

BUSINESS STUDIES XII-(2020-21)



# STUDENT SUPPORT MATERIAL (CAPSULES AND CASE-STUDY BASED QUESTIONS)

## CLASS-XII BUSINESS STUDIES SESSION-2020-21



KENDRIYA VIDYALAYA SANGATHAN  
REGIONAL OFFICE  
LUCKNOW



## **INSPIRATION**

**Shri D. K. Dwivedi**  
**Deputy Commissioner, KVS RO Lucknow**

**Shri T P Gaur**  
**Assistant Commissioner, KVS RO Lucknow**

**Dr. Anurag Yadav**  
**Assistant Commissioner, KVS RO Lucknow**

**Smt. Preeti Saxena**  
**Assistant Commissioner, KVS RO Lucknow**

## **MENTOR**

**Smt Sangeeta Yadav**  
**Principal, Kendriya Vidyalaya Aliganj Lucknow**

**Shri Raj Guru Singh**  
**Principal, Kendriya Vidyalaya OEF Kanpur**

**Shri Manoj Verma**  
**Principal, Kendriya Vidyalaya CRPF Bijnaur Lucknow**

## CONTENT DEVELOPEMENT TEAM

### All PGT Commerce of Lucknow Region

क्रमसंख्या	शिक्षकका नाम	के.वि. जहाँकार्यरत है
1	Mr Kamal Srivastava	K V Budaun
2	Mr Sujeet Sahu	K V Chakeri No. 3, Kanpur
3	Ms Kiran	K V Kanpur cantt
4	Ms Neha Gupta	K V Chakeri No. 2, Kanpur
5	Ms Meenakshi Rawat	K V Chakeri No. 1, Kanpur
6	Ms Charu	KV JRC BAREILLY
7	Ms Ritu Tripathi	K V IIT, Kanpur
8	Mr Amit Chaurasia	KV AMC (II-SHIFT), LUCKNOW
9	Mr Varun	KV BKT, LUCKNOW
10	Mr Awadesh Kumar Sahu	KV GomtiNagar II Shift LUCKNOW
11	Ms Sonam	KV Gomtinagar,II Shift LUCKNOW
12	Ms Veenu Srivastava	KV Cant, LUCKNOW
13	Mr Kush Srivastava	KV Aliganj Shift I, LUCKNOW
14	Ms Mamta Sharma	KV Aliganj Shift II, LUCKNOW
15	Mr Manoj Kumar	KV Raibareilly
16	Ms Zehra Khan	KV Raibareilly
17	Ms Manvee Bajpai	K V Armapur No. 1, Kanpur
18	Mr K.N. Gupta	K V Armapur No. 2, Kanpur
19	Mr Sikander Ram	KV GomtiNagar II Shift LUCKNOW
20	Mr A.K Shukla	KV IIM, Lucknow

21	Ms Manju Katiyar	K V Chakeri No. 1, Kanpur
22	Dr Vinod Kumar	KV Cant, LUCKNOW
23	Mr Sujeet Paul	KV BHEL Jagdishpur
24	Mr Lokesh Bajpai	KV Sitapur
25	Mr Kalika Prasad	KV NER BAREILLY
26	Mr Shalabh	KV JLA BAREILLY
27	Mr M.I. Ansari	KV AMC (I-SHIFT), LUCKNOW
28	Mr Room Singh yadav	KV Shajahnpur (NO. 2)
29	Mr Obid Khan	KV Shajahnpur(NO.1)
30	Mr A.H Khan	KV AFS Memaura, Lucknow
31	Mr Manmohan bohra	KV RRC Fatehgarh
32	Mr Yogesh Pandey	KV RDSO LUCKNOW
33	Ms Nitu Pandey	KV CRPF LUCKNOW
34	Mr Mahendra Kumar	KV AMC (Ist-SHIFT), LUCKNOW
35	Mr Sheetla Prasad	KV KANPUR CANTT

### **TEAM FOR EDITING, COMPILATION & PREPARATION OF E-BOOK**

- Shri Yogesh Pandey PGTCommerce, KV RDSO, Lucknow.
- Shri Sheetla Prasad, PGT Commerce, KVCantt,Kanpur.
- Shri Shalabh, PGT Commerce, KV JLA Bareilly.
- Shri Mahendra Kumar, PGT Commerce, KV AMC 1<sup>st</sup> Shift Lucknow.
- Smt Nitu Pandey, PGT Commerce, KV CRPF Bijnaur Lucknow.
- Ms Kiran, KV Cantt Kanpur.
- Shri Amit Chaurasia, KV AMC 2<sup>nd</sup> Shift Lucknow.

## Class-XII

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3.	Nature and Significance of Management	10-15
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**CLASS XII – BUSINESS STUDIES**  
**DETAILS OF REVISED SYLLABUS 2020-21**

**Theory: 80 Marks 3 Hours**

**Project: 20 Marks**

**Part A Principles and Functions of Management**

SL NO	UNIT	MARKS
1	Nature and Significance of Management	16
2	Principles of Management	
3	Business Environment	
4	Planning	14
5	Organising	
6	Staffing	20
7	Directing	
8	Controlling	
TOTAL		50

**Part B Business Finance and Marketing**

SL NO	UNIT	MARKS
9	Financial Management	15
10	Financial Markets	
11	Marketing Management	15
12	Consumer Protection	
TOTAL		30

**Part C Project Work (One)**

**20**

**Part A: Principles and Functions of Management**

**Unit 1: Nature and Significance of Management**

- \* Management - concept, objectives, and importance
- \* Management as Science, Art and Profession.
- \* levels of management
- \* Management functions- planning, organizing, staffing, directing and controlling
- \* Coordination- concept and importance

**Unit 2: Principles of Management**

- \* Principles of Management- concept and significance
- \* Fayol's principles of management.
- \* Taylor's scientific management- principles and techniques

**Unit 3: Business Environment**

- \* Business Environment- concept and importance
- \* Dimensions of Business Environment- Economic, Social, Technological, Political and Legal

## Unit 4: Planning

- \*Planning: Concept, importance and limitation
- \*Planning process

## Unit 5: Organising

- \*Organising: Concept and importance
- \*Organising Process
- \*Structure of organisation- functional and divisional concept
- \*Delegation: concept, elements and importance
- \*Decentralization: concept and importance

## Unit 6: Staffing

- \*Staffing: Concept and importance
- \*Staffing process
- \*Recruitment process
- \*Selection - process
- \*Training and Development - Concept and importance, Methods of training - on the job and off the job - vestibule training, apprenticeship training and internship training

## Unit 7: Directing

- \*Directing: Concept and importance
- \*Elements of Directing
- \*Motivation - concept, Maslow's hierarchy of needs,
- \*Financial and non-financial incentives
- \*Leadership - concept, styles - authoritative, democratic and laissez faire
- \*Communication - concept, formal and informal communication;

## Unit 8: Controlling

- \*Controlling - Concept and importance
- \*Steps in process of control

## Part B: Business Finance and Marketing

### Unit 9: Financial Management

- \*Financial Management: Concept, role and objectives
- \*Financial decisions: investment, financing and dividend- Meaning and factors affecting
- \*Financial Planning - concept and importance
- \*Capital Structure – concept and factors affecting capital structure
- \*Fixed and Working Capital - Concept and factors affecting their requirements

### Unit 10: Financial Markets

- \*Financial Markets: Concept, Functions and types
- \*Money market and its instruments
- \*Capital market: Concept, types (primary and secondary), methods of floatation in the primary market
- \*Stock Exchange – Meaning, Functions and trading procedure
- \*Securities and Exchange Board of India (SEBI) -objectives and functions

### Unit 11: Marketing

- \*Marketing – Concept, functions and philosophies.
- \*Marketing Mix – Concept and elements
- \*Product - branding, labelling and packaging –Concept

\*Price - Concept, Factors determining price

\*Physical Distribution – concept

\*Promotion – Concept and elements; Advertising, Personal Selling, Sales Promotion and Public Relations

### **Unit 12: Consumer Protection**

\*Consumer Protection: Concept

\*Consumer Protection Act 1986:

\*Meaning of consumer

\*Rights and responsibilities of consumers Who can file a complaint?

\*Redressal machinery

\*Remedies available.

### **UNIT 13: Project Work**



## **DELETED TOPICS for the Session 2020-21**

### **Part A: Principles and Functions of Management**

<b>Unit</b>	<b>Topic deleted</b>
<b>Unit 3: Business Environment</b>	Demonetization - concept
	Impact of Government policy changes on business with special reference to liberalization, privatization and globalization in India
<b>Unit 4: Planning</b>	Single use and standing plans. Objectives, Strategy, Policy, Procedure, method Rule, budget and Programme
<b>Unit 5: Organising</b>	
	Formal and informal organisation- concept
<b>Unit 6: Staffing</b>	Staffing as a part of Human Resource Management concept
<b>Unit 7: Directing</b>	barriers to effective communication, how to overcome the barriers
<b>Unit 8: Controlling</b>	Relationship between planning and controlling

### **Part B: Business Finance and Marketing**

<b>Unit</b>	<b>Topic deleted</b>
<b>Unit 11: Marketing</b>	Physical Distribution – components and channels of distribution
<b>Unit 12: Consumer Protection</b>	Consumer Protection: importance
	Consumer awareness - Role of consumer organizations and Non-Governmental Organizations (NGOs)

## UNIT -1

### NATURE AND SIGNIFICANCE OF MANAGEMENT

**MEANING OF MANAGEMENT:-** “Management is a process of getting things done with the aim of achieving goals effectively and efficiently.”

**EFFECTIVENESS:-** Doing right task and completing it within given time period.

**EFFICIENCY:-** Doing the right task using resources wisely and in cost effective manner.

#### FEATURES OF MANAGEMENT

**1. GOAL ORIENTED PROCESS:-** Management always aims at achieving organizational objectives. Management unites the efforts of all these managers in the organisation to achieve these goals.

**2. All PERVASIVE:-** Management is applicable to every type of organisation whether economic, social charitable religious or political.

**3. MANAGEMENT IS CONTINUOUS PROCESS:-** Management does not stop anywhere. It continues without breaks and exists as long as organisation exists. It is an ongoing process.

**4. INTANGIBLE FORCE:-** Management cannot be seen. It can be realised in the operations of organisation.

**5. DYNAMIC FUNCTION:-** The environment of business is not static. It keeps on changing. Thus management work in dynamic environment and its goals and plans change accordingly.

#### IMPORTANCE OF MANAGEMENT

**1. INCREASE IN EFFICIENCY:-** In any organisation input resources are men, material and machine. Management uses all these inputs efficiently by properly allocating them to reduce the wastage.

**2. MANAGEMENT HELPS IN ACHIEVING ORGANISATIONAL GOALS:-** In an organisation a number of employees work. Management helps in achieving group goals by giving a common direction to the individual efforts of employees.

**3. MANAGEMENT HELPS IN ACHIEVING PERSONAL OBJECTIVES:-** Management tries to integrate the individual objectives with the common objectives of organisation. Thus an organisation provides opportunity to achieve the personal objectives of employees.

**4. MANAGEMENT HELPS IN DEVELOPMENT OF SOCIETY:-** An organisation has many obligations towards different groups that constitute it. The fulfilling of all these responsibilities may lead to development of society.

**5. MANAGEMENT CREATES DYNAMIC ORGANISATION:-** It helps an organisation to change according to change in environment.

#### OBJECTIVES OF MANAGEMENT

Objectives of management can be classified as follows:-

(i) **ORGANISATIONAL OBJECTIVES:-** Aims at prosperity and growth of the organization.

(a) **Survival:-** The basic objective of every business is to survive for a long period in the market

(b) **Profit :-** Only survival is not sufficient for business. Profit earning is must for continuity of business.

(c) **Growth:** Success of an organisation is measured by growth and expansion of activities. Such as increase in sales products etc.

(ii) **SOCIAL OBJECTIVES:** Involves creation of benefit for society such as:

a. Creating employment opportunity

b. Provide quality product

c. Participating in social services.

d. Provide basic facility to employees etc.

(iii) **PERSONAL OBJECTIVES :** Related to objectives of employees like fair remuneration, promotion, social recognition, healthy working conditions.

#### NATURE OF MANAGEMENT

**1. MANAGEMENT AS AN ART:-** Management is an art as it consist of following features :-

a. Presence of theoretical knowledge in the field of marketing, finance etc.

b. Personalised application in management as managers apply acquired knowledge to the situation in his own unique way.

c. Practice and creativity in management- continuous practice enable the managers to develop their own theories to use in a given situation.

**MANAGEMENT AS SCIENCE:-**Management is not an exact science as it does not consist all the required features of science such as:

- a. As other science subject like chemistry it is difficult to establish cause and effect relationships in management
- b. Situational factors affect the application of management principles.
- c. Management deals with human beings whose behaviour is very difficult to predict accurately. But in management some principles are found in management like systematic body of knowledge.

**MANAGEMENT AS PROFESSION:-** Management is not a full-fledged profession as it does not consist of all the features of profession such as:

- a. There is no restriction on appointments of manager without acquiring a valid degree.
- b. There is no code of conduct that legally binds the ethical behaviour of managers.
- c. The basic motive of management is to achieve the management goal&not to serve the society.
- d. There is no professional association for management etc.

**The only feature of profession found in management is well defined body of knowledge.**

### LEVELS OF MANAGEMENT

TOP LEVEL MANAGEMENT	MIDDLE LEVEL MANAGEMENT	LOWER LEVEL MANAGEMENT
Chairmen, managing director, board of director/president/CEO/CFO, general manager/ VicePresident, chief operating officer <b>Functions:</b> Determining objectives of organization, Relation with outside world, Analyse business environment, Framing policies /organizing/key, appointment,Assembling all resources etc	Finance managers, production managers, marketing managers, Human Resource manager, operation manager, plant superintendent <b>Functions:</b> Interpretation of policies, Departmental objectives, assignment of duties, Motivation, co-ordination etc. Link between top and lower level management	Supervisors, foreman , Inspector, Superintendent , sub-department executive etc <b>Functions:</b> Link between workers and middle level management, maintenance of discipline, safety of workers, providing required training to workers. Etc.

### FUNCTIONS OF MANAGEMENT

There are five functions of management. They are as follows:-

1. **Planning:** Deciding in advance what to do, how to do, when to do and who is going to do.it is primary function of management.
2. **Organising:** Identifying and grouping different activities. Arranging resources and making efficient use of resources.
3. **Staffing:** Consist of manpower planning. Finding right person for the right job.
4. **Directing:** Giving directions or instructions to employees, inspiring and motivating employees for the achievement of organizational objectives.
5. **Controlling:** Comparison between actual and planned output to find out deviations and taking corrective measures to stop such deviations in future.

#### **COORDINATION**

The process by which the managers integrate various activities of different departments is known as coordination.

Coordination as essence of management: - it brings unity of action and integrate different activities of organisation. Because of the following reasons it is considered as the essence of management:-

1. **It is needed to perform all functions of management:-** It starts with making plan by top level management, on the basis of plan-organisational structure is decided, on the basis of structure staff is appointed, the appointed staff is directed to achieve the desired objectives, and at last results are compared with estimations.
2. **It is required at all levels of management:-**top level requires coordination to integrate all activities of an organisation, middle level requires to balance the activities of different departments. Lower level requires to integrate the activities of workers
3. It is an important function of organisation because if an organisation fails to coordinate activities, it will not survive.

**Conclusion:-** We can say that coordination is the thread that binds the whole organisation to achieve the organisational objectives.

## IMPORTANCE OF COORDINATION

1. **GROWTH IN SIZE:-** The need of coordination arises when the organisation grows in size. In large organisation a lot of workers are working having different objectives. Therefore their activities are to be integrated to achieve organisational goals.
2. **FUNCTIONAL DIFFERENTIATION:-** The organisation is divided in many departments and all the departments want to work independently. Thus coordination is needed to unite the efforts of all the departments to achieve the organisational objectives.
3. **SPECIALISATION:-** In modern organisations there is high degree of specialisation and the experts feel that they are the only persons who are qualified and they are able to take the right decision therefore coordination is needed to integrate their activities to achieve the common goal of the organisation.

### Multiple Choice questions

1. How does a manager want to achieve his objectives?  
(a) Efficiently (b) Effectively  
(c) Efficiently and effectively (d) None of the above
2. A manager obtains the required capital at 12% interest while the prevailing rate of interest happens to be 10%. How would you describe such a manager?  
(a) Efficient (b) Effective (c) Efficient and Effective (d) Inefficient
3. The objective of management is?  
(a) Personal (b) Social (c) Organisational (d) All of the above
4. By evaluating results what does management try to find out and then takes corrective action.  
(a) Profit (b) Loss (c) Deviations (d) None of these
5. In the context of business what does research refer to?  
(a) Finding out new products (b) Finding out new markets  
(c) Finding out new methods of distribution (d) All the above
6. What happens when the management of an organisation gets weakened?  
(a) Organisation progresses (b) Production increases  
(c) Profit increases (d) Organisation faces heavy loss
7. Which one of the following sequences of process of management is correct?  
(a) Planning, Controlling, Organising, Staffing  
(b) Staffing, Planning, Organising, Controlling  
(c) Planning, Organising, Staffing, Controlling  
(d) Organising, Planning, Staffing, Controlling
8. Management is:  
(a) An Activity (b) A process (c) Tradition (d) An Illusion
9. Management ensures:  
(a) Providing employment opportunities (b) Maintaining profit  
(c) Ensuring maximum utilisation of resources (d) Control on cost
10. Management is important because:  
(a) It helps in achieving group goals  
(b) It helps in development of society

(c) It increases efficiency

(d) All of the above

11. Which degree is essential to become a manager?

(a) B.Com. (b) M.Com.(c) M.B.A. (d) None of these

12. For which of following minimum qualification has not been prescribed?

(a) Manager (b) Doctor(c) Lawyer (d) Chartered Accountant

### CASE STUDY ---- MCQ

13. Arnan has recently started a business to sell computers. He hired a shop in Nehru Place in New Delhi, where he assembles various components to make computers and supplies them as per order. He performs a series of composite but separate functions simultaneously and ensures that computers are delivered in time as per orders. These functions are performed by all managers at all times.

The feature of management highlighted above is:

(a) Management is a continuous process.

(b) Management is pervasive.

(c) Management is dynamic.

(d) Management is a group activity.

Read the following text and answer question no. 14-16 on the basis of the same:

Ganesh Electronics Ltd. Manufactures washing machines, microwave oven and air conditioners. The company is facing a lot of problem these days. The company's margin is under pressure and the profits and market share are declining. The production department blames marketing for not meeting sales targets and marketing department blames production department for producing goods which are not of good quality meeting customers' expectations. The finance blames both production and marketing department declining return on investment and bad marketing.

14. What quality of management do you think company is lacking?

a) Planning            b) controlling            c) directing            d) Coordination

15. Which of the following characteristics of management is not fulfilled by the company?

a) Management is goal oriented process            b) Management is group activity

c) Management is an intangible force            d) Management is all pervasive

16. Why do these kinds of inter-departmental conflicts arise in organisation?

a) All the departments may have their own objectives, policies, and own style of working.

b) Each department is performing activity in isolation.

c) Barriers between departments becoming more rigid.

d) Both b and c

### Answers Key

1. (c), 2. (b), 3. (d), 4. (c), 5 (d), 6. (d), 7. (c), 8. (b), 9. (c), 10. (d), 11. (d), 12 (a). 13.(a)

14. (d) 15.(b), 16.(d)

### QUESTIONS WITH ANSWER

**Q1.** Is management a science? Explain.

Ans. Yes, Management is a science but not an exact science because of the following reasons:

**(i)Systematised body of knowledge.**

Like science, management has a systematic body of knowledge with its own theories and principles that have developed over a period of time. So, this feature of science is present in management.

**(ii)Principles based on observation and experimentation**

Like science, management principles are derived through observation and repeated experimentation. However since management deals with human beings the outcome of these experiments are not capable of being accurately predicted. So, this feature of science is not fully present in management.

**(iii)Universal validity.**

Principles of management, like principles of pure science, provide managers with certain standardised techniques that can be used in different situations. However, since the principles of management have to

be modified according to a given situation, their application and use is not universal. So, this feature of science is not fully present in management.

Conclusion: Therefore we can say that management is an inexact science.

**Q2.** Management seeks to achieve various objectives. Explain these objectives.

Ans. Management seeks to achieve various objectives. These are:

**(i) Organisational objectives:** The main objective of any organization should be to utilize human and material resources to the maximum possible advantage to fulfil the economic objectives of a business

(a) Survival- Management must strive to earn enough revenues to cover cost for the survival of the business.

(b) Profit- Management has to ensure that business earns profit which is essential for covering cost and risk of the business.

(c) Growth- Management must exploit fully the growth potential of the organization to remain in the industry.

**(ii) Social objectives:** It involves the creation of economic value for various constituents of society like using environmental friendly methods of production, etc.

**(iii) Personal objectives:** Management aims to reconcile personal goals with organizational objectives for harmony in the organisation.

**Q3.** Is management a profession? Explain.

Ans. Any body of knowledge that qualifies to become a profession must fulfil the following features:

(i) Well defined body of knowledge

(ii) Restricted entry

(iii) Professional association

(iv) Ethical code of conduct

(v) Service motive

On the basis of above features, it can be said that all the features of profession are not fully present in management:

**(i) Well defined body of knowledge:** The subject of management is taught at different institutions to provide management education.

So, this feature of profession is present in management.

**(ii) Restricted entry:** There is no restriction on anyone being appointed as a manager in any business enterprise.

So, presently this feature of profession is not present in management.

**(ii) Professional association:** There are several associations of practicing managers in India, like the AIMA, that have laid down a code of conduct to regulate the activities of their members, but, there is, however, no compulsion for managers to be members of such associations. So, presently this feature of profession is not fully present in management

**(iii) Ethical code of conduct**

AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code.

So, presently this feature of profession is not fully present in management.

**(iv) Service motive**

The basic purpose of management is to help the organisation achieve its goals by providing good quality products at reasonable prices, thereby, serving the society, is being increasingly recognized. So, presently this feature of profession is not fully present in management.

It can be concluded that management is not a full-fledged profession.

### **CASE STUDY**

**Q1.** Hema is one of the most successful managers of her company, 'Kobe Ltd'. She uses her creativity and initiative in handling challenging situations at work. The knowledge gained by her during her student days at a renowned management institute as well as through her observation and experience over the years is applied by Hema in a skilful manner in the context of the realities of a given situation. She often reads books and other literature in various fields of management to keep her knowledge updated.



(i) An aspect of the nature of management is being highlighted in the above description. Identify the aspect.

(ii) Explain any three features of the aspect identified in part (i).

Ans. (i) Management as an art.

(ii) Three features that establish it as an art are:

(a) Existence of theoretical knowledge.

As in art, in management too, there is a lot of literature available in various areas of management which the manager has to specialise in.

(b) Personalised application

Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner. This gives rise to different styles of management.

(c) Based on practice and creativity

Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective.

Q2. Das is the Managing Director of 'Gamut Ltd.' manufacturing different varieties of cheese. He has an efficient team working under him consisting of Rajat- the Production manager, Vinay – the Marketing manager and Adit – the Finance manager. They understand and interpret the policies made by Das, ensure that their departments have adequate manpower, assign them the necessary duties and motivate them to achieve the desired objectives.

State one more function other than those mentioned above, that this team may perform at the level they are working

Ans. The team is working at middle level and the function the team may perform other than those mentioned is-

Co-operate with other departments for smooth functioning of the organization.

Q3. Rishitosh Mukerjee has recently joined AMV Ltd, a company manufacturing refrigerators. He found that his department was under-staffed and other departments were not cooperating with his department for smooth functioning of the organization. Therefore, he ensured that his department has the required number of employees and its cooperation with other departments is improved.

(a) Identify the level at which Rishitosh Mukerjee was working.

(b) Also, state three more functions required to be performed by Rishitosh Mukerjee at this level.

Ans. Middle level

Functions required to be performed by Rishitosh Mukerjee:

1. To interpret the policies framed by the top management.
2. To ensure that their department has the necessary personnel.
3. To assign necessary duties and responsibilities to the employees of their respective departments for implementation of the plan.
4. To motivate employees of their respective departments to achieve the desired objectives.
5. To co-operate with other departments for smooth functioning of the organization.

## UNIT-2 PRINCIPLES OF MANAGEMENT

**PRINCIPLES OF MANAGEMENT** are general guidelines which directs the behavior of manager while taking decisions. They help managers to take and implement decisions.

### CHARACTERISTICS

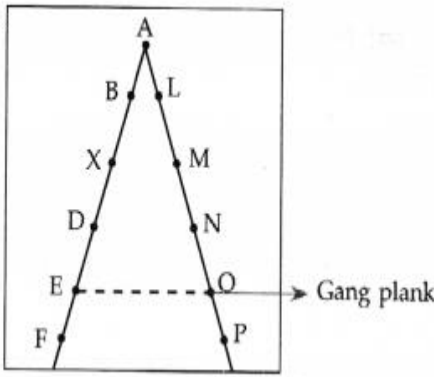
- 1) **Based on practice & experiments** – derived through experiments and deep observations.
- 2) **Contingent** - bases upon the given situation/conditions.
- 3) **Flexible** – can be modified as per need. They are not rigid.
- 4) **General Guidelines** – guides the behavior of a manager while taking decision.
- 5) **Universal Application** – can be applied in all kinds of organizations.

### IMPORTANCE/SIGNIFICANCE

- (1) Providing managers with **useful insights** into reality.
- (2) **Optimum utilization** of resource and effective administration.
- (3) Helps manager in taking **Scientific decisions**.
- (4) Helps in **Meeting the changing** environmental **requirements**.
- (5) Fulfilling **social responsibility**.
- (6) Management **training, education and research** which increases the knowledge of managers.

### PRINCIPLES OF MANAGEMENT by Henry Fayol

Principle	Meaning	Merits	Demerits
<b>Division of work</b>	Work should be divided into small and specialized tasks	Specialization, Efficiency	Lack of specialization and efficiency.
<b>Authority and Responsibility</b>	Authority= powers Responsibility=duty/obligation Both should go hand in hand.	No misuse of power, no delay	If $A > R$ ,Misuse $A < R$ overburdened
<b>Discipline</b>	Obedience to organizational rules and employees agreement.	Smooth & Systematic working, improve efficiency	Disobedience, unhealthy relation between management and employees.
<b>Unity of Command</b>	Orders and instructions should be received from one boss only i.e <b>One Head One Boss</b>	No confusion, clarity of work	confusion, ego clashes
<b>Unity of Direction</b>	There should be ' <b>ONE UNIT ONE PLAN</b> ' for the group of activities having same objectives	Facilitates coordination and unity of action.	Lacks coordination, wastage of resources
<b>Subordination of individual interest to general interest</b>	In case of conflicts, priority should be given to the Organizational interest over the individual interest.	Achievement of Organizational goal, coordination between employee and organization.	Organizational goals will not be achieved.

<b>Remuneration of employees</b>	Fair wages should be given to employees, at the same time, it should be as per the capacity of the employer.	Employees become motivated and devoted.	Increase in employee turnover.
<b>Centralization Decentralization</b>	There should be balance between Centralization and decentralization.	Benefits of both, fast decision making and control of top level.	Centralization- delay in work Decentralization – misuse of powers
<b>Scalar Chain</b>	Line of authority and communication should be followed strictly while passing information.  <b>EXCEPTION- Gang plank</b>  	Systematic flow, No communication gap, no confusion of dual order.	No clarity of Authority & Responsibility, communication gap.
<b>Order</b>	Men and material should be at the right place and at the right time. Orderly arrangement of <b>MEN &amp; MATERIAL</b>	No wastage of time, maximize efficiency.	Wastage of time & delay in work
<b>Equity</b>	Similar & unbiased treatment to employees of similar position.	Employee satisfaction & motivation	Increase in employee turnover.
<b>Stability of Personnel</b>	No frequent termination of employees i.e. job security	Efficiency , no wastage	Frustration , wastage
<b>Initiative</b>	Employees should be encouraged to give ideas & suggestions. At the same time they must observe discipline.	Develops feeling of belongingness, motivation, satisfaction	Demotivated, employee won't work up to best of their ability.
<b>Esprit De Corps</b>	Team spirit of Unity and harmony among the employees. <b>I</b> should be replaced by <b>WE</b>	Develops atmosphere of mutual trust.	Frustration, organizational goal won't be achieved.

### SCIENTIFIC PRINCIPLES OF MANAGEMENT BY F.W. TAYLOR

Knowing exactly what you want men to do and seeing that they do it in best and cheapest way.

(Applied in factory)

#### SCIENTIFIC PRINCIPLES OF MANAGEMENT

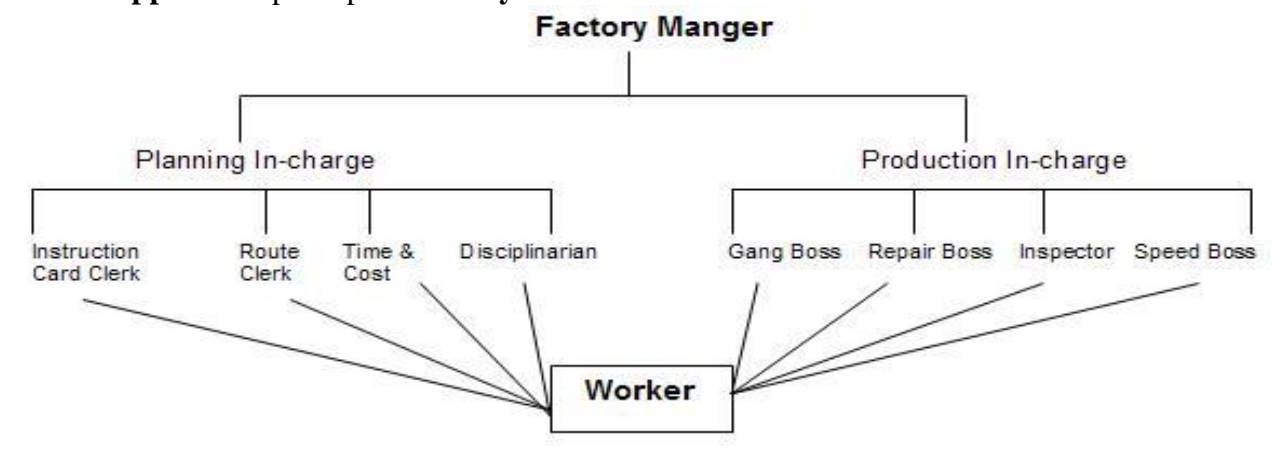
Principle	Meaning
<b>1) Science, not rule of thumb</b>	Taylor suggested there is only one best method to perform a task which should be develop through scientific study and should be replace the hit & trial method.

2) <b>Harmony not discord</b>	There should be complete harmony between the management and the workers. For this <b>Mental revolution</b> is required.
3) <b>Cooperation not individualism</b>	There should be complete cooperation between the management and the workers. <ul style="list-style-type: none"> <li>• Extension of harmony not discord</li> </ul>
4) <b>Development of workers to their greatest efficiency and prosperity</b>	<ul style="list-style-type: none"> <li>• Training of employees, due care while selection of employees.</li> <li>• Provide opportunities for the development of the workers.</li> </ul>

### SCIENTIFIC TECHNIQUES

1) **FUNCTIONAL FOREMANSHIP**-The task of supervision should be divided into 8 specialized functions.

- Out of which four foremen works under planning incharge and four foremen under production incharge.
- This is an **extension of principle of 'Division of Work'** and
- **Opposite** of principle of **'Unity of Command'**.



Planning Dept.	Production Dept.
a) <b>Route clerk</b> - specify the route of production. b) <b>Instruction card clerk</b> - Draft instructions for workers. c) <b>Time &amp; cost clerk</b> -prepare time &cost sheet d) <b>Disciplinarian</b> - Ensures discipline.	a) <b>Gang boss</b> - keep machines, tools ready for work. b) <b>Speed boss</b> - timely completion of job c) <b>Repair boss</b> -machines& tools' working condition d) <b>Inspector</b> -check the quality of work.

2) **STANDARDISATION & SIMPLIFICATION OF WORK-**

- **Standardization** means maintaining quality standard for everything (men, material, machines).
- **Simplification** means removing unnecessary varieties, size and types of products.

3) **WORK STUDY**- Emphasis on maximum production in minimum cost.

i) <b>Time study</b> - It determines standard time to be taken for completing a well define task. ii) <b>Method study</b> - To find out one best method of doing a particular job/task. iii) <b>Motion study</b> - Eliminates unnecessary motions to save time and increase efficiency. iv) <b>Fatigue study</b> - It seeks to determine the frequency and duration of rest intervals required by a worker.
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4) **DIFFERENTIAL PIECE WAGE SYSTEM**-Different wage rate for efficient and less efficient workers.

- It will give satisfaction to efficient worker and at the same time will motivate less efficient workers to perform well.

# **MENTAL REVOLUTION**-Change the mindset or attitudes of the management and the workers towards each other.

### MCQs

1	Principles of management are – a) Values of the organization b) General guidelines c) Techniques d) Part of pure science
2	Applications of principles of management – a) Is dependent on particular situation b) Establishes cause and effect relation c) Both a and b d) None
3	Principles of management are not – a) Universal b) Absolute c) Flexible d) Behavioral
4	Principles of management provide _____ decisions. a) Creative b) Production c) Scientific d) Administrative
5	How are management principles formed - a) In a laboratory b) From customers' experience c) By experience of managers d) By propagation of social scientists
6	The principles of management are significant because of – a) Increase in efficiency b) Optimum utilization of resources c) Initiative d) Adaptation of changing technology
7	F W Taylor was a _____ a) Mining engineer b) Management theorist c) Mechanical engineer d) Social scientist
8	Which of the foreman are not under planning in-charge – a) Time and cost clerk b) Gang boss c) Disciplinarian d) Route clerk
9	Which principle of scientific management advocates application of standardized techniques in performing business activities – a) Cooperation not individualism b) Harmony not discord c) Scientific selection of employees d) Science, not rule of thumb
10	This principle is against 'Dual Subordination' – a) Unity of direction b) Scalar chain c) Unity of command d) Division of Work

**Ans:-** 1) General guidelines 2) Both a and b 3) Absolute 4) Scientific 5) By experience of managers 6) Increase in efficiency 7) Mechanical engineer 8) Gang boss 9) Science, not rule of thumb 10) Unity of command

### Case Study Based MCQ

Laxmi opens a jewellery showroom in Delhi after completing a course in jewellery designing. She has employed eleven persons in her showroom. For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialized job. The sales persons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Laxmi as the final authority. In the earlier days of starting of the business, five of her employees were asked to put in extra hours of work. In return she had promised to give them a special incentive within a year. Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment. However, when it comes to setting the

conflicts among her employees, she tends to be more biased towards her female employees. In context of the above case:-

1. Identify the principle being applied by Radhika while assigning work. a) Unity of Command b) Science not rule of thumb	c) Division of Work d) Unity of Direction
2. Identify the principle of management which is being violated by Radhika. a) Discipline b) Order	c) Equity d) Remuneration
3. While taking decision related to discount which principle of management is being used. a) Scalar chain b) Order	c) Discipline d) Centralisation and Decentralisation
4. "She had promised to give them a special incentive within a year. Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honor her commitment". In the above statement identify the principle of management being followed by Laxmi? a) Scalar chain b) Order	c) Discipline d) Centralisation and Decentralisation
<b>Answers:-</b> 1) Division of Work 2) Equity 3) Centralisation and Decentralisation 4) Discipline	

### Match the following

<b>1. Match the technique of scientific management given under column B with the suitable statements under column A:-</b>	
<b>A</b>	<b>B</b>
1. One best way of doing job 2. Eliminates unnecessary diversity of products 3. Setting standards for business activities 4. Eliminates unnecessary movements	a. Simplification b. Standardisation c. Motion study d. Method study
<b>Ans. - 1.d 2.a 3.b 4.c</b>	
<b>2. Match the principles of management given under B with suitable statements given under A</b>	
<b>A</b>	<b>B</b>
1. Minimizing employee turnover 2. Kindness and justice in behaviour of managers. 3. Fair Pay and compensation to general interest 4. Priority of organizational interest over individual interest	a. Equity b. Fair Remuneration c. Subordination of individual d. Stability of tenure of personnel
<b>Ans. - 1.d 2.a 3.b 4.c</b>	
<b>3. Match the work performed by specialist foreman under functional foremanship given under A with the job assigned to them under B</b>	
<b>A</b>	<b>B</b>
1. Draft instructions to workers 2. Check quality of work 3. Ensures proper working condition of tools and machines 4. Ensures discipline	a. Disciplinarian b. Repair boss c. Instruction card clerk d. Inspector
<b>Ans. - 1.c 2.d 3.b 4. A</b>	
<b>4. Match the principles of management given under B with suitable statements given under A.</b>	
<b>A</b>	<b>B</b>
1. One head for one plan 2. Use of We instead of I 3. Similar wages for similar jobs 4. Right place for resources	a. Order b. Equity c. Unity of direction d. Esprit De Corps
<b>Ans. - 1.c, 2.d, 3.b, 4.a</b>	
<b>5. Match the statements given under A with the correct options given under B.</b>	
<b>A</b>	<b>B</b>
1. Scientific principles of management 2. General principles of management 3. Functional Foremanship 4. Rest Intervals in job	a. Fatigue study b. Technique of Taylor c. Fayol d. Taylor
<b>Ans. - 1.d, 2.c, 3.b, 4.a</b>	



## Long Answers Type Questions

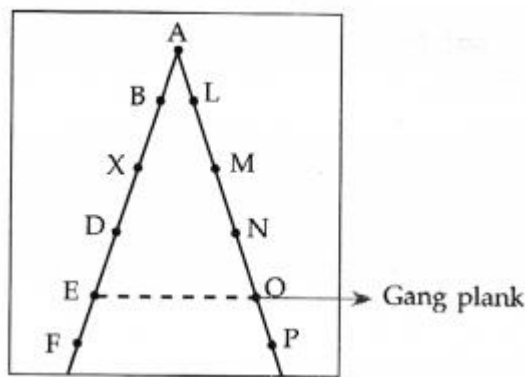
**Q1.** Explain 'unity of command' and 'discipline' as principles of general management.

**Ans. Unity of command:** According to Fayol, there should be one and only one boss for every individual employee. Dual subordination should be avoided. Fayol felt that if this principle is violated "authority is undermined, discipline is in jeopardy, order disturbed and stability threatened".

**Discipline:** Discipline refers to the obedience to organizational rules and employment agreement which are necessary for the working of the organization. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. .

**Q2.** Explain 'Scalar chain' as principle of management.

**Ans:Scalar chain:** According to Fayol the formal lines of authority from highest to lowest ranks are known as scalar chain. He suggests that the, "organizations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates." However in order to ensure speedy communication during emergencies, Gang Plank is a shorter route that has been provided. However, the superior has to be informed later on.



**Q3.** Hina and Harish are typists in a company having the same educational qualifications. Hina gets Rs.3,000 per month and Harish gets Rs.4,000 per month as salaries for the same working hours. Which principle of management is being violated in this case? Name and explain the principle.

**Ans:** The principle of Equity has been violated in this case. It emphasizes kindness and justice in the behavior of managers towards workers. No discrimination should be made by them on the basis of caste, creed, and gender or otherwise.

## CASE STUDY

**Q4.** Hritik is desirous of setting up a small factory to manufacture different kinds of eco-friendly packaging materials. He proposes to adopt a logical approach to his business rather than hit and trial method as he knows that this can result in tremendous saving of human energy as well as wastage of time and materials. He plans to adopt paternalistic style of management in practice to avoid any kind of class-conflict that may emerge between him and the workers. Moreover, he plans to seek the opinion of his workers before taking any important decisions and also offers incentives to them for providing valuable suggestions for the business. In context of the above case:

- a) Identify and explain the various principle of scientific management that Hritik plans to apply in his business.

**Ans.** The various principle of scientific management that Hritik plans to apply in his business are described below:

- Science, not Rule of Thumb:
- Harmony, Not Discord:
- Cooperation, Not Individualism:

**Q5.**Gaurika has been appointed as the chief organizer of a weeklong cultural event. Being a staunch follower of scientific management, she decides to execute her work by putting into practice the various techniques of scientific management. On the basis of several observations, she is able to determine that the standard time taken by the security officer at the gate to check the credentials of each visitor is 30

seconds. So she decides to employ two persons on this job for every function along with the other necessary support staff. She considers the fact that every day, the functions will take place in three shifts of four hours each, therefore it is important to give breaks to the support staff even in a single shift to take her/his lunch etc. Moreover, on introspection, she determines that the best way to distribute refreshment boxes to the visitors will be to hand it over to them at the exit gate as it would help to save time and eliminate any kind of confusion. In the context of the above case:

a) Identify and explain the various techniques of work study which have been put into practice by Gaurika.

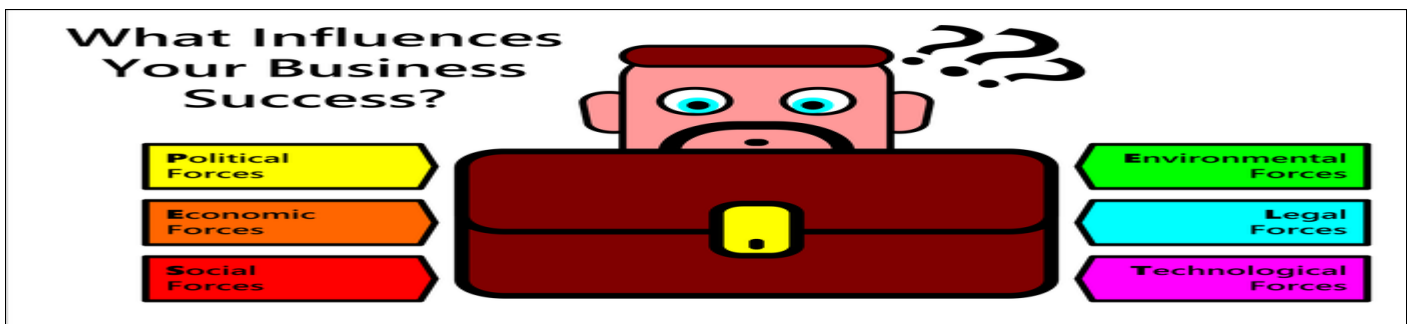
**Ans:** - The various techniques of work study which have been put into practice by Gaurika are outlined below:

- Time Study:
- Fatigue Study:
- Method Study:

## UNIT 3: BUSINESS ENVIRONMENT

### Topics Deleted by CBSE for AISSCE 2020-21 from this chapter

- Demonetisation: Concept
- Impact of Government Policy changes on business with special reference to liberalization, privatization and globalization in India.



### SUMMARY

#### Meaning of Business Environment

The term 'business environment' means the sum total of all 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:** It is a sum total of all the forces external to business firms.
- 2. Specific and general forces:** consists of both specific forces such as investors, customers, competitors and suppliers which affect individual enterprises directly and immediately in their day-to-day working and general forces such as social, political, legal and technological conditions which have impact on all business enterprises and thus may affect an individual firm only indirectly.
- 3. Inter-relatedness:** All the elements of business environment are closely interrelated.
- 4. Dynamic Nature:** It is dynamic in nature and keeps on changing due to technological up gradations, shifts in consumer preferences or increase in competition in the market.
- 5. Uncertainty:** It is highly uncertain as it is not always possible to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
- 6. Complexity:** It is complex in nature as it is relatively easier to understand in parts
- 7. Relativity:** It is a relative concept since it differs from country to country and even region to region.

#### Importance of business environment

- (1) It enables the firm to **identify opportunities** and **getting the first mover advantage:** It enables the firm to identify opportunities and getting the first mover advantage instead of losing them to its competitors.
- (2) It helps the firm to **identify threats** and early **warning signals:** It helps the firm to identify threats and

early warning signals which are likely to hinder a firm's performance and take timely actions.

(3) It helps in **tapping useful resources**: It helps in tapping useful resources as the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires.

(4) It helps in **coping with rapid changes**: It helps in coping with rapid changes as the managers are able to understand and examine the environment and develop appropriate courses of action.

(5) It helps in **assisting in planning and policy formulation**: It helps in assisting in planning and policy formulation as its understanding and analysis can be the basis for deciding the future course of action or decision making.

(6) It helps in **improving performance**: It helps in improving performance of an enterprise through continuous monitoring of the environment and adopting suitable business practices which help to improve both their present and future performance.

### **Elements or Dimensions of Business Environment**

**Dimensions of the business environment include economic, social, technological, political and legal conditions which are considered relevant for decision-making and improving the performance of an enterprise.**

#### **1. Economic Environment**

Economic Environment comprises of factors that can affect management practices in a business enterprise. It includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc

#### **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.

**MCQ**

1. Even though the political conditions vary from country to country, they impact the sentiment of an investor in the business, if the instability of the political conditions cause uncertainty and make it difficult for him to predict the future. Which feature of the Business Environment is being highlighted in the above statement? a. Specific and General forces b. Dynamic nature c. Relativity d. All the above	1
2. “The increase in the demand for many Ayurvedic medicines, Health products and services in the past few months, is related to the need for building immunity and an increased awareness for health care due to the spread of Corona virus.” Identify the feature of Business Environment being described above: a. Specific and General forces b. Interrelatedness c. Relativity d. None of the above	1
3. Which environment prohibits the advertisement of alcoholic beverages? a. Social Environment b. Technological c. Political Environment d. Legal Environment	1
4. “ Even after opening up of the Indian Economy in 1991 foreign companies found it extremely difficult to cut through the bureaucratic red tape to get permits for doing business in India, which created a negative impact on business.” Identify the dimension of the business environment which led to creation of the negative impact on business a. Social Environment b. Technological c. Political Environment d. Legal Environment	1
5. Which of the following is not an element of social environment? a. Birth and Death Rate b. Constitution of the country c. Population Shifts d. Life Expectancy	1
6. 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? a. Social Environment b. Technological c. Political Environment d. Legal Environment	1
7. “ It may be difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on change in demand of a product in the market.” Which feature of business environment is highlighted by this point? a. Specific and General forces b. Interrelatedness c. Relativity d. Complex	1

**CASE STUDY MCQ**

Read the following text and answer question no. 8-10 on the basis of the same:  
Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical free vegetables. They conducted a survey to find out consumer preferences for such vegetables. They found that most

of the consumers were concerned about the harmful chemicals being used in growing the vegetables. They found out that 90% of the households were searching for alternatives. The company contacted a group of agricultural experts to lay down the procedure for growing the vegetables by the farmers. They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods. The experts also suggested soil management techniques through which farmers would be able to create an abundant and lasting harvest.	
8. “They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods.” Which dimension of business environment is highlighted in the above statement? a. Legal Environment b. Technological Environment c. Political Environment d. Economic Environment	1
9. “Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical free vegetables. They conducted a survey to find out consumer preferences for such vegetables.” The above statement highlights one of the importance of scanning business environment. Identify it. a. Identify opportunities and getting the first mover advantage. b. Identify threats and early warning signals. c. Improving performance. d. None of the above	1
10. “They found out that 90% of the households were searching for alternatives.” Which feature of business environment is highlighted here? a. Complexity b. Uncertainty c. Interrelatedness d. None of the above.	1
ANSWERS: 1. d, 2.b, 3.d, 4.c, 5.b, 6.d, 7.d, 8.b, 9. a, 10 c	
<b>Short Answer Questions (3-4 marks)</b>	
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	3
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’.	3
Akshat is running an ice cream parlour in a local market. Keeping in mind the changing perceptions about health among the people, one of his employee Yashraj suggests to him that they should introduce a range a flavoured yogurt. Akshat accepts his suggestion, as a result both the image and the profitability of his business increases. In the context of the above case: a) Identify the feature of management which is being highlighted. b) State the related dimension of the business environment. c) Name and explain the related principle of general management.  Ans. a) The feature of management which is being highlighted is Dynamic.	3



<p>b) The related dimension of the business environment is Social. c) The related principle of general management is Initiative.</p>	
<p>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 subjects also. Identify and quote the lines from above para which highlight the significance of understanding business environment.</p> <p>Ans. “Comes to India to start a new business ... launches a new product in e-learning for Senior secondary school students in Commerce stream.”</p> <p>a) It helps in assisting in planning and policy formulation. b) It helps the firm to identify opportunities and get the first mover advantage.</p> <p>“His business starts flourishing in India.”</p> <p>a) It helps in improving performance.</p> <p>“Now more Indian companies entered into the market with different subjects also.”</p> <p>a) It helps the firm to identify threats and early warning signals.</p>	4
<p>Kapil Sharma is working as the Country Head of a company which owns a chain of malls under the name of ‘phoenix’ in the various parts of India. Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer’s convenience. Hence, malls will have to provide much more than shopping to be able to attract customers. So, he recommends that ‘phoenix’ malls should to be restructured into recreation centres, offering more spaces to socialize, host events and concerts, and provide ample Food and Beverages options. Consequently the share of entertainment segment and Beverages segment in the overall mall space is increased by 20%. As a result, the company gains enormously by getting the first mover advantage. In context of the above case: a) Define the term “Business Environment”. b) Explain the terms “Threats” and “Opportunities” by quoting lines from the paragraph.</p> <p>Ans.</p> <p>a) The term “Business Environment” means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.</p> <p>b) i) The term “threats” refers to the external environment, trends and changes that will hinder a firm’s performance.</p> <p>“Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer’s convenience.Hence, malls will have to provide much more than shopping to be able to attract customers.”</p> <p>ii) The term “opportunities” refers to the positive external or changes that will help a firm to improve its performance.</p> <p>“As a result, the company gains enormously by getting the first mover advantage.”</p>	4

<p>Just after declaration of Demonetization of Rs 500 and Rs 1000 notes the economy of the nation was hit strongly. There was a death of currency in the entire nation which further led to online(cashless) transactions bringing transparency in the operations.</p> <p>Identify the dimensions of the Business environment discussed.</p> <p>Ans:</p> <p>a) Political environment b) Economical environment c) Legal environment d) Technological environment</p>	4
<p>Identify the dimension of business environment in the following cases :</p> <p>a) Replacing old machinery with new one to meet the requirements of pollution control regulations. b) Demand for home loans decreased due to increase in interest rates c) HCL has opened various institutions to provide education to lesser privileged children. d) Various foreign companies are planning to establish business in India because the government has allowed 100% foreign direct investment (FDI) in retail trade.</p> <p>Ans.</p> <p>a) Legal Environment. b) Economic Environment. c) Social Environment. d) Political Environment.</p>	4
<b>LONG ANSWER QUESTIONS(6 MARKS)</b>	
<p>Karodimal ltd. manufactures fashionable and designer clothes. Recently it finds that 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.</p> <p>a) Identify any two features a business environment by quoting the lines from the above case. b) At which level of management the meeting of managers in Karodimal Ltd. was held. c) Identify any two impacts of government policy changes on business, quoting lines from the above case. d) State the importance of understanding of environment by business managers in the light of the above para.</p> <p>Ans</p> <p>(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.</p> <p>(b) Top level management 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 analyze the market first to identify</p>	6

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.	
<p>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 four points why in the present day competitive market, it is essential for a business enterprise to remain alert and aware of its environment.</p> <p>Ans.</p> <p>Importance of business environment:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	6
<p>‘Konark Ltd.’ is an electric goods manufacturing enterprises situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, ‘Nova Ltd.’ situated in Mumbai. Both Konark’s and Nova’s operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.</p> <p>(a) Identify and state the feature of the concept discussed in the above paragraph. (b) Also, state any four points of importance of this concept.</p> <p>Ans:</p> <p>Specific and General Forces Business Environment includes both specific and general forces. Specific forces affect individual enterprises directly and immediately in their day-to-day working. General forces have impact on all business enterprises and thus may affect an individual firm only indirectly.</p> <p>(b) Importance of business environment: (Any four)</p> <ol style="list-style-type: none"> <li>(i) It helps to identify opportunities and getting the first mover advantage instead of losing them to the competitors.</li> <li>(ii) It helps to identify threats on time which serves as an early warning signal.</li> <li>(iii) It helps in tapping useful resources so that it can convert them into output that the environment desires.</li> <li>(iv) It helps in coping with rapid changes</li> </ol>	6
<p>Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India. It focuses on job creation and skill enhancement and is in twenty five sectors of the economy. Under the initiative, brochures on these sectors and a web portal were released. The initiative aims at high quality standards and minimizing the impact on the environment. It also seeks to attract foreign capital investment in India.</p> <p>In context of the above case: Identify and explain the various dimensions of business environment being referred to by quoting lines from the paragraph.</p> <p>Ans.</p> <p>The various dimensions of business environment being referred to in the above case are as follows:</p> <ol style="list-style-type: none"> <li>a) Political Environment</li> <li>b) Technological Environment</li> <li>c) Economic Environment</li> </ol>	6
<b>Multi-Disciplinary Questions</b>	
Beni, after completing her MBA, took up a job a multinational company named ‘Fortio’. The	6

company was paying good salary and perks to its employees. The wages were within the paying capacity of the company that provided the employees a reasonable standard of living. The company also had a good work-culture and the behaviours of superiors was very good towards their subordinates. Beni was very happy in this organization, but due to long working hours she did not have time to cook her meals. She had to depend on outside food, which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of workingwomen and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office goers at a reasonable price. At the end of the day she also distributed the left-over food in the nearby night-shelters.

1. State the dimension of business environment being discussed above and quote the lines.
2. State and explain the principle of management being followed by 'Fortio' and quote the lines from the above paragraph.

Ans:

1. Social environment which includes social forces like customs and traditions, values trends etc.

'this was because of increase in the number of working women and non-availability of hygienic home-cooked food.'

2. Remuneration of employees, which states that the overall pay and compensation should be fair to both employees and the organization.

'The company was paying good salary and perks to its employees. The wages were within the paying capacity...standard of living.'

# UNIT 4

## PLANNING

Deleted Topics from this chapter for session 2020-21 (due to pandemic situation):

### 1. Types of Plans



1. **Meaning of Planning:** Planning is deciding in advance “**what to do**” and “**how to do**”.

“Planning **bridges** the gap between where we are? and where we want to go?”



Thus, Planning bridges the gap between Where we are and where we want to go.

### **Features of Planning:**

#### (i) Planning focuses on achieving objectives

- In planning first of all objectives/goals of the organization are set (decided).
- Then plans are made to achieve these objectives.
- So planning is ‘purposeful’.
- Planning is done with the purpose of achieving objectives of organization.

#### (ii) Planning is the primary function of management

- Planning becomes the base/basis for all other functions of management.
- If planning is not done, no other function i.e., organizing, staffing, directing and controlling can be performed.
- Planning precedes other functions.

#### (iii) Planning is pervasive

- Planning is required at all levels of management.
- Top level management plans for the organization as a whole.
- Middle level management plans for their own departments.
- Lower level management (supervisors) plans day-to-day activities of the workers.

#### (iv) Planning is continuous

- Plans are prepared for a specific time i.e., maybe for a month or three months or a year.
- After that again new plans are prepared depending on future conditions and this goes on.

**(v) Planning is futuristic**

- Planning is always done for future, not for the past.
- Therefore, planning is a “forward looking function”.
- While planning, managers try to predict/anticipate the future events and conditions and prepare the plans accordingly.

**(vi) Planning involves decision making**

- While planning, managers think of various alternatives available to achieve the goals.
- Then after evaluating all the alternatives, managers decide and choose the best alternative.
- If there are no alternatives (choice) then there is no need for planning.

**(vii) Planning is a mental exercise**

- Planning is thinking in advance “what to do” and “how to do”.
- So it is an intellectual activity of thinking rather than doing.
- Logical thinking skills are required for planning rather than guesswork.

**Importance/Benefits of Planning:**

**(i) Planning provides direction**

- While planning, managers decide in advance “how work is to be done”.
- So it gives direction for action.
- While planning, it is decided “who will do what work and how” to achieve organizational goals.
- So all the departments and individuals are able to work in coordination.

**(ii) Planning reduces the risk of uncertainty**

- Future is always uncertain.
- Planning helps the managers to reduce the risks involved in the uncertain future as while planning managers try to predict/anticipate future conditions and prepare plans accordingly.

**(iii) Planning reduces overlapping and wasteful activities**

- Planning ensures clarity in thought and action.
- It helps in avoiding confusion and misunderstanding.
- So it becomes easy to coordinate the activities of all the departments and individuals.

**(iv) Planning promotes innovative ideas**

- Planning involves a lot of thinking.
- So it brings out a lot of innovative and creative ideas from managers.

**(v) Planning facilitates decision making**



- While planning, managers think of various alternatives available to achieve the goals.
- Then after evaluating all the alternatives, managers decide and choose the best alternative.
- If there are no alternatives (if there is no choice), then there is no need for planning.

**(vi) Planning establishes standards for controlling**

- While planning, the standards (goals to be achieved) are set (decided).
- If these standards are not set, then the controlling function cannot be performed.
- Because in controlling function, managers try to find out whether the actual performance of employees is as per the standards set or not.

**Limitations of Planning:**

Planning is very important for all business organizations but sometimes planning might fail in spite of the best efforts of the management due to the following major limitations of planning:

**(i) Planning leads to rigidity**

- Sometimes after preparing plans, managers may not be in a position to change these.
- But following a predetermined plan when the conditions and situations have changed, may not be good for any organization.

**(ii) Planning may not work in dynamic environment**

- The business environment in which any organization works is very dynamic (keeps changing).
- So plans may fail where the situations and conditions keep changing frequently.

**(iii) Planning reduces creativity**

- Planning is usually done by the managers and the rest of the employees (subordinates) just follow the plans.
- So it reduces the creativity and initiative of most of the employees of the organization.

**(iv) Planning involves huge cost**

- Planning involves huge expenses on Board meetings and discussions with professional experts etc.
- Sometimes these expenses/costs may be more than the benefits derived from planning.

**(v) Planning is time-consuming process**

- Sometimes preparing plans takes a lot of time, so less time is left for putting these plans into action to achieve the goals of organization.

**(vi) Planning does not guarantee success**

- Most of the time managers rely (depend) on previously tested and tried plans.
- But due to continuous changes in the business environment these pre-determined plans may not work successfully again and again.

## **Planning Process:**

### **(i) Setting objectives**

- The first and foremost step in planning is setting objectives (goals).
- Objectives specify (tell) what organization wants to achieve.
- The whole planning is done to achieve these objectives.
- Overall objectives of organization are usually set (decided) by top level management.
- Different departments may set the objective of their own departments.

### **(ii) Developing premises**

- Planning is done for future and future is always uncertain.
- So managers make certain assumptions about future and prepare plans accordingly.
- These assumptions are called 'Planning Premises'.
- 'Forecasting' is important in developing premises.

### **(iii) Identifying alternative courses of action**

- There may be many alternatives (ways) to achieve objectives.
- All the alternative courses of action should be identified and listed.

### **(iv) Evaluating alternative courses**

- The positive and negative aspects of all the alternative courses of action need to be Evaluated.
- Alternatives are evaluated considering their feasibility and consequences.

### **(v) Selecting an alternative**

- **This is the real point of decision making.**
- The best alternative is selected.
- The best alternative is the one that is most feasible, profitable and with least negative consequences.

### **(vi) Implementing the plan**

- This step is concerned with '**putting the plan into action**' ie doing what is required.

### **(vii) Follow up action**

- In this step, managers ensure whether the activities are being performed according to the plans or not.
- Monitoring of plans is done to ensure that the objectives of the organization are achieved.

## **MCQ**

Q.1 ..... is a process of decision making.

- a). Planning                      b). Organising                      c). Directing                      d).Controlling.

Q.2. .... is the step in the planning process where other managerial functions also come into the picture.

- a). Evaluating alternative courses                      b). Selecting an alternative  
c). Implementing the plan                      d). Following the action

A.. Implementing the plan

Q.3. While formulating a plan, the manager is required to make certain assumptions about the future. What are these assumptions called?

- a) Planning premises    b).deviation                      c). standard                      d). none of these



Ques. Explain the following as significance of planning function of management: (3m)

- a) Planning provides direction.
- b) Planning reduces the risk of uncertainty.
- c) Planning establishes standards for controlling.

Ans. Explain these three points from notes.

Ques. Explain the following as limitations of planning: (3m)

- a) Planning leads to rigidity.
- b) Planning involves huge costs.
- c) Planning does not guarantee success.

Ans. Explain these three points from notes.

Ques. Mega ltd holds an Annual Management Program every year in the month of March in which the top managerial personnel formulate plans for the next year by analyzing and predicting the future to meet future events effectively

As they are responsible for providing direction to the organization, facts are thoroughly checked using scientific calculations. Detailed plans are prepared after discussion with professional experts. Preliminary investigations are also undertaken to find out the viability of the plan. Since it is an intellectual activity requiring intelligent imagination and sound judgment so it is mainly done by the top management. Usually rest of the members just implement the plan. Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own. The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them.

State any two limitations and any two features of planning discussed above. (4m)

Ans. Two limitations of planning discussed above are:

- (i) Planning reduces creativity: Explain
- (ii) Planning involves huge costs: Explain

Two features of planning discussed above are:

- (i) Planning is futuristic: Explain
- (ii) Planning is a mental exercise:

Ques. Explain any three points of importance of planning function of management.

OR

Ques. Explain any three limitations of planning function of management. (3m)

Ques. Saurabh Jain set up a telecom business in Nasik 'Ketone' with an ambitious target of reaching out to 90% of the Indian population within one year. He chose this business on the belief that the demand for data services will increase 4 times within the next 2-3 years.

To fulfill such an ambitious target, he had to either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition.

He assessed the proposals of different companies vis-a-vis earnings per share, taxes, dividends paid etc. and their future projections knowing fully well that the projections may change if the country's economic policies get modified.

The above paragraph discusses some of the steps for one of the functions of management. By quoting the lines from the above paragraph, explain these steps in chronological order. (6m)

Ans. The steps discussed in the above case are:

(i) Setting objectives

Line - “ Sorry I’m done set up a telecom business ..... within one year”

Also explain this point.

(ii) Developing premises

Line - “ He chose this business ..... within the next 23 years

Also explain this point

(iii) Identifying alternative courses of action

Line - “ To fulfill such an ambitious target he had to ..... in the light of tough competition”

Also explain this point

(iv) Evaluating alternative courses

Line - “ He processed the proposals of different companies ..... economic policies get modified”

Also explain this point

## UNIT 5 Organising

DELETED TOPIC: Formal and informal organisation- concept

### Meaning of Organising

Organising can be defined as a process that initiates implementation of plans by clarifying jobs, working relationships and effectively deploying resources for attainment of identified and desired results.

Organising as a function of management leads to—

- Creation of organisational structure with suitable personnel.
- Designing specific roles to eliminate ambiguity.
- Defining inter-relationship among personnel for productive cooperation.
- Clarifying authority and responsibility for results and logical grouping of activities.

### Organising process

Steps Involved in the Process of Organising

1. **Identification and division of work** : Under this step, the total work is divided into various activities, i.e. purchase of raw material, production, stocking of goods, research, advertisement, sales etc.
2. **Departmentalisation** The activities of the same nature are grouped together and assigned to a particular department. It is known as grouping, for e.g., advertisement and sales can be given to the marketing department.
3. **Assignment of duties.** At this stage, the responsibility of each individual or post is decided. For e.g., the purchase manager will be given the task of purchasing goods, the sales manager will be given the work of sale of goods etc. while assigning duties, it is important to match nature of the work and the capabilities of the person to whom the work is given.
4. **Establishing reporting relations.** Each individual should also know from whom he has to take orders and to whom he is accountable. It helps in coordination among various departments.

### Importance of Organising

1. **Benefits of specialization:** In organizing every individual is assigned a part of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialisation which in turn leads to efficient & speedy performance of tasks.
2. **Clarity in working relationship:** It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job.
3. **Effective Administration:** It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results in effective administration.
4. **Optimum utilization of resources:** The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.
5. **Adoption to Change:** A properly designed organizational structure is flexible which facilitates adjustment to changes in workload caused by change in external environment related to technology, products, resources and markets.

### Organizational Structure

Organisational structure refers to that specific pattern of relationship which is created during organising process..

### TYPES OF ORGANISATION STRUCTURE

(A) **Functional Structure:** In functional structure activities are grouped and departments are created on the basis of specific functions to be performed.

For example, all the jobs related to production are grouped under production department, sales activities are grouped under sales department etc.

### **Suitability**

- (1) Large organizations producing one line of product.
- (2) Organizations which require high degree of functional specialization with diversified activities.

### **Advantages:**

1. **Specialisation:** Better division of labour takes place which results in specialization of functions and its consequent benefits.
2. **Coordination is established:** All the persons working within a department are specialists of their respective jobs. It makes the co-ordination easier at departmental level.
3. **Helps in increasing managerial efficiency:** Managers of one department perform same type of function again and again which makes them specialized and improves their efficiency.
4. **Minimises cost:** It leads to minimum duplication of efforts which results in economies of scale and thus lowers cost.

### **Disadvantages:**

1. **Ignorance of organizational objectives:** Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organizational objectives suffer.
2. **Difficulty in Inter-Departmental Coordination:** All departmental heads work as per their own wishes which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
3. **Hurdle in complete development of employees:** because each employee specializes only in a small part of the whole job.

### **(B) Divisional Structure**

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organization structure.

### **Suitability:**

1. For the enterprises where large varieties of products are manufactured using different productive resources. (Multi-product) Example- Tata, Reliance.
2. When an organisation grows and needs to add more employees, more departments or introduce new level of management.

### **Advantages**

1. **Quick decision-making:** Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
2. **Divisional results can be assessed:** Divisional results (profit/loss) can be assessed easily. On this basis any unprofitable division can be closed.
3. **Growth and Expansion:** It facilitates growth and expansion as new divisions can be added without disturbing existing departments.

### **Disadvantages**

1. **Conflicts** among different divisions on allocation of resources.
2. **Duplicity of Functions:** Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions & increases cost.
3. **Selfish Attitude:** Every division tries to display better performance and sometimes even at the cost of other divisions. This shows their selfish.

### **Delegation of Authority**

**Meaning:** It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper performance of the assigned tasks. To make sure that his subordinates perform all the works effectively and efficiently in expected manner the manager creates accountability.

### **Process/Elements of Delegation**

1. **Authority:** The power of taking decisions in order to guide the activities of others. Authority is that power which influences the conduct of others.



2. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, it becomes the responsibility of the subordinates to carry it out.
3. **Accountability:** When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

### **Importance of the Delegation of Authority**

1. **Reduction of Executives' work load:** It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
2. **Employee development:** Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. **Quick and better decision are possible:** The subordinates are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. **High Morale of subordinates:** Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. **Better coordination:** The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answerability related to various job post.

### **Decentralisation**

It is defined as even and systematic distribution of authority at every level and all departments of management. Under this, the authority is transferred to the level where it is to be exercised, so the number of centres for taking decisions' increases.

#### **'Decentralisation' is an extension of delegation.**

Centralization and Decentralization: represents the pattern of authority among managers at different levels. Centralisation of authority means concentration of power of decision making in a few hands. In such an organization very little authority is delegated to managers at middle and lower levels. No organization can be completely centralized or decentralized. They exist together and there is a need for a balance between the two. As the organization grows in size, there is tendency to move towards decentralization. Thus, every organization is characterized by both.

### **Importance of Decentralisation**

1. **Develops initiative amongst subordinates:** It helps to promote confidence because the subordinates are given freedom to take their own decisions.
2. **Quick and better decisions:** The burden of managerial decisions does not lie in the hands of few individuals but gets divided amongst various persons which helps them to take better and quick decisions.
3. **Relieves the top executives from excess workload:** The daily managerial works are assigned to the subordinates which leaves enough time with the superiors which they can utilize in developing new strategies.
4. **Managerial Development:** It means giving authority to the subordinates upto the lower level to take decisions regarding their work. In this way the opportunity to take decisions helps in the development of the organization.
5. **Better Control:** It makes it possible to evaluate performance at each level which results in complete control overall the activities.

### **Multiple choice questions.**

Q.1. Which of the following importance of organising reduces the workload as well as enhances productivity?

- a) clarity in working relationship.
- b) Benefits of specialisation
- c) Adaptation to change.
- d) Effective administration.

2. Which of the following is not the benefit of organising?

- a) Clarity in working relationship.

- b) Adaptation to change.
  - c) Expansion and growth.
  - d) Identification and obtaining competitive personnel.
3. Which type of organisational structure? Is the most suitable when the size of organisation is large and producing one line of product?
- a) Functional.
  - b) Divisional.
  - c) Both a and b.
  - d) none.
4. Which of the following is the disadvantage of divisional structure?
- a) Conflict may rise among different division with reference to allocation of fund.
  - b) More Emphasis on departmental objective.
  - c) Leads to interdepartmental conflict
  - d) Leads to inflexibility.
5. Which type of organisational structure is the most suitable for those business enterprises where a large variety of product are manufactured?
- a) Functional.
  - b) Divisional.
  - c) Both a and b.
  - d) None.
6. \_\_\_\_\_ gives the shape to the organisational structure.
- a) Extent of delegation.
  - b) Span of management.
  - c) Number of employees
  - d) Planning.
7. \_\_\_\_\_ Is the obligation of a subordinate to perform the assigned duty The assigned duty.
- a) Authority
  - b) Responsibility
  - c) Accountability.
  - d) None
8. An organisation is \_\_\_\_\_  
When decision-making authority is retained by higher management levels.
- a) Centralised.
  - b) Decentralised.
  - c) Both A and be.
  - d) None.
9. Which of the following Importance of delegation establishes superior subordinate relationship?
- a) Development.
  - b) Facilitation of growth.
  - c) Motivation of Employees
  - d) Basis of management hierarchy
10. Which of the following us an advantage of functional structure?
- a) Leads to occupational specialisation.
  - b) Promotes control and coordination within a department.
  - c) helps in increasing managerial and operational efficiency.
  - d) All of the above.

### **Case Study MCQ**

Read the following text and answer question no. 11-13 on the basis of the same:

A company XYZ Ltd. Manufacturing cosmetics, Which has enjoyed a pro-eminent position in business, has grown in size. Its business was very good till 1991. But after that a new liberalised environment has seen entry of many MNC's in the sector. With the result the market share of XYZ Ltd. Declined. The company has followed a very centralised business

model with Directors and Divisional heads making even minor decisions. Before 1991 this business model has served the company very well as consumers had no choice. But now the company is under pressure to reform.

11. Which Organisation structure is suitable for company XYZ Ltd.

a) Functional structure    b) Divisional structure    c) Formal structure    d) Informal structure

12. What changes should the company bring about in order to retain in the market.

a) It should adopt Functional structure    b) It should adopt Divisional structure

c) It should adopt Centralisation    d) It should adopt Decentralisation

13. ....explains the manner in which decision making responsibilities are decided among hierarchical levels.

a) Delegation    b) Decentralisation    c) Authority    d) accountability

**Answers:1.b 2.d 3.a 4.a 5.b 6.b 7.b 8.a 9.d 10.d 11. a 12.d 13.b**

### **Questions answers**

Q.1. Define organising

Ans refer to summary

Q.2. Give the meaning of Organising as a process.

Ans refer to summary

Q.3. Define Organising as a structure.

Ans refer to summary

Q.4. To make the Sports Day of the school successful, the principal of the school divided all the activities into task groups each dealing with a specific area like holding of events, arrangement of medals, refreshments etc. Each group was placed under the overall supervision of a senior teacher. The physical education teacher was made responsible for holding different events, the home science teacher for refreshments and maths teacher for result analysis and medals.

Identify the function of management performed by the Principal in doing so.

Ans. Organising

Q.4. What is meant by functional structure of an organisation.?

Ans. Functional structure is a structure formed by grouping of jobs of similar nature according to functions and organising these major functions as separate departments like purchase, sale, finance etc.

Q.5. Name the type of organisational structure which promotes efficiency in utilization of manpower.

Ans. Functional structure

Q.6. Identify a suitable organisation structure for a large scale organisation, having diversified activities requiring high degree of specialisation in operations.

Ans. Functional structure

Q.7. Name the type of Organisational Structure which promotes flexibility and initiative.

Ans. Divisional structure

Q.8. What is meant by Accountability?

Ans. Accountability refers to being answerable for final result. It cannot be delegated and flows upward.

Q.9. "It refers to the right of an individual to command his /her subordinates and to take action within the scope of his /her position." What element of Delegation is being explained in the above statement?

Ans. Authority

Q.10. Heritage Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs its market share is declining. To cope with situation, CEO starts delegating some of his authority to General Manager, who also felt overburdened. GM also disperse some of his authority to various levels throughout the organization with approval of CEO. Identify the concept of management discussed above.

Ans. Decentralisation.

**Long Question Answer:**

1. 'Organising involves a series of steps in order to achieve the desired goal.' Explain these steps.

Or

Explain the steps in the process of organising.

**Ans.** Organising as a process involves following steps.

- A) Identification and division of work
- B) Departmentalisation.
- C) Assignment of duties
- D) Establishing reporting relationships:

Q.2. What is meant by Functional Structure of organisation? Explain its any two advantages and two limitations.

Or

The functional structures. Of organisation has certain advantages and disadvantages which an enterprise must take into consideration before adopting it. Explain any such two advantages and any two disadvantages of this structure.

**Ans: Functional structure** of organisation means an organisational structure which is formed by grouping jobs of similar nature and organising such functions into separate departments such as production, marketing, finance.

**Advantages:**

- 1. Leads to occupational specialisation.
- 2. Promotes control and coordination
- 3. Increases efficiency
- 4. Low cost
- 5. Makes training easier
- 6. Due attention to different functions.

Disadvantages:

- 1. Creation of functional empires.
- 2. Problems in coordination.
- 3. Inter departmental conflicts.
- 4. Lack of accountability
- 5. Restriction in managerial development.

Q.3. For effective delegation, the authority granted must be commensurate with the assigned responsibility. Why?

**Ans.** For effective delegation and the authority granted must be commensurate with the assigned responsibility because if authority granted is more than responsibility, it may lead to misuse of the authority and if responsibility is more than the authority, it may make person ineffective.

Q.4. Beside Effective Management and Employees Development delegation help the organisation in different ways. Explain any four such ways.

Or

What is meant by delegation? State any three points which highlights the importance of delegation in an organisation?

**Ans.** Delegation of authority refers to the downward transfer of authority from a superior to subordinate. Its main elements are. Authority, responsibility and accountability.

Importance of Delegation:

- a) It helps in effective management as the manager get more time to concentrate on important matters.
- b) It helps in development of employees. as the employee get more opportunities to utilise their talent.
- c) It helps to motivate employees as the employees feel encouraged, and try to improve their performance further.

- d) It facilitates growth by providing a ready workforce to take up leading positions in new ventures.
- e) It establishes a management hierarchy through clear superior subordinate relationships.

**Case studies questions:**

**Q.1.** A Company manufacturing soft drinks was doing good business for many years. It had dominant position in the market. But over a period of time its share started decline. This change happened due to environmental changes and with the entry of multinational companies in the field of soft drinks. Since its inception, the company was following a centralised model. Even the minor decision were always made by the top level management, the middle level and lower level manager had no say in decision making. This model served the company well till the year 1991. But now the company was facing pressure due to changes in the business environment. On the basis of given information until the following questions.

- a) Suggest the change that the company should bring about in order to regain its market share.
- b) Explain the importance of the concept identified above.

Ans: a) The top management of the company must introduce the concept of decentralisation.

b) Importance of Decentralisation:

- i) Develop initiative among subordinates.
- ii) Relief to top management.
- iii) Quick decision-making
- iv) Develops managerial talent for future.

**Q.2.** Mrs. Sofia is the marketing head of Multinational Company. In a high Level Departmental meeting, She asked one of her subordinate Miss Kiran to take charge of the company's new office in Singapore. Mrs. Sofia grants necessary authority to Miss Kiran to take complete charge however within two months of seeking feedback about Miss Kiran's work, Mrs. Sofia realizes that she is not doing the work as per expectations. So she decides to take away the authority from her and redelegate the same to Miss Disha. Due to this change over in the manager at the Singapore office, the work there suffers a lot and the company is not able to meet the desired goals. On the the basis of the given information, answer following questions:

- a) Why is Miss Kiran supposed to give regular feedback about her work to Mrs. Sofia.?
- b) Can Mrs. Sofia take back the authority granted to Miss Kiran and delegate it to another person?
- c) Can Miss Kiran be held responsible for not meeting the work allotted to her?
- d) Differentiate between authority and responsibility on the basis of flow and origin.

Ans: a) Miss Kiran is supposed to give regular feedback about her work as she has been granted authority and entrusted responsibility, so she remains answerable for the results.

b) Yes, the authority granted to a subordinate can be taken back and redelegated to another person.

c) Yes, Miss Kiran can be held responsible for not meeting the work allowed to her as it is the obligation of subordinate to perform the assigned duty to the best of his ability.

d) Authority flows downwards from superior to the subordinates while responsibility flows upwards from subordinates to the superior.

Authority arises from formal position while responsibility arises from delegated authority.

## CHAPTER -6 STAFFING

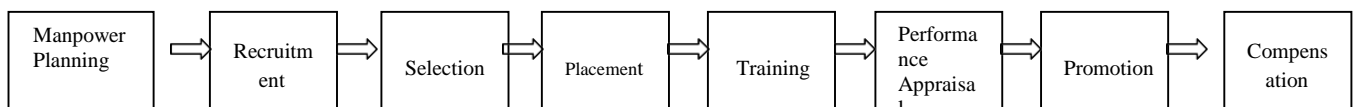
### DELETED TOPIC- Staffing as a part of Human Resource Management (HRM)

The term staffing is concerned with the recruitment, selection, placement, training, growth and development of all the members of the organization. Placing the right person on the right job at the right time is called staffing.

#### Importance of staffing

1. **Competent personnel** – Staffing helps to find out competent persons for various jobs.
2. **Higher performance** by placing the right person on the right job.
3. **Survival and growth** of the business by providing proper training and development to the future managers.
4. **Optimum utilisation of human resources** by ensuring the right number of persons on each job positions, i.e., excess or shortage of staff is harmful to the business.
5. **Job satisfaction** and morale of employees can be improved through proper assessment and remuneration policies.

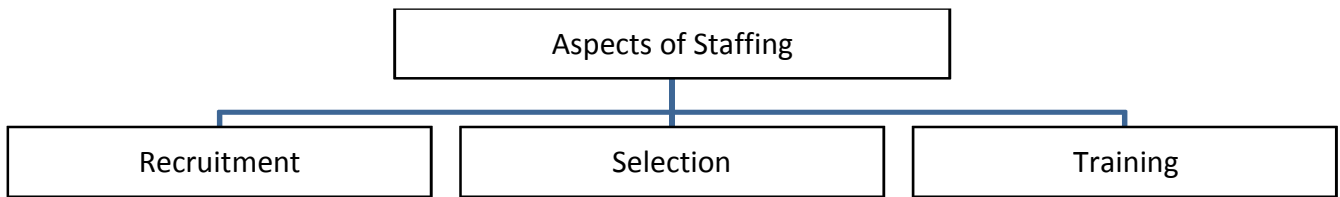
#### Staffing Process (Steps in staffing process)



1. **Estimating the Man Power Requirements** – It is concerned with forecasting the future man power needs of the organization for various categories of activities over a specified period. It involves both quantitative and qualitative analysis. Quantitative aspects concerned with the number of personnel in each department and qualitative aspects concerned with the qualifications and experience of each of them.
2. **Recruitment** – It is a process of searching for prospective employees and stimulating them to apply for jobs in the organization.
3. **Selection** – It is a process of choosing and appointing the right persons for various jobs.
4. **Placement and orientation** – These refer to the process of familiarizing the selected candidates with their work units, work groups, jobs and the organization and placing the right one on the right job.
5. **Training and Development** – Training intended to improve knowledge, skills and attitudes of the employees regularly so as to enable them to perform better.
6. **Performance appraisal** – It is the periodic assessment of the performance of the employees to ensure that whether they are in conformity with standards.
7. **Promotion** – It means movement of an employee to a higher position. It gives the employees an opportunity to make use of their enhanced skill and encourages them to grow within the organization.
8. **Compensation** – It involves the determination of wages or salary and other

benefits to the employees on the basis of nature of job, risk factors, responsibility, qualification, experience etc.

**Aspects of Staffing** – There are three important elements of staffing:



**RECRUITMENT**

**Sources of Recruitment**

**Internal Sources** – Recruitment from within the organization is called internal sources of recruitment.

1. **Transfer** – It is concerned with shifting one employee from one job to another having similar status and responsibility. It involves the following features:-  
**Slight change in duties and responsibilities but no change insalary**
2. **Promotion** – It refers to shifting one employee from a lower position to a higher position. It carries higher status, greater responsibility, better facilities and more pay.

Advantages of Internal Sources	Disadvantage of Internal Sources
1- It is Economical	1- No fresh or new ideas will come in organisation
2-It motivates the existing employees	2-There will be limited choice
3- Less chances of turnovers of employee	3-Not suitable for new organisation
4-Improves performance of employees	4-Frequent transfer may reduce the productivity of employee
5- It is a tool for training to prepare the employees for higherpositions	5- It may encourage favouritism and nepotism (partiality).

**External Sources of Recruitment** – It refers to the recruitment of candidates from outside the organization.

1. **Direct recruitment** – Under this method a notice is published on the notice board of the enterprise regarding job vacancies. The candidates are assembled on a particular date and the selection is done on thespot.
2. **Casual callers from waiting list** – Most of the employers are maintaining a database with details of applications received from casual applicants and it may be used as a source of recruitment.
3. **Advertisement** – It is the most effective means to search potential employees from outside the organization.
4. **Employment Exchanges** – This is a network of employment exchanges run by the government. Job seekers get themselves registered with these exchanges and their names will be supplied to the business organizations on the basis of their requisition.



5. **Placement Agencies and Personnel Consultants** – Some specialized agencies in the form of personnel consultancy services have been developed in recent times. These agencies also undertake total functions of recruiting and selecting personnel on behalf of the employer and they charge fees for these services.
6. **Campus interviews** – Many organizations conduct preliminary search of employees by conducting campus interviews in universities and colleges.
7. **Recommendations of Present Employees** – Some employers treat the recommendations of their present employees as a useful source of recruitment. This ensures reliability and suitability for the post and it helps in boosting the morale of existing employees.
8. **Labour Contractors** – This is a method of hiring skilled, semi-skilled and unskilled workers. The contractors keep in touch with a large number of workers and bring them at the places where they are required.
9. **Advertising on Television** – This method of recruitment is gaining importance these days. The detailed requirements of the job and the qualities required to do the job are published by the organisations through television.
10. **Web Publishing** – It is now a common source of external recruitment. There are certain sites like [www.naukri.com](http://www.naukri.com), [www.jobstreet.com](http://www.jobstreet.com) etc. provide detailed information for both job seekers and job providers.

<b>Advantages of External Sources</b>	<b>Limitations of External Sources</b>
1-Qualified and experienced personnel	1-Dissatisfaction and frustration among existing employees.
2-Wide Choice	2-Time consuming.
3-Fresh Talent – infusion of new blood	3-Very costly
4-Competitive Spirit - Element of competition with the internal candidates.	4-Uncertainty that the qualified and experienced personnel may be appointed.

### **Differences between Internal and External Recruitment**

<b>Internal Source</b>	<b>External Sources</b>
1. Quick Process	Lengthy Process
2. Less expensive	Costly
3. Motivating staff members	Existing workers dissatisfied
4. Limited choice	Wide choice of candidates

### **SELECTION**

Selection begins where recruitment ends. It is the process of identifying the most suitable and promising candidates from the list of recruited persons. This is a negative process, where more candidates will be rejected than appointed.

### **Differences between Recruitment and Selection**

<b>Recruitment</b>	<b>Selection</b>
1. Searching for candidates	1.Choosing the right person among the Candidates
2. Positive process	2.Negative process
3. Aims to create a large pool of applicants	3.Aims to ensure most competent people for Jobs
4. It is a simple process	4.It is a complex process

## Selection Process

1. **Preliminary screening** – A careful screening of applications is done by a screening committee to eliminate the under qualified candidates.
2. **Selection Test** – Tests are conducted to know the level of ability, knowledge, interest, aptitude etc. of a particular candidate. These tests may be of different types:
  - a. **Intelligence test** – To measure the level of intelligence.
  - b. **Trade Test** – This test is conducted to check whether the candidate is suitable for that particular trade. For example, to select a driver, candidates' knowledge and technical skill in driving are tested.
  - c. **Aptitude test** – To measure the potential for learning new skills.
  - d. **Interest test** – To check the interest or involvement of a person on the job.
  - e. **Personality test** – To evaluate an individual's emotions, reactions, maturity, values etc.
3. **Interview** – Detailed interviews are undertaken to seek more information from the candidate. This gives the employer to observe the candidate and to assess his level of confidence to take up the job. Usually it is done by an expert interviewboard.
4. **Checking References** – Reference is a source from which useful information on the candidate can be sought. It may be the names of some outstanding persons, teachers, present employees etc. who know about his experience, skill ability, characteretc.
5. **Selection decision** – Final decision is made by the concerned manager based on the performance of the candidates in all the above steps.
6. **Medical Examination** – The physical fitness of the candidates is checked through medical examination. Some organizations undertake medical examination even before testing, for example, armed force, Policeetc.
7. **Job offer** – After a candidate has cleared all the above hurdles will be appointed through an appointment letter to join the organisation before a specificdate.
8. **Contract of employment** – After the appointment is accepted by the candidate, certain documents are to be executed by the employer and the candidate, in which all the terms and conditions regarding the employment will be specified such as job title, duties and responsibilities, pay scale, allowances, work rules, termination methodetc.

## TRAINING & DEVELOPMENT

**Training** – “Training is the art of increasing the knowledge and skill of an employee for doing a particular job.” Its purpose is to enable them to do their jobs better. A capable and competent person may not do the best on his job unless he is systematically trained.

**Development** – It involves the growth of an employee in all respects, like personality development, motivation for growth, career planning etc. Thus employee development is more future oriented and concerned with education than employee training.

## Importance of Training and Development

Benefits to the Organisation	Benefits to the Employees
1. Reduce wastages	1. Better career prospects through improvement in skills and knowledge
2. Enhance productivity	2. Higher earnings through better performance
3. Equips the future managers	3. Less accidents due to higher efficiency
4. Reduces absenteeism and employee turnover	4. Increased employee morale and job satisfaction
5. Effective response towards changing environment	

### Difference between Training and Development

Training	Development
1. It is an organised activity of increasing knowledge and skills	1. It is a process of learning and growth
2. It enables the employees to do the job better	2. It enables the overall growth of an employee
3. It is limited in scope	3. It is a wider term and includes education and training
4. It is a job-oriented process	4. It is a career oriented process

### Training, Education and Development

Training	Education	Development
Aptitudes, skills and abilities of employees to perform specific jobs are increased.	Education imparts qualities of mind and character and understanding of the basic principles and develops the capacities of analysis, synthesis and objectivity. Education is broader than training.	Growth of an employee in all respects.

### Training Methods

- 1. On the job Training** – Under this method training is imparted among the employees while they are engaged in their work. Here the employees learn by doing.
  - a- Apprenticeship Programmes** – Under this, both knowledge and skills in doing a job are imparted. Here the trainee is put under the supervision of an experienced person in this field. This method is more suitable in electrical work, mining etc.
  - b- Internship Training** – According to this, a vocational institute enters into an arrangement with a business enterprise to provide practical knowledge to its students. It is intended for providing practical experience to the students in their fields. For example, MBA students are directed to undertake project work in business enterprises, engineering students are sent to big industrial enterprises to gain practical work experience, Medical students to hospitals etc.
- 2. Off the Job Training** – This is concerned with imparting training to employees outside the actual work place. This method of training is more suitable for managerial job positions and also for costly machines.

**Vestibule Training**– When the expensive machines and equipment are involved then employer generally prepared A Dummy model of machine (as Aircraft, costly machines etc.) for the training of employees.

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**MCQ-**

**1-In staffing function, which one of the following groups of managers is involved?**

- (a) Only top managers
- (b) Only human resource managers
- (c) Only middle managers
- (d) All managers

**2- Which one of the following is not an importance of staffing?**

- (a) Suitable division of work among employees
- (b) Developing skills in employees
- (c) Employee satisfaction
- (d) Efficient use of human resources

**3- In staffing function, which combination of activities in sequential order is correct?**

- (a) Recruitment, selection, training, placement
- (b) Selection, training, recruitment, placement
- (c) Recruitment, selection, placement, training
- (d) Recruitment, training, selection, placement

**4- For which group of persons is vestibule training relevant?**

- (a) Operatives
- (b) Top management
- (c) Middle management
- (d) Supervisory management

**5- \_\_\_ is a process of learning and growth.**

- (a) Training
- (b) Development
- (c) Recruitment
- (d) Both (a) and (c)

**6- Web publishing is a/an \_\_\_ source of recruitment.**

- (a) External
- (b) Internal
- (c) Campus
- (d) Both (b) and (c)

**7- \_\_\_ is a limitation of internal source of recruitment.**

- (a) Higher costs
- (b) Inbreeding
- (c) Lengthy process
- (d) Unreliability

**8- Professional Institutes send their students to corporate sector for doing**

- (a) Apprenticeship Training
- (b) Internship
- (c) Induction Training
- (d) Vestibule School

**9- When Jaskaran Singh applied for the post of Computer teacher in a school in Bhubaneswar, he was asked to prepare a power point presentation on a particular topic during selection procedure. Identify the type of selection test being mentioned in the above lines,**

- (a) Trade test
- (c) Intelligence test

(b) Personality test

(d) Interest test

10- Which of the following is not a disadvantage of using external sources of recruitment?

(a) Dissatisfaction among existing staff

(b) Lengthy process

(c) The scope for induction of fresh talent is reduced

(d) Costly process

11- It refers to the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

(a) Selection

(b) Training

(c) Recruitment

(d) Orientation

12- It is the process of introducing the selected employee to other employees and familiarising him with the rules and policies of the organization.

(a) Orientation

(b) Selection

(c) Training

(d) Recruitment

Answer of MCQ- 1- D 2- A 3- C 4- A 5- B 6- A 7- B 8- B 9- A 10- C 11- C 12- A

### Question (3 to 6 marks)

Q1-State the various steps involved in the process of staffing.

Ans. Hint-1- Estimating the Man Power Requirements 2- Recruitment 3- Selection 4- Placement and orientation 5- Training and Development

Q2-“Internal sources of recruitment are better than external sources of recruitment.” How?

Ans. Hint- Advantages of internal recruitment

Q3-An accountant is sent to learn the new software for accounting to prepare the books of accounts faster and accurately. He was further sent to orientation to improve his motivational and conceptual skills.

(i) Identify and explain the two concepts explained above.

(ii) Differentiate these concepts.

Ans. Hint- (i) Training and Development

(ii) Difference in training and development

Q4- Define the Selection process.

Ans. 1-Preliminary screening 2- Selection Test 3- Interview 4- Checking References 5- Selection decision 6- Medical Examination 7- Job offer 8- Contract of employment

Q5- Define common techniques of On the job method.

Ans- Hint- 1- Apprenticeship training (Plumber, electricians etc 2- Internship (Class room and practical training).

### Case study

1.Resolutions Pvt. Ltd. is a publishing company. Its book on Business Studies for class XII is in great demand. As a result, the employees in the marketing department are always racing against time. The employees have to work overtime and on holidays to cater to the demand.

Managers in the marketing department are under stress as they have to handle more than two territories. The work stress has led to dissatisfaction among the employees and managers.

1. Name and explain the step of staffing process which has not been performed properly.

2. State the next two stages immediately following the step identified in part 'a'.

**Ans- Hint (1)-** The step of staffing process which has not been performed properly is: Estimation of manpower requirements.

( 2) Recruitment and Selection

**2.Aakansha, Nikita and Parishma** are the owners of a handicraft unit in the urban area of Dibrugarh in Assam, which is involved in the manufacturing and marketing of Sital Pati, traditional mats and Jappi (the traditional headgear). They decided to shift this manufacturing unit to a rural area with an objective of reducing the cost and providing job opportunities to the locals.

They followed the functional structure in this organisation with a view to increasing managerial and operational efficiency.

They assessed and analysed the type and number of employees required, keeping in mind that they had to encourage the women and the people with special needs belonging to the rural area.

State the next three steps that they will have to undertake for obtaining a satisfied workforce for their handicraft unit.

**Ans- Hint-** The next three steps- 1-Recruitment 2- Selection 3-Placement and Orientation

**3.Blue Heavens Ltd.** purchased a new machinery from Germany for manufacturing some auto components. It was a cost-effective and quality production machine but during the production process, manager observed that the quality of the production was not as per standards. On investigation, it was found that there was lack of knowledge of using these hi-tech machines. So, frequent visits by engineers were required from Germany but this resulted in high overhead charges.

Suggest what can be done to develop the skills and abilities of employees for producing quality products by using these hi-tech machines. Also state how the employees or the organisation will be benefited by your suggestion.

**Ans- Hint-** Training should be provided to employees. Write benefits of training

**4.Mohit Gupta** is working with Yellow Security Services Ltd. He is also recruiting security guards for the company. The company provides security services in Delhi and Noida at short notice to various companies. The guards are recruited on a temporary basis. The guards provided by this company are known for their honesty and punctuality. Mohit Gupta is well-known in his village for providing employment to unskilled people.

1. Name the source of recruitment used by Yellow Security Services Ltd.

2. State any one disadvantage of this source of recruitment.

3. Identify the need of security guards which is being fulfilled by the company as per Maslow's need hierarchy.

**Ans- Hint-** (i) External Source

(ii) Any Disadvantage of external source of recruitment.

(iii) The basic physiological needs of the security guards are being fulfilled by the company.

## UNIT-7

### Directing

DELETED TOPIC: barriers to effective communication, how to overcome the barriers

#### Meaning:

Directing means giving instructions, guiding, counseling, motivating and leading the staff in an organization in doing work to achieve Organizational goals. Directing is a key managerial function to be performed by the manager along with planning, organizing, staffing and controlling. Directing is a continuous process initiated at top level and flows to the bottom through organizational hierarchy.

Direction has got following characteristics:

1. Pervasive Function
2. Continuous Activity.
3. Human Factor- Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
4. Creative Activity-.
5. Executive Function-.
6. Delegate Function- Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

#### Importance

1. **Initiates Action:** It helps to initiate action by the people in the organization towards attainment of desired objectives. The employees start working only when they get instructions and directions from their superiors. It is the directing function which starts actual work to convert plans into results.
2. **Integrates Employee's Efforts:** All the activities of the organization are interrelated so it is necessary to coordinate all the activities. It integrates the activities of subordinates by supervision, guidance and counselling.
3. **Means of motivation:** It motivates the subordinates to work efficiently and to contribute their maximum efforts towards the achievement of organizational goals.
4. **Facilitates change:** Employees often resist changes due to fear of adverse effects on their employment and promotion. Directing facilitates adjustment in the organization to cope with changes in the environment.
5. **Stability and balance in the organization:** Managers while performing directing function instruct, guide, supervise and inspire their subordinates in a manner that they are able to strike a balance between individual and organizational interests.

#### **Elements of directing:**

- I) Motivation

**It is the process of making people to act in a desired manner to achieve certain goals.**

#### **Features of motivation**

1. **Motivation is an internal feeling:**  
It is internal feeling, urge, desire, aspirations, striving or needs of human being that influence human behaviour.



2. **Produces goal oriented behaviour:**  
Motivation always directed towards achieving goals.
3. **It can either be positive or negative:**  
One can be motivated by positive or negative type of motivation as per the need and behaviour of the person.
4. **Complex process:**  
Individuals have heterogeneous behaviour due to which uniform motivation process can not act same on all.

#### Maslow's need hierarchy theory of motivation

NEED	MEANING	EXAMPLE
1. Physiological needs	The most basic and primary need of human being, relates with survival and maintenance of human being.	Hunger, thirst, shelter etc.;
2. Safety and security needs	These needs are related to physical security, economic and social security.	Job security, stability of income etc.
3. Social belongingness needs	These needs relate to social interactions, desire to belong and socially accepted	Affection of love etc.
4. Esteem needs	These needs include factors such as self-respect, autonomy, status, recognition and attention	Need for self-image, , self-respect etc
5. Self actualisation need	It refers to the drive to become what one capable of becoming.	Need to grow, sense of fulfilment etc.

#### **FINANCIAL AND NON FINANCIAL INCENTIVES**

**FINANCIAL INCENTIVES:** Incentive that can be measure in monetary terms. These incentives are as follows:

1. **Pay and allowances:** salary, incentive, pay, dearness allowance and other allowances.
2. **Productivity linked wage incentive:** linking payment of wages to increase in productivity at individual and group level.
3. **Bonus:** incentive offered over and above the wages or salary.
4. **Profit sharing:** Some companies share its profit with employees.
5. **Co-partnership/ stock option:** companies give its share at discounted rate to employees who perform well.
6. **Retirement benefits:** Benefits given to employees at the time of retirement or afterwards like gratuity, pension, provident fund etc.
7. **Perquisites:** companies gives perquisites like car allowance, house rent etc.

## NON- FINANCIAL INCENTIVES

Psychological, social and emotional factors also play important role in providing motivation.  
1-Status, 2-Job Security, 3-Employee Recognition, 4-Job Enrichment, 5-Career Advancement

## II) LEADERSHIP

It is the process of influencing behaviour of people by making them strive voluntarily towards achievement of organizational goal.

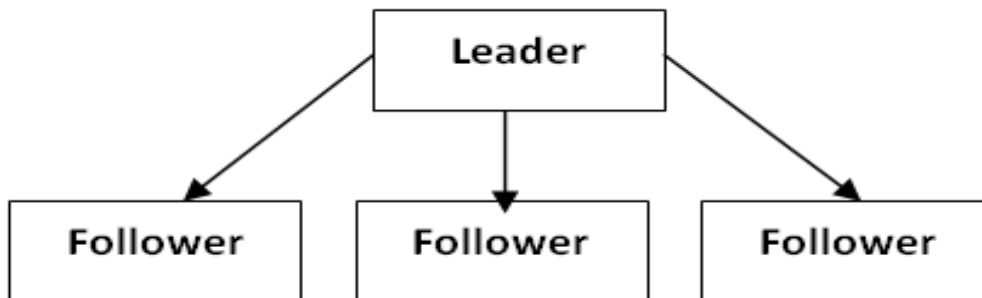
It is influencing ability of an individual.

### FEATURES OF LEADERSHIP

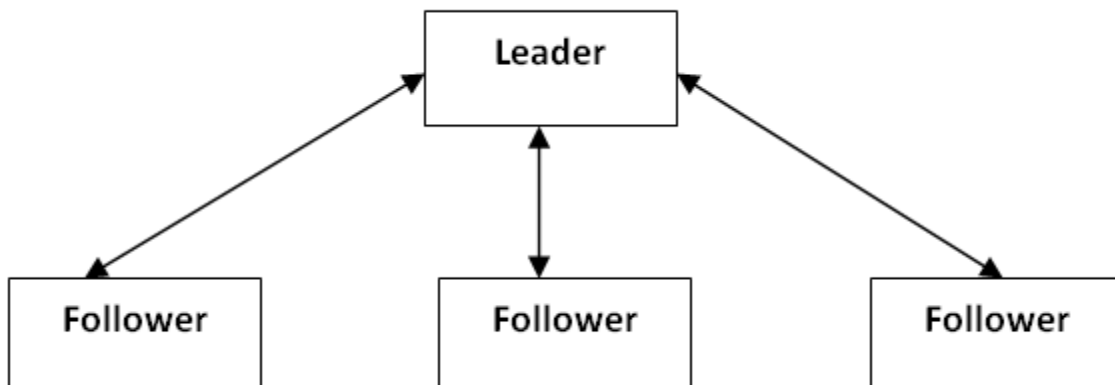
- \*It indicates ability of an individual to influence others.
- \*Tries to bring change in behaviour
- \*Indicates interpersonal relation between leader and followers
- \*Exercised to achieve common goals of the organization
- \*Continuous process

## LEADERSHIP STYLE

. Autocratic leadership style: – when the authority and decision-making power are concentrated on the leader is known as autocratic leadership style. There is no participation by subordinates. The leader takes full authority and assumes full responsibility. Planning, policies and other working procedures are predetermined by the leader alone. They convey the information about what to do and how to do.

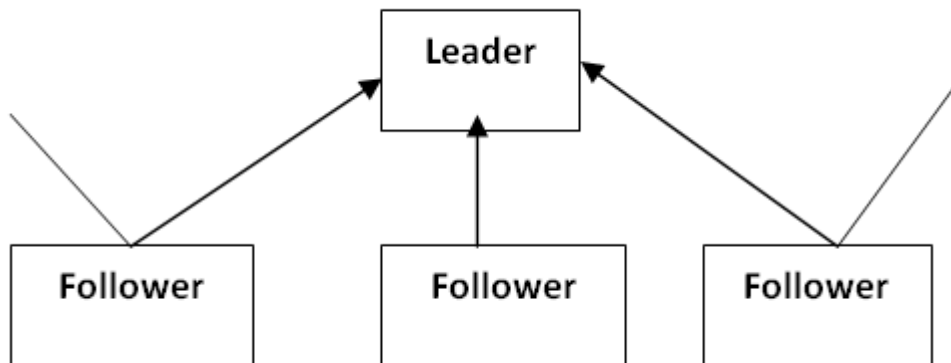


Democratic leadership style: – When the authority and decision-making power are decentralized to the subordinates is known as democratic leadership style. There is participation by subordinates. The leader delegates authority and provides responsibility even to the followers. Planning, policies and other working procedures are determined by the leader along with suggestions of the followers. He conveys the information about what to do and how to do just as a consultant.



Laissez- faire/ free - rein leadership style: – when all the authority and responsibility are delegated to the subordinates is known as Free rein leadership style. The leader who believes

on this style is known as free rein leader. The free rein leader doesn't use the power and leaves the power to the subordinates. He/she doesn't provide any contribution to make planning and policies. This type of leadership style is very useful when group members are intelligent and fully aware of their roles and responsibilities.

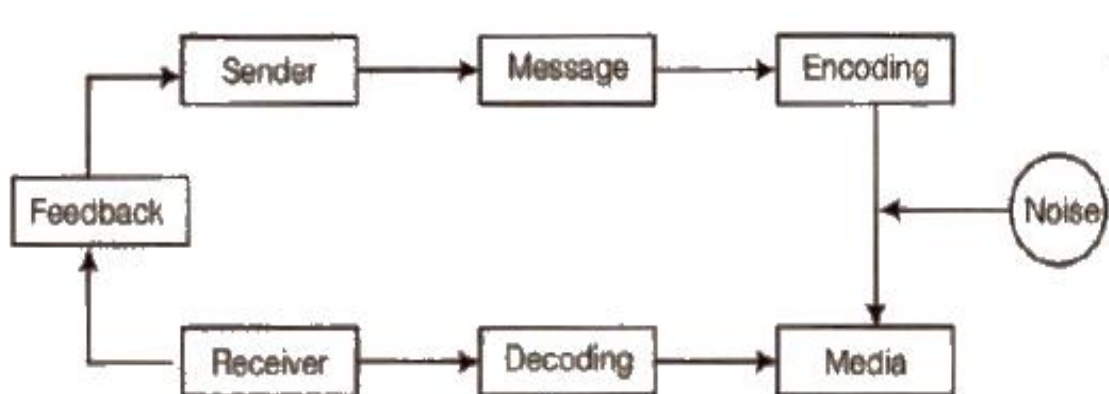


## II Communication-

### Meaning of communication

Communication is the process of transformation of information from one person to another. It is a process of exchanging opinions ideas, feelings, information, views and other fast between or among two or more people. It involves the systematic and continuous process of telling, listening and understanding. Communication skill means conveying the message to others and understanding the message from others.

### Process of communication



### Types of Communication

#### 1. Formal Communication

**Formal** communications are the one which flows through the official channels designed in the organizational chart. It may take place between a superior and a subordinate, a subordinate and a superior or among the same cadre employees or managers. These communications can be oral or in writing and are generally recorded and filed in the office.

Formal communication may be further classified as Vertical communication and Horizontal communication.

#### 2. Informal Communication

Any communication that takes place without following the formal channels of communication is said to be **informal** communication. The Informal communication is often referred to as the 'grapevine' as it spreads throughout the organization and in all directions without any regard to the levels of authority.

The informal communication spreads rapidly, often gets distorted and it is very difficult to detect the source of such communication. It also leads to rumors which are not true. People's behavior is often affected by the rumors and informal discussions which sometimes may hamper the the work environment.

### MCQs

- 1) It refers to the process of instructing, guiding, counselling, motivating and leading j people in the organisation to achieve their objectives.
  - (a) Planning
  - (b) Organising
  - (c) Staffing
  - (d) Directing**
- 2) Which of the following is not an element of directing?
  - (a) Motivation
  - (b) Communication
  - (c) Leadership
  - (d) Inspection**
- 3) Identify the level at which the directing function takes place in an organisation?
  - (a) Top level management
  - (b) Middle level management
  - (c) Lower level management
  - (d) All of the above**
- 4) It means the process of making subordinates to act in a desired manner to achieve certain organisational goals.
  - (a) Supervision
  - (b) Communication
  - (c) Leadership**
  - (d) Motivation
- 5) Effective motivation in the organisation does not contribute towards
  - (a) Developing performance levels of employees
  - (b) Helping to reduce employee turnover
  - (c) Resistance to changes in the organisation**
  - (d) All of the above.
- 6) These needs are most basic in the hierarchy of motivation theory and correspond to primary needs.
  - (a) Self Actualisation Needs
  - (b) Basic Physiological Needs**
  - (c) Security Needs
  - (d) Belonging Needs
- 7) Mohit recently got a raise in his salary due to annual increment. Which of his human needs is being satisfied through this?
  - (a) Security Needs

- (b) Belonging Needs
  - (c) Self Actualisation Needs
  - (d) Basic Physiological Needs**
- 8) It refers to all measures which are used to motivate people to improve performance,
- (a) Leadership
  - (b) Motivation
  - (c) Incentives**
  - (d) Communication
- 9) Which of the following is not a feature of leadership?
- (a) It shows ability of an individual to influence others.
  - (b) It leads to achievement of organisational goals.
  - (c) Leadership is one-time process.**
  - (d) It leads to desired change in the organization
- 10) Identify the correct sequence of steps involved in the communication process.
- (a) Sender, Message, Encoding, Media, Decoding, Receiver, Feedback
  - (b) Sender, Decoding, Receiver, Feedback, Message, Encoding, Media
  - (c) Sender, Message, Encoding, Media, Decoding, Receiver, Feedback**
  - (d) Sender, Media, Decoding, Receiver, Message, Encoding, Feedback
- 11) Formal communication may take place between
- (a) Superior and subordinate
  - (b) Subordinate and superior
  - (c) Two managers at the same level
  - (d) All of the above**
- 12) Identify the style of leadership in which the superior uses forces from within the groups in order to establish control.
- (a) Autocratic leadership
  - (b) Democratic leadership**
  - (c) Laissez-faire leadership
  - (d) Authoritarian leadership

**ANSWERS:1 d, 2 d, 3 d ,4 c ,5 c ,6 b ,7 d, 8 c ,9 c ,10 c ,11 d ,12 b**

### **QUESTIONS**

1. Directing is the heart of the management process. Do you agree? Give any four reasons in support of your answer.

Hint: Importance of directing

2. Explain the various styles of leadership with example.

Hint : explain autocratic, Democratic and Free rein leadership styles

**Q3.**

Umang Gupta is the Managing Director of Denver Ltd. The company had established a good name for itself and had been doing well. It was known for timely completion of orders. The Production Manager, Ms. Kanta was efficiently handling the processing of order and had a team of fourteen motivated employees working under her. Everything was going on well. Unfortunately she met with an accident. Umang knew that in the absence of Ms. Kanta, the company may not be able to meet the deadlines. He also knew that not meeting the deadlines may lead to customer dissatisfaction with the risk of loss of business and goodwill. So, he had a meeting with his employees in which accurate the speedy processing of orders was planned. Everybody agreed to work as team because the behaviour of Umang Gupta was positive towards the employees of the organisation. Hence everyone put in extra time and

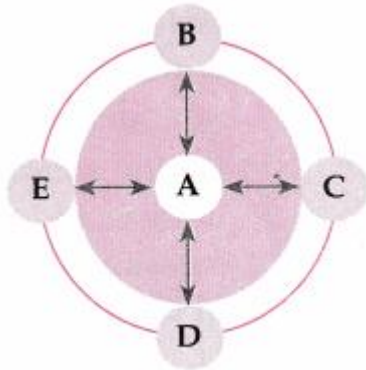
efforts and the targets were met on time.

Not only this, Umang visited Ms. Kanta and advised her to take sufficient rest.

1. Identify the leadership style of Umang Gupta and draw a diagram depicting the style.

Ans.

1. Democratic style of leadership is being adopted by Umang Gupta. In adjoining diagram B, C, D, and E are the subordinates of A who is a leader.



Q4

Explain any three points that highlight the importance of directing function of management. (CBSE, Delhi 2017)

Ans

The three points that highlight the importance of directing function of management are described below:

1. **Initiate action:** Directing helps to initiate action by people in the organisation towards attainment of desired objectives. It is the first execution function of management.
2. **Integrates employees efforts:** Directing seeks to integrate the individual efforts of employees in the organisation towards the realisation of the organisational goals.
3. **Helps to realise their potential:** Directing provides effective guidance, motivation and leadership to the employees so as to enable them to realise their potential and capabilities.

### **Case studies**

Q 1. Arun who is the departmental head of his organisation decides to improve the performance of his department. He decides to give some financial and non-financial incentives to his subordinates. He knows these incentives will satisfy their needs. Therefore they will be stimulated to take actions from their side. Identify and explain the elements of directing highlighted here.

Ans. Hint: Motivation

Q 2. Mehak has been an outstanding student throughout her life. She did her graduation from a very good college. When the placement started she decided to withdraw her name. A month later she started her own NGO which provided education to poor children. Her NGO sets targets of educating a definite number of poor students and she feels if she is able to achieve a goal of teaching 5,000 students by the end of 5 years she will be very successful. Identify the Maslow's needs applicable here.

Ans Hint: Self actualisation need.

Q 3. Ravish is the head of marketing department of his company. Recently he organised a series of meetings to know the suggestions of his team members on various issues. His subordinates appreciate his habit of consulting his team before he takes any major decisions. Identify and explain the leadership style adopted here?

Ans hint: Democratic

Q4. Ayasha Ltd. assured their employees that in spite of the recession, no workers will be retrenched from their jobs.

Name and explain the type of incentive offered to the employees.

Ans Hint: Job Security

Q5. M/s Beta Ltd. deals in consumer goods. It employs 100 workers and 10 operative managers who give guidance and support to the workers while operating the machinery. The company has a policy of granting leave as per the requirement of the workers. Workers 3 H 3 are generally granted leave on festivals and special occasions. Recently on Puja festival, it received a big order. Workers are keen to take Puja holidays while management is pressing hard for overtime. This matter was placed before the Personnel Manager who called the meeting of operative managers and workers to inform them about the changes in the incentive plan which states payment of double wages for working overtime and triple wages for working on holidays. Workers without any pressure voluntarily took limited holidays and were able to increase their earning by working overtime and on holidays. During Board of Directors meeting, Personnel Manager was asked to update the management for achieving higher output, meeting timely supplies without any confrontation with workers. Personnel Manager replied, "I just used a carrot with no sticks approach".

**(CBSE, Sample Paper, 2017)**

By quoting the lines from above paragraph state any two elements of directing.

Ans

The two elements of directing being discussed in the above paragraph are outlined below:

i) Supervision: Supervision is the process of overseeing the work of the subordinates and giving instructions to ensure optimum utilisation of resources and achievement of work targets.

Supervision-" it employs 10 operating managers ..... support to the workers."

ii) Motivation: Motivation is the process of stimulating people to action to accomplish desired goals.

Motivation-"to pay double wages for working overtime and triple wages for working on holidays



## UNIT 8

# Controlling

**DELETED TOPIC: Relation ship between planning and controlling**

Controlling means ensuring that activities in an organisation are performed as per the plans.

### Importance of Controlling

- It helps in accomplishing organisational goals by constantly monitoring the performance of the employees and bringing to light the deviations, if any, and taking appropriate corrective action.
- It helps the business managers to judge the objectivity and accuracy of the standards.
- It seeks to make efficient use of resources.
- It seeks to motivate the employees and helps them in giving a better performance.
- It creates an atmosphere of order and discipline in the organisation.
- It facilitates coordination in action by providing direction to all activities within and among departments.

### Steps Involved in the Controlling Process

- Setting performance standards in clear, specific and measurable terms.
- Measurement of actual performance as far as possible in the same units in which standards are set.
- Comparing actual performance with standards to identify deviations if any.
- Analysing deviations through critical point control and management by exception approaches to identify the causes for their occurrence.
- Taking corrective action whenever the deviation occurs beyond the permissible limits so that it does not reoccur in future.

S.NO	QUESTION FOR 1 MARKS
1.	Which two steps in the process of controlling are concerned with compelling events to confirm to plan?
2.	What do you mean by Deviation with reference to controlling?
3.	Is controlling backward looking?
4.	Why is planning an empty exercise without controlling?
5.	What is compared with what in controlling?
6.	What is feedback in controlling?
7.	Give two examples of quantitative standards set up in controlling process.
8.	Give two examples of qualitative standards set up in controlling process
9.	“An ideal control system is the one that checks every bit of performance”. Do you agree with these statements?
10.	Prakash wishes to fix-standard production for worker along with standard time to complete the job. Under which function of management, standards are fixed?
11.	Jindal ltd. could not achieve the target production of 15,000 cars p.a. it could produce only 14,125 cars-while analyzing the reasons for deviations, it was found that workers were not efficient. Training

	programmes were organized and next year, company was able to produce 15,000 units. Production manager is of the opinion that with this, management ends at controlling. Do you agree?
12.	Suppose you are the manager of ABC Clothing ltd. it comes to your knowledge that postal expenses have increased by 15% over the standard price and cost of labour and raw materials has increased by 3%. Which of the two situations is more critical according to you?
13.	Explain the two principles a manager must consider while dealing with deviation effectively?
14.	What do you mean by key result area in the context of controlling?
15.	Which principle of management control is based on the belief “an attempt to control everything may end up by controlling nothing”?

S.NO.	ANSWER
1.	(i) Comparison of actual performance with standards (ii) Taking corrective actions.
2.	Deviation refers to difference between actual performance and plan performance.
3.	No.
4.	Planning is an empty exercise without controlling because implementation of plans and monitoring of plan depend upon controlling.
5.	In controlling actual performance is compared with standard performance.
6.	Feedback refers to communication regarding the reasons for mismatch between actual and plan output and corrective actions.
7.	(i) Sale volume (ii) Production.
8.	(i) Labour relations, (ii) Efficiency level of managers.
9.	No.
10.	controlling
11.	No.
12.	Increase in cost of labour and raw materials.
13.	(i) Critical point control (ii) Control by exception
14.	These are the areas which are critical and very important for success of the organization.
15.	Principle of management by exception.

S.NO.	Objective types Questions
A.	State whether the following statements are <b>True or False</b> .
1.	Controlling functions end after giving feedback report.
2.	Controlling is a task of supervisory level.
3.	Controlling is an empty exercise without planning.
4.	A manager who tries to control everything may end up controlling nothing.
5.	Deviation can be negative only.
B	<b>Fill in the Blanks:</b>
1.	Difference between plan and actual performance is called-----
2.	Planning is-----whereas controlling is-----
3.	There is a close and reciprocated relation between planning and-----
4.	Controlling not only checks performance, but it also judges accuracy of-----
5.	If there is any deviation between plan and actual performance, then managers take-----
6.	Under critical point control, the whole organizations departments are divided into-----and -----
7.	-----function ensures work accomplishment as per plan.
8.	Planning provides-----for controlling.
9.	In last step in controlling process-----is prepared.
10	Controlling is both-----looking and looking function.

## Multiple Choice Questions

<b>C</b>	
<b>1.</b>	In Controlling, actual performance is compared with: (A) Performance of other employees (B) Performance of previous year (C) Planned Performance (D) None of the above.
<b>2.</b>	Controlling is: (A) Backward looking function (B) Forward looking function (C) Both backward as well as forward looking function (D) None of the above.
<b>3.</b>	Budgetary control requires the preparation of: (A) Training schedule (B) Budgets (C) Network diagram (D) Responsibility centers,
<b>4.</b>	Under critical point, control manager: (A) Critically observes and takes action on every deviation (B) Ignores deviation (C) Gives more importance to deviations taking places in key areas (D) None of the above.
<b>5.</b>	Under management by exception manager: (A) Set up a range and deviation within the range are ignored and beyond range are taken seriously (B) All deviations are taken seriously (C) Both (a) and (b) (D) None of the above.
<b>6.</b>	Management by exception and critical point control techniques of controlling: (A) Waste energy and efforts of managers (B) Saves energy and efforts of managers (C) Does not effort on energy and effects of managers (D) All of the above
<b>7.</b>	When mismatch between plan and actual performance is due to over or under stating of plan, then it is called: (A) Strategic Control (B) Operational Control (C) Both (a) and (b) (D) None of the above.
<b>8.</b>	Controlling is performed at: (A) Top level (B) Middle level (C) Supervisory level (D) All of the above.
<b>9.</b>	Planning provides: (A) Direction to Controlling (B) Base of Controlling (C) Standard for Controlling (D) All of the above.
<b>10.</b>	If deviations are minor, it should: (A) Be taken seriously (B) Be ignored (C) Be reported to top level (D) None of the above.
<b>11.</b>	Measurement of employees' performance can be done by: (A) Increasing the market share of the company (B) Gross profit ratio (C) Return on investment (D) Performance report.
<b>12.</b>	Standards can be set in the following terms: (A) Only Qualitative (B) Only Quantitative (C) Both Qualitative and Quantitative (D) Neither Qualitative nor Quantitative.
<b>13.</b>	Which one of the following is not the step in the process of controlling? (A) Measurement of actual performance (B) Establishing reporting relationship (C) Setting performance standards (D) Taking corrective action.
<b>14.</b>	Controlling function brings back the management cycle to which function? (A) Directing (B) Planning (C) Organizing (D) Staffing.
<b>15.</b>	Management by exception refers to: (A) Controlling significant deviations (B) Focus on key result areas (C) Check on each and every activity (D) Keep a control on everything.
<b>16.</b>	To make sure employees focus on work and follow the method of production as per plan the management of Amaira ltd. decided to install CCTV (close circuit television) in the factory for monitoring the activity of workers.

	(A) Planning (B) Controlling (C) Staffing (D) Directing.
17.	With the help of controlling function the management can know not only about the deficiency in the performance but it also helps management to know whether standards or plans are set correctly or not. The importance of management discussed above is: (A) Ensure order and discipline (B) Facilitate coordination in action (C) Judging accuracy of standard (D) Making efficient use of resources.
18.	Rakesh is a senior manager in a software consultancy firm. He regularly prepares performance reports of his subordinates as part of appraisal. The step of controlling process is : (A) Measuring of performance (B) Compare performance against standard (C) Analyzing deviation (D) Taking corrective action.
19.	Planning and controlling are-----to each other: (A) opposite (B) unrelated (C) inter related (D) Separate.
20.	An efficient control system helps to: (A) Accomplish organizational objectives (B) Boost employees morale (C) judge accuracy of standards (D) All of the above.
21.	Controlling function of an organization is: (A) Forward looking (B) Backward looking (C) Forward as well as backward looking (D) None of the above.
22.	Management audit is a technique to keep a check on the performance of: (A) Company (B) Management of the company (C) Shareholder (D) Customers.

(A)	<b>Answer of True or False Questions</b>	
True	3,4	
False	1,2,5	
(B)	<b>Answers of fill in the Blanks:</b>	
1) Deviation	2) Prescriptive, evaluative	3) Controlling
4) Standard	5) Corrective Action	6) Key area and non-key area
7) Controlling	8) Base/standard/yardstick	9) Feedback Report
10) Backward/ Forward		

**(C) Answer of Multiple Choice Questions.**

1. C	2. C	3. B	4. C	5. A	6. B	7. A	8. D	9. D	10. B
11. D	12. C	13. B	14. B	15. A	16. B	17. C	18. A	19. C	20. D
21. C	22. B								

**Hots/ case study/ short/ long answer type questions**

**(on the bases of previous years' Board papers)**

**Q 1.** Neelakshi Ltd. is engaged in manufacturing high end luxury pens. The target production is 1000 units daily. The company had been successfully attaining this target until three months ago. Over the last few month, it has been observed that daily production varies between 800-850 units.

- I. Identify the function of management, which has been highlighted in the above context.
- II. Quote and explain any two steps involved in the process of the function identified above.

OR

ASSAM Ltd is a large company engaged in assembly of air-conditioner. Recently the company had conducted the various scientific management studies and concluded that on an average a worker can assemble ten air- conditioners in a day. The target value of a company in a day is assembling of 1,000 units. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air –conditioner per day is 800 units only. To find out the reason the company compared

actual performance of each worker and observed through C.C.T.V. THAT some of the worker was busy in gossiping.

- a. Identify the function of management discussed above.
- b. State those steps in the process of the function identified which are discussed in the above paragraph.

OR

Hina sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina sweets was worried as the sales had declined during the last three months. When he enquired from the sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore, Harsh ordered for sample checking of sweets. Identify the step taken by Harsh that is related to one of the functions of management.

Or

Whirlwind Enterprises was a renowned name for manufacturing quality washing machines since 1965. When the profit of the last year declined Mr. Anand, the owner of Whirlwind Enterprise, asked the General Manager to prepare a profitability report of the company including Gross Profit Ratio, Net Profit Ratio etc, besides using other techniques to assess the company's performance. Identify the step taken by Mr Anand which is related to one of the functions of management.

Ans.The process/function of management discussed above is Controlling. The steps of Controlling are:

- 1. Setting Performance Standards.** As a first step, standards are set for the performance. Standards are the criteria on the basis of which effectiveness of a performance is considered as desirable.
- 2. Measuring Actual Performance.** When various actions are undertaken, these produce actual performance. This performance is measured in the form in which standards have been set.
- 3. Comparing Actual Performance with Standards.** When actual performance is measured, its results are compared with standards. By this comparison, deviation between actual performance and standard performance is derived.
- 4. Analysing Deviations.** If deviations are found, these are analysed. For analysing deviations, two concepts-critical point control and management by exception-are used to save time. If deviations are beyond the acceptable range, factors responsible for these are identified.
- 5. Taking Corrective Action.** After the analysis of deviations, corrective action is taken. What type of corrective action will be taken depends on the factors causing the deviations.

**Q 2.** Explain any five points which highlight the importance of controlling function of management.

Or

How does controlling help in “Judging accuracy of standards” and “Ensuring order and discipline”?

AnsThe following points show importance of controlling (any five):

- 1. Achieving Organisational Objectives.** Controlling achieves organisational objectives by measuring progress towards organisational objectives and indicating corrective action, if any.
- 2. Judging Accuracy of Standards.** Controlling enables management to verify whether standards set are accurate and objective.
- 3. Efficient Use of Resources.** Controlling ensures that each activity is performed according to pre-determined standards and wastage and spoilage of resources is avoided.
- 4. Improving Employees' Motivation.** Controlling ensures that employees know well in advance what they are expected to do and the standards on the basis of which their performance will be judged. This motivates employees and helps them to give better performance.

5. **Ensuring Order and Discipline.** Controlling ensures maintenance of order and discipline by putting checks on undesirable activities of the employees.
6. **Facilitating Coordination.** Controlling facilitates coordination as each department and individual works according to pre-determined standards which are well coordinated.

**Q3.** What is Critical Point Control?

OR

What are Key Result areas?

OR

How is critical point control applied in controlling process?

**Ans** Every organization identifies its Key Result Areas/ Critical Points which have significant effect on the working of business. Any deviation on these points should be attended urgently by Management.

**EXAMPLE:** If the expenditure on refreshment goes up by 10% it can be ignored but if cost of raw material goes up by 5% it requires managerial action.

**Q4.** “An effort to control everything may end up in controlling nothing” Explain.

OR

What is Management by exception?

OR

Explain how management by exception helps in controlling process?

**Ans:** Management by exception believes that only significant deviations which go beyond the permissible limit should be brought to the notice of higher management so that suitable action may be taken.

**EXAMPLE:** The output defects up to 2% may be considered acceptable but if it goes up by 5% it may require managerial action.

## UNIT-9

# FINANCIAL MANAGEMENT

### Concept of Financial Management

**Business Finance :** It refers to the money required for carrying out business activities.

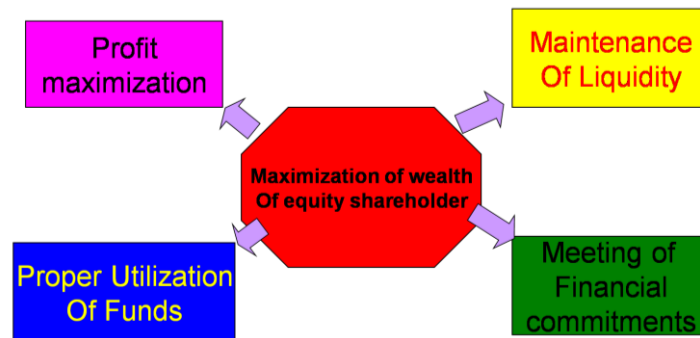
**Financial Management:-** It refers to efficient acquisition of finance, efficient utilisation of finance and efficient distributing and disposal of surplus for smooth working of company.

### **Role of Financial Management**

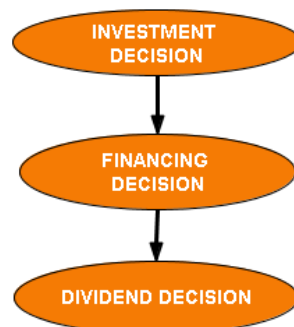
Effective and efficient utilization of money.

### Objectives of Financial Management

The main and foremost objective of financial management is to **Maximize the wealth of equity shareholder.**



### FINANCIAL DECISIONS



**Investment Decision (Capital Budgeting Decision)**-It is concerned with Investment of firm's funds in different assets. The firm invests its funds in acquiring fixed assets as well as current assets. When decision regarding fixed assets is taken it is also called capital budgeting decision.

Investment decisions are very important because they are long term decisions and are irreversible, involve huge amount of funds, it affect the future earning capacity of company.

### **Factors affecting investment/capital budgeting decisions are-**

1. Cash flow of the project -: The amount of cash flow (How much cash will generate regularly) an investment proposal will be able to generate must be assessed.
2. Return on investment -: It is the most important criteria to decide the investment proposal. It assess income which will be able to bring back for the company on its investment.
3. Risk involved -: The Company must try to calculate the risk involved in very proposal and should prefer investment proposal with moderate degree of risk only.



4. Investment criteria -: How much amount to be invested in labour, technologies, input, machinery, interest rate etc. should also be considered.

**Financing decision**:-Deals with determination of sources of finance, amount to be raised from each source and the cost of each source of finance.

There are two sources:- a) owner's fund b) borrowed funds

Owners fund - Equity/shareholders fund, reserve, profits, surplus etc.

Borrowed fund/owed fund- Loan from bank or any other borrowing.

**Factors affecting financing decisions are -:**

1. Cost- Cost of raising funds from different source is different. The financial manager prefers the cheapest source of finance.
2. Risk – The total risk depends upon business risk and financial risk. If a firm's business risk is low the firm may use more debt capital and vice versa. Borrowed fund – More Risk, Owner's fund – No Risk,
3. Cash flow position- Companies with smooth cash flow easily afford borrowed fund, companies have shortage of cash flow, must go for owner's fund.
4. Control consideration- If shareholders want to retain complete control of business, they prefer borrowed fund. If they do not mind to lose control then they may go for owner's fund.
5. Floatation cost- Cost involved in issue of securities as broker's commission, file charge etc. Company prefers securities which involve least floatation cost.
6. Fixed operating cost- Companies having high fixed operating cost (Cost of regular running of a business), prefer owner's fund.
7. State of capital market – During boom (speed-up) of share Market Company may use owner's fund (shares). During depression (go-down) there is more demand for debt.

**Dividend decision**:-Utilization of surplus/profit.**It involves deciding the amount of profit to be:-**

**Distributed among shareholders and amount of profit to be retained in business to meet investment requirements.**

**Factors affecting Dividend decisions are -:**

1. Earning- Companies with more earning may declares high rate of dividend, companies with low earning, low rate of dividend
2. Stability of earning- Companies with smooth earnings - high rate of dividend, companies unstable earning –low dividend
3. Cash flow position- Good cash flow position- high rate of dividend, shortage of cash flow- low rate of dividend
4. Growth opportunities- Good investment plans- low rate of dividend, No investment plans- may give high rate of dividend
5. Preference of shareholders- If a company have large number of middle class and money needy shareholders then it will declare more dividend, company having wealthy shareholders will prefer low rate of dividend as more part of profit will be invested in new projects.
6. Taxation policy- If tax rate is higher, company prefers to pay less rate of dividend, if tax rate is low company may declare higher dividend
7. Access to capital market consideration – Companies having easy approach to share market and having good demand of its shares, it will give more dividend. , difficult to approach to share market will give low rate of dividend.

**Financial Planning** -:

It means deciding in advance how much to spend, on what to spend according to the funds at your disposal. Financial planning means a blue print of finance (all work). Financial planning is the proper procurement and acquisition of funds to carry on business.

Financial planning have two objectives:

To ensure availability of funds whenever these are required.

To see that firm does not raise resources unnecessarily (optimum use)

### **Importance of Financial Planning**

1. It facilitates collection of optimum funds.
2. It helps in fixing the most appropriate capital structure.
3. Helps in investing finance in right projects.
4. Base for financial control.
5. Helps in proper utilisation of finance.
6. Helps in co-ordination.

### **Capital Structure-**

It refers to proportion of debt and equity capital used for business operation.

Capital Structure = (Debt/Equity)

Trading on Equity/Financial Leverage- It refers to the proportion of debt in the overall capital. When company prefer to take loan rather than use own funds, it is call trading on equity. Trading on equity increases the earning per share of equity shareholders by making use of Debt in the capital structure. It happens because:

- Cost of debt is lower than cost of equity for a firm(lender's risk is lower than risk of shareholder)
- Interest paid on debt is deductible expense for tax liability, whereas dividends are paid out of after tax profits.

**EPS increases with increase in debt only when ROI > Cost of debt.**

**If ROI < Cost of debt, the EPS will fall with increased use of debt.**

### **Fixed and Working Capital –:**

**Fixed capital** or long term capital where investment is more than one year .

#### **Factors Affecting Requirement of Fixed Capital-**

1. Nature of business- A manufacturing company needs more fixed capital as compared to a trading company.
2. Scale of operation- Company operating at large scale require more fixed capital, small scale enterprises need less amount of fixed capital.
3. Technique of production- Companies using capital intensive techniques require more fixed capital, companies using labour intensive techniques needs less capital.
4. Technology up gradation- Industries in which technology up-gradation is fast, need more fixed capital.
5. Growth prospects- companies have higher growth plan require more fixed capital.
6. Diversification- companies which plans to include more range of products and more diversify , needs more fixed capital
7. Availability of finance and leasing facility- If companies can arrange financial facilities easily, they require less fixed capital.
8. Level of collaboration/joint ventures- If companies are preferring collaborations, then it will need less fixed capital.

**Working Capital-** Working Capital refers to that part of total capital, which is required for holding current assets. It is also defined as excess of current asset over current liabilities.

To run the business working capital mean as much capital require so as to pay our current liabilities

Working Capital = currents assets – current liabilities

#### **Factors Affecting the Working Capital-**

1. Length of operating cycle- If operating cycle is long, more working capital is required.

2. Nature of business- Manufacturing Company requires huge amount of working capital.
3. Scale of operation- The firms operating at large scale need to maintain more working capital.
4. Business cycle fluctuation- During boom period (as festival) more working capital is required.
5. Seasonal factors- Companies which are selling seasonal goods require huge amount of working capital during season.
6. Credit allowed- If company is following liberal credit policy then it will require more working capital.
7. Credit availed - If suppliers are giving long term credit then company needs less amount of working capital
8. Technology and production- If company is using labour intensive technique of production then more working capital is needed
9. Operating efficiency- Companies having high degree of operating efficiency requires less amount of working capital.
10. Availability of raw materials- If raw materials is easily available then less working capital is needed.
11. Level of competition- If the market is competitive then company needs more working capital.
12. Inflation- Increase in the price of raw materials and other factors of production, company will need more working capital.
13. Growth prospects- Firms planning to expand their business needs more working capital.

### **Important Factors:-**

So there are six factors in whole chapter.

Common factors are taken into consideration for Capital structure, fixed capital, Working capital.

- 1.Cash flow position
- 2.Cost
- 3.Risk
- 4.Roi (return on investment)
- 5.Nature of business
- 6.Scope/growth of business
- 7.Tax

### **How to prepare chapter /key words/points.**

1. Money inflow and outflow in efficient and effective manner if ask meaning of financial management/planning.
2. Trading on equity or financial leverage: - mean increasing of return on equity on the basis of debt capital in other word increasing your wealth with the proper use of debt capital.  
For example;- taking car by loan not by own money (equity) is best of toe(trading on equity)
3. Debt capital is cheaper as we have to save tax on its interest.
4. Factors in one line looking cash/money in pocket, if there is money than easy to distribute as dividend, invest
5. Only change the name of fixed capital in place of working capital rest all same

### **MCQ**

1. The cheapest source of finance is:  
(a) Debenture                      (b) equity share capital  
(c) Preference share      (d) retained earning
2. A decision to acquire a new and modern plant to upgrade an old one is a:  
(a) Financing decision                      (b) working capital decision  
(c) Investment decision                      (d) dividend decision
3. Other things remaining the same, an increase in the tax rate on corporate profits will-  
(a) Make debt relatively cheaper                      (b) make debt relatively less cheap  
(c) No impact on the cost of debt                      (d) we can't say

4. This is not the objective of financial management-
  - (a) Wealth maximization
  - (b) profit maximization
  - (c) Minimum equity
  - (d) adequate liquidity
5. Companies with higher growth potential are likely to
  - (a) Pay lower dividends
  - (b) pay higher dividends
  - (c) Dividends are not affected by growth considerations
  - (d) none of these.
6. Funds raised from this source dilutes management's holding
  - (a) Retained earnings
  - (b) debentures
  - (c) Equity shares
  - (d) preference shares
7. Financial leverage is called favourable if
  - (a) Return on investment is lower than cost of debt
  - (b) ROI is higher than cost of debt.
  - (c) Debt is nearly available
  - (d) the degree of existing financial leverage is low
8. Higher debt equity ratio (debt / equity) results in
  - (a) Lower financial risk
  - (b) higher degree of operation risk
  - (c) Higher degree of financial risk
  - (d) higher EPS and financial risk
9. Higher working capital usually results in
  - (a) Higher current ratio, higher risk and higher profits
  - (b) lower current ratio, higher risk and profits
  - (c) Higher equitably, lower risk and lower profits
  - (d) lower equitably, lower risk and higher profits
10. Current assets are those assets which get converted into cash:
  - (a) Within six months
  - (b) within one year
  - (c) Between one and three years
  - (d) between three and five years
11. Higher dividends per share is associated with:
  - (a) High earnings, high cash flows, unusable earnings and higher growth opportunities
  - (b) High earnings, high cash flows, stable earnings and high growth opportunities
  - (c) High earnings, high cash flows, stable earnings and lower growth opportunities
  - (d) High earnings, low cash flows, stable earnings and lower growth opportunities
12. A fixed asset should be financed through:
  - (a) A long-term liability
  - (b) a short term liability
  - (c) Partly from both types i.e. long and short term liabilities
  - (d) none of these
13. Current assets of a business firm should be financed through
  - (a) A long-term liability
  - (b) a short term liability
  - (c) Partly from both types i.e. long and short term liabilities
  - (d) none of these

Answers:

- 1.(a) 2.(c) 3.(a) 4.(c) 5.(a) 6.(c) 7.(b) 8.(c) 9.(a) 10.(b) 11.(c)  
 12.(a) 13.(c)

### Questions with answers

Q1. Explain the following as factors affecting dividend decision.

a) Cash flow position b) growth opportunities c) taxation policy

Answer:-Hint-a) cash flow Position: - The payment of dividend results in outflow of cash. It is only possible that the company have enough cash and is of sound position.

b) Growth prospectus: - if company has growth opportunity then requires more fund. In such case major part of income is retained and small part is distributed as dividend.

c) Taxation policy: - the dividend decision to some extent depends on tax policy if the tax rate on dividend is higher it would be better to declare less dividend and vice versa.

Q2. Every manager has to take three major decisions while performing finance function. Explain them.

**Ans:-1. Investment** :- a) It is concerned with Investment of firm's funds in different assets. The firm invests its funds in acquiring fixed assets as well as current assets. When decision regarding fixed assets is taken it is also called capital budgeting decision.

b) Short term investment or working capital decision. The money invests in running of day to day activities of business.

**2. Financing decision: - from where the money comes or sources of finance.**

There are two sources: - a) owners fund b) borrowed fund

Owners equity/shareholders fund

Borrowed capital/owed capital/loan

**3. Dividend decision: - utilization of surplus/profit**

**Here two things whether to distribute the profit or to retain for future purpose.**

Distribute in the form of dividend to shareholders

Retain for future as retained earning.

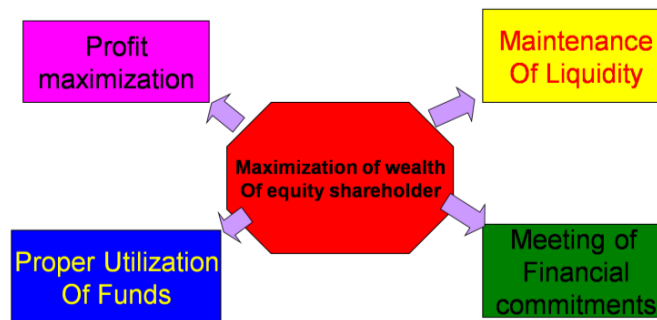
Q3.Explain the concept and objective of financial management.

Ans:-**Concept of Financial Management**

**Financial Management:-** It refers to efficient acquisition of finance, efficient utilisation of finance and efficient distributing and disposal of surplus for smooth working of company.

**Objectives of Financial Management:**

The main and foremost objective of financial management is to Maximize the wealth of equity shareholder.



It means to increase the capital invested in the business by the shareholders. Market price of the shares is the index of capital invested .

Shareholders fund = Number of shares x Market price per share

Q4.What is meant by Financial planning? Explain its objectives.

Ans:- To predetermine what is to be done in future is called planning. A financial manager has to formulate plans regarding future financial requirements, its procurement and utilisation.

Following are the objective of financial planning.

- a) To ensure timely availability of finance whenever required.
- b) To ensure unnecessarily finance is not raised .

Q5.Explain any four factor which affect the working capital requirement of a company.

Or

Explain any four factor which affect the fixed capital requirement of a company.

Answer:-

	Large amount, for investment in working/fixed assets, is needed	Lesser amount, for investment in, working/fixed assets is needed
1. Nature of Business (means business is selling readymade goods of self-made goods.)	If Manufacturing Business	If Trading Business.
2.Scale of Operation or Production(means quantity of produced units)	If Higher Production level	If Lower Production level
3. Growth Possibility(means chances of growth)	If More possibility of growth	If Less possibility of growth.
4.Cash flow position	Sound	Not good
5. Availability of Leasing (means hiring service of assets)	If not available	If available

6. Level of Competition	If competition is higher.	If competition is lower
7. Level of inflation	If inflation is higher.	If inflation is lower.

### Case study questions with answers

Q1. Somnath Ltd. is engaged in the business of export of garments. In the past, the performance of the company had been up to the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds he is trying to find out alternative sources from outside. Identify the financial concept discussed in the above para. Also state the objectives to be achieved by the use of financial concept, so identified. (CBSE, Delhi 2017)

**Answer:**

Financial planning is the financial concept discussed in the above paragraph. The process of estimating the fund requirements of a business and specifying the sources of funds is called financial planning. It relates to the preparation of a financial blueprint of an organisation's future operations. The objectives to be achieved by the use of financial concept are stated below:

- To ensure availability of funds whenever required which involves estimation of the funds required, the time at which these funds are to be made available and the sources of these funds.
- To see that the firm does not raise resources unnecessarily as excess funding is almost as bad as inadequate funding. Financial planning ensures that enough funds are available at right time.

Q2. Ravi has started a pizza base manufacturing business. The early morning schedule is very busy as the product is dispatched as soon as it is made to keep it fresh and is sent to the various pizza making restaurants or hotels. Daily fresh pizza base has to be delivered on the basis of estimated orders as there is no sure shot consumption pattern in the city.

What do you think is going to be the working capital requirement of this business? Why?

**Answer:**

The working capital requirement of this business will be low.

The reason for this low requirement is that the production cycle for Pizza base is short and as the production is made on estimated order no inventory is required which will further prevent inventory costs.

Q3. 'Hot Winters' is a premium sweater making company. The sweaters are worn in many countries and they are of very high quality. For six months of the year the company is almost without work but the remaining six months it is busy in preparing almost 10 million sweaters for its customers in different parts of the world.

What do you think is going to be the working capital requirement of this company? Why?

**Answer:**

The working capital requirement of this company will be high.

Though the company is almost without work for six months yet for the remaining six months it produces almost 10 million sweaters thus require a huge working capital since the scale of operations is large.

Q 4. Dheeraj has opened a company. He has come from Australia to set up a business of his father here in India. He decides to meet a person who owns huge chunks of property. He decides to take a piece of



land for his company on lease from him. What do you think is going to be the fixed capital requirement of his company? Why?

**Answer:**

The fixed capital requirement of Dheeraj's company will be less.

The reason for this less requirement will be a financial alternative in the form of lease that he has generated saving his funds which otherwise would have been used in purchasing the land.

Q 5. There are two brothers: Shobhit and Mohit. Shobhit starts a tourist and travel agency. His idea is to take his business to great heights. Though he doesn't have experience in this business yet he wants to give this business a try. He feels that if he gives the best quality services then his business will reach great heights.

Mohit starts a thermometer manufacturing business. He too like his brother wants to take his business towards great success. He is new to this business and is busy getting to know about the technical side of the business as much as possible. He wants to make the best quality thermometers which are ultrasensitive to temperature changes and can resist shocks.

Despite all these good ambitions in mind a sudden shock takes place for both the brothers. The economy shows sign of recession and within a few months is totally engulfed by it.

What will happen to the working capital requirement of the two businesses described in the above case? Which of the two businesses do you think will see greater impact of this change?

**Answer:**

Shobhit is doing a trading business and Mohit a manufacturing business.

Whenever recession hits an economy both trading and manufacturing businesses see fall in working capital requirements.

However the manufacturing business is affected more severely by recession. It is hit early by recession and bears a greater impact so the working capital requirement of Mohit's business will fall rapidly than that of Shobhit.

Q 6. 'Indian Logistics' has its own warehousing arrangements at key locations across the country. Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time.

State with reason, whether the working capital requirements of 'Indian Logistics' will be high or low.

**Answer:**

The working capital requirement will be 'low' as the firm is involved in a service industry which does not have to buy and maintain inventory.



## UNIT-10

### FINANCIAL MARKET

**Meaning:** The financial market is the place for purchases and sale of existing financial assets like shares, debentures, bonds etc.



Mahesh a salary earning person saves part of his salary as saving. If he keeps this saving at home nothing will increase, but the house hold person will transfer this saving to bank or financial market which will be invested in different business organisation for productive use i.e. for production of goods and services

#### FUNCTIONS OF FINANCIAL MARKET:

1. **MOBILISATION OF SAVING AND CHANNELISATION INTO PRODUCTIVE USE:**  
Financial market facilitates the transfer of savings from savers to investors.
2. **HELPS IN PRICE DETERMINATION:** In financial market prices of financial securities are determined by the forces of demand and supply.
3. **PROVIDING LIQUIDITY TO FINANCIAL ASSETS:** It means any time financial securities in our hand will be converted into cash.
4. **REDUCING THE COST OF TRANSACTION:** One platform where both buyers and sellers meet saves time, cost and effort of locating each other.

#### CLASSIFICATION OF FINANCIAL MARKET

**Classification of Financial Market** There are two segment of financial market- **Money market and Capital market.**

(i) **Money Market-** It is a market for short-term funds whose period of maturity is less than one year

##### **(a) Features of Money Market**

- Market for short term
- No fixed geographical location
- Major institutions involved in money market are RBI Commercial Banks, LIC, GIC etc.
- Common instruments of money market are call money, treasury bill, CP, CD, commercial bill etc.

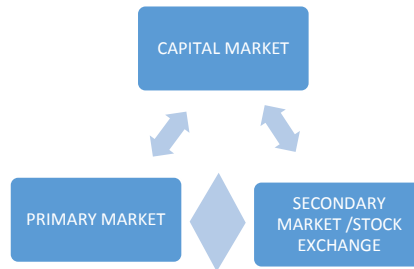
##### **(b) Instruments of Money Market**

- **Call money-** Issued by commercial banks for 1 to 15 days for interbank transaction, when one bank faces temporary shortage of cash then the bank with surplus cash lends to bank in shortage. The interest rate paid on call money is known as 'Call Rate'.
- **Treasury bills (T Bills)-** Issued by R.B.I on behalf of government of India up to one year. The minimum amount of Treasury bill is Rs.25, 000. They are also known as 'Zero Coupon Bonds'. They are issued in the form of promissory notes.
- **Commercial bills-** Issued by business firms to finance their working capital requirements. It is

short term, self- liquidating instrument used to finance credit sales.

- **Commercial Paper (CP)**- Issued by large credit worthy companies from 15 days to one year for bridge financing/floatation cost. It is freely transferable by endorsement and delivery.
- **Certificate of Deposits- (CD)**- Issued by commercial bank and development financial institution only against the deposits kept by companies and institution.They are issued to individuals and corporations during period of tight liquidity

(ii) **Capital Market**-It is a market for medium and long term funds. It includes all the organisations, institutions and instruments that provides long and medium term fund.



**Primary Market (New Issue Market)** -In this market, securities are sold for the first time, i.e., new securities are issued from the company.

**Methods of Floatation the securities may be issued in primary market by the following methods**

- **Public issue through prospectus:** Company invites public to apply for its securities like shares, debentures, bonds etc. through issue of prospectus.
- **Offer for sale:** Securities not directly issued to general public but are offered for sale through intermediaries like stock brokers, issue houses etc.
- **Private placement:** Under this a company issue securities to some selected institutional investors and individuals like UTI, LIC etc.
- **Rights issue (for existing companies):** Company offers the new shares to its existing shareholders in proportion of shares held by them.
- **E-IPOs:** Electronic initial public offer, means company issues new share through online trading.

**Secondary Market (Stock Exchange):** The secondary market is the market for the sale and purchase of previously (Already) issued or second hand securities.

**Difference between Primary and Secondary Market**

BASIS	PRIMARY MARKET	SECONDARY MARKET
Securities	Only new securities	Existing securities are traded

Price of securities	Management of company decides	Prices are determined by the determined by the forces of demand and supply of the securities.
Purchase and sale	Securities are sold to investors directly by the company or through intermediary.	Investor exchange ownership of securities
Place of market	There is no fixed Geographical location.	Located at specified places.

**Stock Exchange** - It is an institution or body of individuals (whether incorporated or not) established for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

### **Functions of Stock Exchange/Secondary Market:**

**1. Providing Liquidity and Marketability to existing Securities:**

Stock exchange provide easy convertibility of financial assets into cash and market for purchase and sale of securities.

**2. Pricing of securities:** The forces of demand and supply of shares determine the share price on stock exchange.

**3. Contribute to economic growth:** production of goods and services with the money of household saving increases the capital formation and leads to economic growth.

**4. Providing scope for speculation:** It provides lawful and healthy scope for increase and decrease of share price.

**5. Safety of transaction:**

Legally the transaction on stock exchange are safe for investors.

### **Trading Procedure on a Stock Exchange**

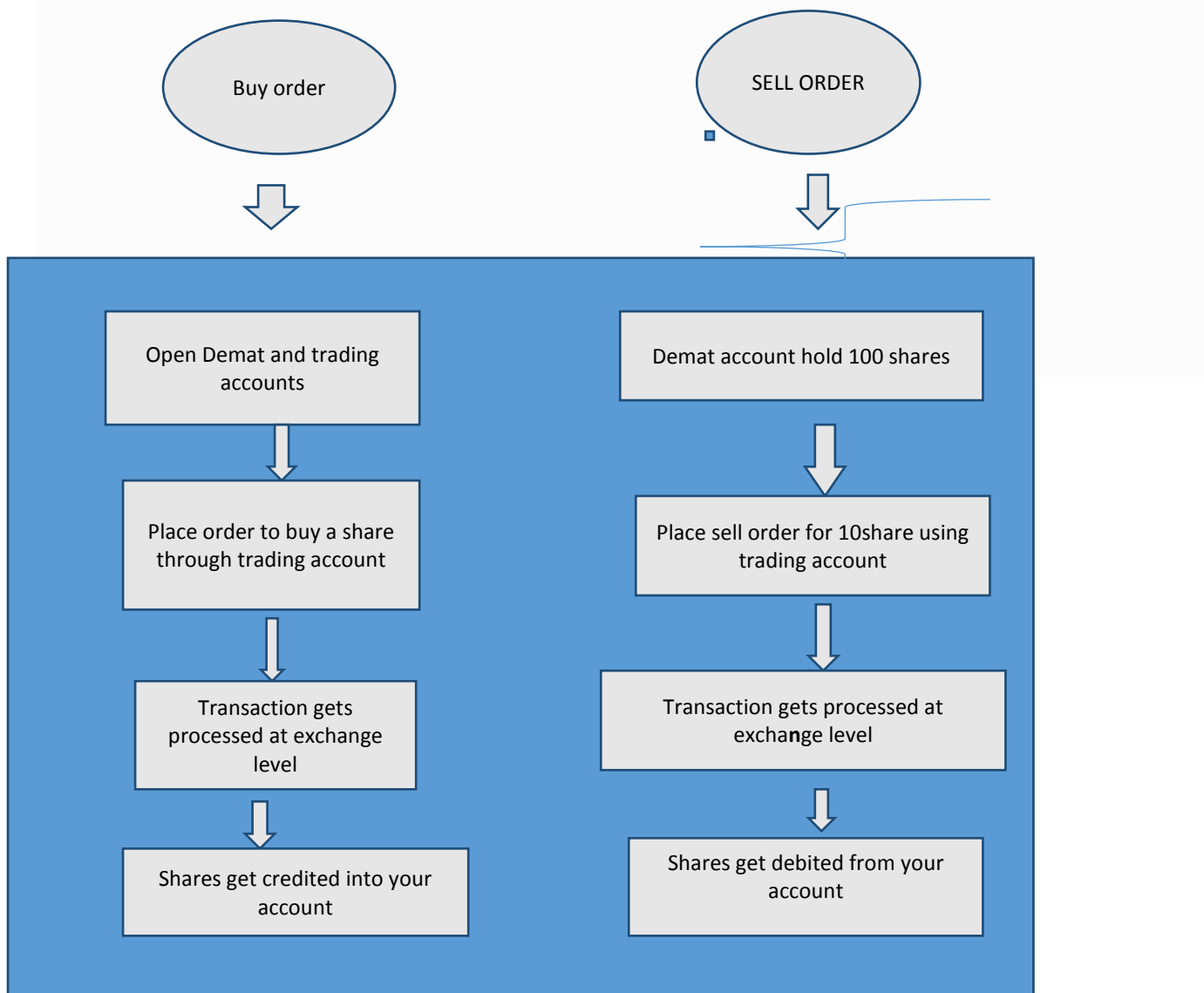
**1. Selection of Broker:** In order to trade on a Stock Exchange first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange.

**2. Opening Demat Account-**The securities are held in the electronic form by a depository. So, the next step is to open a demat account.

**3. Placing the order:** After selecting a broker and opening demat account, the investors specify the type and number of securities they want to buy or sell.

**4. Executing the order:** The broker will buy or sell the securities as per the instructions of the investor.

**5. Settlement:** Transactions on a stock exchange may be carried out on either cash basis or carry over basis (i.e. badla). All trading in stock exchanges takes place between 9.55 am to 3.30 pm.



SEBI (Securities exchange board of India): For remembering Scam-92

SEBI was established by Indian Government in 1988, later, it became a statutory body having perpetual succession and a common seal under the Securities and Exchange Board of India Act, 1992 (on April 12, 1992).

**Depository-** It is an organisation which holds securities (shares, debentures, bonds etc.) of investors in electronic form at the request of the investors through a registered Depository participant.

**Depository Participant-** It is an agent of the depository through which it interfaces with the investor and provides depository services. DP acts as a link between the depository and owner of the securities.

**Demutualisation-** It refers to separation of ownership and control of stock exchanges from trading rights of members.

**Objectives of SEBI**

- (i) Regulate stock exchanges
- (ii) Protect rights and interests of investors.
- (iii) Prevent trading malpractices
- (iv) Develop a code of conduct

**Functions of SEBI -**

**(I) Regulatory Functions of SEBI**

- (a) Registration of brokers, sub-brokers, collective investment schemes and mutual funds.

- (b) Regulation of takeover bids by companies.
- (c) SEBI conducts enquires and audit of stock exchanges.
- (d) Levying fee or other charges.

### **(II) Development Function of SEBI**

- (a) Training of intermediaries,
- (b) Conducting research and publishing information for market participants.
- (c) Undertaking measures to develop the capital markets.
- (d) Internet trading (e) Underwriting optional

### **(III) Protective Functions of SEBI**

- (a) Prohibition of fraudulent and unfair trade practices.
- (b) Controlling insider trading and imposing penalties for such practices
- (c) Undertaking step for investor protection
- (d) Educate investors
- (d) To regulate and develop a code of conduct and fair practices by intermediaries.

### **Key terms to Crack Case Studies**

1. New issue market — Primary market
2. Market for existing securities — Secondary market
3. Arrangement by which banks borrow from each other to be able to maintain The cash reserve ratio — Call money
4. Bridge financing — Commercial papers
5. Market for short term funds — Money market.
6. Market for medium term and long term funds — Capital market
7. Zero coupon bonds issued by RBI on behalf of Govt. of India — Treasury Bills
8. Institution holding securities in electronic form — Depository
9. Holding securities in electronic form — Dematerialisation.
10. Protect stock market — SEBI
11. Allotment of securities to institutional investors — Private Placement
12. Selling shares to investing public through intermediaries — Offer for sale.
13. Offering new shares to existing shareholders — Rights Issue
14. Unsecured instrument issued in bearer form by commercial banks and Financial institutions during the time of tight liquidity — Certificate of deposit.
15. A person who accesses and uses the price sensitive information for his Personal benefit — Insider Trading.

### **MCQ'S**

Read the following text and answer question: KOOH SPORTS PVT limited is searching options to raise Rs.10 crores from the primary market for diversification and modernisation of existing projects. It hired the services of a renowned financial consultancy firm, KARVY LTD. for suggesting options for the same. KARVY LTD. suggested a list of options to the Board of Directors of the company. It was decided that for the immediate requirement of Rs. 2 crores the company will give a privilege to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company. Rs.3 crores would be raised by allotment of securities to a Broker instead of inviting subscription from the public. It was further decided to raise capital to the of Rs.2.5crores through a private institute. And rest amount to be raised from on line system of the stock exchange.

Q.1-Identify the method of floatation of new issues in the primary market, not taken up by KOOH SPORTS LTD.

- a. Offer for sale      b. Rights issue      c. E-IPO      d. Offer through prospectus

Q.2- How much money was raised by the company through E-IPO'sa.Rs.2.5 croresb. Rs.5 croresc. Rs.2 crores d. Rs.3 crores

Q.3- What privilege was given to the existing shareholder?

- a) Prospectus      b) Right issue      c) Offer for sale      d) Private placement

Q 4. Instruments with a maturity period of less than one year are traded in the

..... .

- (a) Capital market      (b) Bombay stock exchange  
(c) Money market      (d) National stock exchange

Q5. Which of the following money market instruments are also known as zero Coupon bond?

- (a) Treasury bills      (b) Certificates of deposits  
(c) Commercial papers      (d) Call money

Q 6. Primary and secondary markets..... .

- (a) Compete with each other      (b) Complement each other  
(c) Function independently      (d) Control each other

Q 7. Which of the following is not a function of SEBI?

- (a) Registration of brokers & sub-brokers      (b) Undertaking measures to develop financial markets(c)  
Prohibition of insider trading      (d) Holding securities in electronic form.

Q8. .... is the full form of CDSL.

- (a) Central Depository Securities Ltd.      (b) Control Delhi Services Ltd.  
(c) Central Deposit Services Ltd.      (d) Central Depository Services Limited.

Q 9. .... are the business hours of stock exchange

- (a) 9:00 am to 4:00 pm      (b) 9:55 am to 3.30 pm  
(c) 9.30 am to 3.30 pm      (d) 9.30 am to 4.30 pm

Q10 ..... is a process where securities held by the investor in the Physical form are cancelled and the investor is given an electronic entry.

- (a) Dematerialisation      (b) Depository      (c) Demat account (d) all of these.

Q11. In which year was the SEBI established by the Government of India?

- (a) 1980      (b) 1988      (c) 1992      (d) 1993

Fill in the blanks:

12. Treasury bills are available for a minimum amount of ..... and in multiples thereof.

13. .... is a market for the creation and exchange of financial assets.

14. .... is short term finance used for inter-bankTransactions?

15. .... is an institution which provides a platform for buying andselling of existing securities.

16-. In India, there are ..... depositories

Ans. 1-(D), 2-(A), 3-(B) 4-(C), 5-(A), 6-(A), 7-(D), 8-(D), 9-(B), 10-(D), 11-(B), 12-(25,000) 13-(financial market), 14-(call money), 15-(Stock exchange), 16-(two)

### Important Questions (3 to 6 Marks)

Q 1- What is meant by Primary Market? Explain any two methods of floating new issues in the Primary Market.

Or

What is meant by 'Money Market'? Explain any two instruments used in Money Market.

Ans. Hint- **Primary Market (New Issue Market)** In this market, securities are sold for the first time, i.e., new securities are issued from the company. Explain any two (call money, T.Bills, C.B, C.P., C.D.)

Q 2-Why was Securities & Exchange Board of India (SEBI) set up? Explain any four objectives of SEBI.

Ans. Hint- To protect interest of investor.(explain)

Objectives- Regulate stock exchanges

- (ii) Protect rights and interests
- (iii) Prevent trading malpractices
- (iv) Develop a code of conduct

Q 3-State any three 'protective functions' of securities and exchange board of India (SEBI).

Ans. - Hint- **Protective Functions of SEBI**

- a) Prohibition of fraudulent and unfair trade practices.
- (b) Controlling insider trading and imposing penalties for such practices
- (c) Undertaking step for investor protection
- (d) Educate investors
- (e) Check on preferential allotment
- (d) To regulate and develop a code of conduct and fair practices by intermediaries

## **CASE STUDIES**

Q.1- XYZ Ltd. invited public to subscribe for equity shares of Rs. 100 each. Before the issue MD of the company had a deal with foreign company to amalgamate. Just after this issue, MD did not disclose this important fact in prospectus. It was highly objected, later by shareholders.

Concerned Regulating Authority took action and MD was punished and penalised as per regulations.

- (i) Identify the kind of capital market referred above. (1)
- (ii) Name the Regulatory Body, mentioned above. (1)
- (iii) Name any three other functions performed by the Regulatory Body. (3)

Ans. (Hints) (i) Primary Market

(ii) Securities Exchange board of India

(iii) To call for information.

- having fee or other charges.

- Training of intermediaries or

Q.2-The Trading procedure on Stock Exchange has been replaced by online Screen based electronic trading system. This is mainly done to eliminate problems like theft, fake forged transfers, transfer delays and paper work associated with share certificates or debentures in physical form. This is a process where securities held by the investor in the physical form are

Cancelled and the investor is given an electronic entry or number so that he/she can hold it in an electronic balance in an account. This has increased the equity cult among the people.

- a) Identify and state the process mentioned above. (1)
  - b) What is the most important requirement for the process identified in (a)? State. (1)
- [(a) Dematerialisation (b) DEMAT account (c) Transparency, efficiency]

Q.3-Bombay Stock Exchange was established in 1815 and was Asia's first stock exchange. About 6000 companies are listed on this exchange. Where investors purchase and sell their securities as shares, debentures and bonds. Price of the securities is determined by forces of demand and supply. The members of exchange are called brokers. They provide safe and fair deal to their customers. The Sensex launched in 1986 is made of 30 companies and represents 13 sectors of the economy. The change in Sensex saw the growth of economy. Explain the functions of Stock Exchange, highlighted above (3)

Ans. Hints

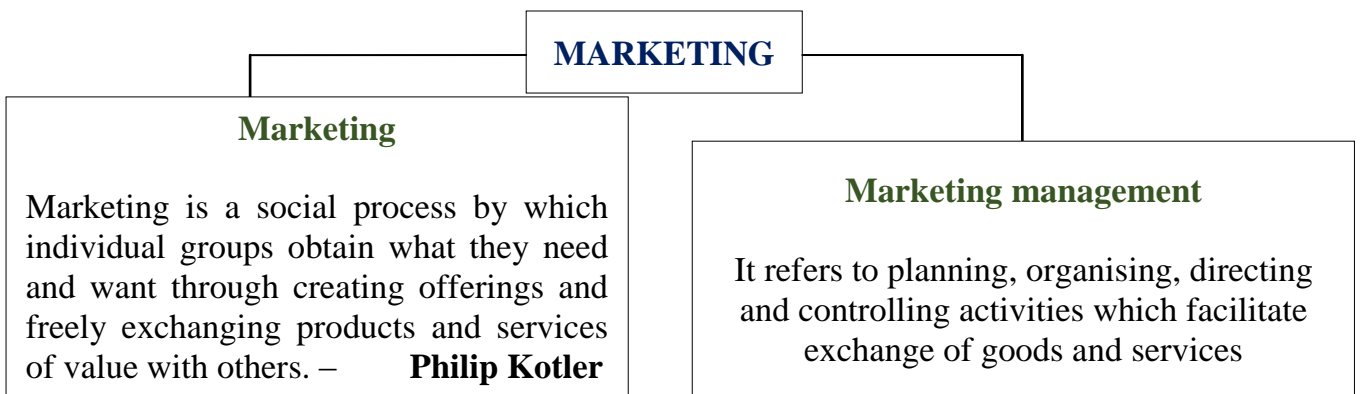
- (1) Platform for purchases and sale of securities
- (2) Price Discovery
- (3) Economic Growth



## Unit 11 Marketing Management

<b>TOPICS DELETED</b> Physical Distribution	•Components and channels of distribution
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### Marketing Management



#### **Functions of Marketing**

- **Gathering and analyzing market information** is done to know the taste and preference of the target market.
- **Marketing planning** is needed to meet the marketing objectives of the firm effectively and efficiently.
- **Product designing and development** is carried out to make the product innovative and attractive.
- **Packaging and labeling** are needed for product protection, product identification and product differentiation.
- **Branding** helps to create unique identity of the products.
- **Customer support services** help to create a good image of the marketer in the eyes of consumers.
- **Pricing of product** is a crucial decision as it may greatly influence the demand for a product.
- **Promotion** helps to boost the sales of a product.
- **Physical distribution** ensures the availability of the product at the right place, at the right time and in right condition so as to facilitate its purchase.
- **Transportation** creates place utility through movement of goods from the production of good to the place of distribution.
- **Warehousing** creates time utility by providing for the storage during the time gap between the production and distribution of goods.
- **Standardisation** helps to produce goods as per predetermined specifications and grading facilitates their classification into groups on the basis of some criterion like quality, size etc.

#### **What can be Marketed?**

- |                   |             |         |              |                |
|-------------------|-------------|---------|--------------|----------------|
| •Physical product | •Services   | •Ideas  | •Persons     | •Place         |
| •Experience       | •Properties | •Events | •Information | •Organisations |

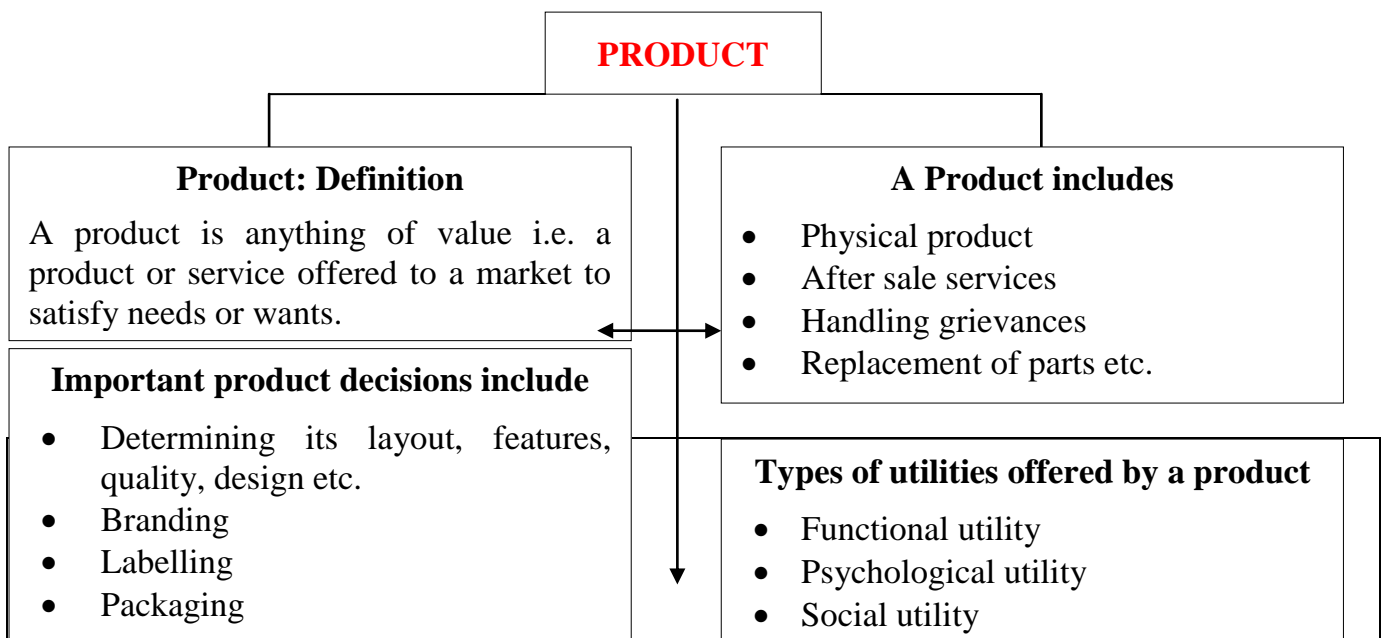
## Marketing management philosophies/concepts

Basis	The Production Concept	The Product Concept	The Selling Concept	The Marketing Concept	The Societal Marketing Concept
Starting point	Factory	Factory	Factory	Market	Market and society
Main focus	Quantity of product	Quality, features and performance of product	Selling existing product	Customer needs	Customer needs and society's welfare
Means	Availability and affordability of product	Product improvements	Selling and promoting	Integrated marketing	Integrated market
Ends	Profit through volume of production	Profit through product quality	Profit through high sales	Profit through customer's satisfaction	Profit through customer's satisfaction and social welfare

### Elements of marketing mix

- Product
- Price
- Place
- Promotion

### PRODUCT



### Branding

Branding is the process of giving a name (brand name), sign or symbol (brand mark) or a combination of all to identify the products of a seller or a group of sellers and to distinguish them from those of the competitors.

**Brand Name:** - A brand name is that part of a brand which can be spoken.

**Brand Marks:** - A brand mark is that part of a brand can be recognized but cannot spoke.

**Trade Mark:** - It refers to brand which is registered by govt.

### **Advantages of banding to the customers**

- Supports in product identification
- Certifies quality
- Status symbol

### **Advantages of branding to the manufacturers**

- Facilitates product differentiation
- Assets in advertising and display programme
- Facilitates differential pricing
- Ease in the launching of new products

### **Qualities of a good brand name**

- Short and easy to pronounce, spell and remember
- Reflects the functions of the product
- Distinctive/easily identifiable
- Adaptable can be used in labeling or packaging
- Versatile can be used for brand extension
- Should not become outdated soon
- Capable of being registered

## **LABELLING**

Labelling refers to the process of designing a label for a product which may vary from a simple tag to a complex graphic.

### **Functions of labelling**

- Describes the product and specifies its contents
- Helps in identification of the product or brand
- Enables grading of products
- Assists in promotion of products
- Provides information required by law

## **PACKAGING**

Packaging is the process of designing a suitable wrapper or container for a product.

### **Importance of Packaging**

- Rising standards of health and sanitation
- Useful in self service outlets
- Innovative packaging adds value to a product
- Facilitates product differentiation

### **Levels of Packaging**

- **Primary package** refers to the immediate container of a product.
- **Secondary packaging** refers to the additional protection provided besides primary package.
- **Transportation packaging** refers further packaging that helps in storage, identification of

transportation of the product.

### **Functions of Packaging**

- Helps in product identification
- Provides protection to the product
- Facilitates the use of product Social utility
- Assets in promotion of the product

### **PRICE**

#### **Price**

Price is the monetary value paid in consideration for purchase of a product or service by a buyer to its seller.

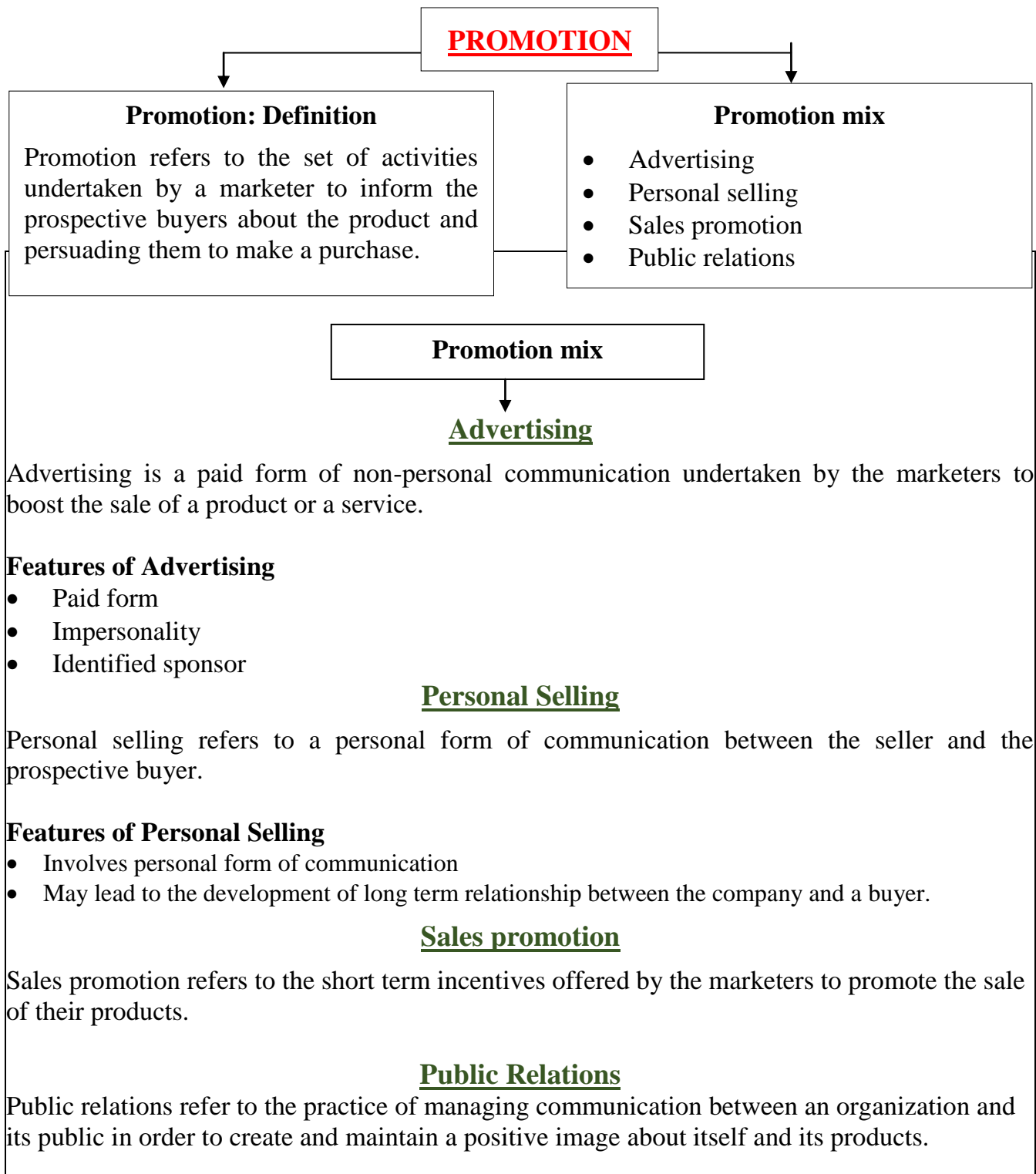
#### **Factors affecting price determination**

- Cost of product
- The utility and demand
- Extent of competition in the market
- Government and legal regulations
- Pricing objectives
- Marketing methods used

## PLACE

### (Physical Distribution)

Physical distribution includes all those activities that ensure the availability of the product at the right place, at the right time and in right condition so as to facilitate its purchase.



## **OBJECTIVE TYPE QUESTIONS**

1. Large scale production done to reduce the average cost of production is the essence of .....concept of Marketing management.  
(a) Product (b) Selling (c) Production (d) Marketing

2. Saumya decided to start a business of selling dress material from her house. She did surveys to find out about the preferences of prospective customers. Based on this, she prepared a detailed analysis of the business. She then made important decisions including deciding about the features, quality, packaging, labelling and branding of the dress material. Identify the element of Marketing Mix discussed above.  
(a) Promotion (b) Market (c) **Product** (d) Place  
(CBSE, Sample Paper 2019)
3. Tomato Ltd., a food delivery service app has recently faced criticism for the tampering of their product, by their delivery boys. Tomato Ltd. decided to put a hologram seal on the food packets in order to protect the contents from spoilage, leakage, pilferage, damage, along with a tag with a safety warning for the consumers to check the seal. Which concept of marketing discussed above is performing the important function of communicating with the potential buyer and promoting the sale.  
(a) Branding (b) Product designing and development  
(c) **Labelling** (d) Packaging  
(CBSE, Sample Paper 2019)
4. Which of the following is a feature of marketing process?  
(a) Satisfying needs and wants of the consumers  
(b) Creating a market offering  
(c) Developing an exchange mechanism  
(d) **All of the above**
5. In order to promote the habit of health and hygiene among weaker sections of the society, Abhyas Limited has launched low cost packs of hand wash. Identify the type of marketing philosophy being adopted by the company.  
(a) Product concept (b) **Production concept**  
(c) Marketing concept (d) Societal marketing concept
6. Madhubala is planning to launch an online education portal. In order to understand the varied needs of the students, she conducted an online survey. Based on the feedback of the survey, she has decided to offer educational packages to the prospective buyers. Identify the type of marketing concept being described in the given lines.  
(a) Product concept (b) Production concept  
(c) **Marketing concept** (d) Societal marketing concept
7. Keeping in view the recent trends of sales regression, Sona Limited has decided to offer a flat 15% discount on all its products. Identify the related function of marketing being described in the given lines.  
(a) Packaging and labelling (b) Branding  
(c) Pricing (d) **Promotion**
8. Lavanya runs a Play School from her residence. Recently, she placed an order online for 200 chalk boxes. The boxes were delivered to her in a corrugated box. Identify this level of packaging which facilitated movement of the product.  
(a) Primary package (b) Secondary packaging  
(c) **Transportation packaging** (d) None of the above
9. When Reema had sent her servant to the market to buy a pack of chips, she asked him specifically to bring the yellow coloured packet of chips of a particular brand. Identify the function of packaging being described in the above line.  
(a) **Helps in product identification** (b) Provides protection to the product

(c) Facilitates the use of product (d) Assists in promotion of the product

10. Identify the component of promotion mix being described in the given exhibit?  
PRICE 50% off  
(a) Advertising (b) Sales Promotion (c) Public relation (d) Personal selling

#### Fill in the blanks

1. A \_\_\_\_\_ consists of all the potential customers who have both the ability and willingness to buy a product.
2. A..... refers to an individual or organisation that plays more active role in the process of exchange.
3. The .....concept of marketing holds that consumers will prefer products that are widely available and inexpensive.
4. ....refers to the combination of four marketing variables which are controllable by a firm.
5. A .....is a name, term, design, symbol, or other feature that differentiates an organization or product from its competitors in the eyes of the prospective buyers.

Ans: - 1. Market 2. Marketer 3. Production 4. Marketing mix 5. Brand

#### State whether true or false. (Give reason in support of your answer).

1. According to the modern Marketing concept, market refers to the group of people who do not have the ability but willingness to buy a particular product
2. The concept of product is confined to physical product.
3. The marketing concept holds that the consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products.
4. A brand name refers to that part of a brand which cannot be uttered.
5. The additional layers of protection that are kept till the product is ready for use is known as transportation packaging.

Ans:- 1. False (have both willingness and ability) 2. False (includes services also)  
3. False (selling concept) 4. False (brand mark)  
5. False (secondary packaging)

### Case Studies

#### QUESTION 1:

People think that it is the 'Product' only that can be marketed. But something else can also be marketed, e.g. 'Visit Kerala for Health Tourism'. Identify what is being marketed here.

(CBSE, OD 2019)

#### ANSWER:

A **Place** is being marketed i.e. persuading people to visit Kerala for health tourism

#### QUESTION 2:

Kumar wanted to purchase a fuel efficient car having the latest standards regarding minimization of Pollution. He saw an Advertisement offering such a car and visited the showroom of the company, wherein the car was displayed. In his discussion, the Marketing Manager told him that the company is providing credit facilities, maintenance services and many other effective services which are helping in bringing repeat sales and developing brand loyalty. Identify the marketing function which the Marketing Manager was discussing with Kumar.  
(CBSE, OD 2019)

#### ANSWER:

The marketing function which the Marketing Manager was discussing with Kumar is **Customer support services.**

#### QUESTION 3:



'Nayan Medicare Equipment Ltd.' manufactures equipment for surgeons having a unique laser technique. The equipment can be used by the surgeons only after proper training. Even their maintenance requires guidance of specialised engineers. Because of this, the equipment is used in a limited number of hospitals. The company wants to increase the sale of the equipment. Suggest the promotion tool to be used by the company giving reason in support of your answer.

(CBSE, OD 2019)

**ANSWER:**

**Personal selling** should be used as a promotional tool by the company. Personal selling offers the advantage of specifically targeting a set of prospective buyers it is considered to be an economical method of promoting sales as it helps to avoid wastage in terms of time effort and money.

**QUESTION 4:**

Tapas Sen, a manufacturer, redesigned his existing soup making machine into a small and portable machine. For selling the machine he entered into an agreement with his uncle who agreed to finance the project with a 50% share in the profits. To launch the machine they decided to start with direct channels of distribution. They named the venture as 'Cup-a-Soup'. In the first year their main objective was profit maximization. They appointed 30 trained salesmen for distribution of the machines across the country. They offered incentives and awards to salesmen for achieving their sales targets.

(a) Identify the marketing philosophy used by 'Cup-a-Soup'.

(CBSE, OD 2019)

(b) Identify the tool of promotion used by 'Cup-a-Soup'.

**ANSWER**

(a) **Production concept** is the marketing philosophy used by 'Cup-a-Soup'.

(b) **Personal selling** is the tool of promotion used by 'Cup-a-Soup'.

**QUESTION 5:**

'Buy one get one free' is printed on the label of the package of a mosquito repellent. State the labelling function being performed by this statement. (CBSE, Delhi 2018)

**ANSWER:**

The labelling function being performed by the above statement is **Help in Promotion of Products**.

**QUESTION 6:-**

Malaysian budget airline group Sky Europe announced discounted fares, starting as low as Rs. 1,099 for domestic destinations operated by its Indian Joint Venture carrier and Rs 2,099 for international flights operated by other group airlines under a limited period offer.

Identify the medium of communication which can be used by the firm to inform a large number of people about the new fares. (CBSE, Sample Paper, 2018,)

**ANSWER:**

**Advertising** is the medium of communication which can be used by the firm to inform a large number of people about the new fares.

## Unit 12

### Consumer Protection

#### **TOPICS DELETED**

- Consumer Protection: Importance
- Consumer awareness - Role of consumer organizations and Non-Governmental Organizations (NGOs)



- **Consumer Protection** refers to protection of consumer from immoral, exploitative and unfair trade practices of manufacturers, traders, sellers and services providers.
- By creating awareness, providing protection, speedy and inexpensive redressed of their grievances and by educating the consumer about their rights and responsibility.

#### **Who is CONSUMER?**

- Consumer is a person who buys any good or avail any service for the final consumption not for resale.

Or

- Who consumes (not resale), purchased (not received free of cost) goods/ services is called consumer.

#### **Who can file a complaint?**

- 1) Any consumer;
- 2) A legal heir or representative of a deceased consumer,
- 3) Any registered consumers' association;
- 4) The central government or any state government;
- 5) One or more consumers on behalf of numerous consumers having the same interest.

#### **Against whom a complaint can be filed?**

- 1) Against the seller, manufacturer or dealer of goods which are defective
- 2) Against the provider of the service if they are deficient in any manner.

The Consumer Protection Act, 1986 act provides protection to consumers by giving him 6 rights.

### **CONSUMER RIGHTS**

**(i) Right to safety:** - Consumer has right to be protected against goods and services which are hazardous to life, health and property.

**(ii) Right to be Informed:** - Consumer has right to have complete information about the product before purchasing. Information about product may be regarding quality-quantity-price-ingredients-date of manufacture and expiry-directions for use etc.

**(iii) Right to choose:** - Consumer has the freedom to choose from a variety of goods and services at competitive prices available in the market. Marketer should not force the customer to buy the product.

**(iv) Right to be heard:** - Consumer has a right to file complaint and to be heard in case of dissatisfaction with a good or a service.

**(v) Right to seek redressal:** - The consumer has a right to get relief or compensation if purchased good or services is defective and falls short of his expectations.

**(vi) Right to consumer education:** - Consumer has right to get consumer education about his rights, how to buy wisely, how to use money properly, how to be escaped from cheating, how to check quality of goods and services.

### **THREE TIER REDRESSAL AGENCIES UNDER THE CONSUMER PROTECTION ACT AND PROCEDURE OF COMPLAINT:-**

<b>Features:-</b>	<b>District Forum at District Level</b>	<b>State Commission at State Level</b>	<b>National Commission at National level</b>
1. When complaint may be lodged/filed here.	When claim is less than Rs. 20 lakhs	(i) When claim exceeds Rs.20 lakhs but less than Rs 1 crore. (ii) Appeal against decision of District Forum.	(i) When claim exceeds Rs 1 crore. (ii) Appeal against decision of State Commission.
2. No. of Members in committee	Three (one must be woman) including President.	Three (one must be woman) including President.	Five (one must be woman) including President.
3. Qualification of President	Equal to District judge	Equal to High Court judge.	Equal to Supreme Court judge.
4. Who appoints committee members	State Government.	State Government.	Central Government.
5. Duration for appeal against decision.	30 days within decision in State Commission.	30 days within decision in National Commission.	30 days within decision in Supreme Court.

### **REMEDIES (RELIEFS AVAILABLE)**

If the consumer court is satisfied about the genuineness of the complaint, it can issue one or more of the following directions to the opposite party.

- To remove the defect in goods or deficiency in service.

- To replace the defective product with a new one, free from any defect.
- To refund the price paid for the product, or the charges paid for the service.
- To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- To pay punitive damages in appropriate circumstances.
- To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.
- Not to offer hazardous goods for sale.
- To withdraw the hazardous goods from sale.
- To cease manufacture of hazardous goods and to desist from offering hazardous services.
- To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organization/person, to be utilized in the prescribed manner.
- To issue corrective advertisement to neutralize the effect of a misleading advertisement.

### **Multiple Choice Questions**

- |  |
|--|
| <p>1. To provide protection to the consumers against the improper behavior of the producers and sellers is called _____.</p> <p>(a) Consumers Protection Act (b) Consumer Protection<br/>(c) Consumer Welfare (d) Consumer Education</p>   |
| <p>2. Who of the following cannot file a complaint?</p> <p>(a) Individual consumer (b) Consumer association that has not been recognized<br/>(c) Central government (d) State government</p>   |
| <p>3. Who, of the following, cannot be considered a consumer?</p> <p>(a) A person who buys things to further sell them consideration.<br/>(b) A person who gets things without consideration.<br/>(c) A person who uses things without the permission of the purchasers.<br/>(d) All the above</p> |
| <p>4. Disputes of _____ amount are settled at the level of District Forum?</p> <p>(a) Upto rupees ten lakh (b) Upto rupees thirty lakh<br/>(c) Upto rupees fifty lakh (d) Upto rupees twenty lakh</p>  |
| <p>5. Under the amended Consumer Protection Act, 1993 the time limit for filing a complaint has been limited to a period of _____ year.</p> <p>(a) Two (b) Three<br/>(c) Four (d) Five</p>   |
| <p>6. Which of the following is not the example of unfair trade practice?</p> <p>(a) Wrong information about goods/services.<br/>(b) Compelling consumers to buy gas stove while getting gas connection.<br/>(c) Not observing prescribed standards.<br/>(d) Indulging in hoarding</p>             |
| <p>7. The consumer has a right to get relief in case of defective goods or deficient service as per the.....</p> <p>(a) Right to be informed (b) Right to seek redressal<br/>(c) Right to choose (d) Right to be heard</p>   |
| <p>8. Ask for a _____ on purchase of goods and services. This would serve as a proof of purchase made.</p>   |
| <p>9. In case the aggrieved party is not satisfied with the order of the State Commission, he/she can appeal</p>   |

before the \_\_\_\_\_ Commission within \_\_\_\_\_ days of the passing of the order.

10. Amrit filed a case against “Volvo Ltd” in the State Commission. But he was not satisfied with the orders of the State Commission. After two months he decided to appeal. The authority to which he can appeal is:

- a) District forum
- b) National commission
- c) Supreme court
- d) Cannot appeal

11) Each state commission must have one woman as its member.

- Ans. a) one woman as its member      b) Two women as its member
- c) Three women as its member      d) women member not required

12) The scope of Consumer Protection Act is applicable to big undertakings, private sector and co-operative sector only. ....

Answers Q1-a Q2. b Q3. d Q4. d Q5.a Q6.b Q7 b Q8 Cash Memo Q9 National, 30Q10 d Q11 a Q12 False, it is applicable in every sector

### **Short Answer Type Questions**

**Q1) Sakshi buys a packet of dry cake from a cake shop without asking for the bill. The pack does not bear any information other than the name of shop. After reaching home she finds the cake to be stale.**

**a) Identify the consumer right that has been violated.**

**b) State any two responsibilities that a consumer must keep in mind while purchasing any good.**

**Ans.** (i) Right to Information

(ii) consumer responsibilities

a. Be aware about various goods and services available in the markets so that an intelligent and wise Choice can be made.

b. Buy only standardized goods as they provide quality assurance. Thus, look for ISI mark on electrical Goods, FPO mark on food products, Hallmark on jewelry etc.

**2. What is meant by a 'consumer' as per the provisions of Consumer Protection Act, 1986?**

**Ans.** As per the Consumer Protection Act, a consumer is defined as follows:

(i) Any individual who purchases any good for which he has paid or promised to pay; partly paid and promised to pay the remaining part. That is, it includes all individuals who use the goods with the approval of the seller. However, those individuals who purchase the goods for the purpose of resale or for commercial purposes are not considered as consumers.

(ii) Any individual who avails any service or hires a service for which he has paid or promised to pay; partly paid and promised to pay the remaining part. That is, it includes all individuals who have availed the service with the approval of the seller.

**3. Who can file a complaint in a consumer court?**

**Ans:** The following can file a complaint in a consumer court.

- (i) Any consumer
- (ii) Any registered consumer association or organization
- (iii) The Central and State Government
- (iv) A consumer or a group of consumers on behalf of a number of consumers having same interest.
- (v) A legal heir or a representative of the deceased consumer.

## Long Answer type Questions

4. Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company.

(a) State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company.

(b) Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part

**Ans:-** (a) The responsibility, which Sumit had to fulfil as an aware consumer to get the services of the company, is to learn the risks associated with the products and services, follow manufacturer's instructions and use the products safely.

(b) Two rights which Sumit could have exercised had he fulfilled his responsibility:

- **Right to be Heard:** It is the right of consumers to be heard in an appropriate legal forum in case of any grievance or dissatisfaction faced by them. In other words, a consumer has the right to file a complaint in case of any grievance.
- **Right to Seek Redressal:** It is the right of consumers to seek redressal in case of a grievance and, if required, demand a suitable compensation. The Consumer Protection Act provides for compensation in the form of replacement of product, cash compensation and repair/removal of defects.

### 5. Explain the responsibilities of a consumer

**Ans:** some of the responsibilities of a consumer.

**(i) Awareness:** A consumer should be well aware of the availability of various goods and services. This enables him to make an informed and wise choice.

**(ii) Looking for Quality Marks:** A consumer must always look for the quality certification marks before the purchase of goods such as ISI in case of electrical goods, AGMARK in case of agricultural goods etc.

**(iii) Asking for Cash Memo:** A consumer should always ask for cash memo or bills for the goods and services purchased. The bill acts a proof of purchase and can be used for future references in case of a complaint.

**(iv) Reading Labels:** Labels on goods provide information regarding price, weight, expiry date of the product. The consumer must read these labels carefully before purchasing the goods.

**(v) Honest Transactions:** A consumer must always choose legal dealings and discourage illegal trade practices such as black marketing and hoarding.

**(vi) Ensure Safety:** A consumer must carefully read the manuals and instructions provided by the manufacturer so as to ensure safe use of the product. For example, instructions provided on the electrical appliances must be carefully read before using them.

**(vii) Filing Complaint:** In case the product is found defective or any deficiency is found in the quality of the product, a complaint must be filed in the appropriate forum.

**(viii) Consumer Societies:** Consumer organisations and societies such as consumer Coordination Council, Common Cause, Karnataka Consumer Service Society, etc. must be formed to work towards consumer education and awareness.

**(ix) Environment Protection:** The consumers must also work towards environment protection by avoiding wastes, pollution control, etc.

**6. Under the consumer protection Act, every consumer has a right to be protected against goods and services which are hazardous to life health. Electro ltd. Manufactures and sells substandard electrical appliances. As these appliances did not conform to safety norms and a mark assuring quality specification was missing. Cases were noticed where these substandard appliances had caused serious injury to many consumers.**

- (a) Which consumer right has been highlighted in the above case?**
- (b) Name the mark which the consumer should see before buying any electrical appliances to ensure safety.**
- (c) Name and explain the consumer right where a consumer has a right to have complete information about that product he intends to buy**

Ans. (a) Right to safety.

(b) ISI mark

(c) Right to be informed: The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity etc.



**CLASS XII**  
**BUSINESS STUDIES**  
**SAMPLE QUESTION PAPER -1 (2020-21)**

**MM – 80**

**TIME: 3 HOURS**

**General instructions:**

- 1 This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answer should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

<b>Q.No</b>	<b>Questions</b>	<b>Marks</b>
1	Gurmeet is working as Regional Manager in ABC Ltd. Name the level of management at which he is working (a) Middle Level (b) Top level (c) Lower level (d) All of these	1
2	Liberalization means (a) Integration among economies (b) Policy of planned disinvestment (c) Reduced government control and restrictions (d)None	1
3	Efficiency means (a) Doing the task with minimum cost (b) Deriving more benefits by using less resources (c) Doing the task correctly (d) All of the above	1
4	Which of the following is the factor of the social environment of business? (a) Customs (b) Rate of Interest (c) Level of Education (d) All of the above	1
5	A petrol pump needs to be managed as much as a school or a hospital. Which feature of management has been highlighted here? (a) Continuous process (b) Management is all pervasive (c) Management is a dynamic function (d) All the options	1
6	Passing of Companies Act, 2013 is a component of which environment? (a) Social environment (b) Political environment (c) Legal environment (d) Economic environment	1



15	In case the aggrieved party is not satisfied with the order of the District Forum, within which period a complaint must be filed before the State Commission? (a) Within 130 days (b) Within 160 days (c) Within 30 days (d) Within 15 days	1								
16	Match the Marketing Management Philosophies' given under 'A' with the suitable statements under 'B'. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">A</th> <th style="width: 50%; text-align: center;">B</th> </tr> </thead> <tbody> <tr> <td>1. Production concept</td> <td>(a) The focus of this concept is on quality of the product.</td> </tr> <tr> <td>2. Product concept</td> <td>(b) Availability and affordability of the product were considered to be the key to the success of a firm</td> </tr> <tr> <td>3. Selling concept</td> <td>(c) Firms undertake aggressive selling and promotional efforts to make customers buy their products.</td> </tr> </tbody> </table> (a) a b c                      (b) b a c                      (c) c b a                      (d) c a b	A	B	1. Production concept	(a) The focus of this concept is on quality of the product.	2. Product concept	(b) Availability and affordability of the product were considered to be the key to the success of a firm	3. Selling concept	(c) Firms undertake aggressive selling and promotional efforts to make customers buy their products.	1
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3. Selling concept	(c) Firms undertake aggressive selling and promotional efforts to make customers buy their products.									
	Read the following text and answer question No.17 and 18 on the basis of the same: Tapas Sen, a manufacturer, redesigned his existing soup machine into a small and portable machine. For selling the machine he entered into an agreement with his uncle who agreed to finance the project with a 50 % share in the profits. To launch the machine, they decided to start with direct channels of distribution. They named the venture as 'Cup a Soup'. In the first year their main objective was profit maximization. They appointed 30 trained salesmen for distribution of the machines across the country. They offered incentives and awards to salesmen for achieving their sales targets.	1								
17	Identify the marketing philosophy used by 'Cup a Soup'. (a) Production concept                      (b) Product concept (c) Selling concept                      (d) Marketing concept	1								
18	Identify the tool of promotion used by a 'Cup a Soup'. (a) Advertisement                      (b) Sampling (c) Personal selling                      (d) Rebates	1								
	Read the following text and answer question No.19 and 20 on the basis of the same: 'Foods India Ltd' is a company engaged in the production of packaged juice since 2010. Over this period, a large number of competitors have entered the market and are putting a tough challenge to 'Foods India Ltd'. To face this challenge and to	1								

	increase its market share, the company has decided to replace the old machinery with an estimated cost of Rs. 100 crores. To raise the finance, the company decided to issue 9% debentures. The Finance Department of the company has estimated that the cost of issuing the 9% debenture will be Rs. 10, 00,000. The company wants to meet its flotation cost.	
19	Name the instruments did the company may issue for this purpose (a) Treasury Bills (b) Call Money (c) Commercial Papers (d) Commercial Bill	1
20	In which type of Financial Market, is the instrument explained in above traded? (a) Capital Market (b) Money Market (c) Both (a) and (b) (d) None of the above	1
21	Resolutions Pvt. Ltd. is a publishing company. Its book on Business Studies for class XII is in great demand. As a result, the employees in the marketing department are always racing against time. The employees have to work overtime and on holidays to cater to the demand, Managers in the marketing department are under stress as they have to handle more than two territories. The work stress has led to dissatisfaction among the employees and managers. (a) Name and explain the step of staffing process which has not been performed properly. (b) State the next two stages immediately following the step identified in part 'a'.	3
22	“Management is considered as full-fledged profession.” Do you agree with this statement? Give reasons to support your answer.	3
23	State and explain any three importance of Controlling OR The production manager of Modern exports informed his workers that if defective production is 2% of total output it would be acceptable. Suggest, what action the production manager must take if defective production is beyond acceptable limits.	3
24	Dinesh has 1000 equity shares of bright Ltd. He wants to sell 500 of these shares. Which market should be an approach? Write any two advantages of selling through such a market. OR "A financial market is for the creation and exchange of financial assets." Explain any two of its functions.	3
25	Handsen is the CEO of Newcastle Enterprises', one of the world's most successful companies His success stories have been well documented. He chooses highly motivated and capable managers	4

	<p>who can perform their tasks creatively and adequately without his help. He allows the group members to work on their own tasks and resolve issues themselves. He intervenes, but only when needed to correct an unfavorable situation. He does not use power unless it is absolutely essential. He even allows mistakes to happen for his people to learn from them. He supports them and supplies them the required information to complete the assigned task.</p> <p>(a) Identify the leadership style adopted by Handson. (b) With the help of diagram, explain the other two leadership styles based on the use of authority</p>	
26	Discuss Maslow's Need Hierarchy theory of motivation.	4
27	<p>The workers of a factory remain idle because of lack of knowledge of high-tech machine. Frequent visit of engineer is made which cause high overhead charges. Explain how this problem can be removed.</p> <p style="text-align: center;">OR</p> <p>What do you mean by internal source of recruitment? Explain the methods of internal source of recruitment.</p>	4
28	<p>Explain with reasons which of the following business will require large amount of working capital and which ones will require lesser working capital:</p> <p>(i) Ice-cream seller (ii) Sugar factory (iii) Bakery (iv) Automobile company</p> <p style="text-align: center;">OR</p> <p>Explain the following functions of SEBI (i) Developmental functions(ii) Regulatory functions</p>	4
29	<p>Is the manufacturer of sophisticated cranes? The production manager of the company reported, to the chief executive officer, Ashish Jain that one of the Machines used in manufacturing sophisticated cranes had to be replaced to compete in the market as, other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long term sources of finance. Ashish Jain compared various machines in decided to invest in the machine which would yield the maximum returns to its investors.</p> <p>(a) Identify the Financial Decision taken by Ashish Jain (b) Explain any three Factors Affecting the Decision identified in (a) above.</p>	4
30	Explain the following rights to consumers	4

	(i) Right to consumer education (ii) Right to seek redressal	
31	Explain any three importance & any three limitations of planning.	6
32	What is meant by 'functional structure' of an organization? State any five advantages of this form of organizational structure. OR What is meant by 'divisional structure' of an organization? State any five advantages of this form of organizational structure.	6
33	Explain the following principles of general management: (a) Time study (b) Motion study (c) Functional Foremanship	6
34	<p>Since childhood friend Aman and Rohan had been watching their grandmother procuring wheat from the market, washing it well drying it and getting it converted into atta. They conducted a survey to collect data to identify whether there is demand for readymade atta and realised that with the growing number of working women, it is the need of the hour to manufacture high quality atta. They named their product 'Srijan' and set up 'Srijan Atta Factory' at Jaunpur Village. To penetrate in the market, they decided to keep the price low. For maintaining smooth flow of their product into the market and avoiding delays in delivery, it was decided to store wheat at SKM Services which had scientific processes and logistics facilitating quick delivery. They also set up an online complaint portal to take care of consumer grievances. By quoting the lines from the above paragraph, state four marketing functions undertaken by Aman and Rohan for successful marketing of 'Srijan' atta.</p> <p>OR</p> <p>Pushpanjali Ltd. is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The finding of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its good quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits. Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd. had forgotten to take one of the most important decisions related to the product. What decision should "Pushpanajali Ltd.' take so that its customers are able to identify its products in the market? Explain the benefits that may result to 'Pushpanjali Ltd. and its customers if the above decision is taken.</p>	6

## Marking Scheme

Q.No.	Suggested Answers	Marks
1	(a) Middle level	1
2	(c) Reduced government control and restrictions	1
3	(d) All of the above	1
4	(a) Customs	1
5	(b) Management is all pervasive	1
6	(c) Legal environment	1
7	© Political environment	1
8	(b) Departmentalization	1
9	(d) all the above	1
10	(b) divisional organization	1
11	(a) Strategic control  OR (d) All the above	1
12	(b) Right to seek redressal  OR (c) District forums	1
13	(b) Additional layer of protection	1
14	(c) Protection of consumer	1
15	(c) Within 30 days	1
16	(b) b a c	1
17	(a) Production concept	1
18	(c) Personal selling	1
19	(c) Commercial Papers	1
20	(b) Money Market	1
21	(a) Estimation of manpower requirements. (b) (i) Recruitment (ii) Selection	1+2
22	No. I do not agree with this statement because today management is not a full-fledged profession but it is on the path of becoming profession. Very soon it will be included in the list of profession To prove this we can compare features of profession with the features of management: (i) Well-defined body of knowledge (ii) Restricted entry (iii) Service motive (iv) Existence of ethical codes (v) Presence of professional associations. (any two)	1+2
23	Any 3 from the given below:- 1) Accomplishing organizational goals 2) Making efficient use of resources 3) Ensuring order and discipline 4) Improving employee motivation 5) Facilitating coordination in action  OR The production manager must follow the last two step of	3



	controlling process: (i) Analyses the deviations (ii) Take corrective action to ensure that the cause of deviation are eliminated	
24	Dinesh should approach secondary market i.e., stock exchange to sell 500 shares. The advantages of secondary markets are as follows (i) It promotes healthy speculation (ii) It provides ready market for securities (iii) It ensures safety of transaction and fair dealings OR (i) Mobilization of savings and channeling them into the most productive use. (ii) Facilitating price discovery. (iii) Providing liquidity to financial assets. (iv) Reducing the cost of transactions. (any two with explanation)	1+2
25	(a) Laissez faire or free-rein leadership is the leadership style adopted by Handsen. (b) The other two leadership styles based on the use of authority are described below: (i) Autocratic leadership (ii) Democratic or Participative leadership: (with explanation)	1+3
26	Maslow's Need Hierarchy theory explains the complex phenomenon of motivation. According slowly, the needs of an individual can be categorized in the hierarchy of five types of needs. It is important for a manager to possess knowledge of the needs and their hierarchy to be able to understand the behavior of subordinates and motivate them effectively. The hierarchy of needs given by Maslow is : (i) Basic/ Physiological needs (ii) Safety/ Security needs (iii) Affiliation/Belonging needs (iv) Esteem Needs (v) Self Actualization Needs	4
27	Workers need to be <b>trained</b> to be able to operate hi – tech machines. To achieve efficiency and productivity, company must organize training for its workers to develop required skills. The training methods could be: (i) Vestibule training (ii) Apprenticeship (iii) Engineer may provide audio-visual training to explain the technology. (any two with explanation) OR Under internal source of recruitment, the vacant job positions are filled by inducing the existing employees of the organisation. Methods : (i) Transfer (ii) Promotion (with explanation)	2+2

28	<p>(i) Ice-cream seller- Less working capital  (ii) Sugar factory- High working capital  (iii) Bakery- Less working capital  (iv) Automobile company- High working capital (with reasons)</p> <p style="text-align: center;">OR</p> <p>2 Mark for each correct explanation</p>	1X4
29	<p>(a) Financial decision is the financing decision taken by Ashish Jain.  Financing decision relates to determining the quantum (amount) of funds to be raised from different sources of finance.</p> <p>(b) The three important factors affecting the financing decisions are described below:</p> <p>(i) Cost: The cost of each type of finance needs to be estimated and the source which involves the least cost should be chosen by the financial manager. It is generally presumed that cost of debt is less than cost of equity.</p> <p>(ii) Risk: The associated risk is different for each source. For instance, the risk involved in raising debt capital is higher than equity. Therefore, higher the proportion of debt in the in the total capital is likely to increase the financial risk of the business.</p> <p>(iii) Cash Flow Position of the Business: If the cash flow position of a business is good it should opt for debt else equity. This is because the issue of debt involves fixed burden in the form of regular payment of interest and repayment of principal amount. Therefore, unless the cash provision of a business is good it will not be able to meet these commitments easily.</p>	1+3
30	Two mark for each correct explanation	2+2
31	<p>Importance of planning</p> <ol style="list-style-type: none"> <li>(1) Planning provides direction</li> <li>(2) Planning reduces the risk of uncertainties</li> <li>(3) Planning reduces overlapping and wasteful activities</li> <li>(4) Planning promotes innovative ideas (any three with explanation)</li> </ol> <p>Limitations of planning</p> <ol style="list-style-type: none"> <li>(1) Planning leads to rigidity</li> <li>(2) Planning may not work with dynamic environment</li> <li>(3) It reduces creativity</li> <li>(4) Planning involves huge costs. (any three with explanation)</li> </ol>	
32	<p>Functional Structure: Functional structure is the type of organizational structure where business enterprise is managed in the form of departments.</p> <p>Advantages of functional structure</p> <p>(i) Functional specialization</p>	1+5

	<p>(ii) Efficiency          (iii) Effective          (iv) Reduced cost          (v) Increased profit (with explanation)</p> <p style="text-align: center;">OR</p> <p>Divisional structure: Divisional structure is suitable for organisations, which have diversify their activities, manufactures large variety of products using where it productive resources, or are planning to expand by adding new levels of management, employees or departments.</p> <p>Advantages of divisional structure</p> <p>(i) Product specialisation          (ii) Growth opportunities          (iii) Defines accountability          (iv) Promotes flexibility and initiatives          (v) Expansion and growth (with explanation)</p>	
33	2 mark for each correct explanation	2X3
34	<p>Marketing functions undertaken by Aman and Rohan</p> <p>(i) Gathering and analyzing market information is necessary to identify the needs of the customers and take various decisions for successful marketing of products and services.          "They conducted a survey to collect data to identify whether there is demand for readymade Atta and realize that with the growing number of working women, it is the need of the hour to manufacture high quality atta".</p> <p>(ii) Branding is the process of giving a name / sign / symbol to the product in order to distinguish the product from that of competitors.          "They named their product Sriajan"</p> <p>(iii) Pricing of product involves fixation of price of a product and taking various related decisions like pricing strategies.          "To penetrate in the market, they decided to keep the price low."</p> <p>(iv) Storage or warehousing refers to arranging for proper storage of goods to maintain smooth flow goods in the market and avoid delay in delivery.          "For maintaining smooth flow of their product into the market and avoiding delays in delivery it was decided to store the wheat at SKM services which head scientific processes and logistics facilitating quick delivery."</p> <p style="text-align: center;">OR</p> <p>The decision which 'Pushpanjali Ltd.' should take so that its customers are able to identify its product in the marketing is branding</p> <p>Benefits that may result Pushpanjali Ltd.</p> <p>(i) Enables marketing product differentiation.          (ii) Helps in advertising and display programs          (iii) Ease in introduction of new product.</p>	

	<p>Benefits that may result to the customers.</p> <ul style="list-style-type: none"><li>(i) Helps in product identification</li><li>(ii) Ensures quality</li><li>(iii) Status symbol</li></ul>	
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**CLASS XII**  
**BUSINESS STUDIES**  
**SAMPLE QUESTION PAPER -2(2020-21)**

**MM – 80**

**TIME: 3 HOURS**

**Blue Print**

<b>Units/ Topics</b>	<b>1 Mark</b>	<b>3 Marks</b>	<b>4 Marks</b>	<b>6 Marks</b>	<b>Total Marks</b>
Nature and Significance of Management , Principles of Management and Business environment	7	1	Nil	1	9(16)
Planning and Organising	2	Nil	Nil	2	4(14)
Staffing , Directing and Controlling	2	2	3	Nil	7(20)
Financial Management and Financial Market	4	1	2	Nil	7(15)
Marketing Management and consumer Protection	5	Nil	1	1	7(15)
<b>TOTAL</b>	20(1)	4(3)	6(4)	4(6)	34(80)

**CLASS XII**  
**BUSINESS STUDIES**  
**SAMPLE QUESTION PAPER -2(2020-21)**

**MM – 80**

**TIME: 3 HOURS**

**General instructions:**

- 1 This question paper contains 34 questions.
2. Answer should be brief and to the point.
3. Question 1 to 20 belongs to 1 mark.
4. Ans to the questions No. 21 to 24 carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions No. 25 to 30 carrying 4 marks may be about 150 words.
6. Answers to the questions No. 31 to 34 carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

Q.N	QUESTIONS	Marks
1	The Multidimensional characteristics of management links work, people and _____	1
2	"Nowadays Women are very health conscious which is giving rise to increase demand of Organic products" This statement is related with the factor of business environment is a) Political environment b) legal environment c) social environment d) Technological environment	1
3	The style of singing of Arijit Singh and Honey Singh are to each other, however they acquired same knowledge of ragas. Identify the feature of art discussed above. a) Based on practice and creativity      b) Universal validity c) Existence of theoretical knowledge      d) Personalised application	1
4	Which of the following creates fear in the mind of investors? a) Political uncertainty      b). New innovations c). Technological improvement      d). Change in taste and preference of customers	1
5	" Management has to adapt itself according to the changing environment" Which characteristic of management is highlighted in the above statement? a) Continuous process      b) Dynamic function c) Group activity      d) Goal oriented	1
6	The court passed an order to ban polythene bags as (i) The bags are creating many environmental problems which may affect the life of people in general (ii) Society is more concerned about the quality of life. Government has decided to give subsidy to the promotion of	1







	<p>etc. However, MDH red chilly remained the most popular product of the brand creating maximum revenue. ‘MDH offered its products at competitive prices even while offering customer services like gift packaging and free home delivery to become a household name. Now it has virtually become a synonym for Domestic spices in the market, so much so, that people ask for ‘MDH ‘MDH has developed a strong distribution network in India and abroad by setting up retail outlets and reaching out to the customer through internet selling. Promotion of the brand had always been low profile, till the increase in competition pushed it to hire the services of a professional advertising agency, Digyapan PVT.LTD for promoting the product. On the advice of DIGYAPAN PVT.LTD, ‘MDH has also worked upon managing public opinion by developing relations with the masses through sponsoring cultural and sporting events, maintenance of public parks etc.</p>	
17	<p>MAHASHAY DHARAMPAL expanded the business and got ‘MDH registered with concerned authorities. ‘With reference to the given text MDH is a _____ giving it a legal protection against its use by anyone else.</p> <p>a). Brand value c). Traits mark</p> <p>b) Trademark d) Brand mark</p>	1
18	<p>‘MDH offered its products at competitive prices even while offering customer services like gift packaging and free home delivery to become a household name. Identify the factor affecting the element of marketing mix being discussed above.</p> <p>a). Marketing methods used c) Extent of competition in the market</p> <p>b). Objectives d). product cost</p>	1
19	<p>‘MDH has developed a strong distribution network in India and abroad by setting up retail outlets and reaching out to the customer through internet selling. Identify the decision related to the element of marketing mix being discussed above.</p> <p>a). Storing and assorting products in order to create time utility b). Regarding the channels or using intermediaries c). Both a &amp; b d). One regarding branding, packaging and labelling</p>	1
20	<p>On the advice of DIGYAPAN PVT.LTD, MDH has also worked upon managing public opinion by developing relation with the masses through sponsoring cultural and sporting events, maintenance of public parks etc. Name the department in the organisation which is generally responsible for performing the above important task of managing public opinion.</p>	1

	<p>a). Marketing Department</p> <p>b). A separate department created in the firm for the purpose</p> <p>c). An outside agency</p> <p>d). Any of the above.</p>	
21	<p>Aman, Ahmad and Ally are partners in a firm engaged in the distribution of dairy products in Maharashtra state. Aman is a holder of Senior Secondary School Certificate from Central Board of Secondary Education with Business Studies as one of his elective subjects. Ahmad had done his post-graduation in History and Ally in dairy farming. One day there was a serious discussion between Ahmad and Ally regarding the nature of management. Ahmad argued that management was a profession whereas Ally argued against it saying that the legal and medical professions are the only professions because they fulfil all the conditions of profession. Aman on the basis of his knowledge of business studies explained the nature of management as a profession to Ahmad and Ally. Explain, how Aman would have satisfied both Ahmad and Ally.</p>	3
23	<p>In order to improve employee productivity and increase employee morale, Xian Ltd. Adopted various ways of training such as:</p> <p>a) Mr. Ramesh was provided equipment which were similar to those which he would be using.</p> <p>b) Harish and Rakesh were put under the guidance of a master worker to acquire high levels of skill.</p> <p>Identify the methods of training with brief explanation adopted by X ion Ltd. In Part (a) and (b)</p>	3
23	<p>Babita Ltd. is engaged in manufacturing machine components. The target production is 250 units per day per worker. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 200-210 units per worker.</p> <p>Name the function of management and identify the step in the process of this function which helped in finding out that the actual production of a worker is less than the set target.</p> <p style="text-align: center;">OR</p> <p>Anubhav has set up an export house after completing his masters in fashion designing. As the quality of the garment depends on the quality of raw materials used, he assures that the fabric meets the requirements by conducting a series of tests for the fabrics like shrinkage test, testing colour fastness to washing, colour fastness to light, colour fastness to perspiration etc. through laboratory tests. Later on, at the production areas, fabric inspection is also conducted</p>	3

	<p>by stopping the production process. The tests help to detect the deviations and also take corrective action. Moreover, it ensures that complete training about production work was given to every worker at the time of joining his export house.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Identify the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house.</li> <li>2. Briefly explain the term ‘deviations.’</li> </ol>	
24	<p>State the protective functions of the Securities Exchange Board of India.</p> <p style="text-align: center;">OR</p> <p>Explain:- (i) Treasury Bills (ii) Commercial papers</p>	3
25	<p>Ashish, the Marketing Head, Raman, the Assistant Manager and Jyoti, the Human Resource Manager or ‘Senor Enterprises Ltd.’ decided to leave the company. The Chief Executive Officer of the company called Jyoti the Human Resource Manager and requested her to fill up the vacancies before leaving the organisation. Informing that her subordinate Miss Alka Pandit was very competent and trustworthy, Jyoti suggested that if she could be moved up in the hierarchy, shewould do the needful. The Chief Executive Officer agreed for the same. Miss Alka Pandit contacted ‘Keith Recruiters’ who advertised for the post of marketing head for ‘Senor Enterprises Ltd.’ they were able to recruit a suitable candidate for the company. Raman’s vacancy was filled up by screening the database of unsolicited applications lying in the office.</p> <p>(a) Identify the process and step in the process in the above lines  (b) Name the internal / external sources of recruitment used by ‘Senor Enterprises Ltd.’ to fill up the above stated vacancies of Jyoti, Ashish and Raman .</p>	4
26	<p>Mr. Naresh is working as a Production Manager in Vohra Ltd. His subordinates are mostly engineers and qualified technicians. As a manager, he is very strict, does not listen to any suggestions or feedbacks given by his subordinates. He expects them to following his instructions without any questions and does not allow them to give suggestions. What leadership style does the manager follow? Is such a leadership style beneficial for the company? Explain.</p>	4
27	<p>Kavya is working in a company on permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Kavya worked overtime. But even after working for long hours and putting in her best efforts, no recognition was given to her by her boss. Due to overtime she fell ill and had to take leave from her work. No one showed concern and enquired about her</p>	4

	<p>health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.</p> <p>(i) Identify and explain the needs of Kavya discussed in the above para, by quoting the lines.</p> <p>(ii) Also explain two other needs of Kavya followed by the above needs, which still remained to be satisfied.</p> <p style="text-align: center;">OR</p> <p>Mrs. Rajlaxmi is working as the Human Resource Consultant in a firm manufacturing cosmetic, which is facing a problem of high employee turnover. The CED of the company has invited suggestions from her for retaining the talented employees &amp; reducing the employee turnover. Mrs. Rajlaxmi recommends that the good employees be rewarded in a way that it creates a feeling of ownership among the employees and at the same time makes they contribute towards the growth of the organization.</p> <p>(a) Identify the incentive and explain its type, which has been suggested by Mrs. Rajlaxmi to the CEO of the company.</p> <p>(b) Also explain any two other incentives of the same type.</p>	
28	<p>Explain any four factors that can affect the fixed capital requirement of a company.</p> <p style="text-align: center;">OR</p> <p>Explain with example how does trade on equity helps to increase the returns for equity shareholders.</p>	4
29	<p>Abhishek Ltd.' is manufacturing cotton clothes. 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 organisation 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.50 lakhs from I.C.I.C.I. Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan 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.</p> <p>a) Identify the financial decision</p> <p>b) Quoting the lines from the above discussion, identify and explain any four factors affecting such decision.</p>	4
30	<p>Explain the following rights of consumers provided by Consumer Protection Act, 1986:- (a) Right to Choose (b) Right to seek redressal</p>	4
31	<p>Explain (a) Time Study, (b) Motion study, (c) Method study' as techniques of Scientific Management given by F.W.Taylor.</p>	6

32	<p>A company is manufacturing garments. The manager 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.</p> <p>1. Identify the concept of management involved.</p> <p>2. Mention the steps involved in the above process by quoting the line from the question.</p> <p>3. To complete the process of the concept identified in (a), what two next steps does the manager have to take? Explain</p> <p style="text-align: center;">OR</p> <p>“Failing to plan is planning to fail?” Do you agree? Explain any four reasons in support of your answer.</p>	6
33	<p>Explain Delegation and importance of Delegation.</p>	6
34	<p>Identify the marketing management philosophies used by marketers in the following cases:</p> <p>a. A detergent manufacturing company gives more quantity of detergent at the same price.</p> <p>b. An artificial jewellery manufacturing company uses metal instead of glass to enhance durability of its products.</p> <p>c. A chips manufacturer makes its chips available at almost all the retail outlets of the city.</p> <p>d. A book-seller sells the books after getting them binded.</p> <p>e. A pharmaceutical company launches pain-killer sprays to facilitate convenient use and fast relief.</p> <p>f. A large-scale retail outlet gives goods to customers in carry bags made of paper, jute or cloth only.</p> <p style="text-align: center;">OR</p> <p>Raj is a small entrepreneur involved in the manufacturing of hair wax. He finds that cost of production of 100 gm of hair wax is Rs. 80. He has decided to keep a margin of 20% as profit moreover, he has assessed that there is a cut throat competition in this product segment. In the context of above case:</p> <p>1. Identify the function of marketing being performed by Raj.</p> <p>2. State briefly the four factors that he is taking into consideration while performing the function as identified in part (a)</p>	6

### Suggested Answers / marking Scheme

1) Operations
2) (c) social environment
3) d) Personalised application
4) a) Political uncertainty
5) b) Dynamic function
6) d) All of the above

7) c) change in fashion
8) b) Coordination
9) d) Controlling
10) c) Critical point control
11) c) Directing or b). Divisional Structure
12) 1 – c , 2 – d, 3- b, 4- a
13) d) All of them
14) b). Rights issue
15) c) Both a & b
16) d) a) and b) both
17) b) Trademark
18) a)Marketing methods used
19) c) both a and b
20) d) Any of the above.
21) Aman would have satisfied both Ahmad and Ally by giving the following explanation: - Management is a profession. However, it is not a full-fledged profession like legal, accounting or medical professions because it does not meet the exact criteria of a profession the application of the features of a profession to management is examined below: (Any Three of the followings) 1. Well defined body of knowledge: 1Mark each 2. Restricted Entry: 3. Professional Association: 4. Ethical code of conduct: 5. Service motive
22) a) vestibule Training      b) Apprenticeship Training
23) The management function is controlling. “Comparing actual performance with standards” is the step involved in the process of controlling which helped in finding out that the actual production of a worker is less than the set target. OR Controlling is the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house. The term ‘deviations’ refers to the difference between the actual performance and planning performance. If the actual performance is more than the planned performance, it may be said to be positive in nature or vice-versa.
24) Protective functions of SEBI are: (any three of the followings) 1. Prohibiting of fraudulent & unfair trade practices. 2. Check on insider trading. 3. Ensure investors protection. 4. Promote fair practices & code of conduct in securities market. 5. Check on price rigging. 6. Check on preferential allotment (1 mark each) OR Treasury Bills: These are issued by the RBI on behalf of the Central Government to



meet its short-term requirement of funds. They are issued at a price which is lower than their face value and are repaid at par. They are available for a minimum amount of Rs. 25000 and in multiples thereof. They are also known as Zero Coupon Bonds. They are negotiable instruments i.e. they are freely transferable.

2. Commercial Paper: They are short term unsecured promissory notes issued by large credit worthy companies to raise short term funds at lower rates of interest than market rates. They are negotiable instruments transferable by endorsement and delivery with a fixed maturity period of 15 days to one year. This source is usually used for-

- (i) Working Capital requirements
- (ii) Seasonal needs
- (iii) Bridge financing

25) (a) Staffing process step Recruitment

b) Senor enterprises Ltd. Recruited Miss Alka Pandit as the Human Resource Manager through internal sources. She is promoted o this post. For Marketing Head, the comp-any advertised for the post through Keith Recruiters. Further, for the post of Assistant Manager, the company used casual callers as external sources of recruitment.

26. Autocratic or Authoritarian Leader An autocratic leader gives orders and insists that they are obeyed. He determines the policies for the group without consulting them. He does not give information about future plans but simply tells the group what immediate steps they must take. Under this style, all decision making power is centralized in the leader. He does not give the subordinates any freedom to influence his decisions. It is like “bossing people around.” This style should normally be used on rare occasion. It is best applied to situations where is little time for group decision making where the leader is the most knowledgeable member of the group.

27. a) Physiological needs(b) Safety or Security needs

(ii) Needs which still remained to be satisfied are:

Social Needs: It refers to the need for affection, since to belongingness, acceptance and friendship.

Esteem Need: It refers to the need for self-respect, autonomy, status, recognition and attention

OR

Financial incentive.

Co-Partnership/Stock Option

Other financial incentives:

Pay and allowances: For every employee, salary is the basic financial incentive. It includes basic pay, dearness allowance and other allowance. Pay hike and increments improve performance level of employees.

Profit sharing: Employees are given a share in the profits of the organization. This motives them to improve their performance and contributes to increase in profits of the organization.

28. (Any four of these) 1 Mark each

1. Nature of Business: Manufacturing concerns require huge investment in fixed assets & thus huge fixed capital is required for them but trading concerns need less fixed capital as they are not required to purchase plant and machinery etc.
2. Scale of Operations: An organisation operating on large scale requires more fixed capital as compared to an organisation operating on small scale. For Example - A large scale steel enterprise like TISCO requires large investment as compared to a mini steel plant.
3. Choice of Technique: An organisation using capital intensive techniques requires more investment in plant & machinery as compared to an organisation using labour intensive techniques.
4. Technology upgradation: Organisations using assets which become obsolete faster require more fixed capital as compared to other organisations.
5. Growth Prospects: Companies having more growth plans require more fixed capital. In order to expand production capacity more plant & machinery are required.
6. Diversification: In case a company goes for diversification then it will require more fixed capital to invest in fixed assets like plant and machinery.
7. Financing alternatives: When an asset is taken on lease, the firm pays lease rent and uses it. So, fixed capital requirements are low since the firm can avoid funds required to purchase it.
8. Collaboration: If companies are under collaboration, Joint venture, then they need less fixed capital as they share plant & machinery with their collaborators.

OR

Example of Trade on Equity

Particulars	Company X	Company Y	Company Z
Equity Share Capital @ 10 each	10,00,000	5,00,000	2,00,000
12% preference share	Nil	Nil	3,00,000
Debenture @ 10%	Nil	5,00,000	5,00,000
Total Capital	10,00,000	10,00,000	10,00,000

Particulars	Company X	Company Y	Company Z
Earning before intt@25%	2,50,000	2,50,000	2,50,000
Less Intt. On debentures	Nil	(50,000)	(50,000)
Profits before Tax	2,50,000	2,00,000	2,00,000
less@ 40% Tax	1,00,000	80,000	80,000
Profits After Tax	1,50,000	1,20,000	1,20,000
Less Pref. share Dividend	Nil	Nil	36,000
Profits for Equity Shareholders	1,50,000	1,20,000	84,000
Earnings per Share	150,000/1,00,000	1,20,000/50,000	84,000/20,000
	1.50	2.40	4.20

Thus the EPS of company Y and Z is higher than company X because of application of 'Trading on Equity'.

29. (a) Dividend Decision

(b) Factors quoted in the above lines:

1. Earnings: It has been consistently earning good profits for many years this year too, it has been able to generate enough profits...
2. Cash Flow Positions: There is availability of enough cash in the company
3. Growth Prospects: good prospects for growth in future.
4. Preference of Shareholders: It has many shareholders who prefer to receive a regular income from their investments in dividend reduces the market price of share.
5. Legal constraints: It has taken a loan of Rs.50 lakhs from I.C.I.C.I. Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement.

30. (i) Right to Safety: Consumer has the right to be protected against products, & services which are hazardous to health & life (should use ISI marked electronic devices

(ii) Right to Seek Redressal: Consumer has the right to get relief in case the product or service falls short of his expectations or is dangerous. He may be provided with replacement/removal of defect or compensation for any loss. Various redressal forums are set up by the Govt. at National and State level.

31. (a) Time study

- It is the technique used to determine the standard time taken by the workmen with reasonable skills and abilities to perform a particular task.
- Here the job is divided into series of elements and the time required to complete each element idealistically is recorded using a stop watch.

(b) Motion Study

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movements.
- Eliminate the unproductive movements and equipment

(c) Method study'

- Finding one best way of doing a job.
- Critical analysis is made for plant layout, product design, material handling and work processes using techniques like process chart, operations research etc.

32. The concept of management involved is PLANNING.(1 Mark)

2.Steps involved are: (4Marks)

- Setting objectives: increasing profits
- Developing planning premises: making certain assumptions about future.
- Identifying alternative courses of action:
  - Purchasing new high speed machines, or
  - Increasing the sale price, or
  - Using waste material in manufacturing stuffed toys
- Evaluating alternatives and selecting an alternative:

3. Further steps to complete the process of planning (1Mark)

- Formulating derivate plans:
- Implementing the plan and follow-up-action:

OR

Importance of Planning (1 Mark each)

1. Planning provides directions: By stating in advance how the work is to be done, planning provides direction for action. If there was no planning, employees would be working in different directions and the organization would not be able to achieve its goals efficiently.
2. Planning reduces the risk of uncertainty: Planning is an activity which enables a manager to look ahead, anticipate changes, consider the impact of changes and develop appropriate responses.
3. Planning reduces wasteful activities: Planning serves as the basis of Coordinating the activities and efforts of different departments and individuals whereby useless and redundant activities are reduced.
4. Planning promotes innovative ideas: Planning is the first function of management. Managers get the opportunity to develop new ideas and new ideas can take the shape of concrete plans.
5. Planning facilitates decision making: Under planning targets are laid down. The manager has to evaluate each alternative and select the most viable option. Thus planning facilitates decision making.
6. Planning establishes standards for controlling: Planning provides the standards against which the actual performance can be measured and evaluated. Controlling is blind without planning. Thus planning provides the basis for controlling.

33. Importance of the Delegation of Authority (any 4 points 1/.5 Marks each)

1. Reduction of Executives' work load: It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
2. Employee development: Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. Quick and better decision are possible: The subordinates are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. High Morale of subordinates: Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. Better coordination: The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answerability related to various job positions which results in developing and maintaining effective coordination.

34. (a) Selling concept (b) Product concept (c) production concept (d) marketing concept (d) marketing concept (f) Societal concept

OR

Pricing Decision. (1Mark)

Factors affecting pricing decision .(1Mark each)

Pricing Objectives (a) to maximise profits in the short term-tend to charge maximum price.(b) Obtain large share of the market i.e., by maximising sales it will charge lower price.

(c) Firm is operating in the competitive market it may charge low price for it.

2. Cost of Production: Needs to be fully realised before fixing prices.

3. Demand: High Demand and less supply may permit increase in price while low demand and more supply may not allow increase in price.

4. Competition in Market: Prices of competitors need to be considered before fixing prices.

5. Government Policies: Products regulated by government pricing regulations need to be priced as per government policies.