit, the student/ learner would be able to:</td>
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<td>Understand the concept of consumer protection.</td>
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<td>Describe the importance of consumer protection.</td>
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<td><strong>Consumer protection Act 1986:</strong> Meanings of consumer and consumer protection. Rights and responsibilities of consumers. Who can file a complaint against whom? Redressal machinery Remedies available</td>
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<td>Understand the concept of a consumer according to the Consumer protection Act 1986.</td>
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<td>Explain the consumer rights</td>
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<td>Understand the responsibilities of consumers</td>
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<td>Understand who can file a complaint and against whom?</td>
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<td>Discuss the legal redressal machinery under Consumer protection Act 1986.</td>
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Examine the remedies available to the consumer under Consumer protection Act 1986.

**Consumer awareness - Role of consumer organizations and Non-Governmental Organizations (NGOs).**

Describe the role of consumer organizations and NGOs in protecting consumers' interests.

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<th>Project Work</th>
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<td>PROJECT WORK IN BUSINESS STUDIES (10 each for two projects)</td>
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Part - A
Principles and function of Management

Unit - 1 : NATURE AND SIGNIFICANCE OF MANAGEMENT

Summary of the Chapter

Meaning/concept of management:
Management is the process of getting things done with the aim of achieving goals effectively and efficiently.

Effectiveness: means completing the right task to achieve the goal within time.

Efficiency: means completion of task using minimum resources

Features of management
1. Goal oriented
2. Group activity
3. Intangible force
4. All pervasive
6. Continuous process
7. Dynamic

Functions of management:
1. Planning - Setting objectives and targets and formulating an action plan of what is to be done, how to be done and when to do it
2. Organising - Assignment of duties, task, establishment of authority and responsibility Relationship, allocating the resources required to perform the planned task.
3. Staffing - Finding and placing the right person at the right job at the right time.
4. Directing - Leading, influencing, motivating the staff chosen to perform the assigned task efficiently and effectively.
5. Controlling - Ensuring/Monitoring the activities in an organisation are performed as per the plan.

Management objectives

Organisational objectives:
Survival:- Ensure that the organisation survives and exists in the future.
Profitability:- Earning adequate profit in order to survive and grow.
Growth:- Growth indicates how well it exploits the potential opportunities.
Social objectives:
• Producing quality products at reasonable rates,
• Generating employment opportunities
• Environmental friendly methods of production.

Personal objectives:
• Meeting the Financial needs like competitive salaries and perks
• Social and safety needs of the employee like peer
• Providing healthy working conditions
• More opportunities for growth and development

Importance of management
• Increases efficiency
• Enhances optimum utilization of resources
• Development of society facilitate changes

Levels of Management-
The levels of management denote a demarcation between various position in an organization on the basis of their responsibility, authority and status. These are –

Top management - Ex- CEO, Board of directors, MD, President & chairman.

Functions:
a) Decide overall objectives of the organization.
b) To make plan.
c) Provide various resources
d) Decide policies

Middle Management - Ex- Departmental heads such as purchase manager, Operations manager, production manager, marketing manager & plan superintendent etc. Divisional heads

Functions:
a) To implement plan and policies.
b) To assist top management.
c) To assign job to subordinates.
d) To recruit employees for their respective departments

Lower level Management - eg- Foremen, Inspectors, supervisors etc.

Functions:
1. To arrange raw materials, tools and other facilities.
2. To ensure about the performance of workers.
3. To ensure safety and security of workers
Nature of management

As an art:
- Existence of theoretical knowledge.
- Developed through Practical and creative process.
- Personalised application and skill

As a Science:
- Arranged, organized systematic body of knowledge
- Universal validity
- Principles arrived after experimentation

As a Profession:
- Well defined body of knowledge.
- Existence of code of conduct
- Professional association (AIMA)
- Restricted entry
- Fees as remuneration for their services

Coordination

It is the synchronization of various activities and efforts in an organization providing the Required amount of quality, timing and sequence; thus ensuring the achievement of the planned goal with minimum content.

Features of coordination:
- Integrates Group Effort:
- Ensures unity of action
- It is a Continuous Process
- It remains the function and responsibility of every manager

Importance of coordination
- Ensures unity of action
- Erases interdepartmental conflicts
- Promotes harmonious implementation of plans
- Helps in maintaining a high degree of morale amongst employees
Very Short Answer Questions (1 mark)

Q1. Name the process of designing and maintaining an environment in which individual working together in groups efficiently accomplish selected aims.
Ans. Management

Q2. Which function of management is concerned with finding the right people for the right job?
Ans. Staffing

Q3. The production manager of a company is trying to produce goods with minimum cost. Name the concept which is being focused by management.
Ans. Efficiency.

Q4. 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.
Ans. It is trying to achieve “Social objectives”.

Q5. Miss Ananya is associated with Sagar Ltd. She told you that her workers have good relations with her. At what level of management is she?
Ans. Operational management.

Q6. A petrol pump needs to be managed as much as a school or a hospital.” Which Characteristic of management has been highlighted here?
Ans. Management is all pervasive.

Q7. Surya Enterprise Ltd. manufactures toys. The production department produces more of toys than required and sales department is not able to sell the total production. What quality of management do you think the company is lacking?
Ans. Co-ordination.

Q8. How does management help individual to develop team spirit, cooperation and commitment to group success
Ans. Through motivation and leadership

Q9. At which level of management the managers are responsible for the welfare and survival of the organization?
Ans. Top management

Q10. Mc.Donalds, the fast food giant, made major changes in its menu to be able to survive in the Indian market. Which characteristic of management is highlighted?
Ans. Management is a dynamic function.

Q11. 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?
Ans. It is a profession but not a full-fledged profession like medicine or law.
Short Answer Questions (3-4 marks)

Q1. Explain in brief “Management as an activity”.
Ans. Management is an activity conducted in a group through cooperation and collaboration among individuals with different skills, capabilities and experiences.

Q2. How is “Management a goal-oriented process?”
Ans. Management aims at ensuring timely completion of work, achieving production and sales targets, or obtaining fair returns from investments by using their imaginative and intuitive skills to utilise resources optimally.

Q3. Management is a systematized body of knowledge that explains certain general truths. Explain.
Ans. Management is a science, which is a systematized or arranged as per a system set for an organization by management developed by management practitioners, thinkers and philosophers over a period of years. This knowledge is scientific in nature and is useful for understanding and applying the truths related to management that ensures efficiency and effectiveness in operations of a business.

Q4. Explain how management increases efficiency and helps in the development of society.
Ans. Management directs organizational goal towards utilizing the physical and human resources provided by the society in an optimal manner. Management uses functions like planning, organizing, staffing, directing and controlling to achieve organizational goals that further leads to good quality and environment friendly products / services and improves overall standard of living of the society.

Q5. Explain the features of management that do not establish it as a profession.
Ans. The features of management that do not establish it as a profession are:

   (1) **Restricted entry** - The entry to a profession is restricted through a prescribed qualification. But there is no restriction on any one being appointed as a manager in any business enterprise.

   (2) **Professional association** - All profession are affiliated to professional association which regulates entry, and grants certificate of practice. There is no compulsion for managers to be members of such an association.

   (3) **Ethical code of conduct** - All professions are bound by a code of conduct which guides the behavior of its members. AIMA has devised a code of conduct for Indian manager but there is no statutory backing for this code.

   (4) **Service motive** - The motive of a profession is service to their client’s interests by rendering dedicated and committed service.

The basic purpose of management is to help the organization achieve stated goal which may be profit maximization. However, profit maximization as the objective of management does not hold true and is fast changing. So, presently this feature of profession is not fully present in management.
Q6. Sulekha is working as ‘Operations Manager’ in ParagLtd. Name the managerial level at which she is working. State any three functions she will perform ‘Operations Manager’ in this company.

Ans. Sulekha is working at middle level management

**Functions**: The main task of Sulekha is to carry out the plans formulated by the top managers. For this she need to:

- Interpret the policies framed by the top management,
- Ensure that her department has the necessary personnel, assign necessary duties and responsibilities to them,
- Motivate them for higher productivity to achieve the desired objectives, and
- Cooperate with the other departments for smooth functioning of the organization.

Q7. “Management is a science like physics or chemistry”. Do you agree with this statement? Give three reasons in support of your answer.

Ans. This statement is wrong. Although management can be called science but not as an exact or pure science like physics or chemistry.

It is important to apply the characteristics of science to management in order to find out whether management is a science or not. Following are the main points:

(i) **Systematized Body of Knowledge**: It is necessary for science to be a systematized body of knowledge. Management is also a systematized body of knowledge because it has its own theory and principle which are developed by the management experts after years of research.

(ii) **Principles Based on Experiments**: After applying this characteristics of science to management, we find that development of management, took years for the collection of facts, their analysis and experiment.

(iii) **Universal validity**: Scientific principles are based on truth and they can be applied every time and in every situation. In the field of management the principles of management are considered to be based on truth and they too can be applied anywhere and in every situation.

**Conclusion**: The subject matter of management is human being who is an intelligent and sensitive being and whose behavior or conduct changes according to the changing situations. Therefore, no permanent principles like the principles of physics and chemistry can be enunciated in relation to his conduct or behavior. So the management cannot be called a pure science, it is an applied Science or social science because it deals with human behavior.

Q8. Give the meaning of Management and explain how it ‘creates a dynamic organization’ and ‘helps in the development of society’.

Ans. Management is the process of getting things done with the aim of achieving goals effectively and efficiently.
Management creates a dynamic organization. In order to be successful, an organisation must change itself and its goals according to the needs of the environment. But people in an organisation resist change as it often means moving from a familiar, secure environment into a newer and more challenging one. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.

Management helps in the development of society by
- Providing good quality products and services at reasonable prices,
- Creating employment opportunities, Adopting new technology, etc.

Q.9. Explain the ‘social objectives’ of management.

Ans. Each organisation is a part of society and thus it has certain social obligations to fulfil. Some of them are as follows:
(i) To supply quality goods and service
(ii) Providing basic amenities to the employees like schools and crèches for their children, medical facilities etc.
(iii) To generate employment opportunities especially for the backward classes.
(iv) To provide environment friendly methods of production.
(v) To provide financial support to the society by donating for noble causes.
(vi) To organize educational, health and vocational training programmes.
(vii) To participate in social service projects of Government and Non - Governmental Organisations (NGOs)

**LONG ANSWER QUESTION (5-6 MARKS)**

Q1. State any 5 characteristics of management.

Ans. Following are the features of management:

(i) **Management is a group activity**
Management consists of a number of persons who work as a group. Their efforts are directed towards the common goals. Members initiate, communicate, coordinate and join their hands for the achievement of organisational objectives.

(ii) **Management is a goal-oriented process**
Management aims at common goals through a process of series of continuous Functions viz planning, organizing, directing, staffing and controlling. These composite functions of management are separately performed by all managers all the time simultaneously to realize organizational goals.
(iii) Management is all pervasive

Whether it is a commercial organisation or non commercial organisation, big or small all require management to handle their operations effectively and efficiently.

(iv) Management is a continuous process

Management is a continuous process consisting of a series of functions viz., planning, organising, directing and controlling. All the managers perform these functions regularly.

(v) Management is a dynamic function

The environment in which a business exists keeps on changing. Thus in order to be successful, management must change its goals, plans and politics according to the needs of its environment.

Q2. “Coordination is needed at all level of management and it is the responsibility of all managers.” Explain how.

Ans. Coordination is needed at all levels of management and in all departments. It integrates the efforts of different departments and different levels. The purchase, production, finance, and sales departmental efforts must be coordinated for achieving organizational objectives harmoniously.

Coordination is a responsibility of all managers:

Top level managers need to coordinate with their subordinates to ensure that the overall policies of the organisation are duly carried out.

Middle level management coordinates with both the top level and first line managers

Operational level management coordinates the activities of its workers to ensure that work proceeds according to plans.

Q 3. Explain the organizational objectives of management.

Ans. The organizational objectives of management refer to the main objectives required to fulfill the economic goals of the business organization.

(a) Survival: The basic objective of every business is to survive for a longer period in the market. The management must ensure survival of the organization by earning enough revenue to cover its costs.

(b) Profit : Only survival is not sufficient for business. Profit earning is essential for meeting the expenses and for the successful operation of the business. Thus management must ensure earning of sufficient profit.

(c) Growth : The next important objective of the management is to ensure future growth and development of the business.
Q4. Describe any five reasons which clarify that management is gaining importance day by day.

Ans. (a) **Multidisciplinary**: Management uses multidisciplinary or several disciplines / subjects like economics, physiology, mathematics, etc. Simultaneously that benefits an organization.

(b) **Goal oriented**: An effective management aims at attaining goal of an organization. Accordingly, all functions and efforts by the management are directed towards achieving these goals.

(c) **All Pervasive**: Management is pervasive or involves human activity across different course of action and level of business.

(d) **Dynamic function**: As a business keeps changing continuously under varying trends, taste, preferences, etc. Management is also characterized by continuous changes, activities and vigour that creates energy among individuals in an organization to work suitably.

(e) **Continuous process**: Activities under management are conducted as a continuous process with distinguishable and specific activities, techniques and procedures which cannot be performed simultaneously.

Q5. Sameera is a manager of a large company manufacturing toys for kids. She plans her new winter collection of toys in the month of August. Then, she ensures that there is adequate workforce. She continuously monitors whether production is proceeding according to the plans. She asks the marketing department to prepare their promotional and advertising campaigns also.

(a) Identify and explain the concept of management in the above para.

(b) What characteristics does the above para highlight? State.

Ans. (a) **Coordination** :- It is the force that binds all the functions of management. It is the common thread that runs through all activities such as purchase, production, sales, finance, etc. to ensure continuity in the working of the organization.

Coordination is not a separate function of management. It is the essence of management. It is implicit and inherent in all functions of management

- Top management plans for the entire organization.
- According to these plans, the organizational structure is developed and staffed.
- In order to ensure that these plans are executed according to plans, directing is required.
- Any deviation between the actual and the standard performance is corrected at the stage of controlling.

(b) Coordination is a continuous process. It begins at the planning stage and continues till controlling.
Q6. High Tech. Ltd. is a company producing IT services. The company’s profits are enough for the survival and growth. The management of the company believes that a satisfied employee creates a satisfied customer, who in turn creates profits that leads to satisfied shareholders. So, it pays competitive salaries and perks to all its employees. All the employees are happy working in the organization because of personal growth and development.

The company has a strong sense of social responsibility. It has set up an Engineering College in which one-third of the students are girls to whom the company gives 50% scholarship.

Is the management of High Tech. Ltd. fulfilling its objectives? Justify your answer by giving reasons.

Ans. Yes, the management of High Tech Ltd. is fulfilling all the objectives – organisational objectives, social objectives and personal objectives.

(i) Organisational objectives are the economic objectives of a business. These are survival, profit and growth.

‘Profit of High. tech Ltd. are enough for the survival and growth.’

(ii) Social objectives involve creation of benefits or economic value for the society.

‘H. Tech. Ltd. has a strong sense of responsibility. It has set up an Engineering College in which one-third of students are girls to whom the company gives 50% scholarship’.

(iii) Personal objectives are related to the employees.

‘The management of High Tech Ltd. satisfies the financial needs of its employees by giving them competitive salary and perks. It also satisfies their higher level needs such as personal growth and development.

Q7. Ganesh Ltd. is a highly reputed company. Different functions are performed by different individuals in this company, who are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. Mr. Sagar responsible for the welfare and survival of the organisation. He formulates overall organization goals and strategies for their achievement. Mr. Bharat ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained. Mr. Nagar assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objects.

At what levels of management are Mr. Sagar, Mr. Bharat and Mr. Nagar working in Ganesh Ltd.? Justify your answer.

Ans. (i) Mr. Sagar is working at the top level management.

He is responsible for the welfare and survival of the organisation. He formulates overall organizational goals and strategies for their achievement.

(ii) Mr. Bharat is working at lower level of management.
(iii) He ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained.

(iv) Mr. Nagar is working at middle level management

He assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objectives.

Q8. ABC handlooms Ltd. Set up a factory for manufacturing jute bags in a remote village as there was no raw materials available. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of bags was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and crèches for the children of its employees

1. Identify and explain the objectives of management discussed above.
2. State any two values which the company wanted to communicate to the society.

Ans. (i) The Company is fulfilling the organizational and social objectives of management. Organisational objectives include survival, profit and growth.

- In order to survive, ABC handlooms Ltd. earns enough revenues.
- Company’s profits are sufficient to the cover the cost and the risks.
- Since demand for bags was increasing day by day and so the company decided to increase production to generate higher sales, it implies that the company exploits fully its growth potential.

Social objectives involve the creation of benefits for the society.

‘The company decided to employ people from the nearby villages as very few job opportunities were available in that area. It also decided to open schools and crèches for the children of its employees’

(ii) Values:

- Providing employment opportunities in rural areas
- Concern for the environment
- Socially responsible behaviour
- Community development by opening schools and crèches for children
Unit- 2 : PRINCIPLES OF MANAGEMENT

Summary of the Chapter

Management principles: Principles of management are general guidelines for managerial decision-making.

Nature
(1) They have universal applicability in all types of organisations.
(2) They are formed by practice and experimentation.
(3) They are flexible and can be modified by the manager when the situation so demands.
(4) They are aimed at influencing human behaviour; so they are mainly behavioural in nature.
(5) The applications of the principles of management is contingent or dependent upon the prevailing situation at a particular point of time.

Significance
(1) They provide the managers with useful insights into reality.
(2) They help in optimum utilisation of resources and effective administration.
(3) They help to take scientific decisions.
(4) They help in meeting changing environment requirements.
(5) They help in fulfilling social responsibility.
(6) They are used as a basis for management training, education and research.

Fayol’s principles of management
(1) Division of work:- work should be divided into small tasks / jobs; each performed by a specialist or trained employee.
(2) Authority and responsibility:- ‘authority’ means the right to give orders and obtain obedience ‘responsibility’ means obligation to perform the job assigned on time. Fayol suggested that there must be a balance between authority and responsibility.
(3) Discipline:- it means obedience to organisational rules and employment agreement.
(4) Unity of command:- an employee should receive orders / instructions from one and only one boss or superior.
(5) Unity of direction:- all the units of an organisation should be moving towards the same objectives through coordinated and focused efforts.
(6) Subordination of individual interest to general interest:- the interest of the organisation should supersede the interest of anyone individual employee.
(7) Remuneration of employees:- remuneration of employees should be just and equitable to provide maximum satisfaction to the employees as well as employer.
(8) **Centralisation and decentralisation:** the concentration of decision-making authority by top management is called centralisation, whereas delegation of authority throughout all the levels of the organisation is called decentralisation. There should be a balance between centralisation and decentralisation.

(9) **Scalar chain:** the formal lines of authority from highest to lowest rank are known as ‘scalar chain’ suggests that communication from top to bottom should follow the official lines of command. Gang plank is a shorter route and has been provided so that communication has not delayed.

(10) **Order:** it means – There should be a fix place for every person and everything in the organisation and each person and every thing should be at its definite place.

(11) **Equity:** the principles of ‘equity’ emphasises kindliness and justice in the behaviour of managers towards workers, i.e., no discrimination on account of sex, caste, language, etc.

(12) **Stability of personnel:** employees should not be moved from their positions frequently, they should be given reasonable time to show results.

(13) **Initiative:** employees should be encouraged to make and execute plans within the prescribed limits of authority.

(14) **Espirit de corps:** Fayol emphasises the need for team work, spirit of unity and harmony among employees.

**Scientific Management: Principles and Techniques**

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

**Principles**

1. **Science, not rule of thumb** – Taylor believed that there was only one best method to maximise efficiency, which can be developed through scientific study.

2. **Harmony, not discard:** There should be complete harmony between the management and workers.

3. **Cooperation, not individualism:** every employee should work in the organisation with full cooperation not for individual interest only.

4. Development of each and every person to his/her greatest efficiency and prosperity: Each person should be scientifically selected. They should be given required training to learn best method.

**Techniques**

**Functional foremanship**– Taylor suggested activities of factory workers should be observed by eight type of specialised foremen. He divided the work of factory in two departments:

- **Planning department** with Instruction card clerk, route clerk, time and cost clerk and discipline officer
Production department: Gang boss, speed boss, repair boss and Inspector

**Standardisation and simplification of work**

**Fatigue study** – It seeks to determine the amount and frequency of rest intervals in completing a task.

**Method study** – Objective of method study is to find out one best way of doing the job.

**Time study** – It determines standard time taken to perform a well-defined job.

**Motion study** - It refers to the study of movements so that unproductive movements may be eliminated.

**Differential piece wage system**: It differentiates between efficient and less efficient workers on the basis of two wages rates-high and low wages rates. It rewards the efficient workers and motivates the less efficient ones to perform better.

**Very Short Answer Questions (1 mark)**

Q1. “Workers should be encouraged to develop and carry out their plans for development”. Identify the principle of management formulated by Fayol.

Ans. Principle of initiative.

Q2. How do the techniques of ‘motion study’ help to improve the efficiency of workers?

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

Q3. What is the objective of standardisation?

Ans. To increase the efficiency of workers.

Q4. 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.

Q5. 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.

Q6. Why is it said that principles of management are flexible?

Ans. Because these can be modified by the manager when the situation so demands.

Q7. Name the technique of scientific management which focuses on separation of planning and execution function.

Ans. Functional Foremanship.

Q8. What is the objective of method study?

Ans. To find out ‘one best way’ of doing job.
Q9. What is the objective of ‘Time Study’?
Ans. To determine the standard time required to perform a certain job so as to fix a fair day’s work for the workman.

**Short Answer Questions (3-4 marks)**

Q1. The directors of Bhupender Ltd. an organisation manufacturing computers want to double the sales & have given this responsibility to 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 orders & 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.

Q2. Sita and Geeta are typists in a company having same educational qualifications. Sita is getting Rs. 3000 per month and Geeta 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 kindliness 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.

Q3. 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 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.

i) authority is undermined

ii) discipline and order is disturbed

iii) stability is threatened
iv) conflict among superiors  
v) loyalty of employee is divided  
vi) employees will remain in confusion regarding whose tasks to be done. He will have option for excuses.

Q4. 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.

Q5. Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both are working hard and happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew it. At the time of performance appraisal Nikita was judged better than Salman. Even then their boss, Mohammad Sharif decided to promote Salman stating that being a female Nikita will not be able to handle the complications of higher post.
 i) Identify and explain the principle of management which was not followed by this company.
 ii) Identify the values which are being ignored by the company.
 Ans. (a) The principle violated is equity. It advocates that there should be no discrimination against anyone on account of sex, religion, language, caste, belief and nationality etc. it emphasizes kindliness and justice in the behaviour of manager towards their workers to ensure loyalty and devotion.
 (b) The values which are being ignored are:
   (i) Good human behaviour because ‘Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss.’
   (ii) Gender equality because ‘their boss decided to promote Salman stating that being a female Nikita will not be able to handle the complication of higher post.’

Q6. Explain the following principles of management given by Fayol.
 (a) Unity of command
 (b) Order
 Ans. (a) Unity of command
   • There should be one and only one boss for every individual employee.
   • If an employee gets order from two superior at the same time, the principle is violated.
   • Consequences of violation: authority is undermined, discipline is in jeopardy, order is disturbed, and stability is threatened.
(b) **Order**
- People and material must be in suitable places at appropriate time for maximum efficiency.
- It means ‘a place for everything (everyone) and everything (everyone) in its (his/her) place’ ie. orderliness.
- **Benefits of the principle:** no hindrance in the activities of business, increased productivity and efficiency.

**Q7.** The production manager of an automobile company asked the foreman to achieve a target production of 200 scooters per day. But he did not give him the authority to requisition tools and materials from the stores department. Can the production manager blame the foreman if he is not able to achieve the desired target? Explain briefly the principle relating to the situation.

**Ans.** The principle is authority and responsibility. No, the production manager cannot blame the foreman because he did not give him the authority to requisition tools and material from the stores department since he has no authority, he cannot fulfil his responsibility.

**Q8.** ABC ltd. is engaged in producing electricity from domestic garbage. There is almost equal division of work responsibility between worker and management. The management even takes workers into confidence before taking important decisions.

(a) State the principle of management described in the above para.

(b) Identify any two values which the company want to communicate to the society.

**Ans.** (a) The principle of Taylor described in the above para is cooperation, not individualism. It states that there should be complete cooperation between workers and the management. Competition should be replaced by cooperation.

(b) Values which the company wants to communicate with society
- Good behaviour in human interaction. Concern for the environment.

**Long Answer Questions (5/6marks)**

**Q1.** Explain the nature of management principles.

**Ans.** Nature of management principles can be described as follows:

(i) **Universal Applicability:** The principles of management are applicable to all types of organisations irrespective of their size and nature.

(ii) **General Guidelines:** They are only guidelines for action and don’t provide direct or readymade solution for a managerial problem.

(iii) **Formed by practice and experimentation:** The principles of management have been developed through experimentation as well as experience and wisdom of managers.

(iv) **Flexible:** They are flexible i.e. they can be modified by the managers according to a given situation.
(v) **Mainly behavioral:** They are mainly behavioral in nature since they are devised to influence human behaviour.

(vi) **Cause and effect relationship:** The principles of management establishes relationship between cause and effect. They guide us as to what would be the effect if a particular principle were to be applied in a given situation.

(vii) **Contingent:** The use of principles of management is contingent or dependent upon the prevailing conditions.

Q2. Explain the importance of management principles.

Ans. The importance of management principles can be understood by considering the following points:

(i) **Provide useful insights to manage:** Principles of management help in increasing managerial efficiency by adding to their knowledge and ability to understand the various situations more objectively.

(ii) **Optimum Utilization of Resources and effective administration:** Management principles help in organizing various activities in such a way that results in elimination of unwanted activities and consequent wastage. Management principles help in managing organizations effectively. For example, Unity of Command helps to avoid confusion and conflicts. Unity of direction ensures unity of actions to facilitate coordination.

(iii) **Scientific decisions:** They help the managers in taking the decisions based on the objective assessment of a situation. Thus decisions taken are logical and free from any bias and prejudice.

(iv) **Meeting changing environment requirements:** Though the principles are only guidelines for action yet they can be modified according to the need of changing situations. Thus principles of management help in meeting changing requirements of the environment.

(v) **Fulfilling social responsibilities:** Principles of management have been devised in such a way that they help in fulfilling social responsibilities.

(vi) **Management training, education and research:** Principles of management are the fulcrum of management theory so that they are used as a basis for management training, education and research.

Q3. How do the techniques of scientific management improve the productivity of workers?

Ans. The technique of scientific management has helped in improving the productivity of the workers in the following manners:

1. It establishes better relations between labour and management.
2. Profit is increased many times due to effective integration of right men, materials, money and method.
3. The use of standardized raw materials, equipments, machines and method produce standard article at minimum possible price.

4. It enables the management to reduce the cost of production

5. It helps in providing better working condition and higher standard of living.

Q4. Kushal Ltd. is a leading automobile company in which the various department are setting up their own objective without paying any interest to the organizational objectives.

I. Which aspects of management of company is lacking? What will be impact on the organization?

II. Identify the principle of management which has been over looked by the organization.

III. State any two value which is neglected by the people of organization.

Ans. I. The company is lacking ‘coordination’. Its different department like production, marketing, etc. do not coordinate this work in absence of coordination; these will be overlapping and chaos instead of harmony and integration of activities. The company will fail to achieve its objectives.

II. Subordinate of individual interest to general interest.

   Values - Mutual cooperation, unity of action, optimum utilization of resources.
Meaning of Business Environment

The sum total of individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

Features of Business Environment

1. Totality of external forces
2. Specific and general forces
3. Inter-relatedness
4. Dynamic Nature
5. Uncertainty
6. Complexity
7. Relativity

Importance of business environment

1. It enables the firm to identify opportunities and getting the first mover advantage.
2. It helps the firm to identify threats and early warning signals.
3. It helps in tapping useful resources.
4. It helps in coping with rapid changes.
5. It helps in assisting in planning and policy formulation
6. It helps in improving performance.

Elements or Dimensions of Business Environment

1. Economic Environment
   Interest rates, inflation rates, change in income of the people, stock market and the value of rupee are some of the economic factors that can affect management practices in a business enterprises

2. Social Environment
   • The social environment of business includes the social forces like customs and traditions, values, social trends, society’s expectations from business etc. Traditions define social practices that have lasted for centuries.
   • For Example:- Diwali, Id, Christmas and Guru Parv in India.

3. Technological Environment
   Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
For Example:- recent technological advances in computers and electronics have modified the ways in which companies advertise their product

4. **Political Environment**
   - Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

5. **Legal Environment**
   Legal environment includes various legislations passed by the government administrative orders issued by government authorities, court judgments as well as the decisions rendered by the various commissions and agencies at every level of the government centre, state or local.

**Impact of Government Policy changes on Business and Industries**
1) Increasing competition
2) More demanding customers
3) Rapidly changing technological environment
4) Necessity for change
5) Need for developing human resource
6) Market orientation
7) Loss of budgetary support to the public sector

**Liberalisation:** Means freeing the business firms and industry from all unnecessary control and restrictions.

**Privatisation:** Means giving greater role to the private sector in the nation building process and reducing the role of public sector

**Globalisation:** Means integration of our economy with world economy

**Very Short Answer Questions (1 mark)**

**Q1.** Which environment prohibits the advertisement of alcoholic beverages?
**Ans.** Legal Environment

**Q2.** Banking sector reforms have led to easier credit terms and better services. This is an example of a key component of the “Business Environment “name this component?
**Ans:** Economic Environment

**Q3.** ‘Demand for reservation in jobs for minorities refers to an example of key component of general environment of business. Name this component.
**Ans:** Social Environment

**Q4.** “The understanding of business environment enables the firm to identify opportunities”. What is meant by opportunities here?
Ans: Opportunities here refer to the favorable condition in the organization environment.

Q5. In the year 2006, Centre for Science and Environment (CSE) claimed to have found pesticides in Pepsi Co and Coco Cola soft drink 50 times more than permissible health limit- These companies sales being adversely affected in that year”. This is the effect of which environment?

Ans. This is the effect of Legal environment

Q6. Out of liberalization, privatization and globalization, which one is associated with “Abolition of licensing requirement in most of the industries”?

Ans. Liberalization

**Short Answer Questions (3-4 marks)**

Q1. What do you understand by legal environment? Give two examples which protect ‘consumer’s interests’.

Ans. Legal environment consists of rules and regulations, framed by the Parliament, under which business must operate. To exist and grow, business is required to follow all the rules and regulations that constitute this environment.

Two examples protecting ‘consumer’s interests’ are:

(i) Advertisement of alcoholic beverages is prohibited.

(ii) Packets of cigarettes should mention the statutory warning ‘Cigarette smoking is injurious to health’.

Q2. With change in the consumption habit of people, Neelesh, who was running a sweet shop shifted to chocolate business. On the eve of diwali he offered chocolate in attractive packages at reasonable price. He anticipated huge demand and created a website choclove.com for taking order online. He got lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of business environment discussed in the above case.

Ans

1. Social environment: It includes social forces like custom and tradition, values, social trends and society’s expectation from business.

2. Technological environment: It includes forces relating to scientific improvement and innovation which provide new ways of producing goods & services and new methods and techniques of operating a business.

Q3. State the difference between general and specific environment with examples.

Ans: Business environment includes both specific forces (investors, customers, competitors and suppliers) and general forces (economic, social, political, legal and technological conditions). Specific forces affect an individual firm directly and immediately in its day-to-day working while general forces have impact on all business firm and thus may affect an individual firm only indirectly.
Q4. The understanding of business environment enables the firm to identify opportunities and threats. What do opportunities and threats means here?

Ans: Opportunities refer to the positive external trends /changes that will help to improve a firm’s performance. On the other hand threats refer to the external environment trends /changes that will hinder a firm performance.

Q5. Explain dynamic nature and uncertainty as features of business environment.

Ans: Dynamic nature: Business environment is dynamic as it keeps on changing in term of technological improvement, change in fashion and taste, entry of new competitors in the market, etc.

Uncertainty: Business environment is uncertain as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently e.g. in case of IT and fashion industries.

Q6. Lately many companies have planned for significant investment in organised retailing in India. Several factors have prompted their decision in this regard- customer income is rising. People have developed a taste for better quality products even though they may have to pay more. The government permitted cent percent foreign direct investment in some sectors of retailing.

Identify the change in business environment under different dimension quoting the line from the above para.

Ans: Dimensions of business environment:

(1) Economic environment: customer income is rising.

(2) Social environment: people have developed a taste for better quality product even though they may have to pay more.

(3) Political environment: the government permitted cent per cent foreign direct investment in some sector of retailing.

Q7. Mr. Ajay after completing MBA from USA comes to India to start a new business under the banner Ecom creations Ltd. He launches a new product in e-learning for senior secondary school students in commerce stream, which already has an established market in UK and USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with other subject also.

Identify and quote the line from above para which highlight the significance of understanding business environment.

Ans: a) Comes to India to start a new business…….. launches a new product in e-learning for senior secondary school student in commerce stream.

(1) It helps in assisting in planning and policy formulation.

(2) It helps the firm to identify opportunities and get the first mover advantage.

(a) His business started flourishing in India.
(3) It helps in improving performance.

(b) Now more Indian companies entered into the market with different subject also.

(4) It helps the firm to identify threats and early warning signals.

Q8. Explain “increasing competition” and “more demanding customers” as impact of government policy changes on business and industry?

Ans. **Increasing competition:** Government policies have enabled co-existence of government sector companies with private companies and compete fairly, leading to increasing competition.

**More demanding customers:** Government policies leading to economic liberalisation allow consumers to become well-informed, increase their purchasing power (through rising incomes) and change their lifestyle, which makes them more demanding about quality and value-driven products/services.

**Long Answer Questions (5-6marks)**

Q1. Ultra paint co. which is manufacturing paints had been enjoying a prominent market position as it is manufacturing best quality paints made timely payment of taxes to government. It assembled various inputs like finance, machines, raw materials, etc. form its environment but since last year it has been dumping its untreated poisonous waste on the river bank which has created many health problems for the people. As a result, the court passed an order to seal the manufacturing unit of the company.

(a) State the importance of business environment highlighted quoting the line form the above case.

(b) Identify any two dimension of business environment mentioned in above case by quoting line from it.

(c) State any two values which have been overlooked by the company?

Ans. (a) business environment helps in tapping useful resources.

   ‘it assembled various inputs like finance, machines, etc. from its environment’.

(b) (1) Social environment

   ‘….it has been dumping its untreated poisonous waste on the river bank which created many health problems for the people’.

   (2) Legal environment

   ‘….the court passed an order to seal the manufacturing unit of the company’.

(c) Values overlooked:

   * Environment protection
   * Concern for human life
Q 2. Karodimal Ltd. manufactures fashionable and designer clothes. Recently it finds that the demand for its product been declining. After market research it was discovered that fashion and tastes of the consumers is changing a pace. Consumers demand is increasing. New competitors have entered the market with new design. It is difficult for the company to predict future happening. Also it is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on decrease in demand of its product in the market. A meeting was held in which managers from different functional level heading production, marketing, financial etc. for example, chief operating officer, chief finance officer, vice president (marketing) were present to discuss how to deal with the situation. After a long discussion, it was decided that they would study and analyze the market first to identify customers taste and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising, after sale service, etc. Identify any two features a business environment by quoting the lines from the above case.

(a) At which level of management the meeting of managers in Karodimal Ltd. was held.
(b) Identify any two impacts of government policy changes on business, quoting lines from the above case.
(c) State the importance of understanding of environment by business managers in the light of the above para.

Ans (a) Features of business environment :-

(1) Dynamic nature – Fashion and taste of the consumer is changing at a fast pace.
(2) Uncertainty- It is very difficult for the company to predict future happening.
(3) Complexity – It is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factor on decreasing in demand of its products in the market.

(b) Top level management

(c) Impact of government policy change in business

(1) Increasing competition – New competitors have entered the market with new design.
(2) More demanding customer- Customer demand is increasing.
(3) Market orientation – It was decided that they would study and analyse the market first to identify customer taste and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising after sale service etc.

(d) Business environment helps the manger in coping with rapid changes.
Q4. Understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firm. In light of the statement, explain by giving any five points why in the present day competitive market, it is essential for a business enterprise to remain alert and aware of its environment.

Ans. Importance of business environment:

1. Identify opportunities and get first mover advantage: Early identification of opportunities help the firm to be the first to exploit them instead of losing them to competitors.

2. Identify threats and early warning signals: Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.

3. Tap useful resources: A business firm assembles various resources called inputs like finance, machines, raw materials, power and water, labour, etc. from its environment.

4. Assist in planning and policy formulation: Since business environment provides both opportunities and threats for the firm, its understanding and analysis can be the basis for planning and policy formulation.

5. Helps in coping with rapid changes: Managers must understand and examine the environment and develop suitable courses of action to cope with rapid change in business environment.

Q5. The court passed an order that all school must have water purifier for the school children as society in general is more concerned about quality of life.

Innovative techniques are being developed to manufacture water purifier at competitive rates.

Incomes are rising and children at home are also drinking purified water.

The government is also showing positive attitude towards the water purifier business. Identify the different dimensions of business environment by quoting lines from the above details.

Ans. (1) legal environment: The court passed an order that all schools must have water purifier for the school children.

(2) Social environment: Society in general is more concerned about quality of life.

(3) Technological environment: Innovative techniques are being developed to manufacture water purifier at competitive rate.

(4) Economic environment: Income is rising and children at home are also drinking purified water.

(5) Political environment: The government is also showing positives attitude towards the water purifier.
Q6. The court passed an order to ban polythene bags as

(i) The bags are creating many environment problems which affect the life of people in general.

(ii) Society in general is more concerned about quality of life.

The government decided to give subsidy to jute industry to promote this business. Innovative techniques are being developed to manufacture jute bags at low rates. Incomes are rising and people can afford to buy these bags.

Identify the different dimensions of business environment by quoting the lines from the above particulars.

Ans: (1) Legal environment: The court passed an order to ban polythene bags.

(2) Social environment: The bags are creating many environmental problems which affect the life of people in general. Social in general is more concerned about quality of life.

(3) Political environment: The government decided to give subsidy to jute industry to promote this business.

(4) Technological environment: Innovative techniques are being developed to manufacture jute bags at low rates.

(5) Economic environment: Incomes are rising and people can afford to buy these bags.


Meaning: Planning is deciding in advance what is to do, when and where it is to do, how it is to do and by whom it should be done. It bridges the gap between where we are standing and where we want to go.

Features:
1. Planning is purposeful
2. Planning is the primary function
3. Planning is pervasive
4. Planning is forward looking
5. Planning is a mental exercise
6. Planning is continuous

Importance/benefits of planning:
1. Planning provides direction
2. Planning reduces the risk of uncertainty
3. Planning reduces overlapping and wasteful activities
4. Planning facilitates decision making
5. Planning promotes innovation
6. Planning establishes standards for controlling

Planning process/steps involved in planning:

1. Setting objectives
2. Developing the planning premises
3. Identifying alternative courses of action
4. Evaluating alternative courses
5. Selecting an alternative
6. Implement the plan
7. Follow Up of action
Limitations of planning:

Planning leads to rigidity: The plans are well defined and decide future course of action. Thus managers may not be in a position to change them. Hence, there is rigidity and blind following of plans.

Planning may not work in a dynamic environment: Business environment is dynamic and constantly adopt itself to these changes. It becomes difficult to make plans where policies of a country and economic conditions are not stable.

Planning reduces creativity: Middle level managers are not allowed to deviate from plans or act on their own. They only carry out order which leads to reduction of creativity and new ideas in the manager.

Planning involves huge cost: When plans are drawn, costs are involved in their formation in terms of effort, time and money. The cost incurred sometimes may not justify the benefits derived from the plans.

Types of plan
(i) Single use plan
(ii) Standing plan

Objectives: Objectives are the end towards which the activities are directed. They are the end result of every activity.

Strategy: It is a comprehensive plan to achieve the organizational objectives.

Policy: It can be defined as organization’s general response to a particular problem or situation. In simple words, it is the organization’s own way of handling the problems.

Procedures: Procedures are required steps established in advance to handle future conditions.

Rules: Rules are norms regarding actions and non-actions of employees.

Programme: Programmes are the combination of goals, policies, procedures and rules. All these plans together form a programme.

Methods: Methods are formalized way of doing routine and repetitive jobs.

Budgets: It is the statement of expected result expressed in numerical terms.

Very Short Answer Questions (1 mark)

Q 1. How does planning provide direction?
Ans: Planning provide directions by stating in advance what to do, how to do, when to do, and who is to do it.

Q 2. The planning function of management is conducted at which level of management?
Ans: At all Three Levels.

Q 3. One of the functions of management is considered as a base for all other functions. Name that Function.
Ans: Planning.
Q 4. A company needs a detailed plan for its new project—construction of shopping mall. What type of plan is it?
Ans: Programme.
Q 5. In which type of plan the sequence to perform a job is determined?
Ans: Procedure.
Q 6. Which plans suggest action and non-action of employees?
Ans: Rules
Q 7. “No Smoking“: the statement is related to which type of plan?
Ans: Rule.
Q 8. Mc Donald does not give its franchise to any other company which is running food business. This is related to which type of plan?
Ans: Policy
Q9. What is meant by single use plan?
Ans. It is a plan developed for a one-time event or project.
Q10. What is meant by standing plan?
Ans. It is used for activities that occur regularly over a period of time.

**Short Answer Questions (3-4 marks)**

Q 1. Differentiate between Objective and strategy as types of plans?
Answer:

<table>
<thead>
<tr>
<th>Basis</th>
<th>Objective</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning</td>
<td>Objectives are an end-point which has to be achieved.</td>
<td>Strategies are comprehensive plans to achieve organizational objectives.</td>
</tr>
<tr>
<td>Nature</td>
<td>Flexible, changes with availability of relevant resources.</td>
<td>Flexible, identifies required resources.</td>
</tr>
<tr>
<td>Objective</td>
<td>Determined by the top management to align all departments accordingly.</td>
<td>A department prepares it as per top management.</td>
</tr>
<tr>
<td>Scope</td>
<td>Scope is wide as it covers all other plans like policies, strategies, etc., and covers overall business.</td>
<td>Scope limited to particular departments or business units.</td>
</tr>
</tbody>
</table>
Q 2. How does planning restrict creativity?
Ans. Planning in an activity which is done by top management 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. Thus planning restricts creativity.

Q 3. State how planning leads to rigidity?
Ans. Planning can become limiting or restriction for the business during some changes in circumstances, which require quick decision that may go against the set rules and procedure of a business. It can restrict an individual’s freedom, initiative and desire to be creative.

Q 4. Planning provide directions and reduces the risk for uncertainty. Explain?
Ans. The planning process clearly defines and maps out the guidelines for smooth operations of a business in order to achieve their main goals / objective. By stating in advance how work is to be done, planning provides direction to action. It ensures that objectives /goals are clearly stated so that they act as a guide for deciding what action should be taken and in which direction.

Planning enables a manager to look ahead and anticipate changes. By deciding in advance the task to be performed, planning shows the way to deal with changes and uncertain events. Thus, planning helps to reduce the risks of uncertainty by preparing forecasts.

Q 5. Planning facilitates decision-making and establishes standards for controlling. Explain how?
Ans. Planning means deciding the most feasible course of action and resources (Human and physical) required to reach a goal, in advance. Planning is a prerequisite for controlling because planning suggests ways or a controlled design for attaining future goals through controlling. For example, car manufacturers decide to control the production of cars for consumers depending upon the calendar dates of festivals and accordingly control the purchasing costs of auto-components and raw materials, human resources, etc., by planning ahead.

Q 6. XYZ ltd. has a plan of increasing profits by 20%. It has devoted a lot of time and money to this plan. But the competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan. It caused losses to the company.

Explain any two limitations of planning highlighted in the above case. Also, quote the lines from it.
Ans. (i) ‘XYZ ltd. has devoted a lot of time and money to its plan.’
   Planning is a time consuming process. It also involves huge costs.
(ii) ‘The competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan.’
Planning leads to rigidity. Following a pre-decided plan, when circumstance change, may not turn out to be in the organisation’s interest.

Q 7. In ‘Chak de India’ movie, Shahrukh Khan becomes the coach of the girls’ hockey team. He knows that he has to prepare the girls for the international hockey matches and bring the world cup after the winning. For this he prepares a long-team plan and thinks the ways how to beat the competitors. He coaches the girls to play in different ways like defensive, offensive, etc. At the outsets of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.

Identify four types of plans that are highlight in the above case, quoting the lines from it.

Ans. 1. Objective -‘….bring the world cup after winning.’
2. Strategy-‘For this he prepares a long-term plan and thinks the ways how to beat the competitors.’
3. Method -‘He coaches the girls to play in different ways like defensive, offensive, etc.’
4. Procedure-‘At the outset of a match he explains who will open the match, and how the ball will be passed by one player to another step by step.’

Q 8. Zyesha Ltd. is a company which manufactures leather bags. The CEO of the company wants to increase their sales and earn more profits. They consulted with a management consultant who suggested the top management of the company to work hard in thinking about the future in making business predictions and achieve the targets since the business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competitors in the market.

(a) Identify and state the concept of management discussed in the above para.

(b) State the characteristics feature of business environment highlighted in the above para.

Ans. a) Planning -It involves setting objective and developing appropriate courses of action to achieve these objectives. Dreams (e.g. increase sales, earn more profits, etc.) can be turned into reality only if business managers think in advance on what to do and how to do it.

(c) Business environment is dynamic as it keeps on changing.

Long Answer Questions (5/6marks)

Q 1. Suhani a home science graduate from a reputed college has recently done a cookery course. She wished to start her own venture with a goal to provide ‘healthy food’ responsible price. She discusses her idea with her teacher (mentor) who encouraged her. After analyzing various options for starting her venture, they shortlisted the option to sell readymade and ‘ready to make’ vegetable shakes and sattu milkshakes. Then, they both weighed the pros and cons of both the shortlisted option.
(a) Name the function of management being discussed above and give any of its characteristic.

(b) Discuss any three limitations of the function discussed in the case.

Ans.  

(a) Planning

**Characteristic of planning**

Planning focuses on achieving objective as specific goals are set out in the plans along with activities undertaken to achieve them. Planning has no meaning unless it contributes to the achievement of pre –determined organizational goals /objectives.

(b) **Limitations of planning**

(i) Planning leads to rigidity—once a well-defined plan is drawn, managers may not be able to change it. They do not have flexibility to be able to cope with the changed circumstances.

(ii) Planning reduces creativity – planning is done by top management. Middle and lower management neither allowed to deviate from plans not are they permitted to act on their own. They only carry out orders. Thus, much of the initiative or creativity inherent in them gets lost or reduced.

(iii) Planning is a time-consuming process—sometimes plans to be drawn up takes so much of time that there is not much time left for their implementation.

Q 2. Two years ago Mohit obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own bread and biscuits manufacturing unit. For this he decided the objectives and targets and formulated action plan to achieve the same. One of his objectives was to earn 50% profits on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a production manager who decided the exact manner in which the production activities are to be carried out. Harsh also prepared a statement showing the requirements of workers in the factory throughout the year. Mohit informed Harsh about his sales target for different products, area wise for the fourth coming quarter. While working on the production table a penalty of Rs.150 per day was announced for not wearing the helmet, gloves and apron by the workers.

Quoting lines from the above para identify and explain the different types of plans discussed.

Ans. The different types of plans are:

(i) Objective ‘One of his objectives was to earn 50% profit on the amount invested in the first year.’

An objective is the end which the management seeks to achieve within a given time period.
(ii) Policy - ‘It was decided that raw material like flour, sugar, salt etc. will be purchased on two month credit’.

Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.

(iii) Procedure ‘He also decided follow the steps required for marketing the products through his own outlets’. OR

‘He appointed Harsh as a Production who decided the exact manner in which the production activities are to be carried out’.

It consists of sequence of routines steps on how carry out activities. It details the exact manner in which any work is to be performed.

(iv) Budget - ‘Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. OR

‘Mohit inform Harsh about his sales target for different products, area wise for the forth coming quarter’.

A budget is a plan which state expected results of a given future period in numerical terms. It may be expressed in time, money or physical units.

(iv) Rule

‘while working on the production table a penalty of Rs. 150 per day was announced for not wearing the helmet, gloves and apron by the worker.’

A rule is a statement that specifies what is to be done or not to be done.

Q3. Pan Parag and sons is a manufacturer of tobacco products. It decided to increase profits by at least 25% in the next quarter. It has many options:

(i) To increase the working hours of laboures without additional payment.

(ii) To employ children from the local community.

(iii) To sell its product outside the school and colleges.

(i) It opted the (ii) and (iii) options to achieve the target.

(a) Identify the function of management described in the above para.

(b) State the steps of the process involved in the function of management identified in (a) quoting the lines from the above para.

(c) State any two values neglected by the organization.

Ans. (a) Planning.

(b) Steps involved in planning process:

(i) Setting organisational objectives: ‘…increase profits by at least 25% in the next quarter.’
(ii) **Identifying and evaluating alternatives courses of action:** ‘It has many options: to increase the working hours of labourers without additional payment, or to employ from the local community, or to sell its products sell outside the schools and colleges.’

(iii) **Selecting the best possible alternatives:** ‘It opted to employ children from the local community, and to sell products outside the schools and colleges.’

(c) **Values neglected:**
- Child labour is banned.
- Bad effect on student’s health.
- Moral values.

Q 4. Lira Ltd. Is a company manufacturing designer sock. While making its plan, the company takes into consideration the business environment. It constantly adapts itself to changing environment by making changes in its plan, however it become difficult for the managers of the company to accurately foresee future trends in the changing environment. Competition in the market upsets its financial plans; then sales targets have to be revised and, accordingly cash budgets also need to be modified since they are based on sales figure.

(a) What characteristic features of business environment are highlighted in the above lines? State any two.

(b) State and explain the limitation of planning highlighted in the above lines.

(c) Identify any two types of plans mentioned in the above para by quoting the lines from it.

Ans. (a) (i) Business environment is dynamic as it keeps on changing.

(ii) Business environment is uncertain as it is difficult for the managers to accurately foresee future trends in the environment.

(b) Planning may not work in a dynamic environment.

The organization has to constantly adapt itself to change in environment by making changes in its plans. However, since planning cannot foresee everything, there may be obstacles to effective planning.

(c) (i) Strategy – ‘While making its plan, the company takes into consideration the business environment.’

(ii) Budget – ‘Competition in the market upsets its financial plans; then sales targets have to be revised … accordingly cash budgets also need to be modified since they are based on sales figures.’
Unit- 5 : ORGANISING

Summary of the Chapter

Organising - It refers to the process of defining and grouping the activities of an enterprise and establishing authority relationship among them.

Organising Process-
1. Identification and Division of Work
2. Departmentation
3. Assignment of duties
4. Establishing reporting relationship.

Types of organisation-
1. Formal Organisation – An organization which is deliberately created to achieve organizational objectives
2. Informal organisation – Natural grouping of people in organization to satisfy personal and social needs of employees.

Organisation Structures-
1. Functional Structure – Created on the basis of different functions.
2. Divisional Structure – Created on the basis of different products produced by business

Delegation of Authority- Transfer of authority from superiors to his subordinates.

Elements-
1. Authority
2. Responsibility
3. Accountability.

Decentralisation- It refers to the systematic transfer of authority throughout the organisation on permanent basis.

Importance of decentralisation:
i) Relief to top management
ii) Develops initiative among subordinates
iii) Develops managerial talent for the future
iv) Facilitates growth
v) Quick decision making
vi) Better control
VERY SHORT ANSWER QUESTIONS (1 MARK)

Q 1. Define ‘organizing’ as a function of management.
Ans. It refers to the process of defining and grouping the activities of an enterprise and establishing authority relationship among them.

Q 2. Give two advantages of functional organization.
Ans. a) Benefits of specialization
    b) Coordination is established

Q 3. What is an organization chart?
Ans. Organization chart is a drawing which shows the relationship among the various posts established in the organization.

Q 4. ‘If we delegate authority, we multiply it by two; if we decentralize it, we multiply it by many.’ Name the two concepts to which this statement is related.
Ans. a) Delegation of authority
    b) Decentralization

Q 5. How ‘effective management’ is possible through delegation of authority?
Ans) Because it reduces the workload of a manager.

Q 6. Miss Tyagi is working as the Production manager in a company. She divided the work among her subordinates in her accordance with their interest and ability. Not only this, she even gave them all the authorities to take decisions relating to their work. At the end of the first month of the year, it was found that Mr. Rajeev had not achieved his target. He was lagging far behind his target. Miss Tyagi asked him to give the reason within two days why his performance was so low.

With which concept of management the conversation between Miss Tyagi and Mr. Rajeev referred to in the above paragraph is related. Identify it.
Ans. Accountability

Q 7. There are 75 persons working in the Production Department of ‘Ganesh Pvt. Ltd.’ The manager of this department, Mr. Neeraj, is very punctual. He does not at all tolerate reaching the office late and leaving it early. But so far as the mutual relations of the employees are concerned, he is very liberal. All the employees of the department have been instructed that they can communicate any time irrespective of the high or low position of the employees concerned. The first specialty of Mr. Neeraj creates discipline and one makes the atmosphere pleasant.

Identify the concept of management concerning the employees described in the above paragraph.
Ans. Informal organization

Q 8. State the essence of authority.
BUSINESS STUDIES

Ans.  Its essence is to get decisions implemented.

Q 9.  Informal organization is not deliberately created. Then how it is created?
Ans.  It emerges out of mutual relations and tastes.

Q 10.  In order to successfully realize the objectives of an organization, first of all it is ensured that which activities will have to be performed. In the list of activities, all the activities, big or small, are included. But it is not possible to set up separate departments for all activities. Some similar activities are put together in the same department. In the same way some necessary departments are set up. The reason for doing this is to exercise control over unnecessary administrative expenses.

Identify the concept of management under which similar activities are put together and departments are set.

Ans.  Departmentalization

Q 11.  Walnut Pvt. Ltd. has grown in size. It was a market leader but with changes in business environment and with entry of MNCs its market share is declining. To cope up with the situation CEO starts delegating some of the authority to the General Manager, who also felt himself

Q 12.  Overburdened and with the approval of the CEO disperses some of his authority to various levels throughout the organization.

Identify the concept of management discussed above.

Ans.  Decentralization

SHORT ANSWER QUESTIONS (3 / 4 MARKS)

Q 1.  State any three advantages of informal organization.
Ans.  a)  Effective communication: In the absence of any definite course, it is an effective system of communication. Messages can be quickly conveyed from one place to another with the help of this system
b)  Fulfils social needs: People having similarity of thoughts and ideas form a group of their own. All the people in the group stand by one another in all the organisational or personal matters.
c)  Fulfils organizational objectives in informal organisation, there is no pressure of formal organisation. In the informal organisation, the subordinates put their ideas before the superiors without any fear or hesitation. It helps the superiors to understand their difficulties and immediate solution of the problem is sought out.

Q 2.  What is meant by Delegation? State any four points which highlight the importance of delegation in an organization.
Ans.  Delegation of authority is the process of entrusting responsibility and authority, and creating accountability of the person to whom work or responsibility is handed over. Its importance are:
  a)  Effective management: Delegation of authority reduces the workload of a manager.
Mangers who practice delegation of authority are definitely better decision makers than those who do not delegate authority.

b) **Motivation of employees**: In the process of delegation of authority, both authority and responsibility are delegate to their subordinates. This situation provides liberty to work and take decisions on the part of subordinates. Through this; they exhibit their talent and skill.

c) **Facilitation of work**: Delegation of authority does not develop only one person or division but facilitates the development of the organisation as a whole. As adequate number of able employees are available in an organisation to take decisions expansion modernisation and diversification of a business can be done with full confidence.

Q 3. State any three characteristics of decentralization.

Ans. a) It is an expanded version of delegation of authority.
b) It increases the significance of the role of subordinates.
c) It reduces the workload of senior officers.

Q 4) ‘Daivki hospital’ is a famous company which provides health services. It has a great market share. Last year, in no time, several MNCs arrived. This fact caused a great fall in the companies business. The whole responsibility of finding the solution of this problem fell on the shoulders of General Manager. Now in order, to keep himself away from the routine activities of the company, he gave some of his authorities to his departmental managers. He gave them this freedom also that if they wanted, they could give some of these authorities to their own subordinates. The departmental managers were already feeling themselves overburdened with the workload. Therefore, they handed over some of their authorities to their subordinates. As a consequence of this, on the one hand, General Manager got time to solve the serious problems and, on the other hand, the feeling of responsibility was aroused in the subordinates. Within a few days the growth rate of the company started rising.

Identify the concept of management described in the paragraph given above and also explain the two points of its importance spoken about here.

Ans. Here decentralization is described. Its importance becomes evident from the following points:

a) It reduces the workload of Top Management.
b) It provides freedom to the subordinates in taking decisions

Q 5. ‘Organization is a machine of management’. Comment.

Ans. Organization is considered to be a machine of management. It is that machine in which no part can afford to be ill-fitting or non functional. In other words if the division of work is not done properly or posts are not created correctly the whole system of management collapses.


Ans. Divisional structure means division of the whole enterprise according to the major products to be manufactured by it. Its advantages are:
a) **Development of divisional heads:** The head of each division looks after all the functions connected with their product. Hence, it helps in the development of varied skills in a divisional head.

b) **Quick decision making:** Every division is independent in itself. The divisional manager can take any decision regarding his division independently without consulting others.

c) **Easy expansion:** For every product, a separate division is opened. If a company wants to introduce a new product, it can be introduced easily without disturbing existing division.

Q 7. Fairy Fashions decided that whenever a person reaches a particular age, he will be promoted. Influenced by this policy of the company, several peoples of other companies joined this company. But within a few days, they found that in this company communication was possible only on the basis of predetermined relations. It was not possible for anyone to communicate freely with anyone.

a) Identify the policy related to the age of employees implemented by the company.

b) Identify the concept of organization described here.

c) Point out two limitations of the concept identified in (b).

Ans. a) Personnel Policy

b) Formal organization

c) i) Lack of initiative

   i) Mechanization of Relations

Q 8. Decentralization is extending delegation to the lowest level. Comment.

Ans. Decentralization is an expansion of delegation of authority. Eg- if a chief manager of a company assigns a job to the production manager for appointing employees needed for his division on salary then this will be termed as delegation of authority. On the contrary, if this authority for appointing employees is delegated to every departmental head then it will be termed as decentralization.

Q 9. ‘Formal organization is impersonal while Informal organization is personal.’ Clarify.

Ans. In formal organization personal feelings are ignored and strict discipline is observed. It is not the person but the work that happens to be important. In informal organization the feelings of individual are kept in mind and nothing is imposed upon them.

Q10. Distinguish between Delegation of Authority and Decentralisation

Ans.

<table>
<thead>
<tr>
<th>Basis</th>
<th>Delegation of Authority</th>
<th>Decentralisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Meaning</td>
<td>Sharing of the task with the subordinate and granting authority in a prescribed limit by the superior is Delegation</td>
<td>The systematic delegation to the lowest level of management is called decentralization.</td>
</tr>
<tr>
<td>b) Nature</td>
<td>It becomes compulsory in all the organizations as the complete task cannot be performed by the superior</td>
<td>It becomes compulsory in the large organisations</td>
</tr>
</tbody>
</table>
LONG ANSWER QUESTIONS (5/6 Marks)

Q1: Explain the concept of ‘Functional Structure’. Also, explain three disadvantages of functional structure.

Ans. **Functional structure** refers to the division of the whole enterprise according to the major functions to be performed by it. This is the simplest and the most prevalent form of organizational structure. Under this all the functions of similar nature are divided in different units which are called departments. Its disadvantages are:

a) **Ignorance of organizational objectives**: Each departmental head will work according to his sweet will. They always give more importance to their department objectives. Hence organisational objectives suffer.

b) **Difficulty in interdepartmental coordination**: All departmental heads may work as per their own wish. No doubt this facilitates coordination within the department but it makes interdepartmental coordination difficult.

c) **Conflict of interest**: Every departmental head wants to become a functional empire. To satisfy their ego, every one demands maximum resources in their department. This situation leads to conflicts among different departmental heads.

d) **Hurdle in complete development**: This system is a hurdle in the way of the complete development of the employees. Each employee specialises only in a small part of the whole job.

Q2. ‘Safe service limited’ is a well known company for removing the routine problems of the people. This company provides all types of big or small services; namely, Health services, Complaints regarding electricity faults, etc. This company has opened its offices at different places. The policy of the company is that women should be preferred to be appointed as the Heads of every office. Besides, under this policy, some positions shall be reserved for handicapped women also. The head of every office shall have the full authority to take decisions concerning the activities of her office.

a) Which concept of management has been mentioned in the paragraph given above?

b) Write about two of the advantages of the concept identified in point ‘a’.

c) Identify two of the values of the company.

Ans. a) **Decentralization**

b) i) This reduces the workload of the top management.

   ii) Decisions can be taken very soon when the authority is given to all the concerned managers.
Q3. 150 employees are working in a handloom company. There is the pre defined arrangement of responsibility, authority and accountability in the company. As a result, the employees have hardly any doubt about their roles in the company. But the employees of the Marketing Department of the company are always very unhappy with a problem. The problem is that several times they get orders from two officers simultaneously. The two officers giving orders are the Marketing manager and the General Manager. In such a situation, they are not able to understand to whose orders they should give priority – one is their immediate boss and the other, a top officer of the company.

Several departments have been set up in this company; namely, Purchase, Sale, Advertisement, Production, Stock, Research, Correspondence, Accounts, Finance and Personnel. In this way, there are ten departments in all. In every department all the modern facilities are available. The company’s Finance Manager says that the Administrative Expenses of the company are rather too much. According to him, the main reason for this is the existence of so many departments in the company.

a) Identify the concepts of Management described in the paragraphs above.
b) Which principle of Management is being violated in the company? Explain.
c) How can the increasing Administrative Expenses of the company be checked? Identify this concept.
d) The answer given in point ‘c’ is related to which function of Management?

Ans. a) Organizing and Principles of Management.
b) Here the Unity of command is being violated
c) The check on the Administrative Expenses can be exercised by reducing the number of departments. This concept is known as ‘Departmentalization’.
d) It is related to the Organizing Function of Management.

Q.4. With the help of any four points, explain the crucial role that organizing plays in an enterprise.

Ans. a) Adaptation to change: Organising process makes the organisation capable of adopting to any change connected with the post of the employees. This becomes possible only because of the fact that there is a clear scalar chain of authority for the manager’s right from the top to the bottom
b) Effective Administration: It has generally been observed that there is always a condition of doubt about the authority of the managers among themselves. The process of organising makes a clear mention of each and every activity of every manager and also of their extent of authority. It is also made clear as to whom shall a manager order for a particular job. Everybody also knows to whom they are accountable.
c) Expansion and growth: The process of organising allows the employees the freedom to take decisions which helps them to grow. They are always ready to face new challenges. This situation can help in the development of the enterprise.
d) Clarity in working relationship: Organising clarifies the working relation among employees. It specifies who is to report whom. Therefore, communication becomes effective. It also helps in fixing accountability.

Q5. Distinguish between Formal and Informal Organization

Ans.

<table>
<thead>
<tr>
<th>Basis</th>
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<th>Informal Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Creation</td>
<td>It is created by the Management in the form of structure of authority</td>
<td>It is created spontaneously by the mutual relations of the employees.</td>
</tr>
<tr>
<td>b) Origin</td>
<td>It is established because of the rules and policies of the organization</td>
<td>It is established due to the social relationship.</td>
</tr>
<tr>
<td>c) Flow of communication</td>
<td>Communication is defined. It moves according to the chain of command.</td>
<td>Communication can move in any direction.</td>
</tr>
<tr>
<td>d) Leadership</td>
<td>Because of the high rank, Managers are leaders</td>
<td>The leader is elected</td>
</tr>
<tr>
<td>e) Nature</td>
<td>It is more stable</td>
<td>It is not stable and so is temporary in nature.</td>
</tr>
</tbody>
</table>

Q6. ‘Decentralization is an important philosophy that implies selective dispersal of authority’. In the light of this statement, explain any four points of importance of ‘Decentralization.

Ans. Importance of Decentralization are:

1) **Develops initiative among subordinates**: When lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgment and develop solutions for the various problems they encounter. So, decentralization policy helps to identify those executives who have the necessary potential to become dynamic leaders.

2) **Develops managerial talent for the future**: Decentralization gives the subordinates with skills a chance to prove their abilities and creates reservoir of qualified manpower that can be considered to fill up more challenging positions through promotions.

3) **Quick decision making**: In a decentralized organization, decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels. So, more accurate and faster decisions can be taken as the subordinates are well aware of the realities of situations.

4) **Relief to top management**: Decentralisation leaves the top management with more time which they can devote to important policy decisions as they decentralize authority for routine operational problems. Further decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act.
Staffing - Staffing is the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied work force

**Importance of staffing-**
1. Helpful in discovering competent personnel
2. Helpful in better performance
3. Helpful in growth of organization
4. Optimum utilization of human resources

**Staffing Process-**
1. Estimating manpower requirement
2. Recruitment
3. Selection
4. Placement and orientation
5. Training and Development
6. Performance Appraisal
7. Promotion and career planning
8. Compensation

**Element of staffing-**
1. Recruitment
2. Selection
3. Training and Development

**Recruitment** means searching for prospective candidates and stimulating them to apply for jobs in the organization.

**Sources of recruitment-**
1. Internal sources – Promotion and Transfer.

**Selection**—It refers to the process of screening job applicants to ensure that the most appropriate candidates are hired.

**Selection Process-**
- Preliminary Screening
- Selection Tests
- Employment Interview
d) Reference and Background checks  
(e) Selection Decision  
(f) Medical Examination.  

**Training and Development**—Training refers to the process by which the aptitudes, skills and abilities of employees to perform specific jobs are improved. 

Development is the process by which the employees acquire skills and competences for handling higher jobs in future.  

**Methods of training:** (i) **Apprenticeship training**—It refers to that training method where the trainee is put under the guidance of an expert to acquire higher level of skill. Generally electricians, plumbers and iron workers are required to undergo this training.  

**Vestibule Training**—Under this method, with a view to imparting training to new employees, a separate training center is set up. An experienced and trained trainer is appointed as an in charge of this centre. Machines, tools and other equipments are so arranged in this centre as to present a look of a workshop.  

**Internship**—It is a practical training of theoretical knowledge. Selected candidates carry on regular studies for prescribed period and also work in some factory or office to acquire practical knowledge.  

**Induction**—It means introducing the selected employees to his superiors, subordinates and colleagues and familiarizing him with the rules and policies of the organization.  

**VERY SHORT ANSWER QUESTIONS (1 MARK)**  
Q1. State how staffing ensure ‘continuous survival and growth of the environment’?  
Ans. Through succession planning for managers  
Q2. Write one importance of staffing  
Ans. Filling job with competent Personnel  
Q3. A company gets applications on and off even without declaring any vacancy. However as and when the vacancy rises, the company makes use of such applications. Name the source of recruitment used by the company.  
Ans. Casual callers  
Q4. Ramesh is working under the guidance of Harish, a carpenter for the last three years to learn the different skills of this job. Name the method of training Ramesh is undergoing?  
Ans. Apprenticeship Training  
Q5. Give any one advantage of internal source of requirement?  
Ans. Employees are motivated to improve its performance.
Q6. A newly appointed Personnel Manager is of the view that there is no need for training the workers. Do you agree with this statement?

Ans. No, I don’t agree with this statement. There is a great need for training the workers.

Q7. Skype Industries make use of expensive and sophisticated equipments. So it created a duplicate model of various equipments to train the employees. Write the method of training used by Skype industries.

Ans. Vestibule training.

Q8. You are the personnel manager of Kaplan and company Ltd. You have been directed by the directors of chartered accountant for the company. Name the process you will follow for the same?

Ans. Selection Process

Q9. Harim consultants can be asked to look after for suitable personnel on behalf of the company. Identify the source of recruitment indicated?

Ans. Placement Agencies

Q10. Which source of recruitment brings new blood in the organization?

Ans. External source of recruitment

**SHORT ANSWER QUESTIONS (3 - 4 MARKS)**

Q1. Enumerate the three steps of staffing process?

Ans.1 (i) Estimating the Manpower requirements. As the first step of staffing, the need for required number of employees of enterprises is estimated. At the time of determining the number of persons required, the possibilities regarding internal promotion, retirement, and resignation etc. are taken into consideration.

(ii) Recruitment: The process of recruitment includes the search of the various sources of employees and encouraging them to send their application to the enterprise.

(iii) Selection.: Under this process, competent applicants are selected from a large number of them. It is important to keep in mind that the ability of the applicant and the nature of work must match.

Q2. Zenith Ltd. is a highly reputed company and many people wanted to join this company. The employees of this organisation are very happy and they discussed how they came in contact with this organisation . Aman said that he was introduced by the present sales manager.

(a) The above discussion is indicating an important function of management. Name the function of management.

(b) The management function identified follows a particular process. Explain the step of this process which is being use in the Para

Ans.2 (a) Staffing   (b) Recruitment.
Q3. Why is staffing considered an important function of management in all types of organisation? Give any four reasons

Ans3. (i) Fulfilling jobs with competent personnel
(ii) Better performance
(iii) Expansion and Growth.
(iv) Optimum utilization of human resources.

Q4. State any four benefits of training?

Ans4 (i) Systematic learning
(ii) Prepare future managers.
(iii) Increased Productivity.
(iv) Motivate the employees.

Q5. Ramesh is working under the guidance of Harish, a carpenter. For the last three years to learn the different skills of this job. Name and explain the method of training Ramesh is Undergoing

Ans5 “Apprenticeship Training”. It refers to that training method where the trainee is put under the guidance of an expert to acquire higher level of skill. Generally electricians, plumbers and iron workers are required to undergo this training.

Q6. Max industries wants to hire a staff for its chemical division. The personnel Department lists out following methods of recruitment

(a) Using naukri.com to search for prospective candidates.
(b) Consider voluntary applications received earlier from various job seekers. Identify the source of recruitment and explain it.

Ans (a) Web Publishing. These days internet has become an important medium for recruitment. Special websites have been created for the purpose of recruitment through internet

(a) Casual callers: In many reputed organizations some really talented and brilliant people continue sending their applications from time to time with hope that whenever some need arises, they may come across an opportunity for appointment

Q7. Some learning Opportunities are designed and delivered to improve skills and abilities of employees, whereas some other are designed to help in the growth of individuals in all respects”. Identify and explain the two concepts explained above.

Ans. The two concepts are: - Training and Development.

Training and Development- Training refers to the process by which the aptitudes, skills and abilities of employees to perform specific jobs are improved.

Development is the process by which the employees acquire skills and competences for handling higher jobs in future.
Q8. Manu, the chief manager in a company using highly sophisticated machines and equipments, wants that every employee should be fully trained before using the machines and equipments. Suggest and describe the best method of training that Manu can use for training for its employees

Ans. The best method of training can be used here is “Vestibule Training”.

Under this method, with a view to imparting training to new employees, a separate training center is set up. An experienced and trained trainer is appointed as an in charge of this centre. Machines, tools and other equipments are so arranged in this centre as to present a look of a workshop.

Q9. Explain Internship and Induction training methods?

Ans. **Internship**: It is a practical training of theoretical knowledge. Selected candidates carry on regular studies for prescribed period and also work in some factory or office to acquire practical knowledge.

**Induction**: It means introducing the selected employees to his superiors, subordinates and colleagues and familiarizing him with the rules and policies of the organization.

Q10. State three advantages of External sources of recruitment.

Ans. 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.

**LONG ANSWER QUESTIONS (5- 6 MARKS)**

Q1. Which functions of management helps in obtaining right people and putting them on the right jobs? Explain any four points of importance of this function?

Ans. **Staffing Function**

(a) Fulfilling job with competent Personnel: Staffing helps in selection of right person for right job. The staff selected is according to need of the job which in result helps in smooth functioning of the enterprise (b) Better Performance : The staff selected is according to them need of the job. The person selected will be expertise in his field resulting in better job performance with fewer chances of mistakes.

(c) Expansion and Growth An organization having capable employees will lead to the path of growth and development. Able employees which are the real asset of the enterprise take their firm to the heights of development.

(d) Improves Job Satisfaction and morale. A person when selected for right job tries to give his 100% in his working. This is because he is fully satisfied with his job which is very much necessary. It will boost his performance and he will prove to be the real asset of the firm.
Q2. Explain the process of selection of employees in an organization

Ans
(a) **Preliminary Screening**: First of all, the applications received during the process of recruitment are scrutinized. Scrutiny of application forms is made to verify whether the candidate fulfills all the qualifications essential for the job. The preliminary screening is based on (i) preliminary interview (ii) filling up the blank application form.

(b) **Selection Tests**: In the selection process, selection tests have an important place. Through these tests, ability and skill of the candidates are measured. These tests are divided into the following three categories:

i) Proficiency tests
ii) Psychological tests
iii) Other tests

(c) **Employment Interview**: Having successfully cleared all the tests related to employment by the candidate, he is called for the final interview. Its objectives are to see the looks of the candidate, his way of talking, his conduct, temperament, his interest, presence of mind, and maturity etc.

(d) **Reference and Background checks**: After a candidate is selected successfully in the interview, information about him is gathered from those persons whose names figure in the column of “References”. This information relates to the character, social relation, background etc. of the candidate.

(e) **Selection Decision**: Applicants who clear Selection Tests, Employment Interview and Reference checks are selected. Prior to taking the final selection decision, the opinion of the manager concerned is sought.

(f) **Medical Examination**: Medical examination is done to check whether the candidate is fit to carry on the responsibilities assigned to him and whether he is physically fit or not. The selected candidate is also verified through medical examination.

Q3 Blue Heavens Ltd purchased a new Hi-tech machine from Germany for manufacturing high quality auto components in an effective manner. But during the production process, the manager observed that the quality of production was not as per standard. On investigation, it was found that there was lack of knowledge amongst the employees of using Hi-tech machines. So, frequent visit of engineers was required from Germany. Suggest what measures can be done to develop the skills and abilities of employees of producing Hi-tech machines.

Ans3
Training of employees.

**Advantages of Training.**

1. **Increase in capacity and efficiency**: Through training, one learns the art of doing a special job methodically. It increases the skill and efficiency of the employee.

2. **Increase in market value**: Trained employees have a better market value. Increased market value means that other organizations are always willing to employ trained personnel at higher remuneration.
3. **Fewer accidents**: Reduction of accidents is not only beneficial to the organization, it also protects the life of the workers. By learning the art of operating the machine the rate of accident can be minimized.

4. **Job satisfaction**: In the life of an employee, job satisfaction is most important. It means that whatever job he is performing, he should be fully satisfied with it.

Q4. Explain the methods of training.

Ans. Training is imparted to the employees through two methods

1. On the job methods of training
2. Off the job methods of training

**On the job method of training**: Under this method the trainers are asked to do a particular job on a machine or in a workshop. They are taught the techniques of operating a machine or using tools and equipments by an experienced employee or a special supervision

Main methods of on the job training are:

a) Induction training
b) Apprenticeship Programme
c) Internship training

**Off the job method of training**: Under this method, training is imparted to the trainees at a particular place other than the place of work. This training is given in special seminars, classers etc. During the course of this training, both the theoretical and the practical information is conveyed to the trainee.

The main method of off the job training is **Vestibule Training**: Under this method, with a view to imparting training to new employees, a separate training center is set up. An experienced and trained trainer is appointed as an in charge of this centre. Machines, tools and other equipments are so arranged in this centre as to present a look of a workshop.
Unit- 7 : DIRECTING

Summary of the Chapter

Directing- It refers to instructing, guiding, communicating and inspiring people to achieve common objectives.

Elements of directing.
1. Supervision  
2. Leadership  
3. Motivation  
4. Communication

Supervision.- Supervision refers to the direct and immediate guidance and control of subordinates in the performance of their task.” Or To watch over the routine activities of workers.

Motivation:- It refers to that process which encourage people to work for the attainment of a desired objective.

Maslow’s Need Hierarchy Theory-
1. Basic Needs  
2. Safety and Security Needs  
3. Affiliation or Social needs  
4. Esteem needs  
5. Self actualization needs

Types of incentives-
(i) Financial Incentives  
(ii) Non-Financial Incentives

Leadership-It refers to influence others in a manner to do what the leader wants them to do.

Leadership Styles-
 a. Autocratic Leadership Style  
 b. Democratic leadership Style  
 c. Laissez Faire Leadership Style.

Communication-Transferring the ideas, thought, facts etc from one person to another.

Type of Communications:
(i) Formal Communication  
(ii) Informal Communications

Barriers in communication
(a) Semantic Barriers: This barrier is related with the words, signs and figures used in the communication. Sometimes they cannot convey the same message which they want to. It can be
   (i) badly expressed message  
   (ii) symbols and words with different meaning  
   (iii) Faulty translation
(b) **Physiological or Emotional barriers**: The importance of communication depends on the mental condition of both the parties. A mentally disturbed party can be a hinder in communication. It can be

(i) premature evaluation
(ii) lack of attention
(iii) Distrust

(c) **Organizational barriers**: Organizational structure affects the capability of all the employees as far as the communication is concerned. Some major hindrances are

(i) Organizational policies
(ii) Rules and regulations
(iii) complexity in organizational structure
(iv) Organizational facilities

(d) **Personal barriers**: This barrier is related with personal attitude of employees as well as employer. They fear challenge of authority, lack of confidence in subordinates etc. Employees are some time not willing to communicate, lack of proper incentive and so on.

**Very short answer type Question (1 mark)**

Q1: What is meant by Directing?
Ans: It refers to instructing, guiding, communicating and inspiring people to achieve common objectives.

Q2: Give any two elements of directing.
Ans: 1. Supervision 2. Leadership

Q3: Define Supervision.
Ans: “Supervision refers to the direct and immediate guidance and control of subordinates in the performance of their task.”

Q4: What is meant by ‘Motivation’?
Ans: It refers to that process which encourage people to work for the attainment of a desired objective.

Q5: What is Informal Communications?
Ans: It refers to the communication within an organization that is officially sanctioned.

Q6: How Supervision is helpful in maintaining discipline?
Ans: Through close eye and timely guidance of the employees.

Q7: Give an example of ‘employee recognition programmes’ as in non-financial incentive.
Ans: Displaying employee’s achievements on the notice board or company’s newsletter.
BUSINESS STUDIES

Q8: Give any two Characteristics of ‘Organizational Climate’ that influence the behavior of individuals and act as non-financial incentives.

Ans: Characteristics of ‘Organisational Climate’ that influence the behavior of individuals are  
1) Individuals Autonomy  2) Reward orientation

Q9: One of the employees of ‘Hindustan Agriculture Implements Limited’ receives an order from the department manager and passes it on to the non-managerial members. Because the actual work in the organisation is done by the non-managerial Members, therefore, even a little carelessness in delivering the message can lead to a heavy loss. This employee performs the role of the human relation specialist also.

Identify the designation of the employee described above.

Ans: Supervisor.

Q10 Kritika is posted at lower level management at ‘libra costmetics pvt. Ltd.’ The daily sale of the company is about Rs.50 lakhs only. She has given her responsibility that the production work of the company should continue uninterrupted. The managing director has asked her to focus her attention especially on the speed and quality of production she is doing her efficiently. Her reputation is that of a successful leader. She takes every decision after discussing it with all the concerned persons. Her subordinates are happy with her.

Identify the leadership style adopted by kritika.

Ans: Democratic leadership style.

Q11: The chief Executive Officer –CEO of ‘Shri ram ltd.’ sent the message to all the departmental Managers: “With effect from today, whatever communication they have to do, they will do so in writing.” This communication reached all the departments. In the company, this order began to be followed. Within a few days the unfavorable consequence of this order became apparent. Mainly the speed of work became slow. In this context, whosoever went to the CEO to give a suggestion, he ignored all others.

Identify two of the barriers in the communication stated in the paragraph given above.

Ans: 1. Organisational barrier  2. Personal Barrier

Q12: Everyday a new problem crops up at ‘BALCO Engineering Udyog Limited.’ A meeting of the managers was held regarding this situation. After a lot of discussion they arrived at this conclusion that the root-cause of all the problems was the company’s weak communication system. Hence, if the communication system was improved, they could be relieved of the problems to a great extent. With this aim in view, the company invited a specialist in communication system. In his lecture, he mainly asserted that it was most necessary to ascertain whether the receiver had taken the communication in the right sense.

Identify the solution suggested by the communication specialist in order to remove the barriers in the communications.

Ans: Ensuring proper feedback.
Short answer type question (3/4 marks)

Q.1. The managing director of ‘Narula tyre pvt. Ltd.’ held a meeting of the departmental managers. It was attended by all the five departmental managers. In the meeting the managing director said that besides doing their current work efficiently, they had also to make it capable of shouldering more responsibility in future. For the realization of this objective, he invited the suggestions of all of them. He said that on the basis of suggestions of all of them the decision to do so would be taken. The managing director prepared a plan on the basis of suggestions received. Out of the five managers three of them carried out the plan, but two of them did not care for it.

(a) Identify the factor of staffing describe in the paragraph above.
(b) Two of the managers didn’t carry out of the plan. On the basis of this fact, can we take it that the communication process has been incomplete? Explain.
(c) What leadership style is being referred to here?

Ans: (a) Employee development/Promotion and Career Planning.
(b) No, it can’t be taken that the communication process have been incomplete, because for the completion of communication process, only to understand the message is necessary, not acting upon it.
(c) Democratic leadership style.

Q.2. In a company, the employees is connected with one another, from the highest to the lowest in a straight hierarchy. Their order is has follows: General Manager>Departmental manager>Deputy departmental manager>Supervisor>Foremen>workers. The communication among all of them is taking place as follows. The General Manager held the meeting of all the employees of the company and said, We should delete the word ‘I’ from our vocabulary and in its place we should substitute the word ‘WE’. Some of the employees of the company were explaining the company’s policies to some others and were giving orders. Similarly, some employees were sending the reports of their work, while some others were busy in complaining.

(a) Which principle of management has been highlighted by the General Manager in his message to the employees?
(b) What sort of Formal Communication is taking place here? Explain with examples.

Ans: (a) Espirit De Corps.
(b) Vertical communication: It is of two types:
   i) Downward Communication: Policies and orders fall in this category.
   ii) Upward Communication: Reports and complaints fall in this category.

Q.3. ‘Anvi Pvt. Ltd.’ has divided its business into four departments; namely, marketing, Finance, Production, and Personnel. The finance manager has to arrange finance for the following year. With this aim, he asks the Marketing Manager of how much worth he would be able to
sell goods in following year. The reason for asking such a question was to make an estimate of purchases and production. Similarly, he asked the Personnel Manager to prepare an estimate of the expected number of the employees and the remuneration to be paid to them. The Financial Manager shared all the information received with Mr Rawat, the senior finance Manager. Thus, both jointly prepared the cash budget.

(a) What type of organizational structure is being adopted by this company?

(b) What type of formal communication would you call the conversation which took place between the heads of different departments?

(c) What type of formal communication is the conversation which took place between the two officials of the Finance Department?

Ans : (a) Functional Organizational Structure

(b) Horizontal Communication

(c) Vertical Communication

Q.4.: Mr ‘A’ is working as the manager in the Marketing Department of ‘Mansarovar Handloom Limited’. ‘B’, ‘C’, ‘D’, and ‘E’ are his four subordinates. All the four of them have to often communicate with their manager Mr ‘A’ in connection with their job requirement. Besides, ‘B’, ‘C’, ‘D’ and ‘E’ have to communicate with one another also. But they cannot do any communication directly with one another. This job has to be done through Mr ‘A’. For example, if ‘B’ has to send some message to ‘C’, he will send this message first to ‘A’ and the latter will pass it on to ‘C’. According to the subordinates, this type of communication becomes a hurdle in the speed of work. They are not at all happy with this system.

(a) What main form of communication has been used in the paragraph given above?

(b) What system of communication is being used by ‘A’, ‘B’, ‘C’, ‘D’ and ‘E’?

(c) Which value is being ignored here?

Ans: (a) Formal communication.

(b) Wheel communication.

(c) Free communication is being ignored here.

Q.5. Usually we see that on the occasion of Diwali people buy a large number of gifts. ‘Ambe Electronics limited’ wants to take advantage of this habit of people. It decided to prepare a big range of attractive gifts. All the employees of the company co-operated fully to implement this decision. One day some of the employees were chatting together in the canteen. One of them, Mr Ravindra had secret and enjoyable information about one of his colleagues. He was telling them all as he stood amidst them. All of them were enjoying themselves the information he shared with them.

(a) Identify this factor of business Environment.

(b) In which method of communication comes the chatting going on in the canteen? Describe this method.
(c) To which main type of communication belongs the method referred to in point ‘b’?

Ans: (a) Social Environment.
(b) Gossip Chain
(c) Informal communication.

Q.6: Describe any three points which explain the role of supervision in management.

Ans: 1) As a key man
2) As a mediator.
3) As a human Relations Specialist.

Q.7: Explain any three functions performed by a supervisor that are vital to any organization.

Ans: 1) Facilities control.
2) Optimum Utilization of Resources.
3) Maintenance of Discipline.
4) Feedback.
5) Improves Communication.

Q.8.: Describe the Process of communication.

Ans: 1) Sender/Communicator.
2) Message
3) Encoding.
4) Media/Transmission.
5) Decoding.
6) Feedback

Q9. State any three non-monetary incentives.

Ans. Three non-monetary incentives are:

(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 increases 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.
Q.10: Explain the difference between formal communication and informal communication.

Ans: The difference between formal communication and informal communication are as follows:

<table>
<thead>
<tr>
<th>Basis</th>
<th>Formal Communication</th>
<th>Informal Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Channel</td>
<td>1. It follows formal or established line of command.</td>
<td>1. It is based on informal relationship and arises as a result of personal social or group relations between people.</td>
</tr>
<tr>
<td>3. Speed</td>
<td>3. The speed of communication is usually slow</td>
<td>3. It transmits information swiftly.</td>
</tr>
<tr>
<td>4. Need</td>
<td>4. It serves organizational needs.</td>
<td>4. It serves organizational as well as individual needs to socialize with others.</td>
</tr>
</tbody>
</table>

Long answer type Question (5/6 marks)

Q.1: Explain the formal communication network? Write its Feature.

Ans: It refers to the communication within organization that is officially sanctioned.

Features:

(a) Written and oral. It can be both in written or oral. Daily works are handed through oral communication while the policy matters require written communication.

(b) Formal Relations: This communication is adopted among those employees where formal relations have been established by the organization. The sender and the receiver have some sort of organizational relation.

(c) Prescribed path: The communication has to pass through a definite channel while moving from one person to another. For example, to convey the feelings of a worker to the manager, their foreman’s help has to be sought.

(d) Organisational message. This channel is concerned with the authorized organizational messages only and the personnel messages are out of its jurisdiction.

Q.2: Explain different networks of grapevine communication.

Ans: (a) Single Strand.

(b) Gossip chain.

(c) Probability.

(d) Cluster.
Q.3: Mr Ekant Miglani, after completing his studies of B.B.A is working in the Production Department of ‘jai chemicals limited’. There are fifty persons working at different posts in this Department. He tries hard to keep a watch over the Routine Activities of all the employees. He observed one of the employees, Bholo ram and a few others working on machines. They were running the machines in a wrong manner. The machines were very sophisticated. Mr Miglani at once explained the right method of working to them. He wanted to solve this problem of the employees for good. He called a meeting of his subordinates. He took this decision that the company will have to organize training of the employee immediately. They also decided all the employees will drop a suggestion each in the suggestion-box daily, so that the different activities of the department may be improved speedily. It was announced that the employees giving valuable suggestions shall be rewarded. On the basis of the above paragraph answer the following question:

(a) Which function of management is being discharged by Mr Miglani by keeping a watch over the Routine Activities?

(b) Which method of training of the employees will be suitable to be adopted here? Explain.

(c) Which style of leadership is being followed by Mr Miglani?

(d) Which method of motivation will be decided to be adopted in the meeting of employees?

Ans: 

(a) Supervision.

(b) Here the Vestibule training Method will be suitable to be adopted. Under this training method a separate training centre is set up. In this centre factory like atmosphere or circumstances is/are created and the employees are trained to work on sophisticated machines.

(c) Democratic Leadership Style.

(d) Employee Recognition Programme.

Q.4. Five students of BBA took part in a discussion. The subject of their discussion was: “Why do people get motivated to do anything?” The main portions of their discussion are as under: The first student said, “People work because they want to deposit wealth enough to protect themselves from diseases and to be relieved of the tension of old age.”

The second student said, “People work because they want to arrange food, cloth and shelter for themselves at any rate.”

The third student said, “People work because they want to reach the top of the field in which they are. They, therefore, put in untiring efforts.”

The fourth student said, “People work, so that when they have money, people will become friendly with them and they will stand by them through think and thin.”

The fifth student said, “People work, so that they may get respect in the society and that they may be recognize as exceptional persons.”

(a) The discussion given above relates to which function of management?
(b) The five friends spoke about the different needs of people as the basis of their doing work. Identify these needs.

Ans: (a) Motivation
(b) First friend: Safety Needs
(c) Second friend: Physiological Needs
(d) Third friend: Self Actualization Needs
(e) Fourth friend: Social Needs
(f) Fifth friend: Esteem Needs

Q.5.: Describe five importance of directing?

Ans: (1) Through directing, managers not only tell the people what they should do, when they should do and how they should do, but also see that their instructions are implemented in proper direction

(2) As the superiors direct the actions of employees towards the predetermined goals, it results in unity of direction and achievement of organizational goal.

(3) It is well known fact that employees are having lot of individual differences such as differences in levels of authority, types of job, interest, attitude, aptitude etc. But, the directing function integrates and co-ordinates the efforts of all the employees in such a way that every individual effort contributes to the organizational performance.

(4) Through directing, managers not only tell the people what they should do, when they should do and how they should do, but also see that their instructions are implemented in proper direction

(5) As the superiors direct the actions of employees towards the predetermined goals, it results in unity of direction and achievement of organizational goal.

Q.6: Explain the barriers of effective communications?

Ans: (a) Semantic Barriers: This barrier is related with the words, signs and figures used in the communication. Sometimes they cannot convey the same message which they want to. It can be (i) badly expressed message (ii) symbols and words with different meaning (iii) Faulty translation and so on

(b) Physiological or Emotional barriers: The importance of communication depends on the mental condition of both the parties. A mentally disturbed party can be a hinder in communication. It can be (i) premature evaluation (ii) lack of attention (iii) distrust

(c) Organizational barriers: Organizational structure affects the capability of all the employees as far as the communication is concerned. Some major hindrances are (i) organizational policies (ii) Rules and regulations (iii) complexity in organizational structure (iv) organizational facilities
(d) **Personal barriers**: This barrier is related with personal attitude of employees as well as employer. They fear challenge of authority, lack of confidence in subordinates etc. Employees are some time not willing to communicate, lack of proper incentive and so on.

Q7: Discuss six monetary Incentives.

**Ans.** The incentives that have a monetary and financial benefit are called financial incentives. They are-

a) **Profit sharing**: It has been accepted that the profit earned by the firm is also due to the effort put by the workers. So they have a full right to receive a share in it. It is an effective incentive which satisfies the workers.

b) **Co-partnership**: Under this system, employees share the capital as well as the profits. Under employees stock option plan the workers are given shares. They are also given Bonus shares and they share the ownership of the firm. It motivates them as they share the profits too.

c) **Productivity linked wages**: Under this system, a sales person is guaranteed a minimum wage as well as commission on sales. A commission plan motivates him to work better.

d) **Suggestion system**: Valuable suggestions are accepted and the most valuable ones are also rewarded with cash money.

e) **Retirement benefits**: Every employee wants his future to be secured. The firm provides retirement benefits, pension, provident fund, gratuity etc.

Perks: various perks such as housing, car allowance foreign trips etc can be given to the managers to boost up his morale.

Q8: Explain various leadership styles.

**Ans.**

**Autocratic leadership**: An autocratic leader gives orders and expects that they are obeyed. He determines the policies for the group without consulting them. All decision making power is centralized with the leader.

**Democratic leadership**: In this style, the leader consults with his subordinates on proposed actions and decisions and encourages them to participate in decision making. This improves the attitude of the employees towards their jobs and increases their morale.

**Laissez faire leadership**: This style gives a high degree of freedom to his subordinates. Group members work themselves as per their own choice and competence. Such a leader avoids use of power. He exist as a contact man with the outsiders to bring information and the resources the group requires for accomplishing the job.
Unit- 8 : CONTROLLING

Summary of the Chapter

1. **Meaning of controlling:** Comparing actual performance with standards and finding deviations if any and taking corrective action.

   **Actual Performance = Standards = No deviation**

   **Importance of controlling:**
   1. Maximum utilization of resources.
   2. Improve efficiency and effectiveness.
   3. Helpful to take corrective action.
   4. Helpful to attain organizational objectives.

2. **Process of Controlling:**

   1. **Setting performance standards:** Standards are the Criteria against which actual performance would be measured. Standards serve as benchmarks. They can be set in both quantitative as well as qualitative.

   2. **Measurement of actual performance:** Performance should be measured in an objective and reliable manner.

3. **Comparing actual performance with standards:**

4. **Analyzing deviations:** Major deviation or minor deviation and analyzing the causes of deviation.

   a) **Critical point control:** Focus only on Key Result Areas (KRAs).

   b) **Management by Exception:** Concentrate only on major deviations only.

5. **Taking corrective action:** When deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

**Relationship between Planning and Controlling:**

Planning and controlling are inseparable twins of management. Planning initiates the process of management and controlling completes the process. Plans are the basis of control and without control the best laid plans may go astray. Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning.
Very short answer questions (1 Mark)

Q1. Which two standards will you suggest for production department?
Ans. (i) Quality  (ii) Quantity .

Q2. Why is it said that ‘planning is meaningless without controlling?'
Ans. Because in the absence of controlling nobody will take it seriously to work according to the plans and hence, the plans will fail.

Q3. In which situation the need of taking corrective action arises?
Ans. In case of negative deviation.

Q4. Name the two situations in which corrective action is not required.
Ans. (i) Zero deviation  (ii) positive deviation.

Q5. What should be the ‘focus point’ for a manager while controlling as controlling at each and every step is not possible?
Ans. Focus point for a manager While Controlling should be the ‘key result areas’.

Q6. In controlling process standards were set according to the efficiency of the average employee which value has been kept in mind while setting the standards?
Ans. (i) Increase in the morale of the employees.  (ii) Improving the quality of production.

Q7. In a company, employees achieved quantitative standard but could not attain qualitative standards which values have been ignored here?
Ans. i) Production of inferior quality goods.  ii) Exploitation of consumers.

Q8. States any one advantage of ‘critical-point control ‘and ‘management by exception’.
Ans. By taking care of important deviations both time and efforts are saved.

Q9. Give meaning of the term ‘deviation’ as used in the control function of management?
Ans. Deviation refers to the difference between actual performance and standard work.

Q10. Which two steps in the process of control are concerned with compelling events to conform to plan?
Ans. (i) Setting performance standards and  (ii) Taking corrective action.

Short answer Question (3/4 marks)

Q1. Explain the principal of ‘critical-point control’ and ‘principal of management by exception’?
Ans. (i) principal of critical-point control: it refers to that concept of management which holds instead of all activities the management should focus its attention on only important activities.
(i) **Principal of management by exception:** It refers to that principal of organizational control which holds that only significant deviations (i.e., exceptions) should be brought to the top management attentions.

**Q2.** Explain two causes of deviations and corrective action to be taken?

**Ans.** **Cause of deviations—**

(i) **Human causes:** The efficiency of the employees is the chief cause among the human cause.

(ii) **Uncertain events:** It includes strikes lockouts, shortage of raw material, entry of many competitors in the market, etc.

**Corrective Action**

(i) Corrective action should be taken only after a careful inquiry into the causes of deviations.

(ii) If the wrong standards had been determined, they should be modified.

**Q3.** After setting the performance standards the next step in the controlling process is the ‘measurement of actual performance’. Explain this step in the process of controlling?

**Ans.** The second step in the process of controlling is the measurement of actual performance. The measurements of actual performance is done on the basis of predetermined standards. The measurement of actual performance tells the manager whether the work has been done according to the plan or not.

Performance should be measured in an objective and reliable manner which includes personal observation, sample checking. Performance should be measured in same terms in which standards have been established, this will facilitate comparison.

**Q4.** Michel John is a sole proprietor in Nicrobar. He has started trade after getting M.B.A degree. He is fully familiar of management. He starts his business with the planning function of management. He desires that all his activities should conform to planning. To this effect, he has adopted a system that keeps a constant watch on the business. Consequently, there is zero possibility of adverse results. It can, therefore, be said that this method is directly related to the results. Mr. John also believes that this method applies not only to any one level of management but to all the levels as well.

a) **Identify the function of management referred to in the aforesaid paragraph.**

b) **Describe any two importances of the functions of management as identified under point (a) above.**

**Ans.**

(a) Controlling

(b) Two importance of controlling are as under:

(i) **Controlling helps in achieving goals:** Controlling helps to achieve the goals of the organization by actual work performance with the standards.

(ii) **Controlling increases efficiency:** Controlling increases efficiency through optimum utilization of all the resources, such as Man, Machine, Material and money.
Q5. “Prakash limited” is a company manufacturing electrical goods Smt. Ruby is its managing director. By virtue of her wise directions, the company has achieved great heights. A management institute one day invited her for a lecture. There she got an opportunity to dialogue with the students of management studies. She narrated to them the story of her success. She told them two main things, First: the employee should know that their work is being evaluated and progress report prepared. Second, optimum use of physical resources should be made possible.

a) Identify the above said function of the management.

b) On the basis of the aforesaid paragraph write two point regarding the importance of the function of management as identified in point (a) above.

Ans. (a) Controlling
(b) Two importance of controlling are as under:
   (i) Controlling helps in achieving goals: Controlling helps to achieve the goals of the organization by actual work performance with the standards.
   (ii) Controlling increases efficiency: Controlling increases efficiency through optimum utilization of all the resources, such as Man, Machine, Material and money.

Q6. Mr. Sidharth pandey is the marketing manager of ‘Swastik limited’. He is a loyal employee of the company. He makes all possible efforts to enhance the public image of company’s products that is the sole reason of continuous rise in company’s sales. Whatever sales target he determines, he realizes much more sales every time. It means that every time there occurs positive deviation. Mr. Pandey remains in constant rapport with production manager. he always endeavors that the products of the company should be of high quality. On account of maintaining high quality of the product, he is always ahead of his competitors. As a marketing manager, he also fixes price of company’s products. while fixing the prices he takes special care to ensure that prices should have no adverse impact on the consumer. His main aim is to present true image of the company and its products in advertisements.

(a) Which step of controlling process has referred to in the above paragraph? Clarify.

(b) Identify any two values directed to the society by Mr. Pandey.

Ans. (a) Third step of controlling process is actual performance with standards.
(b) Good health and Reasonable price.

Q7. Love and kush are two friends. both are MBA (final year) students. One day, their professor called them to class stage for a surprise Test. He told that one of them will establish relationship between any two functions. Of management. then the other one, will establish reverse relationship between the same two functions. Both will have to give justification for the relationship explained by them. It was a test carrying 50 marks. But the students were Intelligent and skillful. Love was the first to speak.

Love said that in his opinion of the functions of management selected by him one is always looking ahead (future) and the other is looking back (past).
No sooner did love express his opinion, than Kush identified the function selected by (love). In his reply, Kush said that the one function stated by love to have been looking ahead was in his opinion, looking back and the other one stated by him (love) to have been looking back was looking ahead.

(a) Identify the functions of the management discussed in the above paragraph.
(b) Justify the contrary relations of management functions as viewed by love and Kush.

**Ans.**

(a) Planning and controlling.
(b) Plans are prepared for future and involve looking ahead. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense controlling is a backward looking function. However, it should be understood that planning is guided by past experiences and the corrective action initiated by control function.

**Q8.** Explain any three feature of controlling?

**Ans.**

(i) Controlling is a fundamental management function:

(ii) Pervasive function:

(iii) Controlling is a continuous activity:

### Long Answer Questions (6 Marks)

**Q1.** Explain the various steps in the process of controlling?

**Ans.** Steps in the process of controlling

1. **Setting Performance Standards:** Standards serve as criteria against which actual performance would be measured. It can be both in terms of quantitative and qualitative.

2. **Measurement of Actual Performance:** Performance should be measured in an objective and reliable manner.

3. **Comparison of Actual Performance with Standards:** in this steps actual performance are compared with standard such comparison reveals deviations.

4. **Analyzing deviations:** This step compels events to conform to plans. Deviations are the errors or weakness which may occur in the process of achievement of goals and the manager has to rectify them. The acceptable range of deviations must be determined.

5. **Taking Corrective Action:** It is necessary to identify the exact deviation to take corrective action. This step compels events to conform to plans.

**Q2.** Explain the relationship between planning and controlling?

**Ans.** Relationship between Planning and Controlling:

Planning and Controlling, both are major and interdependent functions of management. On one hand, planning provides the base for controlling, on the other hand controlling
ensures that plans are successfully converted into reality. The relationship between planning and controlling can be analyzed in two parts: -

1) Interdependence

2) Difference

**Interdependence:** -

One of the famous management experts had said that, “**Planning is meaningless without controlling and controlling is blind without planning.**”

Planning provide the base for controlling. It means that planning sets the objectives, decide the future course of action for the firm. It provide the basic framework for all other activities of management including controlling.

In the same way controlling process cannot be performed, until and unless we have planned something in advance. If the standards are not determined, there is no justification left for controlling.

**Difference:** -

Planning and Controlling both are opposite looking functions because plans are always made for future, whereas controlling is a backward looking function in which at the completion of process, manager tries to find whether it has been done according to plan or not. Planning is the first function of management. All the other function follows it, whereas controlling is the last function, which follows all the other functions of management.

**Q3.** Mr. Jai Prakash Gupta is the general manager of “Bhagwati Udyog Pvt. Ltd.” With a view to running his business in a careful manner, he divided all the activities into seven departments. These Departments were: purchase, Marketing, production, personnel, finance, Accounting and Correspondence. Later on, he realized that accounting and correspondence department can be merged into finance department. Thus, all business activities were divided into five departments. Mr. Gupta is now thinking on the lines as to which are the department, out of these five that will have significant role in the success of the business. After complete analysis, he concluded that marketing, production and finance were the department on which success of the business depended. It meant that even of some shortcoming occurred in the departments of purchase and personnel, it would not affect much the success of the business. Thereafter, Mr. Gupta determined deviation tolerance limits of these three main departments. It meant that if deviation of these departments remains within this tolerance limit, then it will be looked after by the concerned manager. However, in case the deviation is beyond this limit that same will be brought to the notice of General Manager.

(a) Identify two function of the management referred in the above paragraph (b) Describe the relevant concepts of identified functions.

**Ans:** (a) Organizing and controlling
(b) (i) **Concept related to organizing**- Under it, second step of organizing process i.e., departmentalization is involved.

(ii) **Concept related to Controlling**- Following two concepts are related to controlling

(a) **Critical point control**- it is the concept of management which holds instead of all activities the management should focus its attention on only important activities.

(b) **Management by Exception**- it refer to that principal of organizational control which holds that only significant deviations (i.e., exceptions) should be brought to the top management attentions.

Q4. “Kitchen Saj limited” is a company manufacturing plastic goods. Mr. Shah is its marketing manager and Mr. Sahu, its production manager. Style of working of both the managers is entirely different. Mr. Shah set such standards for different activities of his department as were quite easy to achieve. On the other hand, Mr. Sahu set standards for different activities of his department as were very difficult to achieve. As a result, marketing department achieved his target very easily. Mr. Shah and his team were very pleased with these result. But the situation prevailing in the production department was quite contrary to it. Mr. Sahu was far behind his target. Now he and his team were very much worried.

(a) Which step of controlling process has been discussed in the above paragraph?

(b) In your opinion, both the manager would have set standards for which activities of their respective departments? Write two standards each.

(c) Of the two managers, one set easily achievable standards whereas the other set such standards as could be achieved with great difficulty. In your opinion, what effect of situation would have on the employees?

(d) State in one word, what should be the type of standards?

Ans. (a) First step of the controlling process i.e., setting of performance standards, has been discussed.

(b) **Main standards of marketing department.**

* Sales volume  * Sales expenses.

**Main standards of production department**

* Quality  * Quantity

(c) **Effect of easily achievable standards:**

In this situation employees turn lazy (idle).

Effect of those standards which are achieved with difficulty:

In this situation employees are worried.

(d) Reasonable
Part - B
Business Finance and Marketing
Unit - 9 : FINANCIAL MANAGEMENT

Summary of the Chapter

Business Finance- It refers to funds required for carrying out business activities.

Financial Management- It includes decisions relating to procurement of funds, investment of funds in long term and short term assets and distribution of earning to the owner.

Objective of Financial Management:- Maximize wealth of equity shareholders which means maximizing the market price of equity shares.

Financial Decisions-
A) Investment decision- It is concerned with investment of firms fund in different assets (Fixed assets and current assets)

   Long Term or Capital Budgeting Decision- Related to decisions taken to invest in the fixed assets.

   Factors Affecting –

B) Financing decision- It deals with determination of sources of finance, amount to be raised from each source.

   Factors Affecting-
   1. Cost  2. Risk
   3. Tax Rate  4. Cash flow position

C) Dividend decisions- It refers decisions related to amount of profit to be distributed among shareholders and amount of profit to be retained in the business for financing.

   Factors Affecting-
   1. Amount of earning  2. Stability of earning
   3. Cash flow position  4. Taxation policy

Financial planning- is the process of estimating the funds requirement, specifying the sources of fund and utilizing them in an optimum manner.

Objective of financial Planning-
1. To ensure availability of funds whenever required
2. To ensure unnecessarily finance is not raised.

Capital Structure – Refers to proportion of debt and equity used for financing the operations of business.
Factors Affecting –
1. Cash flow positions 2. Return on investment
3. Tax rate 4. Cost of Debts
5. Control 6. Risk
7. Stock market condition.

**Fixed Capital** – it refers to money invested in the fixed assets, which is to be used over a long period of time.

Factors Affecting –
1. Nature of business 2. Scale of operations

**Working Capital** – it refers to money invested in the current assets, which is to be used over a short period of time.

Factors Affecting – 1-Nature of business 2- Scale of operations 3-Production cycle 4-Seasonal factors.

**Very Shhort Questions Anwers - (1 Mark)**

Q. 1. Management has to decide whether a new and modern plant should be replaced with the old one. Which type the financial decision is it.

Ans. Investment Decision.

Q.2. A company wants to establish a new unit in which a machinery of worth Rs.10 lakhs is involved. Identify the type of decision involved in financial management?

Ans. Capital Budgeting decision or investment decision.

Q.3. A decision is taken to raise money for long-term capital needs of the business from certain sources. What is this decision called?

Ans. Financing decision.

Q.4. What is meant by ‘Financial Risk’?

Ans. Financial risk refers to inability to meet fixed financial charges like interest payment, preference dividend and repayment obligations.

Q.5. What kind of decisions involves distributions of profit to shareholders?

Ans. Dividend Decisions.

Q.6 Which type of dividend policy should be followed by a company having growth opportunities?

Ans. Conservative dividend policy, i.e. such company should pay less dividend.

Q.7. Identify, why the requirement of Fixed Capital for a trading concern are different from that of a manufacturing organization.
Ans. Trading concern requires less fixed capital as compared to manufacturing organization because trading concern requires relatively much less investment in fixed assets.

Q.8. Ankit adopted a new policy in his business: Purchase computer on credit and sell them for cash. Will it affect the requirement of working capital?
Ans. Yes, it will reduce the need of working capital as there are no debtors due to cash sales and there is less investment in inventory due to credit availed.

Q.9. For optimal procurement of funds, a finance manager identifies different available sources and compares those in term of cost and associated risks. Identify and define the concept highlighted in the above lines.
Ans. The concept is financial management and is concerned with management of flow of funds and involves decisions relating to procurement and investment of funds, in long term and short term assets and distribution of earning to the owner.

Ans. Companies having growing opportunities in near future declare lesser dividend as compared to companies, which do not have any growth plans.

Q.11. State how ‘Growth Prospects’ affect the working capital requirements of a company?
Ans. The firms which have sufficient possibilities of growth prospects in future require more working capital. However, for companies with lesser prospects, less working capital is needed.

**Short Answer Type Questions (3/4 marks Each)**

Q 1. What are the objectives of financial management for an organization? Give any three reasons in support of your answer.
Ans. 1. Financial management helps in determination of total funds required.
     2. Helps in allocation of fund for fixed assets and current assets.
     3. Helps in determination of sources to raise fund for the organization.
     4. Wealth maximization

Q 2. What do you mean by Financial planning? Explain its two importances.
Ans. **Financial planning** is the process of estimating the funds requirement, specifying the sources of fund and utilizing them in an optimum manner.

   **Importance of financial Planning**
   1. To ensure availability of funds whenever required—financial needs are anticipated and then the sources of availability of finance are allocated.
   2. It helps the company to prepare for the future—It forecasts what may happen in future under different business situations and decide what must be done in each situations.

Q 3. Financial decision is concerned with selection of fixed assets in which funds will be invested by the business? Identify the decision and explain any three factors affecting the decision.
Ans. **Long term Investment decision / Capital Budgeting Decision**—It is concerned with investment of firm’s fund in different fixed assets like buying of machinery.

**Factors Affecting**—

1. **Cash flow positions of the company**—Before considering an investment option, business must carefully analyse the net cash flow expected from the investment during the life of the investment. Investment should be made if net cash flow is more.

2. **Return on investment**—Investment should be done in the projects which earn the higher rate of return. It should be calculated on the basis of expected return of the projects.

3. **Investment criteria**—Before taking decision, each investment opportunity must be compared by using the various capital budgeting techniques. These techniques involve calculation of rate of return, cash flow during the life of investment, cost of capital etc.

**Q.4.** ‘Sarah Ltd.’ is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organization and believes in quality, equal employment opportunities and good remuneration practices.

It has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of Rs. 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan in agreement.

The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company.

Quoting the lines from the above discussion identity and explain any four such factor.

**Ans.** **Dividend Decision**—It refers decisions related to the amount of profit to be distributed among shareholders and amount of profit to be retained in the business for further growth of the business.

Factors affecting dividend decision:

(i) **Stability of Earnings**: It affects dividend decision as a company having stable earnings is in a position to declare higher dividends.

(ii) **Cash Flow Position**: A good cash flow position is necessary for declaration of dividend. ‘There is availability of enough cash in the company’.

(iii) **Growth prospects**: If a company has good growth opportunities, it pays out fewer dividends. ‘Good prospects for the growth in the future’.

(iv) **Shareholders’ Preferences**: Shareholders’ preference is kept in mind by the management before declaring dividends. ‘It may have shareholders who prefer to receive regular income from their investments’.
Long Answer Type Questions (5/6 marks)

Q1. What is the Capital structure? Explain any five factors affecting the choice of capital structure?

Ans. Capital structure refers to mix sources of long term finance. Sources of finance include Share capital, Borrowed fund, and Retained earnings. The appropriate proportion of funds is made in such a manner that it can give more benefit or return to the shareholders.

Factors affecting the choice of capital structure

1. Cash Flow Position: Size of projected cash flows must be considered before issuing debt, to ensure that it has sufficient cash buffer after meeting its fixed cash obligations.

2. Interest Coverage Ratio (ICR): The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.


4. Return on Investment (RoI): If the RoI of the company is higher, it can choose to use trading on equity to increase its EPS, i.e., its ability to use debt is greater.

5. Cost of debt: A firm’s ability to borrow at a lower rate increases its capacity to employ higher debt. Thus, more debt can be used if debt can be raised at a lower rate.

Q2. What do you mean by Working capital? Explain any four factors affecting the requirement of working capital.

Ans. Working capital refers to the amount which is invested in current assets. This fund also needed for payment of daily expenses, payment of current liabilities etc. this investment facilitate smooth business operation.

Factors affecting the requirement of working capital.

1. Nature of business: the requirement of working capital depends on the nature of business. Manufacturing business requires more amount of working capital because it takes lot of time in converting raw materials into finished goods while trading business requires less amount of working capital.

2. Scale of operation: Business operating on larger scale require more funds to maintain the high quantum of inventory, debtors or meet day to day expenses as compared to small scale business.

3. Business Cycle: Different phases of business cycle affect the requirement of working capital by a firm. In case of boom, there is increase in production and scales leading to the increased requirement for working capital whereas the requirements for working capital reduce during depression.

4. Seasonal factors: many businesses may have high level of activity during specific period of time which may be referred as season time. Therefore, during peak season the level of activity is high leading to increased need of working capital as compared to the capital during lean period.
Q3. Which decision is concerned with rising of finance using shareholders’ funds or borrowed funds? Identify and describe the financial decision involve in this decision. Explain any four factors affecting that decision.

Ans. Financing decision: This decision concerned with raising of finance using shareholders fund or borrowed fund. It involves identification of various sources of finance and the quantum of finance to be raised from long term and short term sources.

Factors affecting the financing decision.

2. Risk: Debt capital is most risky and from the point of view of risk it should not be used.
3. Floatation cost: From the point of view of floating costs, retained profit is the most appropriate source. Therefore, it should be made.
4. Cash Flow position: If the cash flow position of the company is good, the payment of interest on the debt and the refund of capital can be easily made. Therefore, in order to advantage of cheap finance, debt can be given priority.

Q 4. What do you mean by Fixed capital? Explain any four factors affecting the requirement of fixed capital.

Ans. Fixed capital refers to the amount which is invested in fixed assets of the business enterprise. This capital is used to acquire Land & Building, Plant and Machinery, Furniture etc. This capital is raised from the long term sources of finance.

Factors affecting the requirement of fixed capital.

1. Nature of business: The requirement of fixed capital depends on the nature of business. Manufacturing business requires heavy amount of fixed capital to invest in the fixed assets like- Land & Building, Plant and Machinery, Furniture etc, whereas trading concern business require less capital.
2. Scale of operation: Business operating on larger scale requires larger amount of fixed capital as they need heavy and bigger machinery and equipments. However, firms operating at small scale need relatively lesser fixed capital.
3. Choice of Technique: Production technique adopted by business also influences the requirement of fixed capital. Companies using capital-intensive technique require more fixed capital as larger investment is needed in the plant and machinery as it relies less on manual labour.
4. Growth prospects: Companies with growth plans in future need more fixed capital as more investment in the plant and machinery is needed to increase the production capacity. In other situation requires less fixed capital.
Unit - 10 : FINANCIAL MARKET

Summary of the Chapter

Financial Market: This market refers to that market where financial securities are exchanged.

Functions of Financial Market
1. Facilitates Price Discovery
2. Provides Liquidity Financial Assets
3. Reduce the cost of transactions
4. Mobilise savings and channelize them into most productive uses.

Types of Financial Market-
1. Capital Market –
   Where long term securities are sold and purchased.

2. Money Market : Which deals in short term securities i.e. whose maturity period is less than 01 year.
   Types of capital market-
   1. Primary or new issue market
   2. Secondary Market (Stock Exchange)

Primary or new issue market-It refers to that market in which securities are sold for the first time for collecting long term capital.

Secondary Market-Where already issued securities are sale and purchase,

Various methods of floating capital-
1. Public Issue- Under this method, the company issues a prospectus and invites the general public to purchase shares or debentures.

2. Offer for Sale-Under this method, Firstly the new securities are offered to an intermediary at a fixed price. They further resell the same to the general public.

3. Private Placement-The Company sell securities to the institutional investors or brokers instead of selling them to the general public.

4. Right Issue – When an existing company issues new securities, First of all it invites its existing shareholders.

5. Electronic Initial Public offer (e-IPO’s) – Under this method, companies issue their securities through the electronic medium (i.e. internet)

Money Market –This is the market in which short term securities are trades.

Instruments:
1. Treasury Bill (T-bills)
2. Commercial Paper
3. Call Money:
4. Certificate of Deposit (CD):
5. Commercial Bill (Trade Bill)
**Depository**: A Depository is an institution which holds the shares of an investor in electronic form. It acts as a bank where investors can open a securities account and deposit the electronic form of securities. At present, there are two depository institutions in India:

NSDL – National Securities Depository Limited.

CDSL – Central Depository Services Limited.

**D’MAT/Demat Account**: D’Mat Account refers to the account which is opened by the investors with depository participant to facilitate trading in shares.

**Stock exchange**: The stock exchange is a market in which existing securities are bought and sold.

**Functions of stock exchange**

1. Providing Liquidity and Marketability to Existing Securities
2. Pricing of Securities:
3. Safety of Transactions:
4. Contributes to Economic Growth:
5. Spreading of Equity Cult:
6. Providing Scope for Speculation:

**Trading procedure in the stock exchange**

1. Selection of broker
2. Opening Demat Account
3. Placing the order
4. Executing the order
5. Settlement

**SEBI** (The Securities Exchange Board of India)- The Securities Exchange Board of India was established in 1992 to protect the interest of investors and to regulate and control the trading of financial securities.

**Objectives of SEBI**

1. **Regulation of stock exchange**- It regulates stock exchanges so that efficient services may be provided to all the parties operating there.
2. **Protection to the Investors**- SEBI protects the interest of investors from wrong information given by the company and reducing the risk of delivery and payment etc
3. **Checking the Insider Trading**

**Functions of SEBI**

1. Regulatory Functions
2. Development Function
3. Protective Functions
Very Short Type Questions – (1 Mark)

Q.1. You are a finance expert. One of your friends come to you and tells you that the capital market and the money are one and the same, whereas you differ with him. How would you convince him? Give any four reasons.

Ans. I will convince my friend by telling him the point of difference between capital market and money market.

Q.2. “All securities can be traded in the stock exchange.” Do you agree?

Ans. No, I do not agree with the given statement. Securities of only those companies can be traded in the stock exchange, which have completed its listing requirement.

Q.3. Why do money market instrument are more liquid as compare to capital market instrument?

Ans. Money market instrument are more liquid as compare to capital market instrument due to presence of Discount Finance House of India (DFHI) in money market. DFHI provides a ready market for money market instrument and that is why, these instruments enjoy higher liquidity.

Q.4) Due to various malpractices and exploitation of investors in the securities market, the Indian Government established a separate regulatory body to protect the investors and to develop and regulate the securities market. Identify the regulatory body set up by the government.

Ans. Securities and Exchange Board of India (SEBI).

Q.5. Supriya’s grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificate inside. Her grandmother told her that they had been left behind by her late grandmother. As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates.

(i) Identify and state the process.

(ii) Also give two reasons to Supriya why dealing with shares in physical form had been stopped.

Ans. (i) Dematerialization: It is a process where securities held by the investors in physical form are cancelled and the investors give an electronic entry or number so that she/he holds it as an electronic balance in an account.

(ii) Problems with dealing in physical form: (a) Theft; (b) Transfer delays.


Ans. Financial markets provide valuable information about securities being traded in the market, which saves time, efforts and money of both buyers and sellers of financial assets in finding each other.
Q.7. What is meant by ‘Allocative Function’ performed by financial market?
Ans. Allocative function of financial market refers to linking the savers and investors by mobilizing funds between them.

Q.8. Which bearer document is issued by a bank against deposit kept by the companies and institutions for a short period?
Ans. Certificate of Deposit.

Q.9. Name the two methods of floating new issues in the primary market.
Ans. (i) Offer through prospectus; (ii) Private Placement.

Q.10. What is meant by right issue?
Ans. Right issue refers to a method in which company offers the new shares to its existing shareholders in proportion of shares already held by them.

Q.12. State any one objective of setting up of Securities and Exchange Board of India (SEBI).
Ans. To regulate stock exchange to promote their orderly functioning.

Short Answer Type Question (3 or 4 marks)
Q1. Mr. Rohit is a holder of financial securities in Futura limited. He wants to sell his securities to purchase new securities of another company. You are required to suggest him the markets where he can sell his securities and describe the concept. Explain two function of that market.
Ans. Financial Market: This market refers to that market where financial securities are exchanged.

Functions of Financial Market
1. Facilitates Price Discovery: - The price of any goods or services is determined by the forces of demand and supply. Like goods and services, the investors also try to discover the price of their securities. The financial market is helpful to the investors in giving them proper price.

2. Provides Liquidity Financial Assets:- This is market where the buyers and the sellers of all the securities are available all the times. This is a reason that it provides liquidity securities. It means that they invest their money, whenever they desire, in securities through the medium of financial market. They can also convert their investment into money whenever they so desire.

Q 2. What do you mean by the SEBI? Explain its objectives.
Ans. The Securities Exchange Board of India was established in 1992 to protect the interest of investors and to regulate and control the trading of financial securities.

Objectives of SEBI-
1. Regulation of stock exchange-It regulate stock exchanges so that efficient services may be provided to all the parties operating there.
2. **Protection to the Investors**—SEBI protects interest of investors from wrong information given by the company and reducing the risk of delivery and payment etc.

3. **Checking the Insider Trading**—It means the buying and selling of securities by those persons (Directors, Promoters etc) who have some secret information about the company and who wish to take advantages of this secret information. **SEBI** check insider trading.

**Q 3:** What is Primary or New issue market? Explain various methods of floating capital.

**Ans.** It refers to that market in which securities are sold for the first time for collecting long term capital.

**Various methods of floating capital.**

6. **Public Issue**—Under this method, the company issues a prospectus and invites the general public to purchase shares or debentures.

7. **Offer for Sale**—Under this method, Firstly the new securities are offered to an intermediary at a fixed price. They further resell the same to the general public.

8. **Private Placement**—The company sell securities to the institutional investors or brokers instead of selling them to the general public.

9. **Right Issue**—When an existing company issues new securities, First of all it invites its existing shareholders.

10. **Electronic Initial Public offer (e-IPO’s)**—Under this method, companies issue their securities through the electronic medium (i.e. internet)

**Q 4.** What do you mean by the Depository? Explain.

**Ans.** **Depository:** A Depository is an institution which holds the shares of an investor in electronic form. It act as bank where investors can open a securities account and deposit the electronic form of securities. At present, there are two depository institutions in India:

1. NSDL – National Securities Depository Limited.
2. CDSL – Central Depository Services Limited.

**Q 5.** What do mean by the D’ Mat account? Explain.

**Ans.** D’Mat (Dematerialization) Account refers to that account which is opened by the investors with depository participant to facilitate trading in shares.

**Q 6.** What are the functions of SEBI? Explain.

**Ans.** **Functions of SEBI**—

(i) **Regulatory Functions**—These functions aim to regulate the functioning of the stock exchange. It includes registration of brokers, Investment schemes, and regulation of stock bankers.
(ii) Development Function- These functions aim to promote the development of stock exchange. It includes registration of brokers, Investment schemes, and regulation of stock bankers. It includes training of intermediaries of the securities market.

(iii) Protective Functions- These functions aim to protect interest of investors, controlling insider trading, unfair trade practice etc.

Long Answer type Questions (5 or 6 marks)

Q 1. Which financial market meets the short term financial requirement of business? Identify concept and Explain instruments of that market.

Ans. Money Market

Instruments:
1. Treasury Bill (T-bills): It is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds.

2. Commercial Paper: It is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year.

3. Call Money: It is a short-term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. It is a method by which banks borrow from each other to be able to maintain the cash reserve ratio.

4. Certificate of Deposit (CD): It is an unsecured, negotiable short-term instrument in bearer form, issued by commercial banks and development financial institutions. It can be issued to individuals, corporations and companies.

5. Commercial Bill (Trade Bill): It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms. The bill can be discounted with a bank if the seller (drawer) needs funds before the bill maturity.

Q 2. Give the meaning and definition of Stock exchange? Explain the functions of stock exchange.

Ans. Meaning- The stock exchange is a market where existing securities are bought and sold.

Definition- The securities contract (regulation) act, 1956 defines “a stock exchange as an association, organization, body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling of business in buying, selling and dealing in securities”.

Functions of stock exchange

1. Providing Liquidity and Marketability to Existing Securities: It gives investors the chance to disinvest and re-invest. This provides both liquidity and easy marketability to already existing securities in the market.
2. **Pricing of Securities:** Share prices on a stock exchange are determined by the forces of demand and supply. A stock exchange is a mechanism of constant valuation through which the prices of securities are determined.

3. **Safety of Transactions:** The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market.

4. **Contributes to Economic Growth:** A stock exchange is a market in which existing securities are re-sold or traded. Through this process of disinvestment and re-investment, savings get channelized into their most productive investment avenues. This leads to capital formation and economic growth.

5. **Spreading of Equity Cult:** The exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.

6. **Providing Scope for Speculation:** The stock exchange provides sufficient scope within the provisions of law for speculative activity in a restricted and controlled manner.

**Q 3.** Describe procedure to trade securities in a Stock Exchange.

**Ans. Trading Procedure:**

The procedure for purchase and sale of securities in a stock exchange involves the following steps:

1. **Selection of broker**
   
The first step is to select a broker who will buy/sell securities on behalf of the investor. This is necessary because trading of securities can only be done through SEBI registered brokers who are the members of a stock exchange. Brokers may be individual, partnership firms or corporate books. The broker charges brokerage / commission for his services.

2. **Opening Demat account**
   
The next step is to open a Demat account. Demat (Dematerialized) account refers to an account which an Indian citizen must open with the depository participant (banks, stock, brokers) to trade in listed securities in electronic form.

   The securities are held in the electronic form by a depository. At present, there are two depositories in India NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services Ltd.)

   Depository interacts with the investors through depository participants. Your Depository Participant will maintain your securities account balances and intimate to you the status of your holding from time to time.
3. **Placing the order**

The next step is to place the order with the broker. The order can be communicated to the broker either personally or through telephone, cell phone, e-mail etc.

The instructions should specify the securities to be bought or sold and the price range within which the order is to be executed. Only the securities of listed companies can be traded on the stock exchange.

4. **Executing the order**

According to the instructions of the investor, the broker buys or sells securities.

The broker then issues a contract note. A copy of the contract note is sent to the client. The contract note contains the name and the price of the securities, names of the parties, brokerage charged. It is signed by the broker.

5. **Settlement**

This is the last stage in the trading of securities done by the brokers on behalf of their clients. The mode of settlement depends upon the nature of the contract.

Equity spot market follows a T+2 rolling settlement. This means that any trade taking place on Monday gets settled by Wednesday. All trading on stock exchanges takes place between 9:55 am and 3:30 pm. Indian Standard Time, Monday to Friday. Delivery of shares must be made in dematerialized form, and each exchange has its own clearing house, which assumes all settlement risk.
Marketing management: It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer’s wants. Its aim to achieve the organizational goals at minimum cost by:

1. Analysing and planning marketing activities
2. Implementing the marketing plans.
3. Setting control mechanism.

Marketing management philosophy/Concept

(i) Product concept
(ii) Production concept
(iii) Selling concept
(iv) Marketing concept
(v) Social concept

Functions of marketing

1. Marketing research
2. Marketing planning
3. Product planning development
4. Packaging and labeling, Branding.
5. Customer support service
6. Storage and warehousing
7. Transportation
8. Promotion
9. Standardization and grading
10. Pricing Fixing

Marketing mix

Marketing mix includes all those activities, rules, procedures etc. which requires attaining success in the market.

Elements of marketing mix:

1. Product Mix—Product mix includes all those decisions, Activities, procedures which are related to the product such as features, quality, packaging etc.

2. Price Mix—It includes all those factors which are considered while determining of the price of the product.
3. **Place Mix**— It includes those activities which are related to movement of goods from the manufactures to the consumers and thus creates place utility.

4. **Promotion Mix**— Promotional techniques are used to create product awareness amongst the potential target customers and persuade them to purchase the product. Like- advertising, personal selling, publicity and sales promotion etc. Channels of distribution, Physical distribution, Cost and service trade off in Logistics.

**Product Mix**

**Packaging**— Refers to the act of designing and producing the container, box or a wrapper of a product.

**Levels of Packaging**—

1. **Primary Packaging**— It refers to the product’s immediate container. Like- toothpaste tube.

2. **Secondary Packaging**— It refers to the additional package, which provides additional layer protection to the product. Like- Cardboard box for toothpaste.

3. **Transportation Packaging**— it refers to further packing, which is necessary to protect the product in the process of transportation and storage.

**Functions of packaging**—

1. Product identification
2. Product protection
3. Facilitating use of the product
4. Product promotion

**Branding**

Branding is the process of giving a name of or a sign or a symbol to a product. Such as Polo, LG etc.

**Qualities of a good brand name**—

1. **Short**— Brand name should be short so that anyone can remember, spell it.

2. **Relevant to the functions**— Name of the product should be relevant to the product’s functions and suggest the producer’s benefits and qualities.

3. **Adaptable to packing of labeling**— Brand name should be adaptable to packing of labeling requirement.

**Advantages of branding**:

a) Brand name helps in advertising in easier way

b) Brand name establishes the permanent identify of the product.

c) Brand name promotes repurchasing.

d) Competition becomes easier with the help of brand loyalty.
**Price:** It is the worth of a product or service in monetary terms. This money represents the sum of values that consumers exchange for the benefits of having or using the product of service.

Factors considered before fixing price are

a) **Cost of product**— It includes the total cost of producing, distributing and selling the product like- Fixed Cost, variable costs, Semi-variable cost.

b) **Competition in the market**— Competitors prices and their anticipated reaction must be considered before fixing the price of a product.

c) **Utility and Demand of the product**— The maximum price a buyer is willing to pay is the value of the utility of the product and minimum price a seller is willing to offer is the cost of the product.

d) **Pricing Objectives**—
   1- Price Maximization, 2-Obtaining market shares, 3-Surviving in a competitive market etc.

**Place mix:** It refers to a set of decisions that need to be taken in order to make the product available to the consumers for purchase and consumption.

Channels of distribution.—

a) **Direct Channel (Zero level)**— In this channel manufacturer sells his product directly to the consumers without using any intermediary. Like-Bata, Amway etc.

b) **Indirect Channel**— When manufacturer involves one or more intermediary to sell or distribute their product to the customers. Indirect distribution network are-

1. **One Level Channel**—This channel of distribution involves one intermediary to transfer of goods from manufacturers to the consumers.
   
   Manufacturer ———————————Retailer ———————————Customer

2. **Two Level Channel**—This channel of distribution involves two intermediaries to transfer of goods from manufacturers to the consumers.

   Manufacturer ——Wholesaler———Retailer———Customer

2. **Three Level Channel**—This channel of distribution involves three intermediaries to transfer of goods from manufacturers to the consumers.

   Manufacturer ——Agent——wholesaler ————Retailer———Customer

**Promotion mix:** It is concerned with activities that are undertaken to communicate with both customers and participate in the channel of distribution such that sales goals are realized.

**Elements of Promotion Mix**—

Advertising - 2-Personal Selling 3- Sales Promotion 3.Publicity

**Advertising:** It is defined as any paid form of non-personal presentation or promotion of ideas, goods or services by an identified sponsor.

**Merits:**

1) Mass reach  
2) Enhancing customer satisfaction  
3) Expressiveness  
4) Economical
Limitations:
1) Less forceful
2) Lack of feedback
3) Inflexibility
4) Low effectiveness

Objections to advertisement
a) Adds to Costs: Advertising costs are passed on to the consumers in the form of high prices.
b) Some Advertisements are in bad taste.
c) Undermines social values.
d) Confuses the buyers.
e) Encourages the sale of inferior goods.

Personal selling: It involves face-to-face interaction between the seller and the prospective buyer.

Features:
1) Personal interaction
2) Two way communication
3) Better response
4) Relationship

Qualities of a good sales man:

i) Physical Qualities – personality, stamina, health, tolerance
ii) Mental Qualities – mental alertness, sharp memory, initiative, imagination and self confidence.
iii) Social Qualities – Sociality, tact, sound character, sweet nature.
iv) Vocational qualities – Knowledge of product, knowledge of competitive products, training and aptitude.

Sales promotion: It refers to short term use of incentives or other promotion activities that seek to stimulate interest.

a) Rebates  
b) Refunds  
c) Discounts  
d) Quantity deals  
e) Contents  
f) Packaged premium  
g) Container premium  
h) Premium Gifts  
i) Free in mail premiums

Public relations: Public relations are the deliberate, planned and sustained effort to establish and maintain understanding between an organization and its public.

Role of public relations:

i) More credible.
ii) Economical Medium
iii) Image building
iv) Boosts the sales of the organization.

Various public relation tools to shape the public image if the organisation

a) News  
b) Speeches  
c) Events  
d) Written Materials  
e) Public service activities
Very Short answer Type Auestions (1Mark)

Q.1 “It is necessary that goods and services must be made available to the customer at the right place, in right quantity and at the right time’. Name the concerned element of marketing-mix.
   Ans. (a) The concerned element is Place mix.

Q.2 ‘Automobiles Ltd. Offered to sell their new bikes at about Rs.4,000 less than the usual price’. This is an example of one of the techniques of sale promotion. Name the technique.
   Ans. The given techniques of promotion mix are ‘Rebate’.

Q.3 “Money spent on advertisement is not a waste but an investment”. Do you agree with this view? Give reason in support of your answer.
   Ans. Yes’ I agree with the given statement. Advertising is a medium through which a large number of people can be reached over a vast geographical area.

Q.4 A toy car free with ‘Maggi Noodles’ is an example of one of the techniques of sales promotion. Name the techniques
   Ans. The given technique is ‘Product Combinations’.

Q.5 Which distribution channel should be used in case the buyers are widely dispersed?
   Ans. Indirect Channels.

Q.6 Nisha, a school bag manufacturer decided to improve the product for profit maximization and thus added a water bottle holder to the existing design.
   (i) Identify the marketing management philosophy adopted by Nisha; and
   (ii) Explain the philosophy on the basis of:
       (a) Main focus and
       (b) Means and End.
   Ans. (i) Product Concept.
       (ii) (a) Main focus of this concept is on product quality.
            (b) Means: Through better quality; Ends: Profit through product quality.

Q.7 Mansi, a shoe manufacturer for school students, decided to maximize her profit by producing and distributing at large scale and thereby reducing the average cost of production.
   (i) Identify the marketing management philosophy adopted by Mansi.
   (ii) Explain this philosophy on the basis of:
       (a) Main Focus;
       (b) Means and Ends.
   Ans. (i) Production Concept.
       (ii) (a) Main focus of this concept is on quantity of product.
            (b) Means: Through availability and affordability of product; ends: Profit through mass production.
Q.8 Jasdeep, a dealer in school uniforms, decided to maximize his profit by using different aggressive promotional efforts.

(i) Identify the market management philosophy adopted by Jasdeep.

(ii) Explain this philosophy on the basis of:

(a) Main Focus;
(b) Means and Ends.

Ans. (i) Selling Concept.

(ii) (a) Main focus of this concept is on selling existing product.

(b) Means: Through selling and promotional efforts; Ends: Profit through sales volume.

Q.9 It is necessary that goods and services must be made available to the customers at the right place, in the right quantity and the right time. Name and explain the concerned element of marketing Mix given above.

Ans. Name - Place / physical Distribution- The physical handling and movements of goods from place of production to the place of distribution is referred to as physical distribution.

Q.10 A TV manufacturing company is spending substantial amount of money to persuade target customers to buy its T.V. sets through advertisements, personal selling and sales promotion techniques. Identify the element of marketing mix referred here.

Ans. Promotion / Promotion Mix.

Short Answer type Question (3 or 4 marks)

Q 1 What is difference between selling concept and marketing concept?

Ans.

<table>
<thead>
<tr>
<th>Points</th>
<th>Selling Concept</th>
<th>Marketing Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Focus</td>
<td>Attracting consumers</td>
<td>Consumer satisfaction</td>
</tr>
<tr>
<td>Means</td>
<td>Advertising, personal selling and sales promotion</td>
<td>Various marketing activities</td>
</tr>
<tr>
<td>Ends</td>
<td>Profit through maximum sales</td>
<td>Profit through consumer satisfaction</td>
</tr>
</tbody>
</table>

Q 2. What do you mean by marketing management?

Marketing management: It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer’s wants. Its aim to achieve the organizational goals at minimum cost by:

1. Analysising and planning marketing activities.
2. Implementing the marketing plans.
3. Setting control mechanism.
Q 3 Which marketing concept take care of social, ethical and ecological aspect of marketing? Describe the concept.

Ans. **Societal Marketing Concept**: This concept states that a business organization must adopt marketing concept in such a manner that it fulfills the needs and wants of potential customers.

Q 4 What do you mean by the **Branding**? Explain 3 qualities of a good brand name.

Ans. **Branding** is the process of giving a name of or a sign or a symbol to a product. Such as Polo, LG etc.

**Qualities of a good brand name**-
1. **Short** - Brand name should be short so that anyone can remember, spell it.
2. **Relevant to the functions** - Name of the product should be relevant to the product’s functions and suggest the producer’s benefits and qualities.
3. **Adaptable to packing of labeling** - Brand name should be adaptable to packing of labeling requirement.

Q 5 Elder Pharmaceuticals is a leading company engaged in manufacturing cough syrups. The company packs the syrup first in glass bottle and then in a cardboard box. As the syrup is demanded all over the world, 20 boxes of syrups are packed in corrugated boxes and distributed to various chemist and hospitals.

(i) Identify the three levels of packaging highlighted in the given case;

(ii) What is the basic purpose of packing the cardboard boxes in corrugated boxes?

Ans. (i) The three levels of packaging are:
   (a) Primary Package (glass bottle);
   (b) Secondary packaging (cardboard box);
   (c) Transportation packaging (corrugated box)

(ii) The basic purpose is to protect the product in the process of transportation and storage.

Q 6 What is public relation? Explain its role.

Ans. Public relations are the deliberate, planned and sustained effort to establish and maintain understanding between an organization and its public.

**Role of public relation:**

i. **Press relations** - Public relation department is in contact with the media to present the organization’s picture in positive manner in press.

ii. **Product publicity** - Public relation department manages the sponsoring of sports and cultural events to create the publicity of the new product to be launched.
Long Answer Type Questions (5/6 Marks)

Q 1 Explain the functions of marketing?

Ans. Marketing functions:

1. **Marketing research** - This refers to study of market so that customers needs, desires and preferences can be identifies and product can be design and developed as per their requirement.

2. **Marketing planning** - The marketing plan involves laying out specific strategies to increase market share, promotion program and increase production capacity to meet increased demand.

3. **Product planning development** - A good design improves the quality of the product and makes it attractive and competitive in the target market. Development of product as per requirement of customers.

4. **Packaging and labeling** - Packaging refers to designing the package for the products and labeling refers to designing the label to be put on the package. Both plays an important role in marketing the product.

5. **Branding** - Branding refers to giving a name, sign or symbols to the product. Brand name provides business an identity and distinguishes its product from that of its competitors.

6. **Customer support services** - These services related to handling customers after goods are sold them. Its main aim is to maintain good relationship with customers.

7. **Storage and warehousing** - For smooth flow and regular supply of goods business need to maintain appropriate stock level and thus require warehousing or storage facilities.

8. **Transportation** - Transportation facilitates movement of goods from the manufactures to the consumers and thus creates place utility.

9. **Promotion** - Promotional techniques are used to create product awareness amongst the potential target customers and persuade them to purchase the product. Like-advertising, personal selling, publicity and sales promotion etc.

10. **Standardization and grading** - Standardization refers to producing products with predetermined specifications and grading classified the product into different groups on the basis of size, quality etc.

11. **Price Fixing** - Price of the product affects the success or failure of a product in the market. Demand of the product is inversely related to its price. The marketers analyses all the factors, while setting prices.
Q2 What do you mean by Packaging? Explain level and functions of packaging.

Ans. Packaging refers to the act of designing and producing the container, box or a wrapper of a product.

Levels of Packaging –

1. **Primary Packaging**- It refers to the product’s immediate container. Like- Toothpaste tube.

2. **Secondary Packaging**- It refers to the additional package, which provides additional layer protection to the product. Like- Cardboard box for toothpaste.

3. **Transportation Packaging**- it refers to further packing, which is necessary to protect the product in the process of transportation and storage.

Functions of packaging.-

1. Product identification – Packaging helps in identification of the product out of various products. It contains brand, features of the product etc.

2. Product protection – Packaging protects the products from spoilage, damage, leakage, pilferage, humidity etc.

3. Facilitating use of the product-The size and shape of the package should be convenient to open, handle and use for consumers.

4. Product promotion – Packaging acts as a good salesman as it promotes the product and increases its sale.

Q3 What do you mean by the price? Explain factors affecting price determination.

Ans. **Price**: It is the worth of a product or service in monetary terms. This money represents the sum of values that consumers exchange for the benefits of having or using the product of service.

Factors considered before fixing price are

(i) **Cost of the product**: Cost of the product is the main component of the price. No company can sell its product or service at less than the cost of the product. A Fixed and variable cost are to be considered for determining the price.

(ii) **The utility and demand for the product**: Intensive study for the demand for product and service in the market is to be undertaken before the fixation of the price of the product. If demand is relatively more than supply, higher price can be fixed.

(iii) **Extent of competition in the market**: It is necessary to take into consideration prices of the product of the competing firms prior to fixing the price. In case of cut throat competition it is desirable to keep price low.

(iv) **Government & Legal Regulation**: If the price of the commodity and service is to be fixed as per the regulation of the govt., it should also be borne in mind.
Q.4 What do you mean by the place mix? Describe the factors affecting the channels of distributions.

Ans. **Place mix:** It refers to a set of decisions that need to be taken in order to make the product available to the consumers for purchase and consumption.

**Factors affecting the channels of distributions:**

I **Product related Factors**

(i) **Industrial product or consumer product**—for industrial product short or direct channel can be used as such product are technical and expensive. For consumer product long channel are preferred as such products are standardized and less expensive

(ii) **Perishability**—perishable products like fruits, vegetable etc. are best sold through short channel

II **Company related Factors**

(i) **Financial strength**—a financially strong company may conveniently opt for direct channel.

(ii) **Degree of control over distribution**—when a firm want to exercise control over distribution, than short or direct channel can be preferred

III **Market related Factors**

(i) **Size of market**—if the size of marker is large with numerous customers it is economical to use more intermediaries.

(ii) **Geographical concentration**—if buyers are concentrated in a small geographic location, it is better to opt for direct channel.

Q 5 What do you mean by the advertising? Explain role of advertising.

Ans. **Advertising:** It is defined as any paid form of non-personal presentation or promotion of ideas, goods or services by an identified sponsor.

**Role of advertising:**

1. **Mass reach**—Advertising is a medium through which a large number of people can be reached over a vast geographical area.

2. **Enhancing customer satisfaction and confidence**—A publicly advertised product gets authenticity as there is always s proof for if. Buyers feel more comfortable to buy a widely advertised product.

3. **Expressiveness**—With use of latest technique, graphics and multimedia, modern advertising has become one of the most forceful medium of communication. It makes product and message more expressive.

4. **Economy**—Advertising is economical because of its mass reach. The total advertising cost is spread over a large number of people.
Q 6  Explain the objections of advertising.

Objections to advertisement-

1. **Adds to Cost:** Advertising costs are passed on to the consumers in the form of high prices. It increases the price of the product.
   
   For example-An advertisement on TV cost large amount of money.

2. **Some Advertisements are in bad taste**-Some advertisement make use of indecent language, photograph or convey bad message in order to attract customers. For example- Women running after a person because he is using a particular perfume.

3. **Undermines social values**-an advertisement leads to discontent among people, it is often said that advertising undermines social values.

4. **Confuses the buyers**-With continuous increase in the number of advertisement, consumers are likely to get confused. Each brand claims to be better than the other. For example- advertisement of Surf, Tide, Ariel, Vanish etc. Each brand claims to be the best brand.

5. **Encourages the sale of inferior goods**-Advertising does not distinguish between superior and inferior products and often induces people to buy even the inferior product.

Q 7  What is the personal selling? Describe the qualities of a good salesman.

Ans.  **Personal selling:** It involves face-to-face interaction between the seller and the prospective buyer. It involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales.

**Qualities of a good sales man:**

a.  **Physical Qualities** – A good salesman should possess healthy physique and attractive personality. Good appearance and posture, sound health, pleasing voice etc.

b.  **Mental Qualities** – A good sales man should have a high degree of intelligence and imagination. He should understand the customers quickly and read his mind. Other qualities-mental alertness, sharp memory, initiative, imagination and self confidence.

c.  **Social Qualities** – A good sales man should have social qualities like Sociality, tact, sound character, sweet nature.

d.  **Vocational qualities** – A good sales man should have vocational qualities like-Knowledge of product, knowledge of competitive products, training and aptitude.

e.  **Good communication skill**- A good sales man should possess a controlled voice and a good command over the language. He should be clear of what to be communicated.
Q8 What do you mean by the sales promotion? Give sales promotion activities’.

Ans. **Sales promotion:** It refers to short term use of incentives or other promotion activities that seek to stimulate interest. Buyers are encouraged to make immediate purchase of a product of service. This incentives are-

a. **Rebates** - It refers to offering the product at a price less than the original price to clear off the excess inventory.

b) **Refunds** - In this method, a part of the product price is refunded to the customer on showing proof of purchase.

c) **Discounts** - It refers to reduction of certain percentage from the price for a limited period. It is induce consumers to buy more. For example-50% off at shoppers stop.

d) **Quantity deals** - It offers some extra quantity of the main product as gift to the customers. For example-Buy 3 get 1 free in case of soap.

e) **Sampling** - It involves offer of free sample of product to potential customers at the time of launch of a new product.

f) **Full Finance** - in this method, product is sold on installment basis at zero percent rate of interest.
Meaning: Consumer protection means protecting the interest of consumers.

Importance of consumer protection.

From consumer s point of view
1. Consumer Ignorance: Most of the consumers are not aware of their rights and relief available to them. It is therefore necessary to educate them and create awareness among them.
2. Unorganized Consumers: There is need to organize consumers in the form of consumer association who would take care of their interest.
3. Wide spread exploitation of consumers: Unscrupulous and unfair trade practices, such as defective and unsafe products, hoarding and black marketing etc. are wide spread. Consumers require protection against such malpractices.

From Business Point of view:
1. Long term Interest: It is in the long term interest of the business to satisfy customers. When customers are satisfied business gets repeat sales and its customer base increase.
2. Use of society’s resources: Business firms use resources of the society. Therefore they are under an obligation to supply products and services which are in public interest.
3. Social Responsibility: A businessman has responsibility towards various groups. Customer is one of the important groups because firms earn money by selling goods and services to them.
4. Government Intervention: If businessman wants to avoid intervention of government then they should not involve in unfair trade practices. Firms should voluntarily serve the needs and interests of customers.
5. Moral Justification: It is a moral duty of every business firm to take care of customer’s interest. It must avoid all types of unscrupulous and unfair trade practices.

Consumer’s Rights:
1. Right to safety: It is a consumer’s right to be protected against goods and services which are hazardous to health and life.
2. Right to Information: A consumer has a right to have complete information about the quality, quantity, price of goods, ingredients etc.
3. Right to Choice: Every consumer has the right to choose the goods from a variety of products at competitive prices. Right to be heard: The consumer has the right to file a complaint and to be heard in case of dissatisfaction with a product or services.
4. Right to Seek Redressal: The consumer has a right to get relief in case the product or services falls short of his expectations.
5. **Right to consumer Education**: The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life.

**Redressal Agencies**

<table>
<thead>
<tr>
<th>Basis</th>
<th>District Forum</th>
<th>State Commission</th>
<th>National Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composition</td>
<td>A President and two other members</td>
<td>A President and two other members</td>
<td>A President and four other members including one women</td>
</tr>
<tr>
<td>Compensation claim</td>
<td>Up to Rs.20 Lakhs</td>
<td>Above 20 lakhs but less than 1 Crore</td>
<td>One Crore or above</td>
</tr>
<tr>
<td>Appeal against order</td>
<td>Go to state commission within 30 days.</td>
<td>Go to national commission within 30 days.</td>
<td>Go to Supreme Court within 30 days.</td>
</tr>
</tbody>
</table>

**Ways and Means of Consumer protection:**

- Self Regulations
- Business Associations
- Consumer organisations
- Consumer Awareness
- Government

**Consumer’s Responsibilities:**

1. **Be aware about various goods and services** available in the market so that an intelligent and wide choice can be made.

2. **Read labels** carefully so as to have information about prices, net weight, manufacturing and expiry dates etc.

3. Ask for **cash memo** on purchase of goods and services. This would serve as a proof purchase made.

4. Be **honest in your dealing**. Choose only from legal sources and discourage unfair practices like black marketing, hoarding etc.

5. **File a complaint** in appropriate consumer forum in case of a short coming in the quality of goods purchased or services availed.

6. **Respect the environment**. Avoid waste, littering and contributing to pollution.

**Role and functions of consumer organizations and NGOs**

1. Educating to Consumers

2. Collecting data on different products and Testing them

3. Filing suit on belief if consumers
4. Helping Educational institutions
5. Promoting network of consumer association.
6. Extending support to Government

**NGOs:** Non-Government Organizations are those organizations which aim at promoting the welfare of the people with non-profit concept. They are taking up various aspects of consumer exploitation.

**Very Short Answer Type Questions (1 mark)**

**Q.1** Government is actively advertising for ‘Jago Grahaks Jago’. Which consumer right is highlighted in the given statement?

**Ans.** Right to consumer education.

**Q.2** The approach of Caveat Emptor has been changed to Caveat Venditor. What do the two approaches mean? Why such a radical change has taken place?

**Ans.** The approach of Caveat Emptor means let the buyer beware and approach of caveat venditor means let the seller be ware. The change has taken place because a consumer is said to be a king in the current competitive market and all the marketing efforts of a firm revolve around him.

**Q.3** If the market has enough qualities and varieties of product at competitive prices, then buyer have an opportunity of wise selection. Identify the consumer right discussed.

**Ans.** Right to choose.

**Q.4** Identify the products to which the following quality certification marks are associated. Also mention the name of quality mark.

**Ans.**
(i) food products (FPO marks);
(ii) Electrical appliances (ISI mark);
(iii) Jewellery (Hallmark);
(iv) Environmental friendly products (Eco mark);
(v) Agriculture products (Agmark).

**Q.5** Mili went to a shopkeeper to buy vegetable oil. The shopkeeper forced her to buy a particular brand out of various available brands. Which right of Mile has been exploited?

**Ans.** Right to choose.

**Q.6** Ramesh purchased medicines without noticing a date of expiry. He did not obtain cash memo. Do you think, Ramesh will be able to protect himself by loss caused due to expired medicine?
Ans. No, Ramesh will not be able to protect himself as he didn’t obtain the proof of purchase, i.e. cash memo.

Q.7 Mention the quality mark which a consumer should look for while purchasing the following products:
(i) Electrical goods;  (ii) Jewellery;  (iii) Agriculture products;
(iv) Food products;  (v) Environmental friendly products.

Ans. (i) ISI marks;  (ii) Hallmarks;  (iii) Agmark;
(iv) FPO mark;  (v) Eco mark.

Q.8 Why consumer protection is important for consumers? Give any one reason.
Ans. It is important because of ‘consumer ignorance’.

Q.9 Which act provides for the setting up of three tier machinery?

Q.10 Which consumer right entitles the consumer to get relief in case the product or service falls short of his expectation?
Ans. Right to seek redressal.

Q.11 Name the right, which suggests that a consumer has a right to register his dissatisfaction?
Ans. Right to be heard.

Q.13 Which can serve as the proof of purchase made, for filing a complaint against defective product?
Ans. Cash memo.

Q.14 Rita wants to buy a packet of juice. As an aware customer how can she be sure about the quality of juice she plans to buy?
Ans. Rita should look for FPO Mark on the packet of juice.

Q.15 Pragya brought an iron of a reputed brand for Rs. 1,500 but it caused an electric shock while it was being used. Pragya wants to exercise her ‘Right’. Identify the ‘Right’ under which she can be protected.
Ans. Right to Safety.

Short Answer Question (3/4 Marks)

Q 1 Harishankar purchase a book for Rs. 250. Later on, he found that MRP of book was Rs. 200 only and the shopkeeper had put a sticker of Rs. 250 on the original MRP. Answer the following question:
(i) Which right of Harishankar is violated in the given case?
(ii) Can he recover the extra money?
(iii) Whether any option is available against the book seller?
Ans.  
(i) Right to be informed is violated;  
(ii) Yes, Harishankar can recover extra money of Rs. 50;  
(iii) Harishankar also has more option:  
(a) He can ask for refund of money after returning the book;  
(b) He can also sue bookseller for unfair practices.

Q 2  What is the role of consumer organizations and non-government organizations? Describe.
Ans.  Role of consumer organizations and non-government organizations-  
7. Educating to Consumers  
8. Collecting data on different products and Testing them  
9. Filing suit on belief if consumers  
10. Helping Educational institutions  
12. Extending support to Government

**Long Answer Type Questions (5 or 6 marks)**

**Q 1**  What is the concept of consumer protection? Give importance of consumer protection.
Ans. **Meaning:** Consumer protection refers to protecting the consumer against anti-consumer trade practices by the producers or sellers.

Importance of consumer protection.

**From consumer s point of view**
1. **Consumer Ignorance:** Most of the consumers are not aware of their rights and relief available to them. It is therefore necessary to educate them and create awareness among them.

2. **Unorganized Consumers:** There is need to organize consumers in the form of consumer association who would take care of their interest.

3. **Wide spread exploitation of consumers:** Unscrupulous and unfair trade practices, such as defective and unsafe products, hoarding and black marketing etc. are wide spread. Consumers require protection against such malpractices.

**From Business Point of view:**
1. **Long term Interest:** It is in the long term interest of the business to satisfy customers. When customers are satisfied business gets repeat sales and its customer base increase.

2. **Use of society’s resources:** Business firms use resources of the society. Therefore they are under an obligation to supply products and services which are in public interest.
3- **Social Responsibility:** A businessman has responsibility towards various groups. Customer is one of the important groups because firms earn money by selling goods and services to them.

**Q 2** What are Rights of consumers? Explain.

**Ans.** **Right to safety:** It is a consumer’s right to be protected against goods and services which are hazardous to health and life. Ex- Electrical Appliances which are not ISI marked might cause serious injury.

1. **Right to Information:** A consumer has a right to have complete information about the quality, quantity, price of goods, ingredients etc. which he intends to purchase. Thus manufacturer must mention complete information about the product.

2. **Right to Choice:** Every consumer has the right to choose the goods from a variety of products at competitive prices. The marketers must allow consumers to make a choice from a wide variety of product.

3. **Right to be heard:** The consumer has the right to file a complaint and to be heard in case of dissatisfaction with a product or services.

4. **Right to Seek Redressal:** The consumer has a right to get relief in case the product or services falls short of his expectations.

5. **Right to consumer Education:** The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life.

**Q3** What remedies are available to consumers in consumer’s protection Act-1986?

**Ans.** **Under this Act, remedies available to consumers are as follows:**

1. To remove the defect in goods or deficiency in service.
2. To replace defective product with a new non defective product.
3. To refund the price paid for the product or the charge paid for the service.
4. To pay reasonable compensation for loss or injury suffered by the consumer due to negligence of the opposite party.
5. To discontinue unfair or restrictive trade practice and not to repeat in the future.
6. Not to offer hazardous goods for sale.

**Q4.** What is the responsibilities of consumers?

**Ans.** Consumer responsibilities-

1. Consumer must exercise his rights: They must be aware of their rights while buying.
2. Consumers should buy only standard goods like ISI/AGMARK goods only.
3. Filing complaint for the redressal of genuine grievances.
4. Consumer must be quality conscious / should not compromise on quality.
5. Consumers should learn the risks associated with products and services.
6. Do not forget to get receipt and Guarantee / Warranty Card.
7. Consumers should read labels carefully.
8. Consumers should be honest in their dealings. They should buy only legal goods.
9. Consumers should respect environment. Avoid waste, littering and contributing to pollution.
10. Consumers should form consumer societies.

Q 5. What are the ways and means of consumer’s protection?

Ans. **Ways and Means of Consumer protection**

a) **Self regulation by business:** Every firm insists to have a strong consumer base which means that more and still move people should buy their products. This is possible only when the consumers are fully satisfied with the products of the firm.

b) **Business Associations:** Business associations prepare a code of conduct for businessmen.

c) **Consumer Awareness:** Consumer should protect himself.

d) **Consumer organizations:** these organizations can force business firms to avoid malpractices and exploitation of consumers.

e) **Government:** Interests of the consumers are protected by the government by enacting various legislations. Consumer protection Act 1986 is an important legislation by the government to provide protection to the affected consumer.

Q6. Explain the redressal machinery under the consumer protection Act, 1986.

Ans. The redressal machinery under the consumer protection Act, 1986-

a) **District forum:** According to consumer protection Act state government can set up one or more district forum in each district.

1) District forum hears disputes involving a sum up to Rs. 20 Lacs.

2) It can file appeal against it with the state commission within 30 days.

b) **State commission:**

1) State commission redresses grievances involving a sum exceeds Rs. 20 lacs and up to Rs. 1 crore.

2) It can file an appeal before the national commission within 30 days.

c) **National commission:**

1) It is appointed by the Central Government

2) It has the jurisdiction to hear complaints involving a sum exceeding Rs. 1 crore.

3) It can file an appeal with the Supreme Court within 30 days.
Q1. Name the function of marketing which is concerned with the cost and location of target market.
Ans. Transportation

Q2. Rizul Bhattacharya after leaving his job wanted to start a private Ltd. company with his son. His son was keen that the company may start manufacturing of Mobile-phones with some unique features. Rizul Bhattacharya felt that the mobile phones are prone to quick obsolescence and a heavy fixed capital investment would be required regularly in this business. Therefore he convinced his son to start a furniture business. Identify the factor affecting fixed capital requirement which made Rizul Bhattacharya to choose furniture business over mobile phones.
Ans. Technology upgradation.

Q3. Name and state the aspect of financial management that enables to foresee the fund requirements both in terms of ‘the quantum’ and ‘the timings’.
Ans. Financial planning.

   The process of estimating the fund requirements of a business and specifying the sources of funds is called financial planning.

   OR

   Financial planning is the preparation of a financial blue print of an organization’s future operation

Q4. Name the type of organizational structure which promotes flexibility and initiative.
Ans. Divisional structure.

Q5. Suman bought a box of cheese of a reputed brand from the local shopkeeper. On opening the box she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week the representative of the company visited Suman’s residence with an apology and as a replacement offered her a new
cheese pack with four other varieties of cheese as compensation for the inconvenience to her. State the consumer right which Suman exercised.

Ans. Rights to safety which states that the consumer has a right to be protected against goods and services which are hazardous to life and those which do not confirm to the safety norms.

OR

Right to seek redressal which state that a consumer has a right to get relief such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer in case the product or service falls short of his expectation.

Q6. ‘Is management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost benefit?’ Give reason in support of your answer.

Ans. No, management is not only concerned with doing the right task, completing activities and achieving goals but also has to take into consideration the cost benefit i.e. doing the task correctly and with minimum cost.

Q7. Give the meaning of ‘Delegation’.

Ans. Delegation is the transfer of authority from superior to subordinate, entrustment of responsibility and creation of accountability for performance.

Q8. State the role of ‘inspector’ in functional foremanship.

Ans. The role of ‘inspector’ as a foreman in function foremanship is to check the quality of work.

Q9 State any three limitation of planning function of management.

Ans. Limitation of planning (any three)

(a) It leads to rigidity because once a well-defined plan is drawn, the managers may not be in the position to change it.

(b) It may not work in a dynamic environment as it is difficult to accurately assess future trends in the environment.

(c) planning is time-consuming process: sometimes, plan to be drawn up take so much of time that there is not much time left for their implementation.

Q10. Mr. Vikas Mehra was the chairman of ‘IBM Bank’. The bank was earning good profit. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of ‘UK Bank’. Mr. Vikas Mehra knew that the share price of ‘IBM Bank’ would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukand and asked him to invest Rs 4 crores in shares of his bank promising him the capital gains.

As expected after the announcement, the shares prices went up by 50% and the market price of Mukand’s shares was now Rs 6 crores. Mukand earned a profit of Rs 2 crores. He gave Rs 1 crore to Vikas Mehra and kept Rs 1 crore with him. On regular inspection and by conducting enquiries of the brokers involved, securities and exchange board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty on Vikas Mehra.
Quoting the lines from the above para identify and state any two functions performed by SEBI in the above case.

Ans. Functions that were performed by SEBI in the above case were:

(1) Regulatory function

‘On regular inspection and by conducting enquiries of the brokers involved securities and exchange board of India (SEBI) was able to detect this irregularity.’

SEBI can call for information by undertaking inspection. Conducting enquiries and audits of stock exchanges and intermediaries.

(2) Protective function

‘The SEBI imposed a heavy penalty on Vikas 4Mehra.’

SEBI controls insider trading and imposes penalties for such practices.

Q11. What is meant by a consumer as per the provision of consumer protection act, 1986?

Ans. Under the consumer protection act a consumer means:

(a) Any person who buys any good for a consideration, which has been paid or promised, or partly paid and partly promised or under any scheme of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtain goods for re-sale or any commercial purpose.

(b) Any person who hires or avails of any service, for a consideration which has been paid or promised, or party paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such service for any commercial purpose.

Q12 Mr. Fernandes is the owner of Unibie enterprises, carrying on the business of manufacturing electrical appliances. There is a lot of discontentment in the organization and targets are not being met he asked his son, Michel, how has recently completed his MBA, to find out the reason.

Michel found that all decision making of the enterprises were in the hands in of his father. Moreover, his father did not have confidence in the competency of the employees. Thus the employees where not happy.

(a) Identify any two communication barriers because of which ‘Unibie enterprise’ was not able to achieve its target.

(b) State one more barrier each of types identified in part (a) above.

Ans. (a) Two communication barriers are:

(1) Organizational barriers / organizational policy

(2) Personal barrier / lack of confidence of superior on his subordinates.
(b) Organizational barrier (any one)
   (1) Rigid rules and regulations may delay communication.
   (2) Status of the superior may not allow his subordinates to express their feelings freely.
   (3) Complexity in organization structure leads to delay and distorted communication.
   (4) Lack of organizational facilities like frequent meetings, suggestion box etc. may discourage free flow of communication

Personal barriers: (any one)
   (1) Fear of challenging of authority may make the superior withhold communication.
   (2) Unwillingness to communicate on the part of the subordinates may arise if they perceive that the communication may adversely affect their interests.
   (3) Lack of proper incentives may hinder the initiative of the subordinates to communicate.


The chief executive officer of the company called the human resource manager, Leena and requested her to fill up the vacancies before leaving the organization. Leena suggested that her subordinate Miss Rama Wadhva is very competent and trustworthy, if she could be moved up in the hierarchy, she would do the needful. The chief executive officer agreed for the same. Miss Rama Wadhva contacted ‘Smith Recruiters’ who advertised for the post of marketing head for ‘Montac Enterprises Ltd.’ They were able to recruit a suitable candidate for the company. Atul’s vacancy was filled up by screening the database of unsolicited applications lying in the office.

(a) Name the internal / external sources of recruitment used by ‘Montac Enterprises Ltd.’ to fill up the above stated vacancies.

(b) Also state any one merit of each of the above identified source of recruitment. 3

Ans. (A) Sources of recruitment used to fill up the vacancies are:
   (i) Promotion
   (ii) Placement agencies and management consultants
   (iii) Casual callers

(B) Merit of each of the above identified sources of recruitment:

Promotion: (any one)
   (1) It helps to improve motivation, loyalty and satisfaction level of employees.
   (2) It has a great psychological impact over the employees because a promotion at a higher level may lead to a chain of promotions at lower levels in the organization.
(3) It is a more reliable way of recruitment since the candidates are known to the organization.

(4) It is a cheaper source of recruitment.

Placement agencies and management consultants: (any one)

(1) They recommended suitable names to their clients.

(2) It helps in enticing the needed top executives from other companies by making the right offers.

Casual callers: (any one)

i) It reduces the cost of recruiting workforce in comparison to other sources.

ii) It saves time.

Q14. Explain the features of management that do not establish it as a profession.

Ans. The feature of management that do not establish it’s as a profession are:

(1) Restricted entry
   The entry to a profession is restricted through a prescribed qualification. But there is no restriction on any one being appointed as a manager in any business enterprise.

(2) Professional association
   All profession are affiliated to professional association which regulates entry, grants certificate of practice.
   There is no compulsion for managers to be members of such an association.

(3) Ethical code of
   All professions are bound by a code of conduct which guides the behavior of its members.
   AIMA has devised a code of conduct for Indian manager but there is no statutory backing for this code.

(4) Service motive
   The motive of a profession is service to their client`s interests by rendering dedicated and committed service.

   The basic purpose of management is to help the organization achieve stated goal which may be profit maximization. However, profit maximization as the objective of management does not hold true and is fast changing. So, presently this feature of profession is not fully present in management.

Q15. A company was marketing ‘juicers’ which were very popular due to their quality and after – sale- services provided to the customers. The company was a leading company in the market and earning huge profit. Because of huge profits the company ignored the after sale services. As a result its relation with the customer got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current
quarter fell steeply. On analysis, it was revealed that ignoring the after sale services was its reason. Therefore the company took all possible measures to protect and promote its favorable image. As a result the goodwill of the company improved in the society.

(a) Name and state the communication tool used by the marketer in the above case to improve its image.

(b) Also explain role of the tool as identified in part (a).

Ans. (a) public relations.

Public relations refer to a variety of programmers to promote and protect a company’s image or its products in the eyes of the public.

(Or any other correct meaning)

(b) Role of public relations: (any three points with explanation)

1. press relations
2. product publicity
3. corporate communication
4. lobbying
5. counselling
6. smooth functioning of business
7. Image building or any other

Q16. 'A.S. Environs Ltd.' is dealing in Environment- Consultancy. To get the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time consuming but also at times forced the female team members to travel alone.

As a result, the subordinates were not acting in a desired manner to achieve organisational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future all the members including the leader would travel together and usefully utilise the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.

State the feature of the element of the function of management used by the CEO.

Ans. Features of motivation:

(a) It as an internal feeling as the urges, drives or needs of human beings which influence human behaviour are internal.

(b) It produces goal directed behaviour as it stimulates people to accomplish desired goals.

(c) It can be positive in the form of positive rewards or negative like punishment, stopping increments etc.
(d) It is a complex process as any type of motivation may not have a uniform effect on all the members.

Q17. ‘My Car Ltd.’ decided to set-up its new car manufacturing factory in the backward area of west Bengal where very less job opportunities were available. People of that area welcomed this effort of ‘My Car Ltd.’ The company also decided to provide facilities like school, hospital, market etc. in the factory premises so that the people are attracted to join the factory as workers.

‘My Car Ltd.’ started earning huge profit. Another competing company asked its production manager ‘Arvind’ to investigate the reasons of earning huge profits by ‘My Car Ltd.’

Arvind found that in both the companies there was systematic co-ordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organization communication took place only through the scalar chain, whereas ‘My Car Ltd.’ was allowing flow of communication in all the directions as per the requirement which lead to faster spread of information as well as quick feedback.

(a) Identify the types of organization which permits the flow of communication in all the directions in ‘My Car Ltd.’

(b) Also state an advantage of the type of organization identified in part (a) above.

(c) State any two values which ‘My Car Ltd.’ wants to communicate to the society.

Ans. (a) Informal organization

(b) Advantage of informal organization: (any one)

(i) It fulfills social needs.

(ii) It compensates for inadequacies in the formal organization.

(c) Values which ‘My Car Ltd.’ Wanted to communicate to the society are: (Any two)

(1) Development of backward regions.

(2) Creating employment opportunities.

(3) Providing basic amenities to employees.

(4) Fulfilling social responsibility.

Q18. With change in the consumption habit of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable price. He anticipated huge demand and created a website chocolove.com for taking orders online. He got a lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of business environment discussed in the above case.

Ans. 1. Social environment: it include social forces like custom and tradition, values, social trends and society’s expectation from business.
2. Technological environment: It includes forces relating to scientific improvement and innovation which provide new ways of producing goods & services and new methods and techniques of operating a business.

Q 19. State any four functions of ‘secondary-market’.

Ans. Functions of secondary market are:
(a) It provides liquidity and marketability to existing securities by allowing the investors a chance to disinvest and reinvest.
(b) It determines the price of securities on the bases of forces of demand and supply.
(c) It ensures safety of transaction as the transaction carried out with in an existing legal frame work.
(d) It contribute to economic growth as it indirectly promotes capital formation.
(e) It spreads equity cult and ensures wider share ownership.
(f) It provide scope for speculation within the provision of law.

Q 20. Prateek is working in a multi-national company in Noida. He was running temperature for the last many days. When his blood was tested, he was found positive for malaria. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his superior ‘Mr. B. Chatterjee’. Mr. B. Chatterjee immediately sent a text message to the employees of the organization requesting them to donate blood for Prateek. When the general manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings.

(a) From the above Para quote lines that indicates formal and informal communication.
(b) State any two feature of informal communication.
(c) Identify any two values that are being communication to the society in the above case.

Ans. (a) Formal communication
‘When the general manager came to know about it, he ordered for fumigation in the company premises and for cleaning the surroundings’.

Informal communication
‘One of his colleagues sent a text message to the employees of the organization requesting them to donate blood for Prateek’.

(b) Features of informal communication: (Any two)
(i) It takes place without following the formal lines of communication.
(ii) It arises out of social needs of the employees.

(c) Values being communicated to the society are: (any two)
(i) Concern for the environment
(ii) Cleanliness and hygiene
(iv) Concern for safety of human beings.
Q 21. Two years ago Mayank obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own Bread and Biscuits manufacturing unit. For this he decided the objectives and targets and formulated action plan to achieve the same.

One of his objective was to earn 50% profits on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a production Manager who decided the exact manner in which the production activities are to be carried out. Harsh also prepared a statement showing the requirements of workers in the factory throughout the year. Mayank informed Harsh about his sales target for different products, area wise for the forth coming quarter. While working on the production table a penalty of Rs.150 per day was announced for not wearing the helmet, gloves and apron by the workers.

Quoting lines from the above paragraph identify and explain the different types of plans discussed.  

Ans. The different types of plans are:

(i) Objective: ‘One of his objective was to earn 50% profit on the amount invested in the first year.’
An objective is the end which the management seeks to achieve within a given time period.

(ii) Policy: ‘It was decided that raw material like flour, sugar, salt etc. will be purchased on two month credit’.
Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.

(iii) Procedure: ‘He also decided follow the steps required for marketing the products through his own outlets’.

OR
‘He appointed Harsh as a Production who decided the exact manner in which the production activities are to be carried out’.
It consists of sequence of routines steps on how carry out activities. It details the exact manner in which any work is to be performed.

(iv) Budget: ‘Harsh also prepared a statement showing the requirement of workers in the factory throughout the year.’

OR
‘Mayank inform harsh about his sales target for different products, area wise for the forth coming quarter’.
A budget is a plan which state expected results of a given future period in numerical terms. It may be expressed in time, money or physical units.

(iv) Rule: ‘While working on the production table a penalty of Rs 150/ days was announced for not wearing the helmet, gloves and apron by the worker.’
A rule is a statement that specifies what is to be done or not to be done.
Q 22. State any five points that highlight the importance of controlling.

Ans. Important of controlling (any five)
(a) it helps in accomplishing organizational goals by bringing to light, deviation if any and indicating corrective action.
(b) it helps in making efficient use of resources by ensuring that each activity is perform in accordance with pre-determine standards.
(c) it ensures order and discipline among employees by keeping a close check on their activities.
(d) it improves employee motivation as the employees know well in advance the standards of performance on the basis of which they will be appraised.
(e) it helps in judging accuracy of standard in the light of changes taking place in the organization and in the environment.
(f) it facilities coordination in action as each department in government by pre-determined standard while are well coordination with one another.

Q 23. Kay Ltd. Is a company manufacturing textiles. It has a share capital of Rs. 60 lakhs. In the previous year its earning per share was Rs.0.50. For diversification, the company requires additional capital of Rs.40 lakhs. The company raised fund by issuing 10% Debentures for the same. During the year the company earned a profit of Rs.8 lakhs on capital employed. It paid tax @ 40%

(a) State whether the shareholders gained or lost, in respect of earning per share on diversification. Show your calculation clearly

(b) Also, state any three factor that favour the issue of debentures by the company as part of its capital structure.

Ans. (a) Earnings per share before diversification: Rs 0.50
Calculation of earnings per share after issue of debentures (assuming face value of Rs 100/share)

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<tr>
<td>10 % DEBENTURE</td>
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<td>TOTAL</td>
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<tr>
<td>PROFIT BEFORE INTEREST AND TAX</td>
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<td>LESS INTEREST</td>
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<td>LESS TAX AS @40%</td>
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<tr>
<td>PROFIT AVAILABLE TO SHARE HOLDER</td>
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<td>EARNINGS PER SHARE = 2,40,000/60,000</td>
<td>= RS.4</td>
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This clearly show that the shareholder have gained after the issue of debenture since the earning per share has increased from Rs 0.50 to Rs 4

OR

Calculation of earning per share after issue of debenture: (assuming of face value of Rs 10/share)

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</tr>
<tr>
<td>LESS TAX @40 %</td>
<td>1,60,000</td>
</tr>
<tr>
<td>PROFIT AVAILABLE TO SHARE HOLDER</td>
<td>2,40,000</td>
</tr>
<tr>
<td>EARNINGS PER SHARE</td>
<td>= 2,40,000/6,00,000 = RS. 0.40</td>
</tr>
</tbody>
</table>

This clearly show that the shareholders have lost after the issue of debenture since the earning per share has decreased from Rs 0.50 to Rs 0.40

(b) After that favor issue of debentures by the company (any three)

(1) A good cash flow position makes debt funding more viable.

(2) Highest interest coverage ratio lowers the risk of company failing to meet its interest payments obligation.

(3) High debt service coverage ratio indicates better ability to meet the debt service obligation.

(4) If return on investment of the company is higher than the interest rate on debt, its ability to use debt is greater.

(5) Lower the cost debt higher is the ability is employee debt

Q 24. Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under Consumer Protection Act and got the relief.

(a) Identify the important aspect neglected by the marketer in the above case.

(b) Explain briefly the functions of the aspect identify in (a) above.
Ans. Labelling

(a) Function of labelling: (any five point with explanation)
  (i) Describe the product and specify its contents
  (ii) Identifies the product or brand.
  (iii) Helps in grading of products.
  (iv) Helps in promotion of products.
  (v) Provides information required by law

Q 25. Describe the nature of principles of management with the help of any four points.

Ans. Nature and principals of management: (any four points with explanation)

1. Universal applicability
2. General guidelines
3. Formed by practice and experiment
4. Flexible
5. Mainly behaviour
Q1: Give meaning of the term ‘Deviation’ as used in the control function of Management?
Ans: ‘Deviation’ is the gap between Actual Results and Planned Results.

Q2: Ramesh is working under the guidance of Harish a carpenter, for the last three years to learn the different skills of this job. Name the method of Training, Ramesh is undergoing.
Ans: Apprenticeship Training.

Q3: Harish is engaged in warehousing Business and his Warehouses are generally used by the business and his warehouses are generally used by the businessmen to store fruits. Identify the working capital requirements of Harish giving reason in support of your answer.
Ans: Working capital Requirement of Harish would be less as it is Service Industry.

Q4: Akmard wants to buy an iron. As an aware customer, how can he be sure about the of iron?
Ans: 151 Mark label

Q5: Which concept in Financial Management takes into consideration the growth, performance investment and requirements of funds for a given time period?
Ans: Financial Planning

Q6: In an organization employee always feel that they are under stress. They take least initiative and fear to express their problems before the manager. What leadership style does the manager follow?
Ans: The manager follows ‘Authoritative’ or Autocratic ‘leadership style.

Q7: Dushant, who was a vegetarian, went to a snack bar for having French Fries and later on found that it has non-vegetarian content. Neither the advertisement nor the packing of the product displayed that the product has non-vegetarian contents. Will Dushyant be able to claim compensation? Which right of the customer is violated?
Ans: Yes, Dushyant will be able to claim the compensation as the seller has violated the “Right to Information”.

Q8: Ankur is working as a production Manager in an organization. His subordinate Saurabh discussed with him a method of production which will reduce the cost of production. But due to some domestic problems and Ankur’s mind being preoccupied he is not in a position to understand the message, Saurabh got disappointed by this identity. Identity the factor which acts as a communication barrier.
Ans: Lack of Attention (Psychological/Emotional Barriers to communication)

Q9: Explain any three functions of Packaging?
   a) Product Protection
   b) Product Identification
c) Helps in grading the products into different categories.
d) Describes the Product & specifies its contents
e) Provides information required by law

(Any 3 points correctly stated and explained) – ½ x3= 1 ½

Q10: “Price of a product is influenced by many factors”. Explain the three factors influencing pricing.

Factors of feeling Pricing Decision
(a) Pricing objectives
(b) Product cost
(c) Competition in the Market
(d) Utility and Demand
(e) Government and legal Regulations
(f) Marketing Method used

(Any 3 points correctly stated & explained) \{ ½ x 3 + ½ x 3= 3 \}

Q11: Explain how Principal of Management help in optimum utilization of Resources and Effective Administrator and I fulfilling social Responsibility.

Ans: Optimum utilization of Resources & effective optimum utilization of resources by equipping managers to foresee the cause and effect relationships thereby reducing the wastages associated with Trail and error approach. Similarly, Management Principal Act as guidelines for top management to formulate various administrative plans and policies.

Fulfilling social Responsibility: Management Principles also guide the mangers to perform social responsibilities for ex, the Principle of ‘Fair Remuration’ insists on adequate salary to employees.

Q12: A company is manufacturing garments the manger wants to increase profits by purchasing new high speed machines or increasing the sale price or using waste material in manufacturing stuffed toys. He decided that using waste material to increase the profit is the best solution for him.

Ans: (a) The concept of management involved is – PLANNING next three steps involved are:
- Formulation Derivative plans to support the main plan
- Selecting the best possible alternative using waste material in manufacturing stuffed toys
- Implementing the plan and follow up action to ensure that objectives are achieved

(b) The value promoted by the company is “optimum utilization of resources”.
Q13: Distinguish between objectives and policy. Give examples

<table>
<thead>
<tr>
<th>Objective</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Objectives are defined as ends which the management seeks to achieve by its operations</td>
<td>- Policies are generally statements or understanding that guide or channel thinking in decision making</td>
</tr>
<tr>
<td>- They define the future state of affairs which the organization would like to realize</td>
<td>- They define the broad parameters within which a manager may function.</td>
</tr>
<tr>
<td>- Ex: increasing sales by 10%, earning 20% ROI etc.</td>
<td>- Ex: Selling products as cash basis only, insisting on fixed pricing, promoting from within the organization etc.</td>
</tr>
</tbody>
</table>

Q14: Explain the following Principles of Management:

Order
Equity

Ans: **Order** means a place for everything (everyone) and everything (everyone) in its (his/her) place

Essentially, it means orderliness.

Fayol insists that people and materials must be in suitable place at appropriate time for maximum efficiency.

**Equity** implies that similar treatment is assured to employees in similar positions. The Principle emphasis kindliness and justice in the behavior of managers. Towards worker managers should be fair and impartial while dealing with their subordinates and there should be no discrimination on the basis of sex, religion, language belief, nationality etc.

Q15: Explain the following Rights of a consumer:

Right to be Heard
Right to seek Redressal

Ans: **Right to be Heard:** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with goods or services. Therefore, many enlightened business forms have setup their consumer service and grievance cells. Many consumer organizations and NGOs are also working towards this direction and helping consumers in redressal of their grievances.

**Right to seek Redressal:** The consumer has a right to get relief(s) in case of defective goods or deficient services. The consumer protection Act, 1986 provides a number or reliefs to the consumers including removal of defect in the product, replacement of the product, compensation paid for any or injury suffered by the consumer etc.
Q16: What is the financial Management? Explain its objectives. (4)

Ans: Financial Management is concerned with optimum procurement as well as well as usage of finance.

Objectives of Financial Management

The primary, objective of financial management is to maximize shareholders wealth, which means maximization of the market value or price of equity shares of the company.

In order to maximize shareholders wealth, financial management must aim at achieving the following specific objectives.

1. Ensure availability of sufficient funds at a reasonable cost.
2. Ensuring effective utilization/deployment of such funds.
3. Ensuring safety of funds processed by creating reserves, reinvesting profits etc.

Q17: Kayco.Ltd. Is manufacturing detergents. They decide to launch a new range a herbal products. As they are in a hurry they have tested products on animals only.

The management also plans to launch a new factory in a tribal area where the products are easily available and the labourmen, women and children are available for work at low wages in the absence of development opportunities and schools

(a) Which value do you find disturbing in the above para?

(b) Explain the role of Public relations in launching new products.

Ans: (I) The disturbing values in the given para are-

- Testing on Animals is banned.
- Child labour is banned so schools should be opened for them.

(ii) Role of public relations in launching new products:

PR involves a variety of programmes to promote and protect a company’s image or its products in the eyes of the public. An effective PR campaign is essential to PR professionals create news about the new product to be launched in the most positive light to get the media to accept press releases.

Q18: What is meant by “Functional Structure” of an organization? Explain any two advantages and on limitation of this structure.

Ans: A functional structure is an organizational design which is created by grouping of similar nature under major functions and organizing these functions as separate departments.

![Diagram of Functional Structure]
Advantages
1. Functional specialization
2. Efficiency
3. Minimum cost
4. Better control & coordination
5. Proper attention
6. Ease in training of employees (any 2 pts correctly stated and explained)

Disadvantages
1. Functional empires
2. R in coordination
3. Interdepartmental conflicts
4. Inflexibility

Q19: Your grandfather is working in an MNC as chief operating officer. At which level of management he is working? State any three functions that will perform as chief operating officer of the company. (4)

Ans: Top management

Functions
(i) coordination the activities of different
(ii) Welfare and survival of the organization
(iii) Formulating overall organization goal
(iv) Framing of policies
(any three)

Q20: Explain briefly ‘STAFFING PROCESS”

Ans: Estimating Manpower needs

- Recruitment and selection
- Placement and orientation
- Training and Development
- Compensation
- Career Planning

Q21: Rajeev and sanjeev are manager in the same organization having different units. While discussing about the functions of management
Q22: Discuss the importance of Business Environment
Ans: Important of Business environment
- It enables the firm to identify opportunities & getting the first never advantage.
- It helps the firm to identify threats and early warning signals.
- It helps in assisting in planning and policy formulation
- It helps in tapping useful resources
- It helps in coping with rapid changes
- It helps in impressing performance
(Any five points correctly stated and explained)

Q23: Advertising and Personal Selling both are communication tools used by the markets to promote their products. Yet they differ their approach. Differentiate between the two by giving any six differences.
Ans.

<table>
<thead>
<tr>
<th>BASIS</th>
<th>ADVERTISING</th>
<th>PERSONAL SELLING</th>
</tr>
</thead>
<tbody>
<tr>
<td>FORM</td>
<td>Impersonal form of promotion.</td>
<td>Personal form of promotion.</td>
</tr>
<tr>
<td>REACH</td>
<td>Large number of people can be approached.</td>
<td>Only a limited number of people can be contacted</td>
</tr>
<tr>
<td>COST</td>
<td>Cost per person is very low</td>
<td>Cost per person is quite high.</td>
</tr>
<tr>
<td>MEDIUM</td>
<td>TV, radio, newspaper, magazines.</td>
<td>Sales staff.</td>
</tr>
<tr>
<td>FEEDBACK</td>
<td>Lack of direct feedback</td>
<td>Direct and immediate feedback</td>
</tr>
<tr>
<td>TIME</td>
<td>Covers the market in short period</td>
<td>Takes a lot of time to cover the entire market</td>
</tr>
</tbody>
</table>

Q24: Explain any three protective functions and three regulatory functions of SEBI.
Ans.  
**Protective functions of SEBI.**
- Prohibition of fraudulent and unfair trade practices in the securities market. E.g. price rigging, making misleading statements in prospectus.
- Controlling insider trading and imposing penalties for such practices
- Undertaking steps for investors protection.

**Regulatory functions of SEBI.**
- Registration of brokers and sub brokers and other players in the market.
- Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers.
- Regulation of takeover bids by companies.
Q25: Discuss measures to improve the effectiveness of communication

Or

What is meant by ‘Non Monetary Incentives’?

Explain any five types of non Monetary Incentives which contribute to the performance of employees. (6)

Ans: Measures to improve communication effectiveness

1. Clarify the ideas before communication.
2. Communicate according to the need of receiver
3. Be aware of language, tone and content of message
4. Be a good listener
5. Ensure proper feedback
6. Communicate for present as well as for future

(pts with correct explanation)

Or

Non financial incentives are not measured in terms of money, provide psychological and emotional satisfaction rather than money driver satisfaction

Various Non Financial Incentives

1. Recognition
2. Status
3. Career Advancement opportunities
4. Job security
5. Employee participation
6. Employee empowerment
7. Organization climate
8. Job enrichment

(any 5 of the above with proper explanation)
Q1: “He/ she keep machines, materials, tools etc., ready for operations by concerned worker” whose work is described by this sentence under functional foremanship?
Ans. Gang Boss.

Q2: Define “Liberalization” as a process of economic reforms (1)
Ans: Liberalizations’ means “freeing the Indian Business and Industry from all government controls and restrictions”

Q3: Name and state the ‘on the job method of training that is used to give training to the electricians (1)
Ans: Apprenticeship Programmed

Q4: “An effort to control everything may end up in controlling nothing”. Identify the principle.(1)
Ans: Management by Exception

Q5: Name the feature of planning which says planning is a forward looking function.
Ans: Planning in “Futuristic”

Q6: A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufacture as washing machines. Which type of organizational structure should it adopt to achieve its targets?
Ans: Functional structure

Q7: What determines the number of levels of management in the organization structure?
Ans: Span of Management

Q8: Which is the highest level of need in the Maslow theory of motivation?
Ans: Self Actualization need

Q9: State any three advantages of “Branding to the Marketers.
Ans: (1) Enables making product differentiation
(2) Helps in Advertising and display programmer
(3) Differential Pricing
(4) Ease in introduction of New product (any 3 points correctly stated & explained 1x3=1)

Q10: Which process prepares a blueprint of an organization future preparations relating to finance? Explain any two points of its importance.
Ans: Financial Planning
Importance of Financial Planning

1. Coordinating various business functions
2. Forecasting what may happen in future under different business situations.
3. Acquisition of required funds
4. Reduce waste, duplication of efforts

(any 2 of the above points) \{1+2=3\}

Q11: In an organization, employees take least initiative and fear to express their problems before the manager. What leadership style does the manager process? Explain?

Ans: Autocratic Style of leadership

An Autocratic leader does not accept any suggestion from his employees. He does not involve has employees in decision making process and thrust/imposes his decision and ideas on other.

(1+2=3)

Q12: Differentiate between “Primary Market” and secondary Market on the basis of
(i) Capital formation (ii) purpose (iii) Buy/ Selling

Ans:

<table>
<thead>
<tr>
<th>Basis</th>
<th>Primary Market</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capital Formation</td>
<td>ATThe flow of funds is from savers to investors in the primary market directly promotes capital Formation</td>
<td>Enhance encash capability (liquidity) of market &amp; In directly promotes capital formation</td>
</tr>
<tr>
<td>2. Purpose</td>
<td>Securities are sold by the company to the investors directly (or through an intermediary)</td>
<td>Ownership of existing securities is exchanged between investors</td>
</tr>
<tr>
<td>3. Buying/ selling</td>
<td>Only buying of securities taken place in the primary market securities cannot be sold by the investors</td>
<td>Both the buying and selling of securities can take place an stock exchange</td>
</tr>
</tbody>
</table>

Q13: Explain “Trading in Equity “ Give example also.(3)

Ans: Trading on Equity refers to the increase in profit earned by the equity shareholder due to the presence of fixed financial changes like interest.

<table>
<thead>
<tr>
<th>Example</th>
<th>Co. X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>Rs 10,00,000</td>
</tr>
<tr>
<td>(10000 equity shares of Rs. 100 each)</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Share capital (4000 equity shares of Rs 100 each)</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Loan @15% p.a</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Co. A</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>PBIJ @30% on Capital employed</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Loan interest</td>
<td>nil</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Len tax</td>
<td>1,50,000</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>1,50,000</td>
</tr>
</tbody>
</table>

\[
\text{EPS} = \frac{\text{Profit after tax}}{\text{No of Eq shares}} = \frac{150000}{10000} = \frac{105000}{4000} = Rs \ 15/- \quad \text{Rs 26.25/-}
\]

Return enjoyed by shareholders of Co. 4 is higher than that of Co. X \(1+2=3\)

Q14: “Expenditure on advertising is a social waste”

Giving four reasons.

ANS14

(i) Undermines social values
(ii) Encourage sale of inferior goods
(iii) Confuse rather than helps
(iv) Some advertisement is in taste
(v) Advertisement cost are pressed on to the customer in the form of higher price

(Any four point correctly stated and six point)

Q15: Many companies have been investing significantly in the retail sector in India because of several factors. Customer income is increasing people have developed a taste of better quality product. The government has permitted 100% FDI in same sectors of retailing. Identify and explain the dimensions of business environment by quoting the lives from the above Para.

Ans: Customer income is decreasing – economic environment People have developed a taste for better quality products – social environment technology environment Govt. has permitted 100% F.D.I in retailing sector- political environment

Q16: “There are some barriers in communication which are concerned with organizational structure and rules and regulation: Identify the barrier and state any three such barriers

Ans: Organizational barriers
1. Organizational policy
2. Rules and regulation
3. Status
4. Complexity in organization
5. Organizational facility (1+any three of the above correct state and explained =3)
Q17: Mansi is the marketing manager of a company selling laptops. She has six subordinates working under her on the last day of every month she rewards the efficient employees to motivate them.

Ans: Value-acknowledge /one recognition of talent
   (i) Non-financial incentive
   (ii) status, career advancement opportunity, job security, etc. (any 2 = 2 marks)

Q18: Explain the following money market instruments
   (i) Certificate of Deposit (CD)
   (ii) Call Money

Ans: Certificate of deposit: Certificate of deposit (CD) are unsecured, negotiable, about term instrument in form, by commercial banks and development financial institution.

   These can be to individual, corporation and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.

   These help to mobilize a large amount of money for short periods (91 days to 1 year)

   Call money: is a method by which banks borrow from each other to be able to maintain cash reverse rate.

   The cell money finds are for very short period of 1 day to 15 days.

   The interest payable on cell money loan is known as the call rate

   A rise in call money rates makes other money market instruments cheaper than call money.

Q19: State the principle of Esprit de corps give two positive effects of the principle of ‘Esprit de corps’.

Ans: ‘Spirit de corps’ mean ‘union strength.’ Fayol emphasis the need for team work, spirit of unity and harmony among employs.a manager should replace ‘I’ WITH ‘WE’ in all his conversation with worker to faster team spirit.

   Positive effects
   (1) TEAM SPIRIT HELPS in developing atmosphere of mutual trust and belonging
   (2) It also minimizes the need to use penalties for defaulting person.

Q20: (a) Distinguish between ‘single use and standing plans’ give example of each.

Ans: (a) A single use plan refers to a plan developed for one time project or event specifically designed to achieve a particular goal or objective.

   Example: Budget for annual general meeting.

   Standing plans: standing plans are used over and over again because they focus on organizational situation that occur separately.

   Example: recruitment and selection procedure for a particular post in a company.
STRATEGY (1)

- A strategy refers to future decisions defining the organization direction and scopes in the long such.

(b) An Auto company Tata Ltd is facing a problem of declining market share due to increased competition from other new existing players in the market. The Company is planning to introduce new models with added features and new technological advancements. Name and explain the type of plan.

Q21: “Internal sources of recruitment are better than external sources”. Explain any five reasons in support of this statement.

Ans: MERITS OF INTERNAL SOURCES

- Motivation of employees to improve their performance
- Less costly
- Simplifies the process of selection and placement
- A tool of training
- Benefit of shifting workforce

[1/2 mark for each point correctly state +1/2 mark for each point correctly explained]

Q22: “Planning is looking ahead and controlling is looking back” Comment.

Ans: “Planning is looking ahead whereas controlling is looking back can be understood with the help of following points

(i) Planning is decided in the present what to do in future. In this sense, planning is looking ahead

(ii) On the contrary, through controlling managers ensure that actual performance is recoding to planned standards. Thus, controlling is like a postmortem of past activities to find out deviations

“Planning is looking back whereas controlling is looking ahead may be understood by giving following reasons –

(i) Planning is looking back because future planning is guided by past experiences.

(ii) Controlling is looking ahead because the corrective action initiated by control function aims to improve future performance conclusion: Planning and controlling are both backward looking as well as a forward looking function

Q23: Why was securities and exchange board of India (SEBI) was setup? Explain any four objectives of SEBI.

Or

Explain any four factors which affect the working capital requirement of company.

Ans: Reasons for establishment of SEBI
Variety of malpractices viz unofficial Private placement, Price Rigging, Unofficial Premium on new issues,

Non adherence to provisions of companies Act on the Part of companies, Broker, Merchant Bankers, Investment consultant and others.

Erosion of customers confidence and multiplies investors grievance

The need for setting up a separate regulatory body known as SEBI

Objectives of SEBI

To regulate stock exchanges and securities market to promote their orderly functioning

To protect the right and interests of investors, and to guide and educate them.

To prevent trading malpractices.

To regulate and develop a code of conduct and fair practice by intermediaries like brokers, merchant bankers etc.

To stimulate competition and encourage invocation

Or

Any 4 factors affecting working capital needs

Nature of Business

Operation / Production Cycle

Business cycle

Seasonal factor

Credit allocated

Credited Availed

Level of Competition

Inflation

Cost of raw material

Growth prospects

Scale of operations

Operating efficiency

(any 4 points, correctly stated ½ x4=2

Correctly explained 1x4=4
Q24: Deepak purchased a book from a book seller and got the cash memo of Rs 400 which he paid for the book later. He found that the actual price of the book is Rs 380 but the book-seller had put a sticker of Rs 400 on the original price. Can Deepak recover the extra money that he paid? What other options are available to him against the book seller?

Or

Identify and explain the rights of a company consumer violated In the following cases:-

(a) Rahul went to a shopkeeper to buy soap the shopkeeper forced him to buy a particular brand of soap out of various brands, irrespective of the willingness of Rahul.

(b) Anil, who was vegetarian, went to a snack bar for having French fries and later on found that it had non-vegetarian content neither the advertisement nor the packing of the product displayed that the product had non-vegetarian contents. Also state the value overlooked by the sellers in each case.

Ans: Deepak is responsible consumer since he has got the cash memo for the book he purchased. Cash memo is the proof of purchase. A consumer must have the cash memo to file a complaint in a consumer court.

In this case, the book seller has charged for the book a price in excess of the list price so, Deepak can recover the extra money he paid (Rs 20) from the book seller.

Deepak can file a complaint against the book seller in a consumer court if he does not get back (Rs 20) from the book seller. If the consumer court is satisfied about the genuineness of the complaint, it can issue the following direction to the bookseller.

1. To refund the price paid for the book (400)
2. To pay adequate costs to Mr. Deepak, which he incurred for filling the complaint.
3. To discontinue the unscrupulous, exploitative and unfair trade practices and not to repeat in the future.

Or

(a) Right to choose with correct explained
(b) Right to informed with correct expanded

(a) Values Overlooked: (a) responsible behavior / confident behavior
(b) sensitivity towards other needs / social concern
- not legally compliant

Q25: “Delegation is a key element of effective organizing”? explain (any four)(6)

Or

Decentralization in an optional policy explain why an organization would choose to be decentralized (any 4 points)

Ans: Importance of delegation
• Reduced overload of managers
• Effective management
• Motivation of employees
• Employee development
• Facilitates organizational growth
• Quick decision making
• Basis of management hierarchy
• Better coordination

{any up to correctly states & explained }
½ mark for stating correctly ½*4=2
+ 1 mark for correct explanation 1*4=4

Importance or decentralization – any 4 pts correctly states & explained
• Relief to top management
• Develops managerial talent
• Quick decision making
• Develops initiative among subordinates
• Facilitates growth
• Better control.
Q1: Controlling should not be misunderstood as the last function of management. Why?
Q2: Define formal communication
Q3: What do you understand by ‘cluster network’?
Q4: How does planning provide the basis for controlling
Q5: There are two major alternative mechanisms through which allocation of funds can be done. Name them.
Q6: Give one difference between Primary and secondary Market
Q7: Give meaning of the term ‘Deviation’ as used in the control function of Management.
Q8: What is meant by ‘Right to be Heard’?
Q9: Discuss the meaning of Method Study
Q10: “Two persons working at the same positions level should be accorded the same treatment “ Name and explain the underlying principle.
Q11: What do you mean by ‘Policy’? Give suitable examples.
Q12: Explain any three Money Market Instruments
Q13: Explain any three benefits of External Source of Recruitment.
Q14: Explain the benefits of Decentralization
Q15: What do you understood by ‘Informal Organization’? Discuss any three benefits of it.
Q16: “Financial Planning is essentially preparation of a financial blueprint of organizations future operations. The objective of financial planning is to ensure that enough funds are available at the right time. Poorvil Co. known for its financial planning. Flow financial planning contributes values to the system.
Q17: Highlight the benefits of training provided to employees.
Q18: Describe the following as ways and means of consumer protection:
   a) Consumer Awareness   b) Government
Q19: Describe any 4 functions of labeling. (4)
Q20: “Management is both science as well as Art “Explain” (5)
Q21: Explain the various components of “Economic Environment”. (5)
Q22: “Supervision is not at all necessary in an organization as it needs to unnecessary cost “ Do you agree”? Give reasons in support of your answer. (5)
Q23: Discuss any four financial Incentives. Or
   Explain any four psychological barriers to communication
Q24: What is meant by financial management? Explain the three decisions involved in financial management
   Or
   Explain the meaning of fixed capital; briefly explain any four factors affecting fixed capital needs of a company. (6)
Q25: Define marketing. Explain any five function of Marketing.
   OR
   “All Advertising is a solid waste”. Do you agree? Give reasons to justify your answer. (6)
1. Employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised, which in turn helps them to give better performance. Which importance of controlling is highlighted here?

2. It is concerned with instructing, guiding and inspiring people in the organization to achieve its objectives. Name it.

3. What corrective action should be taken in case deviations are caused due to defective machinery?

4. It is an incentive offered over and above the wages/salary to the employees. Name the type of financial incentive referred here.

5. A company wants to establish a new unit in which a machinery of worth Rs.10 lakhs is involved. Identify the type of decision involved in financial management.

6. What does trading on equality refer to?

7. Enterprise has little control on external factors. Mention some of these factors.

8. ‘100 gm. bottle of sauce free with 1 kg detergent.’ Which sales promotion technique is involved here?

9. ‘Image building, basic of strategy and continuous learning are the outcomes of understanding of Business environment. Explain.

10. ‘Equal pay for equal work for male and female workers’ refers to an example of a key component of general environment of business. Name and explain the component.

11. It refers to systematic effort to delegate all authority to the lowest level except that which can be exercised at central points. Name it and explain its two importance.

12. Aman Ltd. is manufacturing toys and has Production, Sales, Purchase and Finance Departments. Which type of organization structure would you suggest to them? State any three advantages of this organization structure.


14. Explain, in brief, the meaning of ‘policy’ and ‘rule’ as type of plans and give any four points of distinction between them.

15. ‘Some learning opportunities are designed and delivered to improve skills and abilities of employees where as some others are designed to help in the growth of individuals in all respects.’ Identify and explain the two steps explained above.

16. ‘Stock market quotation contributes to better allocation of capital and promoting the habit of saving and investment.’ Explain.
17. Manas Company wants to develop an effective system of controlling. Controlling is an indispensable function of management. How does controlling inculcate values in the organization?

18. How personal selling is important to a businessman?

19. I saw an advertisement in the newspaper regarding a domestic iron and ordered for the purchase of the same to the shopkeeper.

What will be my responsibilities as a customer so that I should not be exploited by the shopkeeper? State any four such responsibilities.

20. R.N. Vijay is the Chairman of Teaching Point Tutorial (P) Ltd. Name the managerial level at which he is working. State any four functions he will perform as Chairman in this company.

21. Explain any five technique of scientific management.

22. “Maslow’s need hierarchy is considered fundamental to understanding of motivation. “In the light of this statement, explain ‘motivation’ and Maslow’s need hierarchy in motivation.

23. What do you mean by Laissez-fair leadership? State its features. List the situations in which style of leadership is more suitable.

OR

Explain any for Personal barriers to communication.

24. Give six points to highlight the importance of capital market.

OR

You are a finance expert. One of your friends comes to you and tells you that the capital market and the money market are one and the same, whereas you differ with him. How would you convince him? Give any four reasons.

25. What are the remedies available to consumers under protection Act, 1986?

OR

Explain various ways and means in which objective of consumer protection can be achieved.
GUIDELINES FOR STUDENTS

Cracking an examination is a skill that can be acquired. As with studying, scoring good marks too is a combination of managing one’s time well and applying the right method. Here are some guidelines that ones can follow while attempting or write an exam.

- **Answer the question as it is asked.**
  Read the question at least twice before answering. Be guard for either/or questions. Make sure to tackle all sub-sections of a question.

- **Use the marks as a guide.**
  The examination paper mention the marks each question carry. Use these mark as rough guide as to how long their answers ought to be. Do not expand an answer relevant. This will save a lot of time which can be used while writing a long-answer question.

- **Avoid writing irrelevant points**
  While writing an answer, focus on the nature of question asked to maintain focus. Answering something that is irrelevant to the question, no matter how good a description will not only waste time but also be given low marks.

- **Budget your time**
  Don’t dwell too much on particular question as remaining question may get little or no time if. Despite how much one writes, one can only score the maximum marks allocated to that question. If facing difficulty in answering, move on to other question and return to the former later.

- **Check and double-check**
  Always keep some time for revision while budgeting time in the rush to complete the paper, some basic spelling mistake or forgotten, half-attempted question may spoil all effort.

- **Believe in yourself.** Set a goal for yourself.

- **Accordingly set a timetable for yourself.**

- **Identify a limited number of direct questions which usually come in the exams & prepare them well.**

- **Apply FRT (fast reading technique) i.e. to revise more in less time.**

- **Presentation: Be particular about how you write the answers. It should always points with a heading and brief explanation.**

- **Do not leave out any questions.**

- **Also be careful not to spend too on 1 question at the cost of other questions.**

- **Wherever any process is asked to be explained, write all the steps involved, irrespective if the marks allotted to that question.**

- **Draw a flowchart/diagram in support of your answer, whenever possible.**
• Answer those question first, which you know very well.
• Underline all the sub-headings.
• Draw small cartoons/diagrams with small captions wherever fits suitable.
• Attempt ‘HOTS’ question at last.
• Utilize the QP paper reading time to plan writing strategies instead of trying to write answers in advance.
• While trying to understand ‘HOTS’ question keeps in mind chapter-wise allotment of marks for each chapter. Sometimes this helps to guess the chapter from which the hots question is given.
• Especially in case of application oriented question (HOTS), read Hindi medium version also, it may give you some clue. It also removes the vagueness in English language.
• Maintain a separate small hand-book to write only sub-headings for all the concepts in the subject. It helps as a ready- reckoner.
• Read summaries given at the end of each chapter to get a comprehensive idea about the given chapter. Hots can be given from summaries also.
• Refer latest CBSE sample question papers along with previous year board question papers.
• Refer ‘high scoring students’ answer sheets available in the CBSE web site.