



BUSINESS STUDIES

SECOND PUC

BAPU COMPOSITE PU COLLEGE

Triveni Road
Yeshwantpur , Bengaluru

BUSINESS STUDIES

CHAPTER – 1 NATURE AND SIGNIFICANCE OF MANAGEMENT

PART – A

I Choose the correct answer:

- 1) The following is not an objective of Management
(a) Survival (c) Earning of profit
(b) Growth of the organization (d) Policy making

Ans: (d) Policy making

- 2) Management is
(a) An art (c) A science
(b) Both art and science (d) Neither

Ans: (b) both art and science

- 3) Policy formulation is the function of
(a) Top level management (c) Middle level management
(b) Operational management (d) All of the above

Ans: (a) Top level management

- 4) Coordination is
(a) Function of management (c) The essence of management
(b) An objective of management (d) None of the above

Ans: (c) The essence of management

- 5) Which of the following is not a function of management?
(a) Planning (b) Staffing (c) Cooperating (d) Controlling

Ans: (c) Cooperating

II Fill in the blanks:

1. Coordination is the essence of management.
2. Effectiveness concerned with end results.
3. Doing the task correctly with minimum cost is called Efficiency.
4. Effectiveness means achieving the goals by completing the given task with in the expected time.
5. Management is an art & science as well as Profession.
6. Management helps in achieving Group goals.
7. Management as a science is based on Experimentation.
8. Sales manager / Finance manager comes under Middle level of management.
9. Coordination is a Deliberate function.
10. 'PODSCORB' is a keyword of management function, was given by Luther Gulick.

III Match the following:

1.

1. Co-ordination	A. Lower level management
2. Foreman	B. Top level management
3. Effectiveness	C. Organizational objective
4. Policy formulation	D. Essence of management
5. Survival	E. End result
1-D, 2-A, 3-E, 4-B, 5-C	

2.

1. Planning	A. Instructing, guiding and motivating
2. Organizing	B. End function
3. Staffing	C. Primary function
4. Directing	D. Human resource function
5. Controlling	E. Authority & responsibility relationship
1-C, 2-E, 3-D, 4-A, 5-B	

3.

1. Management	A. Level of Management
2. Efficiency	B. getting things done from others
3. Intangible force	C. Management
4. CEO	D. Top management
5. Top / Middle / Supervisory	E. Doing task correctly and at minimum cost
1-B, 2-E, 3-C, 4-D, 5-A	

4.

1. Top level management	A. Social Objective
2. Link between two levels	B. Controlling
3. Fair remuneration	C. Responsible for welfare and survival of the organization
4. Comparing actual performance with standards	D. Personal Objectives
5. Producing quality product at reasonable	E. Middle level management
1- C, 2-E, 3-D, 4-B, 5-A	

IV Answer the following questions in one word or one sentence:

1. What is Efficiency?

Efficiency means completion of task correctly by using minimum resources and with minimum cost.

2. What is Effectively or Effectiveness?

Effectively or Effectiveness means completion of task on time and it is concerned with the end results.

3. What is Coordination?

Coordination is the process by which a manager synchronizes the activities of different departments in order to achieve the common goal.

4. Give an example for top level management.

(a) Directors (b) Chairman (c) Chief executive officer

5. Give an example for middle level management.

(a) Sales manager (b) Production manager (c) Purchase manager

6. Give an example for supervisory level management.

(a) Foremen (b) Supervisor (c) Clerk

7. State any one of the function of management.

(a) Planning (b) Organizing (c) Staffing

8. Write one dimension of management.

- (a) Management of work
- (b) Management of people
- (c) Management of operation

9. What is meant by Management?

Management is a process of getting people together to achieving the organization goals by using available resources efficiently and effectively.

PART - B

V Answer the following questions in 2 or 3 sentences:

1. Define Management.

According to Harold Koontz and Heinz Weirhrich, "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aim."

2. Justify any two Organizational objectives of management.

- **Survival**: Survival is basic objective of any business. The management must work hard to ensure the survival of the organization by earning sufficient revenues to cover its cost.
- **Profit**: Profits is essential for covering costs and risk of the business. Management has to ensure that the organization makes sufficient profit.
- **Growth**: Management must ensure growth of the business. Growth can be measured by sales volume, increasing in number of employees, the number of products and investment.

3. Define Coordination.

According to E.F.L.Brech, "Coordination is balancing and keeping together the team by ensuring suitable allocation of tasks to the various members and seeing that the tasks are performed with harmony among the members themselves."

4. Justify the importance of coordination.

- **Growth in size**: Coordination harmonizes individual goals with the organizational goals. This results in the growth of the organization which increase in the number of people employed with it.
- **Functional differentiation**: The various departments of the organization have their own objectives, policies and their own style of working. But to achieve organizational objective coordination is important so as to link the activities of all departments.
- **Specialization**: Coordination integrates all the specialist activities into a collective effort.

PART - C

VI Answer the following questions in 10 – 12 sentences. Each carries 4 marks.

1. Explain the importance / significance of management.

OR

Give any 4 grounds to say management is important.

The following are the importance of management:

- Management helps in achieving group goals**: Management is required not for itself but for achieving the goals of the organization. The task of the manager is to give common direction to the individual efforts in achieving the overall goals of organization.
- Management increases efficiency**: The aim of a manager is to reduce cost and increase productivity. This is done through better planning, organizing, staffing, directing and controlling the activities of the organization.
- Management creates a dynamic organization**: All organizations have to function in an environment which is constantly changing. Management helps people to adapt to these changes so that the organization is able to achieve its objectives.
- Management helps in achieving personal objectives**: A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organizational objectives.

- (e) **Management helps in development of society:** Management helps in the development of the organization and through that it helps in the development of the society. It helps to produce a quality products, create employment opportunities etc.
Thus, management helps in the development of organization and the society by making an organization efficient & a dynamic one.

2. 'Management is an Art' – Elucidate.

Art is a skillful and personal or practical application of existing knowledge acquired through study, observation and experience. The features of art are as follows;

- **Existence of theoretical knowledge:** In every art, systematic and organized study material is available to acquire theoretical knowledge. E.g. Literature on dancing, public speaking etc.

There is a lot of literature available in various areas of management like marketing, finance, human resources etc, Thus, there is existence of theoretical knowledge in management.

- **Personalized application:** The use of basic knowledge differs from person to person and thus, art is very personalized concept. E.g. two dancers, two writers will always differ in demonstrating their art.

There are various theories in management but a manager applies them differently in the different situations. He was his own unique manner to solve managerial problems.

- **Based on practice and creativity:** All art is practical. It involves creativity and practice of the experts. E.g. the musicians are different though the musical notes used are the same. A manager achieves perfection after long practice. He applies the theoretical knowledge into real situation with lots of creativity.

Based on the above discussion we can say that management is an art.

3. Is Management a Science? Prove.

Science is a systematized body of knowledge that is based on general truths, which can be tested anywhere, anytime. The features of science are as follows:

- (a) **Systematised body of knowledge:** Science has a systematized body of knowledge based on cause and effect relationship. E.g. An apple falling from tree towards the ground is explained by the law of gravity.

Management is also a systematised body of knowledge. It has its own theories and principles, its own vocabulary, concepts and terms.

- (b) **Principles based on experiments and observation:** Scientific principles are developed through experiments and observation.

The principles of management are also based on repeated experimentation and observation, but since management are also deals with human beings the results of the experiments cannot be accurately predicted.

- (c) **Universal validity:** Scientific principles have universal validity and application. The principles of management are not as exact as principles of science. Thus, their application and use is not universal. They have to be modified according to the situation.

Management is an inexact or soft science. It is neither as precise nor comprehensive as a natural and pure science like physics or chemistry.

4. 'Management as a profession' – justify.

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

- a) **Well defined body of knowledge:** All professions are based on a well-defined body of knowledge that can be acquired through instruction.
All over the world, the knowledge of management can be acquired at different professional institutes through a number of books and journals, like Indian Institute of Management (IIM) etc.
- b) **Restricted entry:** The entry to a profession is restricted through an examination or through acquiring an education degree.
There is no restriction on any one being designated or appointed as manager in any business enterprises. Anyone can be called a manager, irrespective of the educational qualification.
- c) **Professional association:** All professions have their own professional association. E.g. every lawyer in India is a member of Bar Council of India.
There are several associations of managers in India like all India Management Association. However, there is no compulsion for managers to be members of such association.
- d) **Ethical code of conduct:** All professions are bound by a code of conduct, which guides the behavior of its members. E.g. Doctors take the oath of ethical practice at when they enter profession.
There is no compulsion for managers to follow the prescribe code of conduct.
- e) **Service motive:** The main aim of a profession is to serve its clients. E.g. lawyer duty is give justice to their clients.
However, the basic purpose of management is to help the organization to achieve its goals.

On the basis of above discussion, we can say that management is not presently a profession but presently a profession but gradually it is becoming so.

5. Explain the levels of management.

Management is a universal term used for certain functions performed by individual in an enterprise who are bound together in a hierarchy of relationship.

Generally, there are three levels in hierarchy of an organization.

A. Top Level Management:

- ✓ This is the highest level in the organisational hierarchy which includes Board of Director (BOD), Managing Director (MD), General manager (GM) and Chief Executive Officer (CEO).
- ✓ They are responsible for defining the objectives, formulating plans, strategies and policies.
- ✓ These people are responsible for the welfare and survival of the organisation.

B. Middle Level Management:

- ✓ It is the second and most important level in management which includes Branch manager, Production manager, Sales manager.
 - ✓ It is responsible for implementing and controlling plans & strategies developed by top management.
- C. Lower / Operational / Supervisory Level Management:**
- ✓ It includes first line manager, foremen and supervisors.
 - ✓ It will helps in reducing wastage and idle time of workers, improving quality and quantity of output.'

PART - D

VII Answer the following questions in 20-25 sentences each. Each questions carries 8 marks:

1. Explain the characteristics of Management.

Management is an activity which is necessary whenever there is a group of people working in an organization. Management is essential for all organization i.e., big or small. So, it includes following important characteristics as follows;



- a. **Goal oriented process:** An organization has a set of simple and clearly stated goals, which are the basic reason for its existence. Management helps in reaching those goals timely and smoothly. For example retail store – increase sale, education institution – give quality of education.
- b. **Pervasive (universal):** Management is universal in nature. It is common to all organization whether economic, social or political. For example A petrol pump needs to be managed as much as a hospital or a school.
- c. **Continuous process:** Management is a series of continuous, composite but separate functions (planning, organizing, staffing, directing & controlling). These functions are simultaneously performed by all managers all the time.
- d. **Group activity:** An organization consists of various members who have different needs, expectations and beliefs. But after joining the organization every individuals contributes towards achieving the goals set by the organization.
- e. **Multi-dimension:** Management is a complex activity that has three main dimensions;
 - Management of work – all the organization exist for the performance of some work. The management translate this work in terms of goals to be achieved it.
 - Management of people - human resources or people are an organization's greatest asset. Management will help to handle the people and getting work done through people.

Management of operation – Management of operation is interlinked with both the management of work and management of people.

- f. **Dynamic function:** Management is a dynamic function and adjusts itself to the changing environment. It changes its goals plans, policy, strategies etc. according to the changing needs of the environment.
- g. **Intangible force:** Management is an intangible force that cannot be seen but its presence can be felt in the way the organization function.

Conclusion: Management is the process of getting things done with the aim of achieving goals effectively and efficiently. It involves various characteristics like goal-oriented process, pervasive, multi dimension, various operational and group activities and also a regular process.

2. **'Management is a series of continuous interrelated function' – comment.**

Management is described as the process of planning, organizing, staffing, directing and controlling the efforts of organizational resources to achieve specific goals.



1) **Planning:**

- Planning is the primary function of management.
- Planning means deciding in advance what to do, how to do, when to do and who is going to do it.
- It involves setting objectives & developing a way of achieving them.
- It involves formulating policies, procedures and budgets etc.
- It bridges gap between where we are and where we want to reach.
- It cannot prevent problems but it can predict and prepare contingency plans to deal.

2) **Organizing:**

- After planning next function in the management is organizing.
- It involves assigning duties, grouping task, establishing authority and responsibility relationship and allocating resources required to perform a specific plan.
- Organizing means arrange the activities and resources (i.e. Men, Machine, Money, Material & Method) to complete the organizational goal.

3) **Staffing:**

- Staffing is people centered.
- Staffing is a process of finding the right people for the right job at the right time and right place to accomplish the goals of an organization.
- It involves recruitment, selection, placement, training & development of employees.

4) Directing:

- Directing is one of the most complex functions of management which can be learned only through long experience.
- It means giving instructions, guiding, counselling, influencing and motivating employees to perform the organizational goals.
- It involves supervision, motivation, leadership and communication.

5) Controlling:

- Controlling involves setting standards, measuring current performance, comparing with the standards & taking corrective action for any deviation
- All other function of management cannot be completed effectively without performance of control function.

Conclusion: In order to achieve the objectives of an organization, management has to perform a series of continuous interrelated function starting from planning till controlling.

3. Define Coordination. Explain the characteristics of coordination.

According to Theo Haimann,

“ Coordination is the orderly synchronizing of efforts of subordinates to provide proper amount, timing and quality of execution so that their united efforts lead to the stated objectives, namely the common purpose of the enterprise”.

Coordination is the **ESSENCE** of management because it binds all the other functions of management.

Characteristics / Features of Management:

- (a) **Coordination integrates group effort:** Coordination unifies unrelated activities into purposeful work. It gives a common focus or direction to group efforts to ensure that the performance is done according to the plan.
- (b) **Unity of action:** The main purpose of coordination is to secure unity of action. It is a binding force between various departments and ensures that all efforts are focused towards achieving the organisational goal.
- (c) **Continuous process:** Coordination is not one time functions but it is a never ending process as its needs are felt at all levels and in all activities in the organization. It begins at the planning stage and continues until controlling.
- (d) **Responsibility of all managers:** Coordination is the responsibility of every manager in the organization carry out their work in a responsible manner and coordinate with each other to achieve organizational goals. For example Middle level managers coordinate with both top level as well as lower level managers.
- (e) **Deliberate function:** A manager has to coordinate the efforts of different people in a conscious and deliberate manner. Coordination is never established by itself rather it is a conscious effort on the part of every manager.

- (f) **Pervasive function:** Coordination is required at all levels of management. It integrates the efforts of different departments and different levels. It is also required in all types of organization whether small or large, profit or non-profit, private or public sector etc.

Conclusion: Management is the process of getting things done with the aim of achieving goals effectively and efficiently it involves various characteristics like goal-oriented process, pervasive, multi-dimensional, various operational and group activities and also and also a regular process.

4. Explain the objectives of Management.

In an organization, there are different objectives and management has to achieve all objectives in an effective and efficient manner.

The main objectives of management can be classified into 3 category:



- A. **Organizational objectives:** Management is responsible for setting and achieving objectives for the organization. It can be divided into Survival, Profit and Growth.

Survival: Survival is a basic objective of management. In order to survive, an organization must earn enough revenue to cover costs.

Profit: Profits is essential for covering costs and risk of the business. Management has to ensure that the organization makes sufficient profit.

Growth: Management must ensure growth of the business. Growth can be measured by sales volume, increasing in number of employees, the number of products and investment.

- B. **Social objectives:** It involves the creation of benefit for society. As a part of society, every organization has to fulfill its social responsibilities. These may includes:

- ✓ Using environment friendly methods of production.
- ✓ Giving employment opportunities to the weaker sections of the society.
- ✓ Producing quality products at reasonable prices.
- ✓ Providing facilities like schools and creches for the employees.

- C. **Personal objectives:** Organizations are made up of people who have different personalities, backgrounds, experience and objectives. Some of the personal objectives of management are:

- Fair remuneration for work performed.

- Reasonable working conditions.
- Social and safety needs of the employees like peer recognition, self-respect and respect of colleagues.
- Opportunities for training and development.

5. "Management is considered to be both an art and science" – explain.

OR

Management as an art and science are not mutually exclusive, but complement to each other.

Art is a skillful and personal or practical application of existing knowledge acquired through study, observation and experience. The features of art are as follows;

- a. **Existence of theoretical knowledge:** In every art, systematic and organized study material is available to acquire theoretical knowledge. E.g. Literature on dancing, public speaking etc.

There is a lot of literature available in various areas of management like marketing, finance, human resources etc, Thus, there is existence of theoretical knowledge in management.

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Conclusion: Management is a combination of an organised body of knowledge (science) and skill full application of its knowledge (Art). For example, a person cannot be a good accountant unless he has the knowledge of all accounting principles and practical skill of applying those principles in preparing the accounts. Effective performance of a manager needs an adequate basic of knowledge as well as a scientific approach. Thus, management is both a science as well as an art.

CHAPTER – 2 PRINCIPLES OF MANAGEMENT

PART – A

I Choose the correct answer:

- 1) Principles of management are not
(a) Universal / General (c) Absolute
(b) Flexible (d) Behavioural

Ans: (c) Absolute

- 2) How are principles of management formed?
(a) In a laboratory (c) By experience of customers
(b) By experience of manager (d) By propagation of social scientists

Ans: (b) By experience of manager

- 3) Which of the following statement best describes the principles of 'Division of work'
(a) Work should be divided into small tasks (c) Labour should be divided
(b) Resources should be divided among jobs (d) It leads to specialization

Ans: (a) Work should be divided into small tasks

- 4) She /he keeps machine, materials, tools etc., ready for operations by concerned workers whose work is described by this sentence under functional foremanship
(a) Instruction card clerk (c) Repair boss
(b) Gang boss (d) Route boss

Ans: (b) Gang boss

- 5) The software company promoted by Narayana Murthy
(a) Wipro (b) Infosys (c) Satyam (d) HCL

Ans: (b) Infosys

- 6) Which of the following is NOT a principles of management given by Taylor?
(a) Science not rule of thumb
(b) Functional foremanship
(c) Maximum not restricted output
(d) Harmony not discord

Ans: (b) Functional foremanship

- 7) The principles of management are significant because of
(a) Increase in efficiency (c) Initiative
(b) Optimum utilisation of resources (d) Adaptation to changing technology

Ans: (b) Optimum utilisation of resources

- 8) Management should find 'One best way' to perform a task. Which technique of scientific management is defined in the sentence?
(a) Time study (b) Motion study (c) Fatigue study (d) Method study

Ans: (d) Method study

II Fill in the blanks:

1. Father of Scientific management **F W Taylor.**
2. Father of General management **Henri Fayol.**
3. Science not a rule of thumb is **Scientific** principle.
4. Principles of management are formed by practice & **experimentation.**
5. Principles of management are **general** guidelines to action.
6. Subordination of individual interest to general interest is principle given by **Henri Fayol.**
7. Esprit-de-corps means **Team spirit.**
8. F.W Taylor advocated **separation** of planning and execution function.
9. **Standardisation** refers to the process of setting standards for every business activity.
10. **Simplification** aims at eliminating superfluous varieties etc.
11. **Unity of Command** is the principle of Fayol in advocate that there should be only one boss for each individual employee.
12. **Time** study conducted to determine the standard time to be taken.
13. Change in attitude of worker and management towards one another from competition to cooperation is called **Mental revolution.**
14. **F.W Taylor** advocated differential piece wage system.
15. Henry Fayol gave **14** number of principles.
16. Scalar chain defines authority and communication should flow from top **to bottom.**
17. Kiran Mazumdar Shaw is the founder of **Biocon limited.**

III Match the following:

1)

1. Henry Fayol	a. Piece wage system
2. F.W. Taylor	b. Technique of POM
3. Functional foremanship	c. 14 Principles of management
4. Standardization	d. One boss for individual
5. Unity of command	e. Setting standards for business
1-c, 2-a, 3-b, 4-e, 5-d	

2)

1. Instruction card clerk	A. Timely & accurate completion of job
2. Route clerk	B. Check the quality of work
3. Time & cost clerk	C. Ensures working conditions of machines
4. Speed boss	D. Keeping machines ready for operation

5. Gang boss	E. Prepare time and cost sheet
6. Repair boss	F. Draft instructions
7. Inspector	G. Specify the route of production
1-F, 2-G, 3-E, 4-A, 5-D, 6-C, 7-B	

3)

1. Division work	A. People & material in suitable place
2. Authority	B. Promote team spirit of unity & harmony
3. Scalar chain	C. Fairness to all employees
4. Order	D. Work is divided into small task
5. Equity	E. Right to give order
6. Esprit-de-corps	F. Formal line of authority
1- D 2- E, 3- F, 4-A, 5-C, 6-B	

IV Answer the following questions in one word or one sentence:

1) Who is known as Father of General management?

Henri Fayol is known as Father of General management.

2) Name any one new techniques of management developed on the basis principles of management.

- a) Operation research
- b) Cost accounting
- c) Just in time

3) Who is called the father of scientific management?

Fredrick Winslow Taylor (F.W.Taylor) is called the father of scientific management.

4) Who advocated separation of planning and execution of functions in any organization?

F.W. Taylor advocated separation of planning and execution of functions in any organization.

5) What is standardization according to Taylor?

Standardisation refers to the process of setting standards for every business activity.

6) When was gang plank will use in the organisation?

Gang plank will use at the emergency situation in the organisation

7) What is the aim of simplification according to Taylor?

Simplification aims at eliminating unnecessary diversity of products.

8) How simplification differ from standardization according to Taylor?

Standardisation refers to the process of setting standards for every business activity.
Simplification aims at eliminating unnecessary diversity of products.

9) State the number of principles of management propounded by Henri Fayol.

14 principles of management propounded by Henri Fayol.

10) Which management principle of Fayol advocates that there should be only one boss for each individual employee?

Unity of command is the principles of Fayol advocates that there should be only one boss for each individual employees.

11) What is Centralization?

The concentration of decision making authority is called Centralization.

12) Who introduced differential piece rate system?

F.W. Taylor introduced differential piece rate system.

PART - B

V Answer the following questions in 2 or 3 sentences each.

1. Give the meaning of mental revolution as propounded by Taylor.

Mental revolution a change in the attitude of workers and management towards one another from competition to cooperation. Both should realize that they require one another.

2. What is discipline according to Fayol?

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

3. State the difference between unity of command and unity of direction.

Unity of Command	Unity of Direction
One subordinate should receive orders from and should be responsible to only one superior.	Each group of activities having same objective must have one head and one plan.
It prevents dual subordinates.	It prevents overlapping of activities.

It affects an individual employee	It affects the entire organization.
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4. What is Scalar chain?

The formal lines of authority and communication between superiors and subordinates from highest to lowest ranks are known as scalar chain. It is one of the principle of management propounded by Henri fayol.

5. What is Gang Plank?

Gang plank is a shorter route in a scalar chain which allows employees at the same level to communicate with each other directly. It should be used only in case of emergency.

6. What is meant by Esprit-de-corps?

Esprit-de-corps means management should take all necessary steps to promote team spirit of unity and harmony amongst employees. A manager should replace "I" with "WE" in all his conversation with workers to build team spirit.

7. Mention any two principles of management considered by Fayol?

- a) Unity of command
- b) Unity of Direction
- c) Division of work
- d) Authority and Responsibility

8. What is Unity of command according to Henri Fayol?

According to Fayol, unity of command stated that there should be only one boss for every individual employee, otherwise it will create confusion, conflicts and duplication of work.

9. What is Division of work according to Henri Fayol?

Division of work means work is divided into small task or job and that task is assign to person who have a specialization at particular task. It leads to great efficiency, specialization & increased productivity.

10. Give the meaning of motion study.

It refers to the study of movements like lifting, putting objects & changing position etc. while doing the job. The main objective of this study to eliminate the unnecessary motions so that it takes less time to complete the job effectively.

11. Give the meaning of differential piece wage system.

A piece wage system developed by F.W. Taylor to differentiate between efficient and inefficient worker. Employees who perform better are paid higher wages than employees who perform below the standard target.

PART - C

VI Answer the following questions in 10-12 sentences:

1) Discuss the significance of principles of management.

The following are main significance of principles of management:

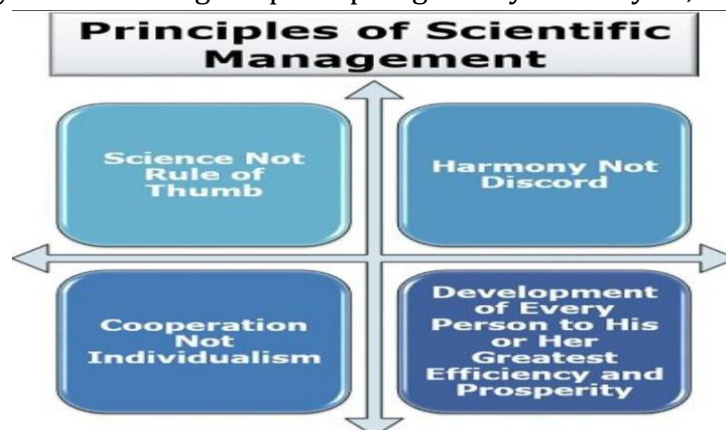
- a) **Providing managers with useful insights into reality:** The principles of management provides managers with useful insights into real world situations. They add to their knowledge, ability and understanding of managerial situation & circumstances. It will also enable managers learn from past mistake conserve time by solving recurring problems quickly.
- b) **Optimum utilisation of resources & effective administration:** Optimum utilisation of resources means maximum benefit with minimum cost. The resources with the company are limited. They have to be put to optimum use.
- c) **Scientific decision:** Management principles help in thoughtful decision making. Decision must be based on facts & justifiable. Principles are free from bias and prejudice.
- d) **Meeting changing environment requirements:** Management principles being flexible help managers to meet changing requirements of environment.
- e) **Fulfilling social responsibility:** Management principles also help managers to fulfil the social responsibility of business. For example principle of equity assures fair wages to employees, value to the customer etc.
- f) **Management training, education & research:** Principles of management are used as basis for management training, education and research. These principles of management developed new techniques like operation research, cost accounting, just in time etc.

2) Explain the principles of scientific management of F. W. Taylor.

OR

Explain the principles of scientific management.

Scientific management propounded by F.W. Taylor. Scientific management means knowing exactly what you want men to do and seeing that they are doing it in best and cheapest way. The following are principles given by F. W. Taylor;



- a. **Science not rule of thumb:** According this principles, scientific investigation should be used for taking managerial decisions instead of basing decisions an opinion, intuition, hit & miss method or rule of thumb. Scientific method is a best substitute of rule of thumb throughout the organisation which make work easier, simple & quicker.
- b. **Harmony not discord:** There should be complete harmony between management and workers to achieving organisation goals. It implies that there should be mental revolution

on part of managers and workers in order to respect each other role and eliminate any class conflict to realize organisational objectives.

- c. **Co-operation not individualism:** It is an extension of the principles of harmony not discord, there should be complete cooperation between the labour and management instead of individualism. Competition should be replaced by cooperation. There should be equal division of work and responsibility between workers and management.
- d. **Development of each and every person to his or her greatest efficiency and prosperity:** According to this principle the efficiency of each and every person should be taken care of right from his selection. It should also be taken care that each individual should allotted work according to his ability and interest.

3) Explain 4 aspects of work study developed by Taylor.

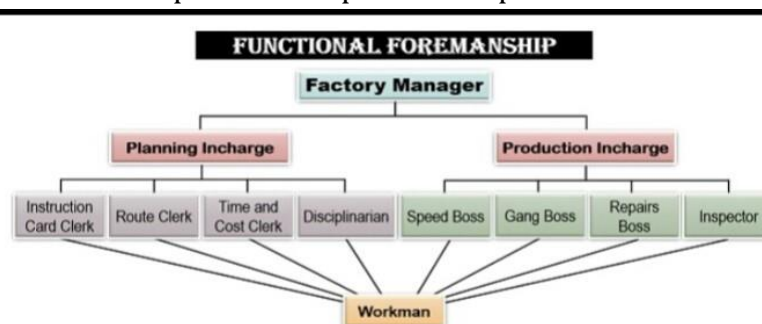
Work study means to conduct the deep analysis of all activities in the organisation with aim of producing maximum quality output at minimum cost.

Taylor has conducted the following studies;

- **Method study:** It refers to find out one best way of doing the job. The aim of this study is to minimize the cost of production & maximum the quality and level of consumer satisfaction.
- **Motion study:** It refers to the study of movements like lifting, putting objects & changing position etc. while doing the job. The main objective of this study to eliminate the unnecessary motions so that it takes less time to complete the job efficiency.
- **Time study:** It refers to determine the standard time required to complete a particular activity. The main objectives of the study are to determine labour costs, number of required workers and to decide about the suitable incentive plan.
- **Fatigue study:** It refers to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.

4) Explain the functional foremanship of Taylor.

Taylor advocated that specialization must be introduced in an organisation. He suggested functional foremanship for this purpose. Functional foremanship is an extension of principle of division of labour. According to Taylor, a single worker or supervisor cannot be expected to be an expert in all aspects. So supervision are divided into eight foreman.



Under planning in charge, there are four personnel:

- **Route clerk:** He is responsible to specify the route of production.

- **Instruction card clerk:** He is responsible to give instructions to the workers.
- **Time & cost clerk:** He is responsible to prepare time and cost sheets.
- **Disciplinarian:** He is responsible to maintain discipline among workers.

Under the production in charge, there are four personnel:

- **Speed boss:** He is responsible for timely completion of job.
- **Gang boss:** He is responsible for keeping machines and tools ready for work.
- **Repair boss:** He is responsible to keep machines and tools in proper condition.
- **Inspector:** He is responsible to maintain quality of work.

PART – D

VII Answer the following questions in 20-25 sentences:

1. Explain the nature of principles of management.

The nature of principles of management means qualities which were developed on the basis of observation & experimentation as well as personal experience of the managers.

The nature of principles of management are as follows:



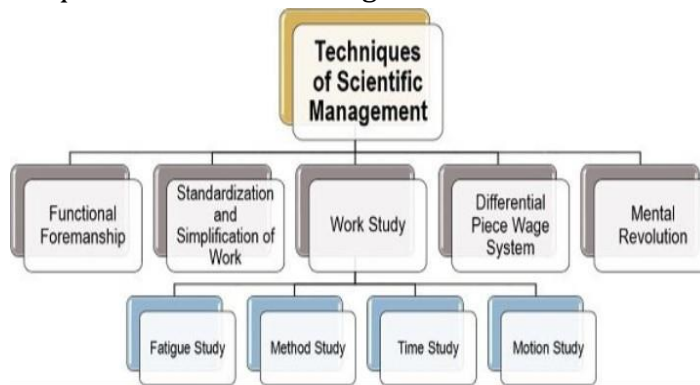
- **Universal applicability:** Principles of management is applicable in all types of organisations, business as well as non-business, small as well as large enterprises depending on the nature of the organisation.
- **General guidelines:** They are general guidelines to action but not provide straight solution to all managerial problems as the business situation are complex and dynamic.
- **Formed by practice and experimentation:** The principles of management are developed only after deep and thorough research work. They are not developed overnight or not any personal feelings of any person. They are formed from the knowledge, experience and experiments of managers.
- **Flexible:** These principles are not rigid and can be adapted and modified by the practicing managers depending upon the situation.
- **Behavioural in nature:** Management principles aims at influencing behaviour of human beings. These principles insist on improving relationship between superior, subordinates and all the members of organisation.

- **Cause and effect relationship:** This principles tell us if a particular principle is applied in a situation, what might be the effect. Its effects does not gives absolute results but it will give an idea about effect when principle are applied in similar situation in different organisation.
- **Contingent:** Management principles are contingent or dependent upon the situation prevailing in organisation. Their application and effect depend upon the nature of organisation.

Conclusion: Management principles are statement of fundamental truth. These principles serve as guidelines for decisions and actions of managers. Management principles are derived through observation, experimentation as well as personal experience of managers.

2. Explain the techniques of scientific management.

According to Taylor, “ Scientific management means knowing exactly what you want men to do and seeing them that they do it in the best and cheapest way. The following are the main techniques of scientific management:



- A. **Functional foremanship:** Functional foremanship is an extension of principle of division of labour. According to Taylor, a single worker or supervisor cannot be expected to be an expert in all aspects. So supervision are divided into eight foreman.
Under planning in charge includes instruction card clerk, route clerk. time & cost clerk and disciplinarian.
Under production in charge includes speed boss, gang boss, repair boss and inspector.
- B. **Standardisation and Simplification of work:** Standardization refers to the process of setting standards for every business activities to maximize output.
Simplification aims at eliminating unnecessary varieties, size and grades of products or services. It results in saving of cost of labour, machines and tools.
- C. **Scientific study of work (work study):** Work study means to conduct deep analysis of all activities in the organisation with aim of producing maximum quality output at minimum cost.
Taylor has conducted the following studies;
 - **Method study:** It refers to find out one best way of doing the job. The aim of this study is to minimize the cost of production & maximum the quality and level of consumer satisfaction.

- **Motion study:** It refers to the study of productive movements like lifting, putting objects & changing position etc. while doing the job. The main objective of this study to eliminate the unnecessary motions so that it takes less time to complete the job efficiently.
- **Time study:** It refers to determine the standard time required to complete a particular activity. The main objectives of the study are to determine labour costs, number of required workers and to decide about the suitable incentive plan.
- **Fatigue study:** It refers to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.
- D. Differential piece wage system:** This differentiates efficient and inefficient workers and links wages and productivity. According to this system, wages are paid on the basis of work done and not on the basis of time spent in doing the work. Thus, efficient workers will be rewarded and inefficient will be motivated to improve their performance.
- E. Mental revolution:** Mental revolution involves a change in the mindset and attitudes of workers and management towards one another from competition to co-operation.

3. Explain the General principles of management

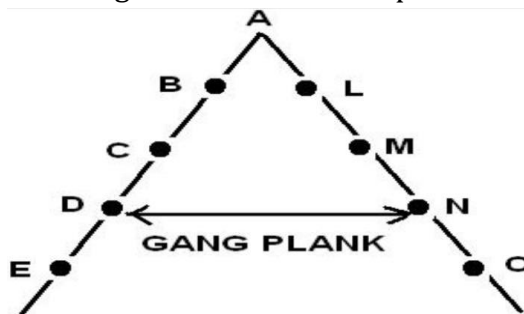
OR

Explain the Henri Fayol 14 principles.

Henri Fayol was a French management theorist. According to his experience he developed 14 principles of management in his book 'Administration industrielle et generale' in 1917. So, because of this contribution he is also known as '**FATHER OF GENERAL MANAGEMENT**'.

- **Division work:** Division of work means work is divided into small tasks or job and that task is assigned to person who specializes in particular task. It leads to greater efficiency, specialization, increased productivity.
- **Authority and Responsibility:** Authority is the right to give orders & obtain obedience and responsibility means obligation to complete the job assigned on time. There should be a balance between authority and responsibility. Mere responsibility without authority makes an executive less interested in discharging duties. Similarly, giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.
- **Discipline:** Discipline refers to the obedience to organisational rules and employment agreement, which are necessary for the working of the organisation. Discipline requires good supervisors at all levels, clear and fair agreement & judicious application of penalties.
- **Unity of Command:** According to Fayol there should be one and only one boss for every individual employee. It implies that every worker should receive orders from one superior only, otherwise it will create confusion, conflict and duplication of work.
- **Unity of Direction:** All the units of an organisation should move towards the same objectives through coordination and focused efforts. Each group of activities having the same objectives must have one head and one plan.
- **Subordination of individual interest to general interest:** The interest of an organisation should take priority over the interest of any individual employee. In simple words the organisation interest to be prioritised over individual interest.

- **Remuneration of employees:** The overall pay and compensation should be fair to both employees and the organisation. The employees should be given fair wages so that they can have a reasonable standards of living. At the same time it should be with the paying capacity of the company.
- **Centralisation and Decentralisation:** Centralisation means concentration of decision making authority at top level of the organisation while Decentralisation means dispersal of authority throughout the organisation. Both should be balanced, as no organisation can be completely centralized or completely decentralised.
- **Scalar chain:** The formal lines of authority and communication between superiors and subordinate from the highest to lowest ranks is known as scalar chain. This chain should not be violated but in case of emergency employees at same level can contact through Gang plank by informing their immediate superiors.



- **Order:** According to Fayol “people and material should be in suitable places at appropriate time for maximum efficiency”. A place for everything and everything in its place. This will lead to increased productivity and efficiency.
- **Equity:** All employees should be treated equally and respectfully. It’s the responsibility of a manager that no employees face discrimination. There should be no discrimination against anyone on account of sex, religion, language, caste belief or nationality etc.
- **Stability of personnel:** Employee turnover should be minimised to maintain organisational efficiency. An employee delivers the best if they feel secure in their job. It is the duty of the management to offer job security to their employees.
- **Initiative:** Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self motivation. It is thinking out and executing the plan.
- **Espirit de corps:** Management should promote team spirit, unity and harmony among employees. So a manager should replace I with WE in all his conversation with workers to foster team spirit.

PART -A

I Choose the correct answer:

1. Which of the following does not characterise the business environment?
 (a) Uncertainty (b) Employees (c) Relativity (d) Complexity

Ans: (b) Employees

2. Which of the following is an example for social environment?
 (a) Money supply in the economy (c) Consumer protection act
 (b) The constitution of the country (d) Composition of family

Ans: (d) Composition of family

3. Liberalization means
 (a) Integration among economies (c) Policy of planned disinvestment
 (b) Reduced government controls & restrictions (d) None of above

Ans: (b) Reduced government controls & restrictions

4. Which of the following best indicates the importance of business environment?
 (a) Identification (c) Improvement in performance
 (b) Coping with rapid changes (d) All of them

Ans: (d) All of them

II Fill in the blanks:

- 1) Competition act is an example of Legal environment.
- 2) Interest rate is an example of Economic environment.
- 3) Dimension of business are interrelated.
- 4) In LPG, P stands for privatisation.
- 5) Business environment is complex phenomenon.
- 6) Celebration of festival is an social environment.
- 7) Privatization the process of transfer of ownership and management of public enterprises to private people.

III Match the following:

1)

1. Total sum of internal & external factors	A. Liberalisation, Privatisation & Globalisation
2. LPG	B. Foreign direct investment
3. Demonetization	C. Business environment

4. FDI	D. Foreign investment promotion board
5. FIPB	E. Nov 8, 2016
1-C, 2- A, 3- E, 4-B, 5- D	

2)

1. Liberalisation	a. transfer of ownership
2. Privatisation	b. Customers
3. Globalisation	c. selling or liquidating an assets
4. Disinvestment	d. Reducing government controls & restrictions
5. Specific force	e. interaction among countries
1-d, 2-a, 3-e, 4-c, 5-b	

3)

1. Social environment	A. Inflation
2. Companies act	B. Demand of organic foods
3. Economic environment	C. Legal environment
4. Jan Dhan yojana	D. E-commerce
5. Technological environment	E. Political environment
1-B, 2-C, 3-A, 4-E, 5-D	

IV Answer the following questions in one word or one sentence each:

1) **What is business environment?**

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.

2) **Write any one features of business environment.**

- a) Totality of external force
- b) Specific and general force
- c) Inter relatedness

3) **Expand LPG, PESTL, FDI, FIPB.**

LPG – Liberalisation, Privatisation and Globalisation.

FDI – Foreign direct investment

PESTL – Political, Economical, Social, Technological and Legal environment

FIPB – Foreign investment promotion board.

PART - B

V Answer the following questions in 2 or 3 sentences each:

1) Give the meaning of Globalisation.

Globalisation is the system of interaction among the countries of the world in order to develop the global economy. It means integration of the various economies of the world leading towards the emergency of a cohesive global economy.

2) What is Privatisation?

Privatisation means a transfer of ownership management and control of public sector enterprises to the private sector. The new set of economic reforms aimed at giving greater role to the nation building process and a reduced role to the public sector.

3) What is Demonetization?

Demonetization means withdrawals of a coin, note or precious metals from use as legal tender. On November 8, 2016 two largest notes Rs.500 & Rs.1000 were demonetised.

4) Give the meaning of Liberalisation.

Liberalisation in economics means minimizing government restrictions and regulations in an economy in return of higher involvement of private organisations. It aim at liberalising the Indian business and industry from all unnecessary controls & restrictions.

5) State any two features of Demonetization.

- (a) It is viewed as a tax administration measure.
- (b) It helps to channelising savings into deposits.
- (c) It is create a less cash or cash lite economy.
- (d) It helps to reduce tax evasion.

PART - C

VII Answer the following questions in 10-12 sentences:

1. Explain any four points to explain how important the understanding of business environment for manager.

Business environment presents threats as well as opportunity for any business. A good manager not only identifies the environment but also reacts to these external force. The importance of business environment as follows:

- a) Enables to identify business opportunities:** business environment provides many opportunities to the firm to improve their performance. The firm which able to scan these opportunities at an early stage get maximum benefit before their competitors.
- b) Helping in the identification of threats:** Environment helps an enterprise to recognise qualitative information in advance which can be used to prepare it for facing likely challenges. For e.g. New multinational company is entering into the Indian market.
- c) Tapping useful resources:** Business requires many resources like raw materials, tools, equipment, finance, labour etc for performing business activities. These resources are known as inputs. Business environment provides all these inputs to the business firms for carrying out their activities.

- d) **Coping with rapid changes:** Business environment is very dynamic. One can see changes, like new technologies, fragmented markets, more demanding customers, heavy global competition and so on. The environment will help to organisation to accept the changes.
- e) **Assisting in planning and policy formation:** Business environment bring both treats and opportunities to business. Hence understanding of environment helps the management in future planning and decision making. For e.g. Competition increase with the entry of new firms in the market.
- f) **Helps in improving performance:** Continuous monitoring and understanding of business environment helps managers to adopt suitable business practices which improves their present as well as future performance.

2. Explain the concepts of Economic environment in India.

The economic environment relates to all the economic determinants that influence commercial and compliance. The government of India declared a new industrial system or 'new economic policy 1991'. It mainly includes Liberalisation, Privatisation and Globalisation.

Liberalisation: Liberalisation in economics means minimizing government restrictions and regulations in an economy in return of higher involvement of private organisations. It aim at liberalising the Indian business and industry from all unnecessary controls & restrictions.

After implementation of this policy the following rules & restrictions are removed from Indian business and industry;

- Removal of restrictions on the movement of goods and services.
- Freedom of fixing the prices of goods & services.
- Simplifying procedure for imports and exports.
- Reduction in tax rates.

Privatisation: Privatisation means a transfer of ownership, management and control of public sector enterprises to the private sector. The new set of economic reforms aimed at giving greater role to the nation building process and a reduced role to the public sector. The term disinvestment used here, means transfer in the public sector enterprises to the private sectors.

Globalisation: Globalisation is the system of interaction among the countries of the world in order to develop the global economy. It means integration of the various economies of the world leading towards the emergency of a cohesive global economy.

PART -D

VIII Answer the following questions in 20-25 sentences :

1. Explain the features of Business environment.

The term business environment means the sum total of all individual other forces that are outside the control of a business enterprise. But they may affect its performance. For example changes in government, political uncertainty, changes in fashions and tastes of consumers etc.

The following are the features of business environment:

- a) **Totality of external force:** It is the sum total of all thing external to business firm and it is aggregative in nature which affects directly or indirectly to the business organisation.
- b) **Specific and General force:** Business environment includes both specific and general force. Specific force (i.e. investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General force (i.e. social, political, legal and technological conditions) have impact on all business enterprise and thus may affect an individual firm only indirectly.
- c) **Inter-relation:** All forces and factors of business environment are inter-related to each others. For e.g. Inclination of youth towards western culture, the demand for fast food is increasing.
- d) **Uncertainty:** Business environment is largely uncertain, as it is very difficult to predict the changes of business environment. As environment is changing vary fast for example in IT, fashion industry frequently and fast changes are taking place.
- e) **Dynamic:** Business environment is highly flexible and keep changing. It is not static or rigid that's why it is essential to monitor and scan the business environment continuously. For e.g. technological improvements, consumer preferences etc.
- f) **Complexity:** It is very difficult to understand the impact of business environment on the companies. It is easy to scan the environment but it is very difficult to know how these changes will influence business decisions. For e.g. change in government policy to increase the tax rate by 5% may effect the income of company by large amount.
- g) **Relativity:** Business environment is a relative concept since it differs from country to country and even region to region. For e.g. political conditions in the USA differ from those in China or Pakistan, demand for sarees may be fairly highly in India where as it may be almost non-existent in France.

Conclusion: The changing needs of customers, activities of competitors, new innovations in the market, relation between nations, policies of political parties etc are parts of business environment.

2. Explain with examples the various dimension or elements of business environment.

The dimensions or factors constituting the business environment includes political, social, technological, legal and economic factors which are considered important for taking decisions and improving the operation of a firm.



A) Legal Environment:

- Legal environment includes various laws passed by government, administration orders issued by government authorities.
- The legal environment includes various laws like companies act 2013, consumer protection act 1986, foreign exchange management act (FEMA), Competition act 2002 etc.
- Impact of legal environment can be illustrated with the help of government regulations to protect consumer's interest. For e.g. advertisement including packets of cigarettes carry the statutory warning '**cigarette smoking a injurious to health**', the advertised should followed this rule.

B) Economic Environment:

- It consists of an economic system, economic policy and economic conditions prevailing in a country.
- Interest rate, taxes, inflation, stock market indices, value of rupee, personal disposal income, unemployment rate etc are the factors which affect the economic environment.
- Components of economic environment:
 - Money supply in the economy
 - Public debt
 - Balance of payments and changes in foreign exchange reserves.

C) Social Environment:

Social environment as business includes the social forces like customs, tradition, values, social trends, society expectations from business etc.

- **Tradition:** it refers to social practices that have lasted for decades such as celebrating Diwali, Ugadi, Christmas etc. in India provides significant financial opportunities for greeting cards companies, sweets etc.
- **Values:** It refers to moral principles prevailing in the society such as freedom of choice in the market, social justice, equality of opportunity etc.
- **Social trends:** It presents various opportunities and threats to business enterprises. For e.g. the health & fitness trend create a demand for products like organic food, gyms etc.

D) Technological Environment:

- It consist of scientific improvements and innovation which provides new ways of producing goods, rendering services, new method and techniques to operate a business.
- For e.g. recent technological advances in computers and electronic have modified the ways in which companies advertise their products.
- Technological compatibility of products also drives the demand for manufactured products by a company. For e.g. E-commerce, demand for LED smart HD tv's instead of LCD tv's etc.

E) Political Environment:

- It means the actions were taken by the government which potentially affect the routine activities of any business or company on a domestic or at the global level.
- For e.g. Bangalore is called as the silicon valley of India due to the favourable political conditions provided by the state government to the IT industries.
- The success of business and industry depends upon the government attitude towards the business, stability of government, peace in the country.

Conclusion: These are the various dimensions of the business environment, for the successful of every business to understand the various factors that affecting the operations of a business and taking corrective actions if, it is required.

I Choose the correct answer:

1. Which of the following is not the features of planning?
 - (a) It is mental exercise.
 - (b) It provides direction for the future actions.
 - (c) It is end function in the process of management
 - (d) It involves setting objectives and developing course of action

Ans : (c) It is end function in the process of management

2. Which of the following is not the features of the planning?
 - (a) It focuses on achieving objectives.
 - (b) It involves identification and division of work
 - (c) It is the primary function of the management
 - (d) It is a pervasive function.

Ans: (b) It involves identification and division of work

3. Which of the following is an example for the single use plan?
 - (a) Policy
 - (b) Procedures
 - (c) Budget
 - (d) Method

Ans: (c) Budget

4. Which of the following is an example for standing plan?
 - (a) Budget
 - (b) Programmes
 - (c) Strategy
 - (d) Policies

Ans: (d) Policies

5. Which of the following is not a type of plan?
 - (a) Objectives
 - (b) Coordination
 - (c) Budget
 - (d) Rule

Ans: (b) Coordination

II Fill in banks:

- 1) Deciding in advance what to do and how to do is called **planning**.
- 2) The first step in planning process **setting objectives**.
- 3) **Planning** function of management involves decision making.
- 4) **Budget** is a statement of expected results expressed in numerical terms.
- 5) Procedure is an example for **standing plan**.
- 6) Developed for a one time event or project is called **Single use plan**.
- 7) **Standard plan** is used for activities that occur regularly over a period of time.
- 8) Planning leads to rigidity is **limitation** of planning.

III Match the following:

- 1)

1. Budget	A. One time event / project
2. Single use plan	B. Desired future position
3. Rule	C. Occur regularly over a period of time
4. Standing plan	D. Informs what is to be done
5. Objectives	E. Expected results expressed in numerical terms.
1-E, 2-A, 3-D, 4-C, 5-B	

2)

I. Strategy	A. Detailed statement of project
II. Programme	B. Neither single use plan nor standing plan
III. Procedure	C. General response to particular situation
IV. Method	D. Routine steps for carrying out activities
V. Policy	E. Prescribed ways or manner
I - B, II-A, III-D, IV-E, V-C	

IV Answer the following questions in word or one sentence:

1. What is planning?

Planning is deciding in advance what to do and how to do. It involves logical thinking and is one of the basic managerial functions.

2. Which function of management involves decision making?

Planning function of management involve decision making.

3. State the first step in planning process.

Setting objective is the first step in planning process.

4. What is single use plan?

A single use plan are specific plan which are developed for a one time event or project. It is a short-term approach and non-recurring in nature.

5. What is standing plan?

A standing plan is used for activities that occur regularly over a period of time. It is long approach and prepared by top level management for fulfilling primary goals of organisation.

6. Give an example for single use plan.

Budget is an example for single use plan.

7. Give an example for standing plan.

Procedure is an example for standing plan.

8. Give an example for a plan which is neither single nor standing plan.

A Strategy is an example for a plan which is neither single nor standing plan.

9. State the meaning of 'Rule'.

Rules are specific statement that inform what is to be done and what not to be done. Rules are rigid and doesn't allow flexibility and it ensures discipline in the organisation. For e.g. 'No smoking in the office premises'.

10. What is budget?

A budget is a statement of expected results expressed in numerical terms for definite period in the future. For e.g. Sales budget, production budget etc.

PART – B

V Answer the following questions in 2 or 3 sentences:

1) Give the meaning of Planning premises.

Planning premises are the assumptions about the future conditions & events like trends in population, changes in political & economic environment, variation in production cost & price, government & legal regulations. These assumptions are the base material upon which plans are be drawn.

2) State any two features of planning.

- a) Planning focuses on achieving objectives.
- b) Planning is a primary function of management.
- c) Planning is pervasive.
- d) Planning is continuous

3) What do you mean by 'Objectives'?

Objectives are desired future position that management would like to reach. The first and foremost step of the planning process is setting organisational objectives. For e.g. getting 20% return on investment, increase sales target by 10% etc. Objective should be clear and achievable.

4) What is a 'Strategy'?

Strategy is the comprehensive plan for accomplishing an organisation objectives. It refers to future decisions defining the organisation direction and scope in the long run. Strategies are those plans which an organisation prepares to face various situations, threats and opportunities. For e.g. selection of the medium of advertisement.

5) What is 'Policy'?

Policy are general statement that guide thinking or channelize energies towards a particular direction. A policy is the general response to a particular problem or situation. For e.g. recruitment policy, pricing policy etc.

6) What is 'Procedure'?

Procedure are routine steps, detailing the exact manner in which a work is to be performed. They are specified in a chronological order. For e.g. Recruitment process of a company.

7) Give the meaning of 'Programme'?

A programme may consist detailed list of project outlining, the objectives, policies, procedures, rules, tasks, physical and human resources required to implement any course of action.

8) Write two types of planning.

- a) Policies
- b) Methods
- c) Objectives

9) Write first two steps in planning process.

- a) Setting objectives
- b) Developing premises

10) State any two importance of planning.

- a) Planning provides directions
- b) Planning facilitates decision making
- c) Planning promotes innovative ideas.

PART – C

VI Answer the following questions in 10-12 sentences:

1) Explain the importance or significance of planning.

Planning is the basic requirement of any organisation for survival, growth and success. The following are importance of planning:

- (a) Planning provides directions:** Directions means to give proper information, accurate instruction and useful guidance to the subordinate. Planning tells us what to do, how to do it and when to do it. It is impossible without planning, so it gives right direction.
- (b) Planning reduces the risk of uncertainty:** There are many risks involved in any modern business. Planning helps to forecast theses business related risks. It also helps to take the necessary precautions to avoid these risk and prepare for future uncertainties in advance.
- (c) Planning reduces overlapping and wasteful activities:** Planning makes optimum utilisation of all available resources. It helps to reduce the wastage of valuable

resources and avoids their duplication. It aims to give the highest return at the lowest possible cost.

(d) 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. It guides all future actions leading to growth and prosperity of the business.

(e) Planning facilitates decision making: Planning involves setting targets and predicting future conditions, thus helping in taking rational decision from alternative course of action.

(f) Planning establishes standards for controlling: Planning provides the standard against which the actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goal.

2) Explain the limitations of planning.

If planning has to be successful and purposeful, the managers should be aware of difficulties and limitations of planning.

- a. **Planning leads to rigidity:** In an organisation, a well defined plan is drawn up with specific goals to be achieved within a specific time but managers may not be in a position to change it. As the business environment manager need to be given some flexibility to be able to cope with the changed circumstance.
- b. **Planning may not work in a dynamic environment:** Planning is based on anticipation of future happening and since future is uncertain and dynamic so that organisation needs to adapt itself to changes. However planning cannot foresee the future events effectively.
- c. **Planning reduces creativity:** Top management does planning and middle management does implementation of plan but they are not allowed to deviate from plan and thus creativity of these managers get reduced.
- d. **Planning involves huge cost:** Huge costs are involved in the formulation of the plan. Detailed plans require scientific calculations to ascertain data. Sometimes costs incurred on planning doesn't justify the benefits derived.
- e. **Planning is a time-consuming process:** Planning involves the collection of data, analysis of data and forecasting etc. All this consumes a lot of precious time. Therefore, planning is a time-consuming activity.
- f. **Planning does not guarantee success:** The success of an enterprise is possible only when plans are properly drawn up and implemented. Planning provides a base for analysing future course of action. But it is not a solution to all problems.

PART – D

VII Answer the following questions in 20-25 sentences:

1) What is planning? Explain the various features of planning.

Planning is deciding in advance what to do and how to do. It involves logical thinking and is one of the basic managerial functions. Before doing something, the manager must

formulate an idea of how to work on particular task. The following are the features of planning:

- (a) **Planning is primary function:** Planning lays down the base for other functions of management. It is the first and foremost function of management i.e. planning, organising, staffing, directing and controlling they are inter-related and equally important.
- (b) **Planning is a goal oriented:** Organisation set up with general goals and specific goals along with the plans and activities to be undertaken to achieve these goals. Planning has no meaning unless it contribute to the achievement of predetermined organisational goals.
- (c) **Planning is pervasive:** Planning is required at all levels of management as well as in all departments of the organisation. The scope of planning is different levels and for different departments.
- (d) **Planning is continuous:** Plans are prepared for a specific period of time, may be for a month, a quarter or a year. At the end of that period there is need for new plan based on requirements. Continuity of planning is related with the planning cycle. It means that a plan is framed, it is implemented and is followed by another plan, and so on.
- (e) **Planning is futuristic:** The purpose of planning is to meet future events effectively to the best advantages of an organisation. Planning as a forward looking function based on forecasting future events and conditions and drafting the plan accordingly.
- (f) **Planning involves decision making:** Planning essentially involves choice from among various alternatives and activities. If there is only one possible goal or a possible course of action, there is no need for planning because there is no choice.
- (g) **Planning is a mental exercise:** Planning requires application of the mind involving foresight. Planning is intellectual activity, which requires logical and systematic thinking rather than guess work.

Conclusion: Planning is the first step in management. Planning is the foundation of most successful action of all enterprises. An enterprise can activate its objective only with systematic planning.

2) Explain the process or steps of planning.

Planning means deciding in advance what to be done and how it is to be done. It involve a few logical steps following are the steps to be followed by the management while making plans.

1. Setting objectives:

- The first step in the planning process is the setting up of objectives and goals.
- Set objectives for the entire organisation and each department, units and employees.
- State the objectives of the organisation very clear and determine how all departments would contribute towards overall objectives.
- Managers must contribute ideas and participate in the objective setting process.
- E.g. setting sales target, new product launch etc.

2. Developing premises:

- Planning is based on certain assumptions regarding the future. These assumptions are known as premises.

- Planning premises are the assumptions about the future conditions & events like trends in population, changes in political & economic environment, variation in production cost & price, government & legal regulations. These assumptions are the base material upon which plans are drawn.
- The assumptions are regarding the future predictions, previous plans, current policies and facts.

3. Identifying alternative course of action:

- Once objectives are set, assumptions are made and then alternative course of action is determined.
- Managers must identify all the alternative courses of action for achieving the objectives of the organisation.
- The course of action may be routine or innovative. Innovation course can be adopted by involving more people and sharing their ideas.

4. Evaluating alternative course of action:

- The next step is to evaluate the positives and negatives of each and every alternative course of action.
- Positive and negative aspects of each proposal is to be evaluated keeping in view the objectives to be achieved.

5. Selecting an alternative:

- This is the real point of decision making. The best plan has to be adopted and implemented.
- The managers should use their skills and knowledge for judging & selecting the best alternative in terms of profitability, costs and workability.
- Depending on the situation, a combination of different routes may also be taken up instead of just one.

6. Implementing the plan:

- In this step the selected best plan is implemented & putting plan into action.
- Managers start organizing & assembling resources for implementing the plans.
- Implementation is concerned with following the opted path of action and deciding how that is to be used in order to be successful.

7. Follow-up action:

- It involves monitoring the implemented plans and ensuring that the activities are being performed according to the schedule.
- Continuous monitoring is required to find out deviations from plans and corrective action has to be achieved organisational objectives.

3) Explain the types of plan.

A plan is a commitment to a particular course of action for achieving specific results. Plans can be classified into several types depending on the use and the length of the planning period.

A) Objectives:

- Objectives are the end results, which the management seeks to achieve by its operations.
- Objectives are desired future position that management would like to reach.

- The first and foremost step of the planning process is setting organisational objectives.
- Objectives need to be expressed in quantitative terms, in the form of written statement of desired results to be achieved within a given time period.
- Objective should be clear, measurable and achievable. For e.g. getting 20% return on investment, increase sales targets by 10% etc.

B) Strategy:

- Strategy refers to future decisions defining the organisation direction and scope in the long run.
- Strategies are those plans which an organisation prepares to face various situations, threats and opportunities.
- Strategy is a comprehensive plan for accomplishing an organisation objectives.
- When managers of an organisation prepare a new strategy for the business is called internal strategy.
- When some strategies are prepared to respond to the strategies of the competitors is called external strategies.
- For e.g. Selection of the medium of advertisement, selection of the channels of distribution.

C) Policy:

- Policy are general statements that guide thinking or channelize energies towards a particular direction.
- A policy is the general response to a particular problem or situation.
- They are flexible as they may be changed as per requirement.
- For e.g. Recruitment policy, purchasing policy, pricing policy etc.

D) Procedure:

- Procedures are routine steps, detailing the exact manner in which a work is to be performed.
- They are specified in a chronological order.
- The sequence of action to be taken are generally to enforce a policy and to attain pre-determined objectives.
- For e.g. Recruitment process of a company.

E) Rule:

- Rules are specific statement that inform what is to be done and what not to be done.
- Rules are rigid and doesn't allow flexibility and it ensures discipline in the organisation.
- For e.g. 'No smoking in the office premises'.

F) Method:

- Methods provide the prescribed ways or manner in which a task can be performed considering the objective.
- Selection of proper method saves times, money, efforts and increase efficiency.
- Methods are flexible.
- For e.g. Apprenticeship training, induction programme etc.

G) Programme:

- A programme may consist detailed list of project outlining, the objectives, policies, procedures, rules, tasks, physical and human resources required to implement any course of action.
- Programmes will include the entire activities as well as the organisation policy and how it will contribute to the overall business plan.

H) Budget:

- A budget is a statement of expected results expressed in numerical terms for definite period in the future.
- For e.g. Sales budget, Production budget.

Conclusion: These are the important methods of planning are used in various organisation at various levels of management, for achieving the pre-determined future goals.

CHAPTER – 5 ORGANISING

PART – A

I Choose the correct answer:

1. Which of the following is not an element of delegation?
(a) Accountability (b) Authority (c) Responsibility (d) Informal organisation

Ans: (d) Informal organisation

2. A network of social relationship that rise spontaneously due to interaction at work is called
(a) Formal organisation (c) Informal organisation
(b) Decentralisation (d) Delegation

Ans: (c) Informal organisation

3. Which of the following does not follow the scalar chain?
(a) Functional structure (c) Divisional Structure
(b) Formal organisation (d) Informal organisation

Ans: (d) Informal organisation

4. For delegation to be effective, it is essential that responsibility be accompanied with necessary
(a) Accountability (b) Responsibility (c) Authority (d) Informal organisation

Ans: (c) Authority

5. Span of management refers to
(a) Number of managers
(b) Length of term for which a manager appointed
(c) Number of subordinate under a superior
(d) Number of members in top management

Ans: (c) Number of subordinate under a superior

6. Grouping of activities on the basis of functions is a part of
(a) Decentralised organisation (c) Functional organisation
(b) Divisional organisation (d) Centralized organisation

Ans: (c) Functional organisation

7. Grouping of activities on the basis of product lines is a part of
(a) Decentralised organisation (c) Functional organisation
(b) Divisional organisation (d) Autonomous organisation

Ans: (b) Divisional organisation

II Fill in the blanks:

1. Organisation structure is the outcome of **Organising process.**
2. Authority shared with lower levels are called **Decentralisation.**
3. A network of social relationship that arise spontaneously due to interaction at work is called **Informal organisation.**
4. **Responsibility** is obligation of a subordinate to properly perform assigned duty.

III Match the following:

1.

a) Decentralisation	i. Formation is based on functions
b) Functional structure	ii. Quick decision making
c) Informal organisation	iii. Right to command
d) Accountability	iv. Arising out of interaction among employees
e) Authority	v. Answerability for outcomes
a – ii, b – i, c – iv, d – v, e – iii	

2.

a) Formal organisation	I Process of organising
b) Departmentalisation	II Relationships created by the management
c) Place for everything, everything in its place	III No of subordinates under a supervision
d) Span of management	IV Organising
e) Responsibility	V Elements of delegation
a) – II, b) – I, c) – IV, d) – III, e) – V	

IV Answer the following question in one word or one sentences:

- 1) Which management function translates the plans into action?
Organising function translates the plans into action.
- 2) Which type of organisation structure is suitable for enterprises having large variety of products?
Divisional structure is suitable for enterprises having large variety of products.
- 3) What is Delegation?
Delegation refers to the downward transfer of authority from a superior to a subordinate.
- 4) What is Authority?
Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.

5) What is Responsibility?

Responsibility is the obligation of a subordinate to properly perform the assigned duty.

6) Can accountability be delegated?

No, it cannot be delegated at all.

7) When can one say that an organisation is centralised?

An organisation is centralised when decision making authority is retained by higher management levels.

8) What is Decentralisation?

The authority and responsibility are divided into different levels of organisation are called Decentralisation.

9) Define Organising.

According to Theo Haimman,

“Organising is the process of defining and grouping the activities of the enterprises and establishing authority relationship among them”.

10) What is organisation structure?

Organisation structure is the outcome of the organising process.

PART – B

V Answer the following questions in 2-3 sentences:

1) Give the meaning of Organising.

Organising is a process of identifying and grouping the work to be performed, defining & delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together to achieving objectives.

2) Write any two differences between Functional and Divisional structure.

Basis	Functional structure	Divisional structure
Formation	Formation is based on functions	Formation is based on product lines and is supported by functions
Specialisation	Functional specialisation	Product specialisation
Cost	Functions are not duplicated hence economical	Duplication of resources in various departments, hence costly
Responsibility	Difficult to fix on a department	Easy to fix responsibility for performance

3) Give the meaning of Formal organisation.

Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task. It clearly specifies the boundaries of authority and responsibility in the organisation.

4) Compare and contrast Authority and Accountability.

Basis	Authority	Accountability
Meaning	Right to command	Answerability for outcomes of the assigned task
Delegation	Can be delegated	Cannot be delegated at all
Flows	Downward flow from superior to subordinate	Upward flow from subordinate to superior
Origin	Arises from formal position	Arises from responsibility

5) State any two differences between Delegation and Decentralisation.

Basis	Delegation	Decentralisation
Nature	Delegation is a compulsory act because no individual can perform all tasks on his own	Decentralisation is an optional policy decision. It is done at the discretion of the top management
Freedom of action	More control by superior hence less freedom to take own decisions	Less control over executives hence greater freedom of action

6) Define Decentralisation.

According to Louis Allen,

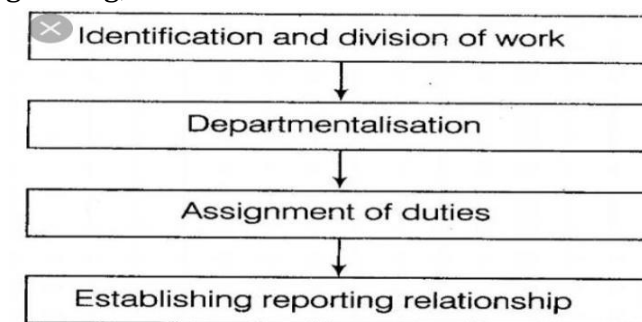
“Decentralisation refers to systematic efforts to delegate to the lowest level, all authority except the one which can be exercised at central point.”

PART – C

VI Answer the following questions in 10 – 12 sentences:

1) Explain the steps in the process of organising.

Organisation is one of the major functions of management. The following are the process or steps of organising;



- (a) **Identification and division of work:** The first step in the process of organising involves identifying and dividing the work in accordance with pre-determined plans. The work is divided into manageable activities, so that duplication can be avoided and the burden of work can be shared among the employees.
- (b) **Departmentalisation:** Once work is divided into small activities, similar and related jobs are grouped together. This grouping is called Departmentalisation. E.g. Departmentalisation on the basis of territory, production etc.
- (c) **Assignment of duties:** It is necessary to allocate work to various employees. Once departments have formed, individual department heads are appointed for each department. The work must be assigned to those who are fitted to perform it well.
- (d) **Establishing reporting relationship:** Establishing authority and responsibility relationship helps to create hierarchal structure and helps in coordination among various departments. Superior and subordinate relations between different people and job positions is to be created, so that everybody knows from whom he/she is to taking orders and to whom he/she can issue orders.

2) State any two advantages and disadvantages of functional structure.

A functional structure divides the organisation into department based on their functions. E.g. A manufacturing concern includes production departments, marketing departments etc.

Advantages:

- It promotes control and coordination within a department because of similarity in the tasks being performed.
- It helps in increasing managerial and operational efficiency and this results in increased profit.
- It reduces duplication of work and helps in training employees easily.

Disadvantages:

- A functional structure gives more importance to the objectives of functional head than objectives of organisation.
- The functional structure has a lack of coordination among different departments and a conflicts of interest will arise within different departments.
- It may leads to inflexibility due to narrow perspective of employees.

3) Write any two advantages and disadvantages of Divisional structure.

Dividing the whole enterprise according to the major products to be manufactured like metals, footwear, cosmetics etc.

Advantages:

- Products specialisation helps in the overall developments of the skills of departmental heads and also helps in the fixation of responsibility & accountability of departmental heads.
- It facilitates expansion and growth, as new division can be added without interrupting existing division.
- It provides a proper basis for assessing performances and results of each division.

Disadvantages:

- Conflicts may arise among different divisions with references to allocation of funds and further a particular division may seek to maximise its profits at the cost of other divisions.
- It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with a separate set of similar functions increases expenditure.

4) State any 4 features of Formal organisation.

Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task.

The following are the features of formal organisation:

- It specifies the relationships among various job positions and the nature of their interrelationship. This clarifies who has to report to whom.
- It is a means to achieve the objectives specified in the plans, as it lays down rules and procedures essential for their achievements.
- Efforts of various departments are coordinated, interlinked and integrated through the formal organisation.
- It is deliberately designed by the top management to facilitate the smooth functioning of the organisation.
- It places more emphasis on work to be performed than interpersonal relationships among the employees.

5) Mention any 4 features of Informal organisation.

Interaction among people at work gives rise to a 'network of social relationships among employees' called the informal organisation. It has no written rules and does not have fixed lines of communication.

Features of informal organisation;

- (a) **Unplanned structure:** This structure is not planned. It arises spontaneously out of formal interaction among people when people formally interact with each other to discuss their interest, attitudes, hobbies, beliefs etc.
- (b) **No rules and regulations:** It has no fixed rules and regulations that govern functions of the organisation. Rules are framed and changed by people according to their convenience.
- (c) **Informal communication system:** The system of communication is informal. It does not follow the chain of command. It operates along with formal channel of communication and works faster than the formal channel.
- (d) **Informal leaders:** Leaders are informally elected by group members. They strongly influence group activities and contribute to formal goals positively or negatively.
- (e) **Social needs:** The basic purpose of informal organisation is fulfilment of social and personal needs of people. People share common thoughts, feelings and interest different from formal organisation goals.

6) Briefly explain the elements of Delegation.

Delegation refers to the downward transfer of authority from a superior to a subordinates.

The following are essential elements of delegation:



- A) **Authority:** Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position. Authority also refers to the right to take decisions in order to guide the activities of others. It determines the superior & subordinates relationship. The concept of authority arises from the established scalar chain which links the various job positions and levels of an organisation. Thus, authority flows from top to bottom(downward), i.e. the superior has authority over the subordinate.
- B) **Responsibility:** Responsibility is an obligation of a subordinate to properly perform the assigned duty. It arises from a superior – subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. Thus, responsibility flows upwards (bottom to top) i.e. a subordinate will always be responsible to his superior. When an employee is given responsibility for a job he must also be given the degree of authority necessary to carry it out.
- C) **Accountability:** Accountability is the answer ability for the final outcome of a job. It flows upward (bottom to top). When a superior assigns a work to a subordinate, he/she is answerable to the superior for its outcome.
- In conclusion, responsibility is derived from authority and accountability is derived from responsibility.

PART – D

VII Answer the following questions

1) **Explain the importance of Organising.**

Organising is a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilized for achieving specified objectives.

The following points highlights the importance of organising in any business enterprises.



- (a) **Benefits of specialisation:** Organising leads to a systematic allocation of jobs among workforce (employees). Right person is placed in the right job. This reduces the workload as well as enhances productivity because of the specific workers performing a specific job on a regular basis. Repetitive performance of a particular task allows a worker to gain experience in that area and leads to specialisation.
- (b) **Clarity in working relationship:** The establishment of working relationships clarifies lines of communication and specifies who has to report to whom. This removes confusion in transfer of information and instructions.
- (c) **Optimum utilisation of resources:** Organising leads to the proper usage of all material, financial and human resources. The proper allocation of jobs helps in avoiding overlapping and duplication of work and minimizing the wastage of resources and efforts.
- (d) **Adaption to change:** The process of organising allows a business enterprise to accommodate changes in the business environment. It allows the organisation structure to be suitably modified and the revision of inter – relationships amongst managerial levels to pave the way for a smooth transition.
- (e) **Effective administration:** Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work. Management of an enterprise thereby becomes easy and this brings effectiveness in administration.
- (f) **Development of personnel:** Organising stimulates creativity amongst the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. The reduction in workload by assigning routine jobs to their subordinates. The reduction in workload by delegation is not just necessary because of limited capacity of an individual but also allows the manager to develop new methods and ways of performing tasks.
- (g) **Expansion and growth:** Organising helps in the growth and diversification of an enterprise by enabling it to deviate from existing norms and taking up new challenges. It allows a business enterprise to add more job positions, departments and even diversify their product lines.

Conclusion: Thus, organizing is a process by which the manager brings order of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for team work.

2) Distinguish between formal and informal organisation.

Basis	Formal organisation	Informal organisation
Meaning	It refers to the relationship between authorities as defined by the management.	It refers to the network of social relationship arising out of interaction among employees
Origin	As result of company rules and policies	Arises out of social interaction
Authority	Authority is defined by the profile and managerial position	Authority is defined by the personal qualities of employees
Nature	Rigid	Flexible
Flow to communication	Communication takes place through the scalar chain	Not through a planned route, it can take place in any direction
Purpose	To achieve planned organisational objectives	To satisfy social and cultural needs & fulfil common interest
Flow of authority	Authority flows from top to bottom i.e. downwards	Authority flows vertically as well as horizontally
Adherence to rules	Violation of rules may lead to penalties and punishment	No such penalties and punishment
Structure	Well defined structure of tasks and relationships.	No clear cut structure because of complex network of relationship
Leadership	Managers are leaders	Leaders may or may not be managers. They are chosen by the group.

3) State the advantages and disadvantages of Formal organisation.

Formal organisation refers to the organisation structure which is designed by top management to accomplish a particular task. It is an organisation in which job of each member is clearly defines, whose authority, responsibility and accountability are fixed.

Advantages:

- (a) **Systematic working:** Formal organisation structure results in systematic and smooth functioning of an organization.
- (b) **Achievement of organisational objectives:** Formal organizational structure is established to achieve organization objectives.

- (c) **No overlapping of work:** In formal organization structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.
- (d) **Co-ordination:** Formal organizational structure results in coordinating the activities of various departments.
- (e) **Creation of chain of command:** It clearly defines superior subordinate relationship i.e. who reports to whom.
- (f) **More emphasis on work:** Formal organizational structure lays more emphasis on work than interpersonal relations.

Disadvantage:

- a. **Delay in action:** while following scalar chain and chain of command actions get delayed in formal structure.
- b. **Ignores social needs of employees:** Formal organizational structure does not give importance to psychological and social need of employees which may leads to demotivation of employees.
- c. **Emphasis on work only:** Formal organizational structure gives importance to work only, it ignores human relations, creativity, talent etc. Hence formal organization does not provide a complete picture of how an organization works.

4) Write the advantage and disadvantage of Informal Organization.

Informal organization is a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with one another.

Advantage:

- (a) **Fast communication:** Informal structure does not follow scalar chain, so there can be faster spread of communication. People discuss their work and non work related problems and find solutions without the support of superiors.
- (b) **Relief to top manager:** Social interaction leads to cooperation and coordination amongst people of different groups. It helps top managers achieve the formal goals efficiently.
- (c) **Quick feedback:** Managers can get quick feedback on their official decision through informal channel of communication. This helps in knowing how well their policies are being implemented by organizational members.
- (d) **Promotes social and cultural values:** Members of informal organization share common thoughts, social and cultural beliefs. Their interest are promoted which strengthens the organization and promotes commitment to accomplish its formal goals.
- (e) **Promotes creativity:** People exploits their creativity and work according to their judgment and skills without waiting for superior instructions.
- (f) **Better relationships:** If managers of formal organization maintain cordial relations with managers of informal organization, it promotes an environment of understanding. This helps to achieve formal goals of the organization efficiency.

Disadvantages:

(I) Spread rumours: Rumours means spreading false information. According to survey 70% of information spread through informal organization structure or rumours which may mislead the employees.

(II) Resistance to change: Informal group become overprotective about the group goals and values. They oppose change in their way of working. E. g An organization where workers work five days a week will not easily accept a six days a week even if working hours each day are reduced.

(III) No systematic working: Informal structure does not form a structure for smooth working of an organization.

(IV) Conformity: Being a part of informal organization, members form informal groups. These groups make their own norms and standards of performance followed by all group members, whether or not they like them. If these norms are against the interest of formal organization, members still accept them, otherwise they lose groups.

(V) Conflicting goals: If group goals are different from organization goals, members generally pursue group goals even if they are against the interest of formal organizational goals.

5) What is decentralization? Explain its importance.

Decentralization means delegation of authority throughout all the levels of the organization. It explains in which decision making authority is shared with hierarchical levels. Decentralization is a fundamental step and its importance can be understood from the following points;

(a) Develops initiative among subordinate: It helps to promote confidence and self reliance in the subordinates as they are given freedom to take their own decisions.

(b) Develops managerial talent for future: Training given by the organization and the experience gained from handling the projects increases the talent of the managers and employees.

(c) Quick decision making: Since the managerial decisions are taken at all the levels nearest to the point of action helps them to take better and quick decisions.

(d) Reliefs to top management: By the delegation of work, the daily managerial jobs are assigned to the subordinates, which leaves enough time with the superiors to look into priority areas.

(e) Facilities growth: It allows the departmental heads and employees to perform in the best possible manner considering all the aspects of their department, which in turn increases productivity, efficiency and facilities growth.

6) Explain the importance of Delegation.

Effective delegation leads to the following benefits:

(a) Effective management: By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.

(b) Employee development: As a result of delegation, employees state more opportunities utilize their talent and this rise to latent abilities in them. It makes them better leaders and decisions makers. Thus, delegation helps by preparing better future managers. Delegation empowers the employees by providing them with the chance to use their skills, gain experience and develop themselves for higher positions.

(c) Motivation of employees: Delegation helps in developing the talents of the employees. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of subordinate. Responsibility for work builds the self esteem of an employee and improves his confidence.

(d) Facilitation of growth: Delegation helps in the expansion of an organization by providing a ready work force to take up leading position in new ventures. Trained and experienced employees are able to play significant roles in the launch of new projects by replicating the work ethos they have absorbed from existing units in the newly setup branches.

(e) Basis of management hierarchy: Delegation of authority establishes superior subordinate relationship, which are the basis of hierarchy of management. It is the degree and flow which determines who has to report to whom.

(f) Better co-ordination: The elements of delegation, namely authority, responsibility and accountability helps to define the powers, duties and answerability related to the various positions in an organization. Such clarity helps in developing and maintaining effective coordination among various departments, levels and functions of management.

Conclusion: Thus, delegation considered a key element in effective organizing. Delegation ensures that subordinates perform tasks on behalf of manager thereby reducing his work load and providing him with more time to concentrate on important matters.

CHAPTER – 6 STAFFING

PART – A

I Choose the correct answer:

1) Which one of the following is not a function of staffing

- (a) Recruitment (b) Training (c) Compensation (d) Directing

Ans : (d) Directing

2) Which one of the following is an internal source of recruitment

- (a) Transfer (c) Advertisement
(b) Employment exchange (d) Campus recruitment

Ans: (a) Transfer

3) Promotion of employees results in

- (a) Increase in pay (b) Increase in responsibility
(c) Increase in job satisfaction (d) All of the above

Ans: (d) All of the above

4) Which of the following is on the job method of training?

- (a) Case study (b) Coaching (c) Vestibule training (d) Computer modelling

Ans : (b) Coaching

5) Staffing is

- (a) Setting goals for the organisation
(b) Translation of plans introduction
(c) Putting right people in right job
(d) Filing and keeping filled positions in the organisation structure

Ans: (c) Putting right people in right job

6) Workforce analysis is a part of

- (a) Recruitment process (c) Selection process
(b) Training and development process (d) Estimation of manpower requirement

Ans: (d) Estimation of manpower requirement

7) Which of the following is not an external source of recruitment

- (a) Campus recruitment (b) Promotion (c) Casual callers (d) Direct recruitment

Ans: (b) Promotion

8) It is a good source of filling the vacancies with employees from overstaff departments

- (a) Transfer (b) Promotion (c) Placement agencies (d) Government exchange

Ans: (a) Transfer

9) Main aim of recruitment is

- (a) To attract less candidate (c) To attract more and more candidates
(b) To call selected candidates (d) None of these

Ans: (c) To attract more and more candidates

10) Under this method of training a trainee is put under the guidance of a master worker

- (a) Internship training (c) Vestibule training
(b) Apprenticeship training (d) Induction training

Ans: (b) Apprenticeship training

II Fill in the blanks:

1. **Staffing** is a part of human resource management.
2. Recruitment and selections are process of **staffing**.
3. **Orientation** refers to introducing of new employees to other employees and familiarizing organization.
4. Evaluating employees current and past performance process is called **performance appraisal**.
5. Transfer are **internal** recruitment of sources.
6. **Internal sources** refers to filling jobs in cheapest way.
7. Vestibule training is part of **Off the job training**.
8. **Staffing** is concerned with obtaining utilizing and maintaining satisfactory and satisfied work force.
9. **Development** refers to the learning opportunities design to help employees grow growth.
10. **Interview** is in depth conversation conducted to evaluate the application suitability for the job.

III Match the following:

1)

1. Recruitment	A. Choosing right candidate
2. Selection	B. Occupying the position/post
3. Placement	C. Introducing the selected employee
4. Orientation	D. Provides required skill & knowledge
5. Training	E. Make the people to apply for the job

1- E, 2 - A, 3 - B, 4 - C, 5 - D

2)

1. Promotion	A. Evaluating employee performance
2. Transfer	B. Right person for right job
3. Performance appraisal	C. Shifting of an employee from one job to another
4. Staffing	D. Increased in salary, position, responsibility
5. Preliminary screening	E. Process of selection
1-D, 2-C, 3-A, 4-B, 5-E	

3)

1. Direct recruitment	A. Internal sources
2. Case Study	B. External sources
3. Transfer	C. Off the job training
4. External source	D. Management
5. Staffing is function of	E. Campus recruitment
1 - B, 2 - C, 3 - A, 4 - E, 5 - D	

4)

1. Intelligent test	A. Potentiality of learning new skills
2. Aptitude test	B. Involvement & special concern
3. Personality test	C. Existing knowledge of candidate
4. Interest test	D. Level of intelligence quotient
5. Trade test	F. Emotions, reactions, behaviour, maturity
1 - D, 2 - A, 3 - E, 4 - B, 5 - C	

IV Answer the following the questions in ONE word or One sentences:

1) What is Staffing?

Staffing is a process of finding the right people for the right job with right qualification are available at the right place and right time to accomplish the goals of the organization.

2) Name one internal source of recruitment.

- a) Transfer
- b) Promotion

3) Name any one external source of recruitment.

- a) Direct recruitment
- b) Campus recruitment

c) Advertisement

4) Mention the first step in selection process.

Preliminary screening is the first step in selection process.

5) State any one type of selection test.

(a) Intelligent test

(b) Aptitude test

(c) Trade test

6) What is meant by interview in selection process.

Interview is a formal in depth conversation conducted to evaluate the applicants suitability for a specific job.

7) What is training?

Training is an act of increasing the knowledge and technical skills of an employee for it doing particular job efficiently.

8) What is meaning of development in staffing process.

Development refers to the learning opportunities design to help employees grow. It covers not only those activities which improves job performance but also those which brings about growth of the personality.

9) Name on the job training method given to plumbers electricians or iron workers.

Apprenticeship training

10) State the off the job training method given to employees before handling sophisticated machinery and equipment.

Vestibule training method.

PART - B

V Answer the following the questions in TWO or THREE sentences:

1. Why is staffing both a line as well as staff activity?

Staffing is both a line as well as a staff activity i.e., an essential function of the manager as well as an advisory role played by the human resource department.

2. Write any two factors which influence the way of recruitment, selection and training employees in any organization.

(a) Supply and demand of specific skills in the labour market.

(b) Unemployment rate

3. What is recruitment?

Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organization.

4. Give the meaning of selection.

Selection is the process of identifying and choosing the best candidate from within the organization or from outside, the most suitable person for the current position or for the future position.

5. What is placement?

Placement refers to the employee occupying the position or post for which the person has been selected.

6. What is orientation?

Orientation is introducing the selected employees to other employees and familiarising him with the rules, regulations and policies of the organization.

7. Give the meaning of transfer as internal source of recruitment.

Transfer involves the shifting of an employee from one job to another, from one department to another or from one shift to another shift.

8. State a two types of direct financial payment which an organization can adopt to pay its employees.

- (a) Time based payments
- (b) Performance based payments

9. State any two difference between training and development.

Training	Development
It is a process of increasing knowledge and skills.	It is a process of learning and growth.
It is a job oriented process	It is a career oriented process.
It is to enable the employee to do the job better	It is to enable the overall growth of the employees.

10. What is job rotation?

Job rotation involves shifting the trainee from one department to another or from one job to another.

11. State any two merits of external source of recruitment.

- (a) Qualified personnel: By using external source of recruitment the management can attract qualified and trained people to apply for vacant jobs in the organization.
- (b) Wider choice: The management has wide choice in selecting the people for employment.
- (c) Fresh talent: It provides wider choice and brings new blood in the organization.

- (d) Competitive spirit: if a company taps external sources, the staff will have to compete with the outsiders.

12. Write any two demerits of external source of recruitment

- (a) Costly process: A lot of money has to spend on advertisement. Therefore this is costly process.
- (b) Lengthy process: it takes more time than internal source of recruitment.
- (c) Dissatisfaction among existing employees: recruitment from outside may cause dissatisfaction among the existing employees. They feel that their chances of promotion are reduced.

13. Mention any two merits of internal source of recruitment

- a) Employees are motivated to improve their performance.
- b) Internal recruitment also simplifies the process of selection and placement.
- c) No wastage of time on the employee training and development
- d) Filing of jobs internally is cheaper.

14. Mention any two demerits of internal source of recruitment

- (a) It reduces scope for induction of fresh talent.
- (b) A new enterprise cannot use internal source of recruitment.
- (c) Frequent transfers of employees may reduce the productivity.
- (d) The spirit of competition among the employees may be hampered.

PART - C

VI Answer the following question in 10-12 sentences. Each carries 4 marks:

1) Explain any four types of test used for selection of employees.

The selection test aim measuring such skills and abilities in a worker that are decided by job analysis to be essential for successful job performance.

Important test used for selection of employees are as follows:

- (a) Intelligence test: This is one of the important psychological test used to measure the level of intelligence quotient (IQ) of an individual. It is an indicator of a person's learning ability or the ability to make decisions and judgement.
- (b) Aptitude test: It is a test used to measure of individual's potential for learning new skills. It indicates the person's capacity to develop. Such tests are good indices of a person's future success score.
- (c) Personality test: It provide clues to check person's emotion, their reactions, maturity and values system etc. They prove overall personality of a person and hence it is difficult to design and implement.
- (d) Trade test: It measures the existing skills of an individual. They measure the level of knowledge and proficiency in the area of professional and technical training.

(e) Interest test: It allows to know the pattern of interest and involvement of a person. Every individual has fascination for some job than the other.

2) Explain the internal sources of recruitment.

Internal sources refers to inviting candidates from within the organisation. It includes promotion and transfer.

A. Promotion: Promotion refers to shifting an employee to a higher position, carrying higher responsibilities, status, facilities and pay.

- Business enterprises generally follow the practice of filling higher jobs by promoting employees from lower jobs.
- This practice helps to improve the motivation, loyalty and satisfaction level of employees.

B. Transfer: It involves the shifting of an employee from one job to another, from one department to another or from one shift to another, without change in the responsibilities and status of an employees.

- It may lead to changes in duties and responsibilities, working condition etc., but not necessarily salary.
- Transfer is a good source of filling the vacancies with employees from overstaffed departments.
- Job transfers are also helpful in avoiding termination and in removing individual problems and grievances.

3) How does training and development of employees benefit the organisation?

Training and development is an attempt to improve the current and future performance of an employee by increasing the ability to perform through learning, by changing the employee's attitude or increasing their skills and knowledge. It is an educational process where people can learn new information, relearn and reinforce existing knowledge and skills.

Benefits to the organization:

- Training is a systematic learning leads to reduce the wastage of efforts and money.
- It increases productivity there by leading to increase profit.
- Training equips the future manager who can take over in the case of emergency.
- Training increases employee morale and reduces absenteeism and employees turnover.
- It helps in adjusting to the changing environment i.e. Technological and economical.

Benefits to the employee:

- Better career opportunities due to improved skills and knowledge.
- Increased performance by the individual help to earn more.
- Training increases the satisfaction and morale of employees.
- Training makes the employee more efficient to handle machines.

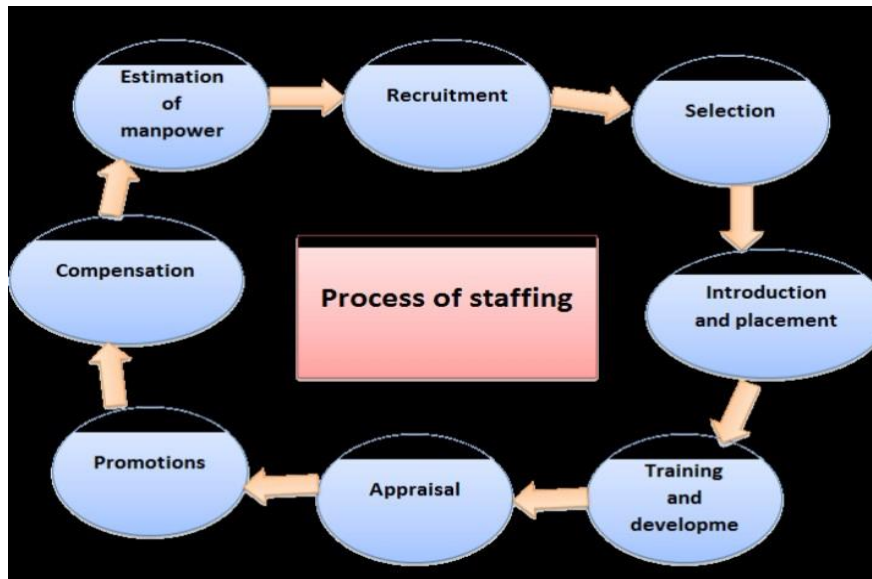
PART - D

VII Answer the following questions in 20-25 sentences. Each carries 8 marks:

1) Explain the stages in staffing process.

Human resource is one of the greatest asset for every organization because all other resources like money material machine etc. can be utilized effectively and efficiently by the positive efforts of the human resources. The prime concern of staffing function in management process is the timely fulfillment of manpower requirements within an organization.

The process of staffing can be explained in the following;



- A. **Estimating of manpower requirement:** This is the first step in the process of staffing. It is concerned with determining the number and 'type' of staff required for the organization. Type means what should be qualification, knowledge, skills and experience people we need to appoint. Work load and work force analysis determine whether an enterprise is overstaffed or under staffed and also enables an organization to make necessary steps to take corrective action.
- B. **Recruitment:** Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs in the organization. Both internal (i.e., Transfer & Promotion) and external sources (i.e., Advertisement, Casual callers, Campus recruitment etc.) may be used for searching employees.
- C. **Selection:** Selection is the process of choosing and appointing the right candidate for right job in an organization by conducting various exams, tests and interviews. It ensures that the organization gets the best candidate. The selection process enhance the self-esteem and prestige of the selected candidate.
- D. **Placement and Orientation:** Placement refers to the employee occupying the position or post for which the person has been selected. It ensures that the 'right person doing the right job'.
Orientation is introducing the selected employees to other employees and familiarizing him with the rules, regulations and policies of the organization.

E. Training and Development: Systematic training helps in increasing the skills and knowledge of employees in doing their jobs through various methods. Training is the process by which the aptitudes, skills and abilities of employees to perform specific jobs. Both On the job training methods (i.e. Job rotation, internship etc.) Off the job training (i.e. Classroom lecture, Case studies etc.)

Development involves growth of an employee in all aspects such as performance, knowledge etc.

F. Performance Appraisal: Performance appraisal means evaluating an employee's current and or past performance as against predetermine standards. It is concerned with continuous evaluation of the performance of employees in an organization.

G. Promotion and career planning: Promotion means being placed in the positions increased responsibility. Promotions are an integral part of people's career. Promotion and career planning is very important to boost the morale of employees and motivate them utilize their full potential.

H. Compensation: Compensation refers to all forms of payment made by an enterprise to their employees. There are various ways to prepare different pay plans depending on the worth of the job. E.g. salaries, incentives, commission etc.

Conclusion: Thus as a process, staffing includes acquisition, retention, development, performance appraisal, promotion and compensation of its human resources. A well organised staffing process results in qualified staff the real assets of the organisation.

2) Explain the external sources of recruitment.

External sources refers to inviting candidate from outside the organisation to fill in the vacant job position.

The following are common methods of excellence source of recruitment or as follows:



a) **Direct recruitment:** Under the recruitment, a notice is put up on the notice board of the enterprise specifying the details of the jobs available.

b) **Casual caller:** Many reputed business organisation keep a database of unsolicited applicants in their office. This list can be screened and best candidate is selected

c) **Advertisement:** Advertisement media is used when a wider range of candidates to choice are required. E.g. newspapers, internet, radio, television etc.

- d) Employment exchange: Employment exchange run by government is regarded as a good source of recruitment for unskilled and skilled operative jobs.
- e) Placement agencies and management consultant: Placement agencies provide a nation wide service in matching personnel demand and supply.
- f) Campus recruitment: Campus recruitment means recruitment of candidates directly from management and technical institutions and universities.
- g) Labour contractors: Labour contractors maintain close contacts with labourers and they can provide the required number of unskilled workers at short notice.
- h) Advertising on television: The practice of telecasting of vacant posts over television is gaining importance these days
- i) Web publication: There are websites specifically designed and dedicated for the purpose of providing information about both job seekers and job opening.
- j) Recommendation of employees: Applicants introduced by present employees or their friends and relatives may prove to be a good source of recruitment.

3) What is selection? Explain the process of selection.

Selection is the process of identifying and choose in the best candidate from within the organization or from outside the most suitable person for the current position or further future position.

Process of selection:



- a. Preliminary screening: Preliminary screening helps the manager eliminate unqualified or unfit job seekers based on the information supplied in the application forms. Preliminary interviews help reject misfits for reasons, which did not appear in the application forms.
- b. Selection test: The selection test aim at measuring such skills and abilities in a worker. These tests includes:
 - (a) Intelligence test - It tests a person's ability to make decisions and adjustments.
 - (b) Aptitude test - It is a measure of individual potential for learning new skills.
 - (c) Personality test - It provide clues to person's emotions.
 - (d) Trade test - It measures the existing skills of an individual.
 - (e) Interest test - It allows to know the pattern of interest and involvement of a person.

- c. **Employment interview:** Interview is a formal, in depth conversation conducted to find out suitability of candidate for a specific post. The role of the interviewer is to seek information and that of the interviewee is to provide the same.
- d. **Reference checks:** The prospective employer checks the authenticity of the references given by the applicant. They conduct a search into candidate's family background, past employment, education, police records etc.
- e. **Selection decision:** A list of candidate who clear the tests and interviews are generally considered for the final selection based on managers opinion.
- f. **Medical / Physical examination:** A medical experts or a certificate clinic appointed by organisation has to certify whether the candidate is physically fit to the requirements of specific job.
- g. **Job offer:** After selection procedure and medical examination, he/she is formally appointed by issuing him an appointment letter.
- h. **Contract of employment:** After getting the job offer, the candidate has to give his acceptance. Both employer and employee has to sign a contract of employment which contains terms and conditions, pay scale, leave rules, hours of work, mode of termination of employment etc.

Conclusion: Thus, starting from preliminary screening till the job offer, in each step of a selection process, every effort is made to eliminate some of the candidates in order to select the best persons.

4) Explain the four methods of On the job and Off the job training.

There are various methods of training these are broadly classified into two groups:

- I. **On the Job Method:** It refers to the methods that are applied at work place where the employees is actually working it means learning while doing.
 - A) **Apprenticeship programmes:** Apprenticeship programmers put the trainee under the guidance of a master worker. These are designed to acquire a higher level of skill. For example Plumbers, Electricians or Ironworkers are often required to undergo apprenticeship training. The trainee receives stipend while learning so that he/she can enjoy "earn while you learn" scheme.
 - B) **Coaching:** In this method, the superior guides and instructs the trainee as a coach. The trainee works directly with a senior manager and the manager takes full responsibility for the trainee coaching
 - C) **Internship training:** The educational institute enters into a contract with business firms or corporate for providing practical knowledge to its students by sending them to business organisation for gaining practical experience.
 - D) **Job rotation:** This kind of training involves shifting the trainee from one department to another or from one job to another. The job rotation allows trainees to interact with other employees facilitating future cooperation among departments.

II. **Off the Job method:** This type of training is considered as an effective method of training. In this type of training, employees are taken to another location to learn a skill or acquire important knowledge.

- a) **Classroom lectures or conference:** This lecture or conference approach is well adopted to conveying specific information and rules, procedures or methods. The use of audio-visuals or demonstrations can often make a formal classroom presentation more interesting.
- b) **Films:** They can provide information and explicitly demonstrate skills that are not represented easily by other techniques.
- c) **Case study:** Cases are developed from the actual experience of organisations, cases represent attempts to describe, as accurately as possible real problems that managers have faced. Trainees study the cases to determine problems, analyse causes, develop alternative solutions, select best solution and implement it.
- d) **Computer modelling:** It stimulates the work environment by programming a computer to imitate some of the realities of the job and allows learning to take place without the risk or high costs that would be incurred if mistake were made in real life situation.
- e) **Vestibule training:** This is a method of training which is used mostly to train up technical staff and office employees who deals with sophisticated equipments, tools and machines. Employees learn their jobs on the equipment they will be using but the training is conducted away from the actual work floor.
- f) **Programmed instruction:** Under this method some useful instruction is broken into small meaningful units and trainees go through these units by answering questions or fill in the blanks. This method incorporates a prearranges and proposed acquisition of some specific skills or general knowledge.

Conclusion: Thus, different methods are available to train up the employees. Management can select a suitable method to give training to employees.

CHAPTER - 7 DIRECTING

PART – A

I Choose the correct answer:

1) Which one of the following is not an element of direction

- (a) Motivation
- (b) Communication
- (c) Delegation
- (d) Supervision

Ans: (c) Delegation

2) The motivation theory which classify needs in Hierarchical order is developed by

- (a) Fred Luthans
- (b) Peter F Drucker
- (c) Abraham Maslow
- (d) Scott

Ans: (c) Abraham Maslow

3) Which of the following is not an element of communication

- (a) Decoding
- (b) Communication
- (c) Receiver
- (d) Channel

Ans: (b) Communication

4) The highest level need in the need of hierarchy of Abraham Maslow is

- (a) Safety need
- (b) Belongingness need
- (c) Self actualization need
- (d) Prestige need

Ans: (c) Self actualization need

5) Grapevine is

- (a) Formal communication
- (b) Barrier to communication
- (c) Lateral communication
- (d) Informal communication

Ans: (d) Informal communication

6) Status comes under the following type of barriers

- (a) Semantic
- (b) Organisational
- (c) Non semantic
- (d) Psychological

Ans: (b) Organisational

7) The software company promoted by Narayan Murthy is

- (a) Wipro
- (b) Infosys
- (c) Satyam
- (d) HCL

Ans: (b) Infosys

8) The process of converting the message into communication symbols is known as

- (a) Media
- (b) Encoding
- (c) Feedback
- (d) Decoding

Ans: (b) Encoding

9) The communication network in which all subordinates under a supervisor communicate through supervisor only is

- (a) Single chain
- (b) Inverted V
- (c) Wheel
- (d) Free flow

Ans: (c) Wheel

10) Which of the following is a financial incentive?

- (a) Promotion (c) Stock incentive
(b) Job security (d) Employee participation

Ans: (c) Stock incentive

II Fill in blanks:

1. Proper assignment of work is a part of Supervision.
2. Motivation helps to change negative or indifferent attitudes of the employees to positive thinking.
3. Sense of belongingness is a social need.
4. Recognition, fame, status is part of Esteem needs.
5. Decoding is element of communication.
6. Pay & allowances are part of Non financial incentives.
7. Distrust is type of Psychological barrier.
8. Poor planning is type of Organisational barrier.

III Match the following:

1)

1. Leadership	a. Giving instructions & guiding people in doing work
2. Motivation	b. Guiding the efforts of employees
3. Communication	c. Stimulating people to action
4. Supervision	d. Influence employees
5. Directing	e. Share information with one another
1 - d, 2 - c, 3 - e, 4 - b, 5 - a	

2)

1. Basic physiological needs	A. Cordial relationship with colleagues
2. Safety or security needs	B. Basic salary
3. Belongingness needs	C. Achievement of goals
4. Esteem needs	D. Job title
5. Self actualization needs	E. Pension plan
1 - B, 2 - E, 3 - A, 4 - D, 5 - C	

IV Answer the following in one word or one sentences.

1. What is directing?

Directing means giving instructions and guiding people in doing work.

2. State any one element of directing?

- a) Supervision
- b) Motivation
- c) Leadership
- d) Communication

3. What is motive?

A motive is an inner state that energises, activities or moves and directs behaviour towards goals.

4. State any one assumption of Maslow's hierarchical theory of need.

- a) People's behaviour is based on their needs. Satisfaction of such needs influences their behaviour.
- b) People's needs are in hierarchical order, starting from basic needs to other higher level needs.

5. State any one leadership style.

- a) Autocratic or Authoritarian leader
- b) Democratic or Participative leader
- c) Laissez faire or free rein leader

6. State any one pattern of formal communication.

- a) Vertical communication
- b) Horizontal or Lateral communication

7. Name any one type of Grapevine network.

- Single stand network
- Gossip network
- Probability network
- Cluster network

PART – B

V Answer the following question in 2-3 sentences.

1. What do you understand by supervision?

The process of guiding the efforts of employees and other resources to accomplish the desired objectives is called Supervision.

2. Define Motivation.

According to William G.Scout "Motivation means a process of stimulating people to action to accomplish desired goals".

3. State any two features of motivation.

- Motivation is an internal feelings.
- Motivation can be either positive or negative.
- Motivation is a complex process.
- Motivation produces goal oriented behaviour

4. Define leadership.

According to Glueck, "Leadership is a set of interpersonal behaviors designed to influence employees to cooperate in the achievement of objectives".

5. Write any two features of leadership.

- Leadership indicates the ability of an individual to influence others.
- Leadership tries to bring change in the behavior of others.
- Leadership is a continuous process.

6. What is communication?

Communication is understood as a process of exchange of ideas, views, facts, feelings etc., between or among people to create common understanding. The word communication has been derived from the Latin word "communis" which means common understanding.

7. State any two elements of communication process.

(a) **Sender:** Sender means person who conveys his thoughts or ideas to the receiver. The sender represents source of communication.

(b) **Message:** It is the content of ideas, feelings, suggestions, order etc., intended to be communicated.

8. State any two psychological barrier to communication.

A) Premature evaluation: Sometimes people evaluate the meaning of message before the sender completes his message. Such premature evaluation may be due to pre conceived notions or prejudices against the communication.

B) Lack of attention: The preoccupied mind of receiver and the resultant non-listening of message acts as a major psychological barrier.

9. State any two personal barrier for communication

Fear of challenge to authority: If a superior perceives that a particular communication may adversely affect his authority, he or she may withhold or suppress such communication.

Lack of confidence of superior on his subordinates: If superiors do not have confidence on the competency of their subordinates, they may not seek their advice or opinions.

Unwillingness to communicate: Sometimes, subordinates may not be prepared to communicate with their superiors, if they perceive that it may adversely affect their interests.

PART – C

VI Answer the following questions in 10-12 sentences. Each carries 4 marks:

1) Explain the characteristics of directing as managerial process.

- a) Directing initiates action: Directing is a key managerial function. A manager has to perform this function along with planning, organizing, staffing and controlling while discharging his duties in the organization. While other functions prepare a setting for action, directing initiates action in the organization.
- b) Directing takes place at every level of management: Every manager, from top executive to supervisor performs the function of directing. The directing takes place wherever superior – subordinate relations exist.
- c) Directing is a continuous process: Directing is a continuous activity. It takes place throughout the life of the organization. Irrespective of people occupying managerial positions. Without direction the organizational activities cannot continue further.
- d) Directing flows from top to bottom: Directing is first initiated at top level and flows to the bottom through organizational hierarchy. It means that every manager can direct his immediate subordinate and take instructions from his immediate boss.

2) Explain any four points which emphasize the importance of Directing.

- (a) Action oriented: Directing helps to initiate action by people in the organization towards attainment of desired objectives.
- (b) Integration of employee efforts: Directing integrates employees efforts in the organization in such a way that every individual effort contribute to the organization performance. Thus, it ensure that the individuals work for organizational goals.
- (c) Motivation to employees: Directing guides employees to fully realize that potential and capabilities to the organizational performance.
- (d) Facilitates needed changes: Directing facilitates introduction of needed changes in organization. Effective directing through motivation, communication and leadership helps to reduce such resistance and developing required cooperation in introducing changes in the organization.
- (e) Bring stability: Effective directing helps to bring stability and balance in the organization since it fosters cooperation and commitment among the people and helps to achieve balance among various groups, activities and the departments.

3) Explain briefly any four semantic barrier to communication.

The word, sign and figures used in a communication and explained by the receiver in the light of his experience which creates doubtful situations. This happens because the information is not sent in simple language.

The various semantic barriers are as follows;

- a) Badly expressed message: Sometimes meaning may not be conveyed by a manager to his subordinates. These badly expressed messages may be an account of inadequate vocabulary, usage of wrong words, omission of needed words etc.
- b) Symbols with different meanings: A word may have several meanings. Receiver has to perceive one such meaning for the word used by communicator. Wrong perception may leads to communication problems.

- c) Faulty translations: Sometimes the communications originally drafted in one language need to be translated to the language understandable to workers. If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to the communication.
- d) Unclear assumptions: Some communications may have certain assumptions which are subject to different interpretations. Ex: A boss gives the instructions to his subordinates and he interprets it in some other way.
- e) Technical jargon: It is usually found that specialists use technical jargon while explaining to persons who are not specialists in concerned field. So that they may not understand the actual meaning of many such words.
- f) Body language & gesture decoding: Every movement of body communicates some meaning. If there is no match between what is said & what is expressed in body movement, communications may be wrongly perceived.

4) Briefly explain any four Psychological barrier to communication.

Psychological barrier can be described as the cause of distorted communication because of human psychological problems. Psychological barriers arise due to lack of interest in people for whom communication is meant. The state of mind of both sender & receiver of communication reflects in the effective communication.

Some of the psychological barriers are:

- (a) Premature evaluation: Sometimes people evaluate the meaning of message before the sender completes his message.
- (b) Lack of attention: The pre-occupied mind of receiver & the resultant non listening of message acts as a major psychological barrier. Ex: The boss does not grasp the message of an employee explaining about his problems while he is pre-occupied with an important file before him.
- (c) Loss by transmission & poor retention: When communication passes through various levels, successive transmission of message results in loss of or transmission of inaccurate information. Poor intention means people usually cannot retain the information for a long time if they are inattentive or not interested.
- (d) Distrust: If the parties do not believe each other, they cannot understand each other's message in its original sense.

5) Briefly explain any four Organisational barriers to communication.

The factors relating to organisation structure, authority relationships, rules & regulations may sometimes act as barriers to effective communication.

Organizational policy: If the organisational policy is not supportive to free flow of communication, it may hamper effectiveness of communications.

Rules & regulations: Rigid rules and procedures may be a hurdle for communication. Similarly communications through prescribed channel may result in delays.

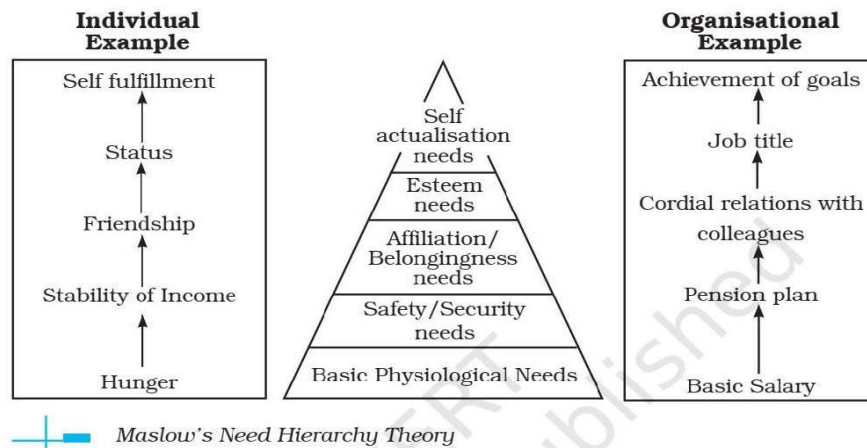
Status: Status of superior may create psychological distance between him & his subordinates. A status conscious manager also may not allow his subordinates to express their feelings freely.

Complexity in organisation structure: In an organisation where there are number of managerial levels, communication gets delayed & distorted as number of filtering points are more.

Organisational facilities: Lack of facilities like frequent meetings, suggestion box, complaint box, social & cultural gathering etc. may create communication problems.

6) Explain the theory of Motivation.

Abraham Maslow a well know philosopher in a classic paper which was published in 1943, outlined the elements of overall theory of motivation. Maslow need hierarchy theory is considered fundamental to understanding motivation. This theory was based on human needs.



- Basic psychological needs: These needs are most basic in the hierarchy which is most essential for survival of human beings. They are hunger, trust, shelter, clothes etc. In the organization basic salary helps to satisfy the needs.
- Safety or security needs: Provide security and protection from physical and emotional harm. E.g. Job security, stability of income, pension plans etc.
- Belonging needs: This need refers to affection, sense of belongingness, acceptance and friendship.
- Esteem needs: These include factors such as self respect, autonomy, status, recognition and attention.
- Self actualization needs: It is the highest level of need in the hierarchy. It refers to the need to realize one's capabilities and potential by achieving specific goals. This need includes growth, self-fulfillment and achievement of goals.

Assumptions of Maslow theory:

- People's behaviour based on the needs, satisfaction of such needs influence their behaviour.
- People needs are in hierarchical order, starting from basic needs to other higher level needs.
- Only dissatisfied need motive an individual.
- A person moves to the next higher level of hierarchy only when the lower needs is satisfied.

7) **Explain the types of leadership style.**

This is the manner by which the leader influences the group members behavior in various situations.

Types of leadership styles:

A) **Autocratic or authoritarian leader:** An autocratic leader gives orders and expects his subordinates to obey those orders. This type of leadership includes a leader who develops policies for a group all by himself without consulting anybody.

Tagline: I want you to do this.

B) **Democratic or participative leader:** It is exactly the opposite style of autocratic style, here the leader encourages participation of team members and involve them in decision making process. A democratic leader will take suggestions and opinions from his subordinates.

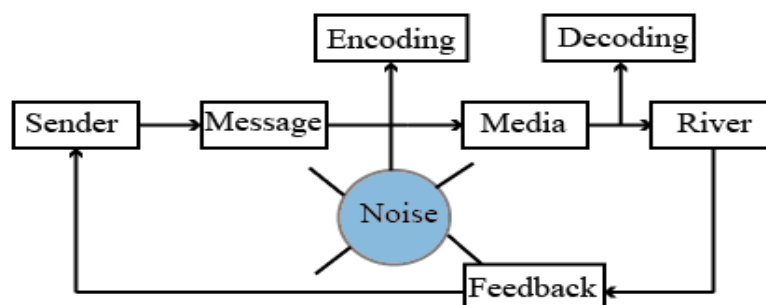
Tagline : Let's work together to solve this

C) **Laissez faire or free-rein leader:** The leader interacts the decision making authorities to his subordinates, leader hardly make any contribution in his style. The followers are given high degree of independence to formulate their own objectives and ways to achieve them.

Tagline : You people take care of the problem I will go.

8) **Briefly explain the elements of communication process.**

The following are the elements of communication process;



Sender: A sender is a person who conveys his thoughts or ideas to the receiver. Sender represents the source of communication.

Message: It is the content ideas, feelings, suggestions, orders etc., intended to be communicated.

Encoding: It is the process of converting the message into communication symbols as words, pictures, gestures etc.

Media: It is a path through which message is transmitted to the receiver. The channel may be in written form, face to face, phone call, internet etc.

Decoding: It is the process of converting encoded symbols of the sender.

Receiver: The person who receives the communication of the sender.

Feedback: It includes all those actions of receiver indicating that he had received and understood the message of sender.

Noise: Noise means some abstraction or hindrance to communication. This hindrance may be caused to send the message. E.g. A poor telephone connection, Faulty decoding, an inattentive receiver etc.

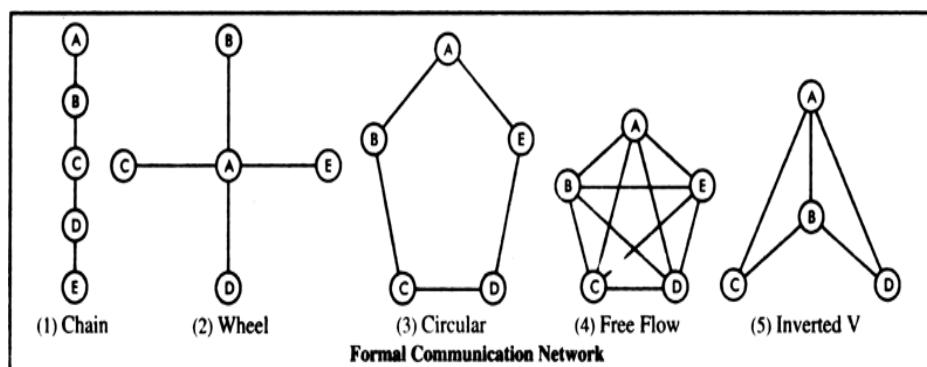
9) Explain any for significance of communication.

The following are the importance of communication

- a) **Acts as basis of coordination:** Communication facilitates coordination and it is very important to achieve the common goal by group.
- b) **Smooth working of enterprise:** Communication helps in smooth and uninterrupted working of an organization.
- c) **Acts as a basis of decision making:** A sound decision is a result of good communication. To make correct decision, we need to communicate proper information and facts.
- d) **Increase managerial efficiency:** Communication is essential for quick and effective performance of managerial functions. Managerial functions like planning, controlling and directing cannot be discharged without communication.
- e) **Promotes cooperation and industrial peace:** Efficient operation is possible only when there is industrial peace in the organization and mutual cooperation between management and workers.
- f) **Establishes effective leadership:** Effective communication helps in influencing subordinates. While influencing people, leader should possess good communication skills.
- g) **Boost morale and provide motivation:** An efficient system of communication enables management to motivate, influence and satisfy the subordinates. Communication helps to boost morale of employees and managers.

10) Explain the concept of communication network.

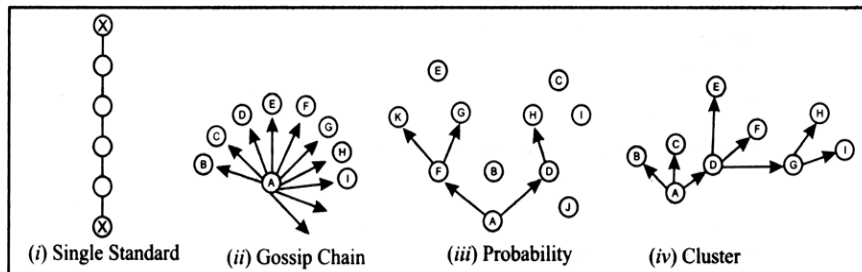
- A) **Formal communication network:** The pattern through which communication flows within the organization is generally indicate through formal organization.



- **Single chain:** This network exists between superior & his subordinates. Though there are many levels exist in an organization structure, communication flows from every superior to his subordinate through single chain.
- **Wheel:** In wheel network, all subordinates under one superior communicate through him only as he acts as a hub of the wheel. Subordinates are not allowed to talk among themselves.
- **Circular:** In circular network, the communication moves in a circle. Each person can communicate with his adjoining two persons. Here communication flows slowly.

- **Free flow:** In this network, each person can communicate with others freely. Flow of communication is fast in this network.
- **Inverted V:** In this network, a subordinate is allowed to communicate with his immediate superior as well as his superior's superior.

B) Informal communication network: Communication that takes place without following the formal lines of communication is said to be Informal communication.



- **Single stand network:** In single stand network, each person communicates to the other in sequence.
- **Gossip network:** In gossip network, each persons communicates with all on non-selective basis.
- **Probability network:** In probability network, the individual communicates randomly with other individual.
- **Cluster network:** In cluster network, the individual communicates with only those people whom he trusts. Cluster network is the most popular network among the others in organizations.

11) Explain the importance or benefits of Motivation.

Motivation is considered important because it help to identify and satisfy the needs of human resources in the organization and thereby helps in improving their performance. Its benefits are:

- It helps to improve performance level:** Motivational helps to improve performance levels of employees as well as the organization. Hence, motivated employees contribute their maximum efforts for organizational goals.
- It helps to change negative attitudes of employees:** Motivation helps to change negative attitudes of employees to positive attitude so as to achieve organizational goals.
- It helps to reduce employee turnover:** Motivation helps to reduce employee turnover and thereby saves the cost of new recruitment and training. It also helps to retain talented people in the organization.
- It helps to reduce absenteeism:** Some important reasons for absenteeism are bad working conditions, inadequate rewards, lack of recognition etc. If motivation is adequately provided all this deficiency is covered.
- It helps managers to introduce changes:** Motivation helps managers to introduce changes smoothly without resistance from people.

PART – D

VII Answer the following questions in 20-25 sentences. Each carrier 8 marks:

1) **What is supervision? Explain the role played by supervisor.**

The process of guiding the efforts of employees and other resources to accomplish the desired objectives is called Supervision.

The person who is performing the work of supervision is known as Supervisor.

The role played by a supervisor is as follows:

- (a) **Good relationship with workers**: Supervisor maintains day to day contact and friendly relationship with workers. A good supervisor work as guide, friend and philosopher to the workers.
- (b) **Link between workers and management**: Supervisor acts as a link between workers and management. He conveys management ideas to the workers on one hand and workers problems to the management on the other. This role played by supervisor helps to avoid misunderstanding and conflicts between management and workers or employees.
- (c) **It maintains group unity**: Supervisor plays a key role in maintaining group unity among workers placed under his control. He sorts out internal differences and maintains harmony among workers.
- (d) **Ensures performance**: Supervisor ensures performance of work according to the targets set. He takes responsibility for task achievement and motivates his workers effectively.
- (e) **Training to workers**: Supervisor provides on the job training to workers and employees. A skilled and knowledgeable supervisor can build efficient team of workers.
- (f) **Build morale**: Supervisory leadership plays a key role in influencing the workers in the organisation. A supervisor with good relationship qualities can build up high morale among workers.
- (g) **Feedback to workers**: A good supervisor analyses the work performed and gives feedback to the workers. He suggests ways and means of developing work skills.

2) **Explain the principles of Directing.**

Directing is a very important function of management of any enterprise. It helps the manager in ensuring quality performance of jobs by employees and achievement of organisation goals. It involves supervision, communication and providing leadership to the subordinate and motivating them to contribute to the best of capability.

Following are certain guiding principles of directing which help the managers in directing process:

- a) **Maximizing individual contribution**: This principle states that directing techniques must help every individual in the organisation to contribute to his maximum potential for achievement of organisational objectives.
- b) **Harmony of objectives**: Good directing should provide harmony of individual objectives of employees and the organisational objectives. This can be ensured by convincing that employee rewards and work efficiency are complementary to each other.
- c) **Unity of command**: This principle insists that a person in the organisation should receive instructions from one superior only. Adherence to this principle ensures effective direction.

- d) **Appropriateness of direction technique:** According to this principles, depending upon situation, appropriate motivational and leadership technique should be used while directing people. For example for some people money act as powerful motivator while for others promotion may act as effective motivator.
- e) **Managerial communication:** Effective managerial communication across all the levels in the organisation makes direction effective. Directions (manager) should convey clear instructions to create total understanding to subordinates. Through proper feedback, the manager should ensure that subordinate understands his instructions clearly.
- f) **Use of informal organisation:** A manager should identify the informal groups or organisations exist within every formal organisation. And make use of such organisation for effective directing.
- g) **Leadership:** While directing the subordinates, manager should exercise good leadership as it can influence the subordinates positively without causing dissatisfaction among them.
- h) **Follow through:** Mere giving of an order is not sufficient. Manager should follow it up by reviewing continuously whether orders are being implemented according or any problems are being encountered. If necessary, suitable modifications should be made in the directions.

Conclusion: While directing, a manager has to follow these principles to make directing process effective. This helps him to deal with people of diverse background and expectations with ease and comfort.

3) Explain any four financial incentives and four non financial incentives.

Incentives means all measures which are used to motivate people to improve their performance.

A. **FINANCIAL INCENTIVES:** Financial incentive refers to the incentive which are indirect monetary form or measurable in monetary terms and serve to motivate for better performance.

The financial incentives generally used in organisations are as follows:

- a. **Pay and allowances:** For every employee, salary is the basic monetary incentive. It includes basic pay, dearness allowances and other allowances. Salary system consist of regular increments in the pay every year and enhancement of allowances from time to time. In some business organisations, pay hike and increments may be linked to performance.
- b. **Productivity linked wage incentives:** Several wage incentive plans aim at linking payment of wages to increase in productivity at individual or group level.
- c. **Bonus:** Bonus is an incentive offered over and above the wages or salary of the employees.
- d. **Profit sharing:** Profit sharing is meant to provide a share to employees in the profits of the organization. Thus, it serves to motivate the employees to improve their performance and contribute to increase in profits.
- e. **Co-partnership or Stock option:** Under these schemes, employees are offered shares of a company at a set price lower than the market price. This creates a feeling of ownership to the employees and makes them to contribute for the growth of the organisation.

- f. **Retirement benefits:** Several retirement benefits such as provident fund, pension fund and gratuity provide financial security to employees after their retirement.
 - g. **Perquisites:** In many companies perquisites and fringe benefits are offered such as car allowance, housing, education etc over and above the salary.
- B. NON FINANCIAL INCENTIVES:** An incentive which helps in fulfilling our psychological, emotional and social needs is known as non financial incentives. The financial incentive must be supported by the non financial incentives.
- a. **Status:** In the organisational context, Status means ranking of positions in the organization. When company gives more authority, responsibility, rewards, recognition, perquisites and prestige of job, it raises the status of an individual and motivates them to improve their performance.
 - b. **Organisational climate:** Organisational climate indicates the characteristics which describe an organisation and distinguish one organisation from one another. These characteristics influence the behaviour of individuals in the organization which helps in motivating employees to perform better.
 - c. **Career advancement opportunity:** Every individual wants to grow to the higher level in the organization. Managers should provide opportunity to employees to improve their skills and be promoted to the higher level jobs. Appropriate skill development programmes and sound promotion policy will help employees to achieve promotions. Promotion works as a tonic and encourages employees to exhibit improve performance.
 - d. **Job enrichment:** Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skills; give workers more autonomy and responsibility and provide the opportunity for personal growth and a meaningful work experience. If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual.
 - e. **Employment recognition programs:** Employee recognition program such as congratulating the employee for good performance, displaying the achievement of employee on notice board, installing awards or certificates, distributing mementos etc., will make the employees feel motivated to perform at a higher level.
 - f. **Job security:** An employee wants their job to be secure. They want certain stability about future income and work so that they do not get worried on this aspect.
 - g. **Employee participation:** Employees can also be motivated to work better by involving them in decision making of the issues related to them.
 - h. **Employee empowerment:** Empowerment means giving more autonomy to subordinates. Empowerment make the people feel that their jobs are important it will contribute positively to the use of skills and talents in the job performance.
- Conclusion:** Thus both financial and non financial incentives will influence employee behaviour and motivate them to make better performance.

4) Suggest the suitable measures to improve communication effectiveness.

OR

Explain suitable measures to overcome bar used to effective communication

It is generally observed that the managers face several problems due to some communication barriers. The following measures can be taken to overcome these barriers and to improve communication effectiveness.

- a. Clarify the ideas before communication: The problem to be communicated to the subordinate should be clear in all its perspective to the executive himself. The entire problem should be studied in depth, analysed and stated in such a manner that is clearly conveyed to subordinate.
- b. Communicate according to the needs of receiver: The level of understanding of receiver should be crystal clear to the communicator; manager should adjust his communication according to the education and understanding levels of subordinate.
- c. Consult others before communicating: Before actually communicating the message, it is better to involve others in developing a plan for communication. Participation and involvement of subordinate may help to gain ready acceptance and willing corporation of subordinates.
- d. Be aware of languages, tone and content of message: The content of message, tone, language used, manner in which the message is to be communicated are the important aspects of effective communication. The language used should be understandable to the receiver and should not offend the sentiments of listeners.
- e. Convey things of help and value to listeners: While conveying message to others, it is better to know the interest and needs of the people with whom you are communicating.
- f. Ensure people feedback: The communicator may ensure the success of communication by asking questions regarding the message conveyed. The communication process may be improved by the feedback received to make it more responsive.
- g. Communicate for present as well as future: Generally, communication is needed to meet the existing commitments to maintain consistency; the communication should aim at future goals of the enterprise also.
- h. Follow up communications: There should be regular follow up and review on the instructions given to subordinate. Such follow up measures help in removing hurdles if any in implementing the instructions.
- i. Be a good listener: Managers should be a good listener. Patient and attentive listening solves half of the problems. Managers should also give indications of their interest in the listening to their subordinates

Conclusion: Managers should take appropriate measures to overcome the various barriers and promote effective communication in the organization.

CHAPTER – 7 CONTROLLING

PART – A

I Choose the correct answer:

1) **Controlling function of an organisation is**

- a) Forward looking
- b) Forward as well as backward looking
- c) Backward looking
- d) None of the above

Ans: b) Forward as well as backward looking

2) **An efficient control system helps to**

- a) Accomplishes organisational objectives
- b) Judges accuracy of standards
- c) Boosts employee morale
- d) All of the above

Ans: d) All of the above

II Fill in blanks:

- 1) **Standards** is the criteria against which actual performance would be measured.
- 2) **Controlling** ensures the activities in an organisation are performed as per plan.
- 3) Difficult in setting quantitative standard is **limitation** of controlling.

III Match the following:

1)

1. Judging accuracy of standards	a. Limitations of Control
2. Taking corrective action	b. Controlling
3. Resistance from employees	c. Process of controlling
4. Controlling	d. Last function of management
1 – b, 2 – c, 3 – a, 4 – d	

IV Answer the following questions in ONE word or One sentences. Each carries one marks:

1) **What is meant by Controlling?**

- 1. Controlling means ensures State any two differences between unity of command and unity of direction.
 - 2. Give the meaning of Planning premises.
 - 3. What is formal organization?
 - 4. Mention any two demerits of internal sources of recruitment.
- ring that activities in an organisation are performed as per the plans.

2) **What is 'Standard' in controlling process?**

Standards are the criteria against which actual performance would be measured.

PART – B

V Answer the following questions in TWO or THREE sentences. Each carries TWO marks:

1) Define Managerial Control.

According to Koontz and O'Donnel "Managerial Control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans".

PART – C

VI Answer the following questions. Each carries 4 marks:

1) 'A good control system helps an organisation in many ways' – Justify this statement with any four points.

OR

Explain the importance of Controlling.

A good control system helps an organisation in the following ways. The following points justify this statement:

- a) Accomplishing organisational goal: The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. It, thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.
- b) Judging accuracy of standards: A good control system enable management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.
- c) Making efficient use of resources: By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- d) Improving employee motivation: A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance.
- e) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimize dishonest behavior on the part of the employees by keeping a close check on their activities.
- f) Facilitating coordination in action: By providing direction to all activities and efforts for achieving organizational goals, controlling coordinates all the activities in the organisation.

2) Explain the limitations of Controlling.

Controlling is the process of measuring and correcting the activities of subordinates to ensure that actual activities conform to planned activities.

- (a) Difficulty in setting quantitative standards: Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. This makes measurement of performance and their comparison with standards a difficult task. Employee morale, job satisfaction and human behaviour are such areas where this problem might arise.

- (b) Little control on external factors: Generally an enterprise cannot external factors such as government policies, technological changes, competition etc.
- (c) Resistance from employees: Control is often resisted by employees. They see it as a restriction on their freedom. For instance, employees might object when they are kept under a strict watch with the help of closed circuit televisions.
- (d) Costly affair: Control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to install an expensive control system.

3) Explain briefly the relationship between planning and controlling.

- Planning and controlling are inseparable twins of management.
- Planning is important to correct the deviation in controlling.
- Planning is clearly a prerequisite for controlling
- Planning initiates the process of management and controlling completes the process.
- Plans are the basis of control and without control the best plan may not work.
- Planning is prescriptive while controlling is evaluative.

Conclusion: To conclude, planning and controlling are interrelated and re-enforced with each other. They both are backward looking as well as forward looking function.

4) Explain briefly the steps involved in Controlling process.

Controlling is a systematic process involving the following steps:

- A) Setting performance standards
 - B) Measurement of actual performance
 - C) Comparison of actual performance with standards
 - D) Analysing deviations
 - E) Taking corrective action
- A) Setting performance standards: The first step in the controlling process is setting up of performance standards. Standards are the criteria against which actual performance would be measured. Thus, standards serve as benchmarks towards which an organisation strives to work. Standards can be set in both quantitative as well as qualitative terms.
- B) Measurement of actual performance: Once performance standards are set, the next step is measurement of actual performance. Performance should be measured in an objective and reliable manner. There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports etc.
- C) Comparing actual performance with standards: This step involves comparison of actual performance with the standards. Such comparison will reveal the deviation between actual and desired results. Comparison becomes easier when standards are set in quantitative terms.
- D) Analysing deviations: Some deviation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of deviations. Critical point control and management by exception should be used by a manager in this regard.

- Critical point control: It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key results areas (KRA's) which are critical to the success of an organisation.
- Management by exception: which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing.

E) Taking corrective action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits.

PART - A

I Choose the correct answer:

1. The cheapest source of finance is
- | | |
|-------------------------|----------------------|
| a) Debenture | c) Preference share |
| b) Equity share capital | d) Retained earnings |

Ans: d) Retained earnings

2. The decision of acquiring a new machine or opening a new branch is an example for
- | | |
|-----------------------------|------------------------|
| a) Financing decision | c) Investment decision |
| b) Working capital decision | d) None of the above |

Ans: c) Investment decision

3. The decision of how much to be raised from which source is an example for
- | | |
|-----------------------------|------------------------|
| a) Financing decision | c) Investment decision |
| b) Working capital decision | d) None of the above |

Ans: a) Financing decision

4. Companies with higher growth pattern are likely
- | | |
|----------------------------|-----------------------------------------------------|
| a) To pay lower dividends | c) That dividends are not affected by growth issues |
| b) To pay higher dividends | d) None of the above |

Ans: a) To pay lower dividends

5. Current assets are those assets which get converted into cash
- | | |
|--------------------------|--------------------------|
| a) Within six months | c) Within one year |
| b) Between 1 and 3 years | d) Between 3 and 5 years |

Ans: c) Within one year

6. A fixed asset should be financed through
- | | |
|-------------------------------------------|---------------------------|
| a) A long term liability | c) A short term liability |
| b) A mix of long & short term liabilities | d) None of the above |

Ans: a) A long term liability

7. Other things remaining the same, an increase in the tax rate on corporate profits will
- | | |
|----------------------------------------|---------------------------------------|
| a) Make the debt relatively cheaper | c) Have no impact on the cost of debt |
| b) Make the debt relatively the dearer | d) we can't say |

Ans: a) Make the debt relatively cheaper

8. Current assets of a business firm should be financed through
- | | |
|---------------------------|-----------------------------|
| a) Current liability only | c) Long term liability only |
| b) Both types | d) None of the above |

Ans: b) Both types

9. Higher dividend per share is associated with
- a) High earnings, high cash flows, unstable 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

Ans: c) High earnings, high cash flows, stable earnings and lower growth opportunities

10. Financial leverage is called favourable if
- a) Return on investment is lower than the cost of debt
 - b) ROI is higher than the cost of debt
 - c) Debt is easily available
 - d) If the degree of existing financial leverage

Ans: a) Return on investment is lower than the cost of debt

11. Higher debt – equity ratio results in
- a) Lower financial risk
 - b) Higher degree of operating risk
 - c) Higher degree of financial risk
 - d) Higher EPS

Ans: c) Higher degree of financial risk

12. 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 equity, lower risk and lower profits
 - d) Lower equity, lower risk and higher profits

Ans: a) Higher current ratio, higher risk and higher profits

13. Financial planning arrives at
- a) Minimising the external borrowing by resorting to equity issues
 - b) Entering that the firm always have significantly more fund than required so that there is no paucity of funds
 - c) Ensuring that the firm faces neither a shortage nor a glut of unusable funds
 - d) Doing only what is possible with the funds that the firms has at it disposal

Ans: c) Ensuring that the firm faces neither a shortage nor a glut of unusable funds

II Fill in blanks:

- 1) Money / Finance is required for carrying out business activities.
- 2) The primary aim of financial management is to maximise shareholders wealth.
- 3) Companies higher growth pattern are likely to pay lower dividends.
- 4) Ensures availability of funds is a part of financial decisions.
- 5) The cheapest source of finance is Retained earning.

- 6) **Interest coverage ratio** represents the number of times EBIT of a company covers its interest obligation.
- 7) The decision of acquiring new land or building or machinery is called **Investment decisions**.
- 8) The proportion of Debt in the overall capital is also called **financial leverage**.
- 9) Mix between owners fund and borrowed funds **capital structure**.
- 10) A part of profit earned by company is distributed to shareholders is known as **Dividend**.
- 11) **Trading on equity** refers to the increase in profit earned by the equity shareholders due to presence of fixed financial charges.
- 12) Business affects the requirements of **working capital** of a firm.

III Match the following:

- | | | |
|----|-------------------------|----------------------------------------|
| 1. | A | B |
| | a) Working capital | i) Debtors |
| | b) Investment decision | ii) Capital structure |
| | c) Current assets | iii) Financial planning |
| | d) Equity + Debt | iv) Capital budgeting decisions |
| | e) Financial blue print | v) Current asset – current liabilities |
| | | vi) Trading on equity |

Ans: a – v, b – iv, c – i, d – ii, e – iii

- | | | |
|----|-------------------------------------------|---------------------------------|
| 2. | A | B |
| | a) Networking capital | i) Inflation |
| | b) Rising prices | ii) Debt service coverage ratio |
| | c) DSCR | iii) Interest coverage ratio |
| | d) Short-term investment | iv) Return on investment |
| | e) Optimal procurement & usage of finance | v) Working capital decision |
| | f) ROI | vi) Excess of CA over CL |
| | | vii) Financial management |

Ans: a – vi, b – i, c – ii, d – v, e – vii, f – iv

IV Answer the following questions in one word or one sentences:

1. **What is Business Finance?**
Money required for carrying out business activities is called business finance.
2. **State the primary objective / aim of financial management.**
The primary aim of financial management is to maximise shareholders wealth.
3. **What do you understand by 'Capital Structure'?**
Capital structure refers to the mix between owners and borrowed funds.

4. Write the meaning of 'Financial Risk'.

Financial risk refers to a position when a company is unable to meet its fixed financial chargers namely interest payment, preference dividend and repayment obligation.

5. Give an example for fixed asset.

- Plant and machinery
- Furniture and fixture
- Land and building

6. Give an example for current asset.

- Inventories
- Debtors
- Bills receivable

7. How do you calculate Net Working Capital?

$NWC = CA - CL$ (i.e. Current Assets – Current Liability)

PART - B

V Answer the following questions in 2 or 3 sentences:

1) What do understand by Financial Management?

Financial Management is concerned with optimal procurement as well the usage of finance. It aim at reducing the cost of funds procured, keeping the risk under control and achieving effective deployment of such funds.

2) State two objectives of Financial Management?

- a) Wealth maximisation
- b) Profit maximisation

3) State any two types of Financial decisions.

- a) Investment decision
- b) Financing decision
- c) Dividend decision

4) Give the meaning of Investment Decision with an example.

The investment decision relates to how the firm's funds are invested in different assets. For example, making investment in a new machine to replace an existing one or acquiring a new fixed asset.

5) What is Financing Decision? Give an example.

The quantum of finance to be raised from various long term sources are called Financing Decision. Thus, it is concerned with how much funds to be raised and from which source.

Raising funds through issue of shares are example for Financing decision.

6) Give the meaning of Dividend Decision.

Dividend decision is a financial decision which relating to how much of the profit earned by company(after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business.

7) Give the meaning of Financial planning.

The preparation of a financial blueprint of an organisation's future operations is called financial planning. The objective of financial planning is to ensure that enough funds are available at right time.

8) State the twin objectives of Financial planning.

- A) To ensure availability of funds whenever required.
- B) To see that the firm does not raise resources unnecessary.

9) What is Financial leverage? Write the formula to calculate Financial Leverage.

The proportion of debt in the overall capital is called financial leverage.

Financial leverage = D/E or $D / D+E$

10) Give the meaning of 'Trading on Equity'.

Trading on equity refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial chargers like interest.

Companies often employ more of cheaper debt to enhance the EPS. Such practice is called Trading on equity.

11) Write the formula to calculate Debt service coverage ratio.

$$\frac{\text{Profit after tax} + \text{Depreciation} + \text{Interest} + \text{Non cash expenses}}{\text{Preference dividend} + \text{Interest} + \text{Repayment obligation}}$$

PART - C

VI Answer the following questions in 10 – 12 sentences:

1) Explain any four factors affecting financing decisions.

This decision is about the quantum of finance to be raised from various long term sources and short term sources and selecting the cheapest one.

The following are the important factors affecting financing decision:

- a) Cost: The cost of raising funds from different sources are different. A prudent manager (finance manager) will select the cheapest source.
- b) Risk: The risk association with different sources of funds is different. More risk is associated with borrowed funds as compared to owner's fund.

- c) Flotation cost: The cost involved in issuing securities such as brokers commission, underwriters fees etc. Higher the floatation cost, less attractive the source.
- d) Cash flow position of the company: If a company has sound liquidity position, then it can easily use borrowed funds and pay interest on time. A stronger cash flow position may make debt financing more viable than funding
- e) Fixed operating cost: If the business has high fixed operating cost (i.e., building rent, insurance premium, salaries etc) it must reduce fixed financing cost.
- f) Control consideration: issues of more equity may lead to dilution of management control over the business. Debt financing has no such implication. Companies afraid of a takeover bid would prefer debt to equity.

2) Explain any four factors affecting dividend decisions.

Four factors affecting financing decisions are:

- a) Amount of earning: Dividends are paid out of current and past earning. Therefore, earnings is a major determinant of the decision about dividend.
- b) Stability earnings: Other things remaining the same, a company having stable earning is in a better position to declare higher dividends.
- c) Stability of dividends: Companies generally made when there is confidence that their earning potential has gone up and not just the earnings of the current year. In other words, dividend per share is not allow altered if the change in earnings is small or seen to be temporary in nature.
- d) Growth opportunities: Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller than that in the non – growth companies.
- e) Cash flow position: The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend. Availability of enough cash in the company is necessary for declaration of dividend.
- f) Shareholder's preferences: While declaring dividends, managements must keep in mind the preferences of the shareholders in this regard. If the shareholders in general desire that at least a certain amount is paid as dividend, the companies are likely to declare the same.

3) What is capital budgeting? Explain briefly the factors affecting capital budgeting decisions.

A long term investment decision is called a Capital Budgeting decision. It involves committing the finance on a long term basis.

The firm invests its funds in acquiring fixed assets as well as current assets. When decision regarding fixed assets is taken it is called capital budgeting decision.

Factors affecting Capital budgeting decision:

- a) Cashflows of the project: When a company takes an investment decision involving huge amount it expects to generate some cash flows over a period. These cash flows are in the form of a series of cash receipts and payments over the life of an

investment. The amount of these cash flows should be carefully analysed before considering a capital budgeting decision.

- b) The rate of return: The most important criterion is the rate of return of the project. These calculations are based on the expected return from each proposal and the assessment of the risk involved.
- c) The investment criteria involved: The decision to invest in a particular project involves a number of calculations regarding the amount of investment, interest rate, cashflows and rate of return. These are different techniques to evaluate investment proposals which are known as capital budgeting techniques. These techniques are applied to each proposal before selecting a particular project.
The finance manager must compare all the available alternatives very carefully and then only decide where to invest the most scarce resources of the firm.

4) Explain with any four points the importance of financial planning.

The importance of financial planning can be explained as follows:

- a) It helps in forecasting what may happen in future under different business situations. By doing so, it helps the firms to face the eventual situation in a better way. In other words, it makes the firm better prepared to face the future.
- b) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.
- c) It helps in co-ordinating various business functions, e.g. sales and production functions, by providing clear policies and procedures.
- d) Detailed plans of action prepared under financial planning reduce waste, duplication of efforts and gaps in planning.
- e) It tries to link the present with the future.
- f) It provides a link between investment and financing decisions on a continuous basis.
- g) By spelling out detailed objectives for various business segments, it makes the evaluation of actual performance easier.

5) Explain any four factors affecting the fixed capital requirement of an organisation.

Factors affecting the requirement of fixed capital:

- a) Nature of business: The type of business has a bearing upon the fixed capital requirements. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organisation; since it does not require to purchase plant and machinery etc.
- b) Scale of operation: A larger organisation operating at a higher scale needs bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation.
- c) Choice of technique: Some organisations are capital intensive whereas others are labour intensive. A capital intensive organisation requires higher investment in plant and machinery as it relies less on manual labour. The requirement of fixed capital for such organisations would be higher. Labour intensive organisations on the other hand require less investment in fixed assets. Hence, their fixed capital requirement is lower.

- d) Technology upgradation: Industries in which technology upgradation is fast need more amount of fixed capital as when new technology is invented old machines become obsolete and they need to buy new plants and machinery whereas companies where technological upgradation is slow they require less fixed capital as they can manage with old machines.
- e) Growth prospects: Companies which are expanding and have higher growth plan require more fixed capital as to expand they need to expand their production capacity and to expand production capacity companies need more plant and machinery so more fixed capital.
- f) Diversification: Companies which have plans to diversify their activities by including more range of products require more fixed capital as to produce more products they require more plants and machineries which means more fixed capital.
- g) Level of collaboration / Joint venture: If companies are preferring collaborations, joint venture then companies will need less fixed capital as they can share plant and machinery with their collaborations but if company prefers to operate as independent unit then there is more requirement of fixed capital.

6) Explain any four factors affecting the working capital requirement of an organisation.

Working capital refers to excess of current assets over current liabilities. The following are the factors affecting the working capital requirement:

- a) Nature of business: The basic nature of a business influences the amount of working capital required. A trading organisation usually needs a smaller amount of working capital compared to a manufacturing organisation.
- b) Scale of operations: For organisations which operate on a higher scale of operation, the quantum of inventory and debtors required is generally high.
- c) Business cycle: Different phases of business cycles affect the requirement of working capital by a firm. In case of a boom, the sales as well as production are likely to be larger and therefore larger amount of working capital required. As against this, the requirement for working capital will be lower during the period of depression as the sales as well as lower during the of depression as the sales as well as production will be small.
- d) Seasonal factors: Most business have some seasonally in their operation. In peak season, because of higher level of activity, larger amount of working capital is required. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.
- e) Production cycle: Production cycle is the time span between the receipt of raw material and their conversion into finished goods. Some businesses have a longer production cycle while some have a shorter one.
- f) Credit allowed: Different firms allow different credit terms to their customers. These depend upon the level of competition that a firm faces as well as the credit worthiness of clientele.
- g) Credit availed: Just as a firm allows credit to its customers it also may get credit from its suppliers. To extent it avails the credit on purchases, the working capital requirement is reduced.

- h) Operating efficiency: Firms manage their operations with varied degree of efficiency. For example, a firm managing its raw materials efficiency may be able to manage with a smaller balance.
- i) Availability of raw material: If the raw materials and other required materials and other required materials are available freely and continuously, lower stock levels may suffice.

7) Explain the factors which affect the choice of capital structure.

The following are the important factors which determine the choice of capital structure are as follows:

- a) Cash flow position: Size of projected cash flows must be considered before borrowing. Cash flows must not only cover fixed cash payment obligations but there must be sufficient buffer also.
- b) Interest Coverage Ratio (ICR): The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.

$$ICR = \text{EBIT} / \text{interest}$$
- c) Debt service coverage ratio (DSCR): Debt service coverage ratio takes care of the deficiencies referred to in the Interest coverage ratio. Here, cash profits generated are compared with the total cash required.

$$DSCR = \frac{\text{Profit after tax} + \text{Depreciation} + \text{Interest} + \text{Non cash expenses}}{\text{Preference dividend} + \text{Interest} + \text{Repayment obligation}}$$
- d) Return on Investment (ROI): If the ROI of the company is higher, it can choose to use trading on equity to increase its EPS i.e., its ability to use debt is greater.
- e) Cost of debt: A firm's ability to borrow at a lower rate increases its capacity to employ higher debt. Thus, more debt can be used if debt can be raised at a lower rate.
- f) Tax rate: Since interest is a deductible expense, cost of debt is affected by the tax rate. A higher tax rate makes debt relatively cheaper.
- g) Floatation cost: Floatation costs are the costs that are incurred by a company when issuing new securities. It include the costs of printing the certificates, paying the underwriters, government fees and other associated costs.
- h) Risk consideration: Use of debt increases the financial risk of a business. Financial risk refers to a position when a company is unable to meet its fixed financial charges namely interest payment, preference dividend and repayment obligation.
- i) Regulatory framework: Every company operates within a regulatory framework provided by the law e.g. public issue of shares and debentures have to be made under SEBI guidelines.

CHAPTER – 10 MARKETING

PART - A

I Choose the correct answer:

1) Which of the following is not an element of a product?

- a) Brand b) Packing c) Label d) Advertisement

Ans: d) Advertisement

2) Things that can be marketed other than product are

- a) A service b) An event c) A place d) All of the above

Ans: d) All of the above

3) Toothpaste is an example of

- a) Convenience products c) Shopping products
b) Speciality product d) Industrial products

Ans: a) Convenience products

4) The concept which focuses on large scale production and minimum cost is called

- a) Production concept c) Selling concept
b) Product concept d) Marketing concept

Ans: a) Production concept

5) The concept which forces on quality of product is called

- a) Production concept c) Selling concept
b) Product concept d) Marketing concept

Ans: b) Product concept

6) The concept which focuses on customer satisfaction is called

- a) Production concept c) Selling concept
b) Product concept d) Marketing concept

Ans: d) Marketing concept

7) The concept which focuses on customer welfare is called

- a) Production concept c) Societal concept
b) Product concept d) Marketing concept

Ans: c) Societal concept

8) Product, price, place and promotion are part of

- a) Product mix c) Price mix
b) Marketing mix d) Place mix

Ans: b) Marketing mix

9) The carrier of information is called

- a) Packaging c) Labelling

b) Branding

d) Goodwill

Ans: c) Labelling

10) The only element of marketing mix, which generates revenue is called

a) Product mix

c) Price mix

b) Place mix

d) Promotion mix

Ans: c) Price mix

11) The first level packaging in which product is initially packed is called

a) Primary packaging

c) Transportation packaging

b) Secondary packaging

d) None of the above

Ans: a) Primary packaging

12) Following level on packing is optional, products may have or may not have

a) Primary packaging

c) Transportation packaging

b) Secondary packaging

d) None of the above

Ans: b) Secondary packaging

13) The firms can charge high price for their product, when the product has

a) Low demand and low utilities

c) Both (a) and (b)

b) High demand and high utilities

d) None of the above

Ans: b) High demand and high utilities

14) What can be marketed?

a) Any physical object with a definite shape

b) Any physical object which creates value to customers

c) Any physical object that has a selling price

d) Any physical object that can be tested

Ans: b) Any physical object which creates value to customers

15) Quality and performance of the product is the main focus of which marketing management philosophies.

a) Selling concept

c) Production concept

b) Marketing concept

d) Product concept

Ans: d) Product concept

16) Which of the following is promotion mix?

a) Advertising

c) Transportation

b) Production

d) Price

Ans: a) Advertising

17) Price of a product can be referred as

a) Product cost

c) Value of utility for customer

b) Brand value

d) Promotion cost

Ans: c) Value of utility for customer

18) Which of the following is the right marketing mix for a television set

- a) Price, Place, Promotion, Process
- b) Product, Price, Promotion, Process
- c) Product, Price, Place, Process
- d) Product, Promotion, Price, Place

Ans: d) Product, Promotion, Price, Place

II Match the following:

- | | | |
|----|-------------------------------------------|------------------------------|
| 1. | A | B |
| | a) Speciality products | i) Sales promotion |
| | b) Lucky draw | ii) Promotion technique |
| | c) Advertising | iii) Channel of distribution |
| | d) Agents | iv) Zero level |
| | e) Manufacturer + Consumer | v) Medicines |
| | | vi) Luxury cars |
| | a) - vi, b) - i, c - ii, d - iii, e) - iv | |
-
- | | | |
|----|---------------------------------------------|--------------------------|
| 2. | A | B |
| | a) Quality of the product | i) Methods of promotion |
| | b) Personal selling | ii) Services |
| | c) Durable products | iii) Production concept |
| | d) Hair cutting | iv) Pricing objectives |
| | e) Profit maximisation | v) Physical distribution |
| | | vi) Refrigerator |
| | a) - iii, b) - i, c) - vi, d) - ii, e) - iv | |
-
- | | | |
|----|--------------------------------------------|-----------------------------------------|
| 3. | A | B |
| | a) Advertising | i) Personal form of communication |
| | b) Personal selling | ii) Free sample distribution |
| | c) Publicity | iii) Non personal form of communication |
| | d) Sales promotion | iv) Price determination factor |
| | e) Utility and demand | v) Order processing |
| | | vi) Impersonal form of communication |
| | a) - vi b) - i, c) - iii, d) - ii, e) - iv | |

III Fill in the blanks:

- 1) A place which facilitates selling & buying activities is called Market.
- 2) Advertisement helps in the promotion of the product.
- 3) The part of the seal that is given legal protection is called trade mark.
- 4) Packaging involves designing and producing container or wrapped of the product.
- 5) Generic name refers to the name of the whole class of the product.
- 6) Primary package refers to the product's immediate container.

- 7) **Packaging** is also called as silent salesmen.
- 8) Range of products or variety or assortment of products a company is manufacturing is called **product mix**.
- 9) The decisions related to distribution of product is called place mix.
- 10) Decisions related to increasing the sale of the product is called promotion mix.
- 11) Under direct channels, firm has **zero** intermediaries.
- 12) Maintenance of stock is called **inventory**
- 13) **Advertisement** is a paid form of presentation of a product or idea by an identified sponsor.
- 14) **Publicity** is unpaid form of communication.
- 15) The communication tool which is used to improve the image or goodwill of the company is called **public relation**.
- 16) Firm shares and informs all the detailed about the product to customers through **labelling**.

IV Answer the following questions one word or one sentences:

- 1) **Who is Marketer?**
Marketer refers to any person who takes more active part in the process of exchange.
- 2) **What is Market?**
The term refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services.
- 3) **State any one marketing philosophy or concept.**
 - a) The Production Concept
 - b) The Product Concept
 - c) The Selling Concept
 - d) The Marketing Concept (Any one)
- 4) **Give an example for the marketing of services.**
Services rendered by a doctor
- 5) **Give the meaning of Product.**
Product means goods or services or 'anything of value', which is offered to the market for sale.
- 6) **What is packaging?**
Packaging refers to the act of designing and producing the contains or wrapper of a product.
- 7) **What is Labelling?**
The task in the marketing of goods which relates to designing the label to be put on the package is called labelling. Label is the carrier of information.

8) State any one feature of convenience goods.

- These products are purchased at convenient locations, with least efforts and time.
- Convenience products have a regular and continuous demand.
- These products have a regular and continuous demand.

9) What is Brand?

A brand is a name, term, sign, symbol, design or some combination of them, used to identify the products.

10) Name any one distribution channel.

- a) Manufacturer – Retailer Consumer (One level channel)
- b) Manufacturer – Wholesaler – Retailer – Consumer (Two level channel)
- c) Manufacturer – Agent – Wholesaler – Retailer – Consumer (Three level channel)

11) What do you mean by zero level distribution channel?

The goods are made directly available by the manufacturers to customers, without involving any intermediary. This is called zero level channel.

12) What is Publicity?

Publicity is similar to advertising, in the sense that it is a non – personal form of communication.

Part – B

V Answer the following questions in two or three sentences each:

1) What is Marketing?

Marketing is a process whereby people exchange goods and services for money or for something of value to them.

2) Define Marketing.

According Phillip Kotler has defined marketing as “ a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others”.

3) Define Marketing Management.

Philip Kotler has defined Marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

4) State any two features of Marketing.

- a) **Needs and wants:** The process of marketing helps individuals and groups in obtaining what they need and want.

- b) **Creating a market offering:** On the part of the marketers, the effort involves creation of a market offering.
- c) **Customer value:** A product will be purchased only if the product is giving greatest value in return of money.
- d) **Exchange mechanism:** The goods and services are exchanged in return of some value as valuable by the people.

5) **State any two examples for the things that can be marketed other than product?**

- a) A service
- b) An idea
- c) A place
- d) An experience

6) **What is Standardization?**

Standardization refers to producing goods of pre determined specifications, which helps in achieving uniformity and consistency in the output.

7) **What is Grading of product?**

Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size etc. It ensures that goods belong to a particular quality and helps in realising higher prices for high quality output.

8) **How do you describe Marketing Mix?**

Marketing mix is described as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.

9) **What are controllable factors? Give an example.**

The controllable factors are those factors which can be influenced at the level of the firm. The controllable variables become marketing tools, which are constantly shaped and reshaped by marketing managers, to achieve marketing success.
E.g. Change in price, promotion offer, product features etc.

10) **What are non controllable factors? Give an example.**

There are certain factors which affect the decision but are not controllable at the firm's level. These are called environmental variables. E.g. political factor (i.e. government policy), economic factor (i.e. rate of inflation, credit policy)

11) **What do you mean by Consumer goods?**

Products which are purchased by the ultimate consumers or users for satisfying their personal needs and desires are referred to as consumer products. E.g. Soap, Edible oil, eatables, textiles, toothpaste, fans etc.

12) **Give two examples for convenience goods.**

- a) Cigarettes
- b) Creams
- c) Medicines
- d) Newspaper (any one)

13) Name any two examples Durable products.

- a) Refrigerator
- b) Radio
- c) Bicycle
- d) Sewing machine
- e) Kitchen gadgets (any one)

14) How do you describe shopping products?

Shopping products are those consumer goods, in the purchase of which buyers devote considerable time, to compare the quality, price, style, suitability etc at several stores before making final purchase.

15) State any two examples for services.

- a) Dry cleaning
- b) Watch repairs
- c) Hair cutting

16) State any two characteristics of services.

- a) Services are intangible.
- b) A service is inseparable from its source.
- c) The service cannot be stored.

17) What is Packaging?

Packaging refers to the act of designing and producing the container or wrapped of product. Because good packaging often aids in the sale of a product, it is referred to as a silent salesman.

18) State any two functions of packaging.

- a) Product identification: Packaging greatly helps in identification of the product.
- b) Product protection: Packaging protects the contents of a product from spoilage, breakage, pilferage, damage, climatic effect etc.
- c) Facilitating use of the product: The size and shape of the package should be such that it should be such that it should be convenient to open, handle and use for the consumers.
- d) Product promotion: Packaging is also used for promotion purposes. A starting colour scheme, photograph or typeface may be used to attract attention of the people at the point of purchase.

19) State any two levels of Packaging.

- a) Primary packaging: it refers to the product's immediate container such as toffee in wrapper, a match box, a soap wrapper, and so on.
- b) Secondary packaging: It refers to additional layers of protection that are kept till the product is ready for use such as a red cardboard box for colgate toothpaste.
- c) Transportation packaging: it refers to additional packaging components necessary for storage, identification or transportation such as putting a package of toffees into cardboard boxes for storage at a manufacturer's warehouse and transportation.

20) Write any two importance of packaging.

- a) Rising standards of health and sanitation
- b) Self service outlets
- c) Innovational opportunity
- d) Product differentiation

21) What is promotion?

Promotion refers to the use of communication with the twin objective of informing potential customers about a product and persuading them to buy it.

OR

Promotion is an important element of marketing mix by which marketers makes use of various tools of communication to encourage exchange of goods and services in the market.

22) What is Promotion mix?

Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives. Various tools of communication are used by the marketers to inform and persuade customers about their firm's products.

These includes:

- a) Advertising b) Personal selling c) Sales promotion d) Publicity

23) State any two objectives of pricing.

- a) Profit maximisation
- b) Obtaining market share leadership
- c) Surviving in a competitive market

24) What is Physical distribution?

Physical distribution is concerned with making the goods and services available at the right place, so that people can purchase the same.

The physical handling and movement of goods from the place of production to the place of distribution is referred to as Physical distribution.

25) What is advertising?

Advertising is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods or services. The most common modes of advertising are newspaper, magazines, television and radio.

26) State any two distinguishing features of advertising.

- a) Paid form: It is a paid form of communication. The sponsor has to bear the cost of communicating with the prospects.
- b) Impersonality: There is no direct face – to – face contact between the prospect and the advertiser.
- c) Identified sponsor: Advertising is undertaken by some identified individual or company, who makes the advertising efforts and also bears cost of it.

27) What is Personal selling?

Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. It is a personal form of communication.

28) State any two features of personal selling.

- a) Personal form: In personal selling a direct face-to-face dialogue takes place that involves an interactive relationship between the seller and the buyer.
- b) Development of relationship: Personal selling allows a salesperson to develop personal relationships with the prospective customers, which may become important in making sale.

29) State any two merits of personal selling.

- a) Flexibility: There is lot of flexibility in personal selling. The sales presentation can be adjusted to fit the specific needs of the individual customers.
- b) Direct feedback: there is direct face to face communication in personal selling, it is possible to take a direct feed back from the customer and to adapt the presentation according to the needs of the prospects.
- c) Minimum wastage: The wastage of efforts in personal selling can be minimised as company can decide the target customers before making any contact with them.

30) What is Sales promotion?

Sales promotion refers to short term incentives such as offering cash discount, sales contests, free gifts offers and free sample distribution, which are designed to encourage the buyers to make immediate purchase of a product or service. These include all promotional efforts other than advertising, personal selling and publicity.

31) State any two merits of sales promotion.

- a) Attention value: Sales promotion activities attract attention of the people because of the use of incentives.
- b) Useful in new product launch: Sales promotion tools can be very effective at the time of introduction of a new product in the market.
- c) Synergy in total promotional efforts: Sales promotion activities are designed to supplement the personal selling and advertising efforts used by a firm.

32) **State any two limitations of sales promotion.**

- (a) Reflects crises: If a firm frequently rely on sales promotion, it may give the impression that it is unable to manage its sales or that there are no takers of its product.
- (b) Spoils product image: Use of sales promotion tools may affect the image of a product. The buyers may start feeling that, the product is not of good quality or is not appropriately priced.

33) **What is Publicity?**

Publicity is a non personal and non paid form of communication of some favourable news presented in the mass media about a product or service. It has more credibility.

34) **State any two features of publicity.**

- a) Publicity is an unpaid form of communication. It does not involve any direct expenditure by the marketing firm.
- b) There is no identified sponsor for the communication as the message goes as a news item.

Part – C

VI Answer the following questions in 10-12 sentences:

1) **Discuss briefly any four differences between Selling and Marketing.**

The major differences between Selling and Marketing are listed as below:

- a) Part of the process vs Wider team: Selling is only a part of the marketing. It is a process of promoting and transfer of ownership of goods from the seller to the buyer.
Marketing is a wider concept. It covers activities like type & design of the product, price and selection of distribution outlets.
- b) Transfer of title vs satisfying customer needs: Selling is transfer of title and possession of goods from sellers to consumers.
Marketing is achieving maximum satisfaction of customer's needs and wants.
- c) Profit through maximising sales vs customer satisfaction: In Selling, emphasis on profit maximisation through sales.
In Marketing, profit through customer satisfaction.
- d) Start and end of the activities: Selling activities start after product development.
Marketing activities start before the product is produced and continue even after product is sold.
- e) Difference in the emphasis: In selling, the emphasis is on bending the customer according to the product, while in marketing to develop the products as per the customer needs.
- f) Difference in the strategies: Selling involves efforts like promotion and persuasion while marketing involves product, promotion, pricing and physical distribution.

2) Explain Marketing Management Concepts or Philosophies.

Marketing concepts or philosophies usually refers to determining the needs as well as wants of the target markets & then delivering the desired satisfaction more efficiently by competitors is critical to achieving organisational goals.

The Production Concept: This concept was based on the assumption that customers are primarily interested in products which are accessible and affordable. This concept was introduced at a time when business was focused mainly on production. It says that a business will be able to lower costs by producing more quantity or mass production of goods.

The Product Concept: The product concept is based on the assumption that customers will be more inclined towards products that are offering more quality, innovative features and top level performance.

The Selling Concept: This concept is focused on selling. It believes that customers will be buying products only when the product is aggressively marketed by the company. It does not focus on building relationships with customer and ensuring customer satisfaction is also not deemed necessary.

The Marketing Concept: A marketing concept places the centre of focus on the customer. All the activities that are undertaken by an organisation are done keeping the customer in mind. The organisations are more concerned about creating value propositions for the customers, which will differentiate them from the competition.

The Societal Marketing Concept: This is the fifth and most advanced form of the marketing concept. Here the focus is on needs and wants of the customer as well as ensuring the safety of the customer and society first. It believes in giving back to society and making the world a better place for all human beings.

3) Explain the elements of Marketing Mix.

The marketing mix consists of various elements, which have broadly been classified into four categories, popularly known as four Ps of marketing.

- a) **Product:** Product means goods or services or 'anything of value', which is offered to the market for sale. E.g. Colgate, Dove and so on. The concept of product also include the extended product or what is offered to the customers by way of after sales services, handling complaints etc.
- b) **Price:** Price is the sum of money that a customer must pay in order to obtain a product or services. In case of most of the products, level of price affects the level of their demand.
- c) **Place:** Place or Physical Distribution includes activities that make firm's products available to the target customers. Important decision areas in this respect include selection of dealers or intermediaries to reach the customers, providing support to the intermediaries.
- d) **Promotion:** Promotion of products and services includes activities that communicate availability, features merits etc. of the products to the target customers and persuade them to buy it.

4) State any four features of speciality products.

- a) The demand for speciality products is limited as relatively small number of people buy these products.
- b) These products are generally costly and their unit price is very high.
- c) These products are available for sale at few places as the number of customers is small and are willing to take extra efforts in the purchase of these products.
- d) After sales services are very important for many of the speciality products.

5) Briefly explain any four characteristics of industrial products.

Industrial product are those products, which are used as inputs in producing other products. The important characteristics of industrial products are given below:

- a) Number of buyers: As compared to the consumer products, the numbers of buyers of industrial products are limited. E.g. Sugarcane is purchased by few producers of sugar but sugar, which is a consumer product, is purchased by crores of people in our country.
- b) Channel levels: Because of limited number of buyers, the sale of industrial products is generally made with the help of shorter channels of distribution, i.e., direct selling or one level channel.
- c) Geographic concentration: Because of location of industries at certain points or regions, industrial markets are highly concentrated, geographically.
- d) Derived demand: The demand for industrial products is derived from the demand for consumer products. E.g. the demand for leather will be derived from demand for shoes.
- e) Role of technical considerations: Technical considerations assume greater significance in the purchase of industrial products because these products are complex products, bought for use in business operation.
- f) Reciprocal buying: Some big companies from basic industries like oil, steel, rubber and medicines resort to the practice of reciprocal buying.
- g) Leasing out: A growing trend in industrial product market is to lease out rather than to purchase the products on outright basis because of the heavy price of these products.

6) State any four considerations to be kept in mind while choosing a brand name.

Choosing the right brand name is not an easy decision. Following are some considerations, which should be kept in mind while choosing a brand name.

- The brand name should be short, easy to pronounce, spell, recognise and remember e.g. Ponds, VIP, Rin, Vim etc.
- A brand should suggest the product's benefits and qualities. It should be appropriate to the product's function. E.g. Rasika, Genteel, Promise, My fair lady and boost.
- A brand name should be distinctive e.g., Liril, Sprit, Safari, Zodiac.
- The brand name should be adaptable to packing or labelling requirements, to different advertising media and to different languages.
- The brand name should be sufficiently versatile to accommodate new products, which are added to the product line e.g., Maggie, Colgate.

- It should be capable of being registered and protected legally.
- Chosen name should have staying power i.e. it should not get out of date.

7) How does packaging acquire significance in the marketing of goods?

Packaging has acquired great significance in the marketing of goods and services, because of following reasons:

- Rising standards of health and sanitation: Because of the increasing standards of living in the country, more and more people have started purchasing packed goods as the chances of adulteration in such goods are minimised.
- Self service outlets: The self service retail outlets are becoming very popular, particularly in major cities and towns.
- Innovation opportunity: Some of the recent developments in the area of packaging have completely changed the marketing scene in the country.
- Product differentiation: Packaging is one of the very important means of creating product differentiation. The colour, size, material etc., of package makes real differences in the perception of customers about the quality of the product.

8) Explain any four functions performed by a label.

Labels are useful in providing detailed information about the product, its contents, methods of use etc. The various functions performed by a label are as follows:

- Describe the product and specify its contents: The manufacturer provides all information regarding the products contents etc. e.g. Package of fast food products like ready to eat Dosa, Idli, or Noodles describe the procedure of cooking these products, the package of a brand of Coconut oil describe the product as pure coconut oil with Heena, Amla, Lemon and specifies how these are good for hair etc.
- Identification of the product or brand: It assists customers in identifying the product among the various types of products available. Other common identification information provided by the labels include name & address of the manufacturer, net weight when packed, manufacturing date, maximum retail price and batch number. E.g. the purple colour of a Cadbury chocolate label easily distinguishes it from other chocolates.
- Grading of products: With the help of labels, products can be classified into different categories based on quality, nature and so on. E.g. Different type of tea is sold by some brands under yellow, red and green label categories.
- Helps in promotion of products: A carefully designed label can attract attention and give reason to purchase. Labels play important role in sales promotional schemes launched by companies. E.g. 40% extra free, as stated on detergent, buy two get one free and so on.
- Providing information required by law: Another important function of labelling is to provide information required by law. E.g. the statutory warning on the package of Cigarette or Pan Masala, 'Smoking is Injurious to Health' or 'Chewing tobacco is injurious to health'.

9) Explain briefly any four objections against advertising.

Some critics argue that advertising is a social waste because it raises costs, multiplies people's needs and undermines social values.

- a) Adds to cost: The opponents of advertising argue that advertising unnecessarily adds to the cost of product, which is ultimately passed on to the buyers in the form of high prices. Advertisement of a product costs a lot of money but it helps to increase the demand for the product as a large number of potential buyers come to know about the availability of the products, its features etc. and are persuaded to buy it.
- b) Undermines social values: Another important criticism of advertising is that it undermines social values and promotes materialism.
- c) Confuses the buyers: Another criticism against advertisement is that so many products are being advertised which makes similar claims that the buyer gets confused as to which one is true and which one should be relied upon.
- d) Encourages sale of inferior products: Advertising does not distinguish between superior and inferior products and persuades people to purchase even the inferior product.
- e) Some advertisements are in bad taste: Another criticism against advertising is that some advertisements are in bad taste. These show something which is not approved by some people say advertisements showing women dancing when not required or running after a man because he is wearing a particular suit or using a particular perfume are certainly not good.

10) Explain role of Marketing.

All marketing organisations operate either to earn profit or pursue some other goals such as community services, improvement of quality of life etc. Whether it is a profit organisation or a non profit organisation, marketing plays an important role in achieving its objectives.

The role of marketing in different situations may be described as follows:

A) Role in a Firm:

- The modern concept of marketing plays a significant role in achieving the objectives of a firm. Marketing plays a crucial role in the survival and growth of a firm.
- It helps in focusing the activities of an organisation on the needs and wants of the customers.
- The product will be designed according to the needs of the potential buyers and be made available through the outlets convenient to customers and be priced at a level which the target customers can afford.

B) Role in the Economy:

- Marketing plays a significant role in the development of an economy.
- It acts as a catalyst in the economic development of a country and helps in raising the standards of living of the people.
- Development of a nation can be judged by the level of standard of living of its people. Marketing can inspire people to undertake new activities and to set up enterprises for producing goods that are needed by the customers.

- Marketing can help in finding out right type of products and services that a firm should manufacture, the places where it should make such products available for sale, the price at which the products should be sold and the channels that should be used for moving the products to the ultimate place of consumption or use.

11) Explain the types of Channels.

A manufacturer may choose from direct distribution to indirect distribution and from a short channel consisting of few intermediaries to long channel of distribution consisting of large number of middlemen. The major types of channels are as follows:

Direct Channel (Zero level): The most simple and the shortest mode of distribution is direct distribution, where in the goods are made directly available by the manufacturers to customers, without involving any intermediary. This is also called zero level channel. E.g. Mc Donald, Bata, Mail order selling, internet selling etc.

Indirect Channels:

When a manufacturer employs one or more intermediary to move goods from the point of consumption, the distribution network is called indirect. This may take any of the following forms:

- Manufacturer – Retailer Consumer (One level channel):** In this form of arrangement one intermediary i.e., retailers is used between the manufacturers and the consumers. This type of distribution network enables the manufacturers to cover wide area of market while retaining control over the channels.
- Manufacturer – Wholesaler – Retailer – Consumer (Two level channel):** This is the most commonly adopted distribution network for most consumer. Here the wholesaler and retailers function as connecting links between the manufacturer and consumer. Use of two middlemen in the channel network enables the manufacturer to cover a larger market area.
- Manufacturer – Agent – Wholesaler – Retailer – Consumer (Three level channel):** In this case, manufactures use their own selling agents or brokers who connect them with wholesalers and then the retailers. One more level is added to the levels discussed in the proceeding arrangement. An agent in each area is appointed, who in turn contact the wholesalers.

12) Explain the factors affecting determining choice of channels.

Choice of appropriate channel of distribution is a very important marketing decisions, which affects the performance of an organisation. The choice of channels depends on various factors, which are discussed as follows:

- Product related factors:** The nature of the product, whether it is industrial or consumer goods, perishable or a non perishable etc., determines the distribution channels used.
- Company characteristics:** The company's financial strength and the level of control it wishes to exert over other channel members. Short channels are used to exert more control over intermediaries and vice versa.
- Competitive factors:** The choice of channel is also affected by the channel selected by competitors in the same industry.

- d) Market factors: The size of the market as well as the geographical concentration of potential buyers influence channel selection. In case number of buyers is small and buyers are concentrated in a small place, short channels used. But if the number buyers is large and buyers are widely dispersed over a large geographical area, longer channels may be used.
- e) Environmental factors: It includes environmental factors such as economic condition and legal constraints. In a depressed economy marketers use shorter channels to distribute their goods in an economic ways.

13) Explain briefly the components of physical contribution.

OR

Explain the major activities involved in the physical distribution of products.

- a) Order processing: In a typical buyer seller relationship order placement is the first step. Order flow from consumers to the manufacturers. A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications.
- b) Transportation: Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is important because unless the goods are physically made available, the sale cannot be completed.
- c) Warehousing: Warehousing refers to the act of storing and assorting products in order to create time utility in them. It is required to bridge the gap between the time the product is manufactured and the time it is distributed for consumption.
- d) Inventory control: Choosing the level of inventory is an important inventory decision. Additional demand can be met in less time, and inventory requirements will be minimal. A very important decision in respect of inventory is deciding about the level of inventory.

The major factors determining inventory levels includes:

- Firms policy regarding the level of customer service to be offered.
- Degree of accuracy of the sales forecasts.
- Responsiveness of the distribution system.
- Cost of inventory.

14) Explain the Sales promotion activities.

- a) Rebate: Offering products at special prices, to clear off excess inventory.
- b) Discount: Offering products at less than list price.
- c) Refunds: Refunding a part of price by customer on some proof of purchase, say on return of empty foils or wrapped. This is commonly used by food product companies, to boost their sales.
- d) Product combination: Offering another product as gift along with the purchase of a product.
- e) Quantity gift: Offering extra quantity of the product.
- f) Instant draws and assigned gift: for example Scratch a card, burst a cracker and instantly with a refrigerator, car, T – shirt, computer, with the purchase of a TV.

- g) Lucky draw: For example, the offer of a bathing soap to win a gold coin on lucky draw coupon.
- h) Full finance @ 0%: Many marketers of consumer durables such as electronic goods, automobiles etc. offer easy financing schemes such as “24 easy instalments, eight up front and 16 to be paid as post dated cheques.
- i) Sampling: Offer of the sample of a product, say a detergent powder or tooth paste to potential customers at the time of launch of a new brand.
- j) Contests: Competitive events involving application of skills or lucky, say solving a quiz or answering some questions.

15) Explain any four functions performed by public relations departments of an organisation.

- a) Press relations: Information about the organisation needs to be presented in a positive manner in the press. The public relations department is in contact with the media to present true facts and a correct picture about the company.
- b) Product publicity: New products require special effort to publicise them and the company has to sponsor such programmes. The company can draw attention to new products by arranging sports and cultural events like news conferences, seminars and exhibitions.
- c) Corporate communication: The image of the organisation needs to be promoted through communicating with the public and the employees within the organisation. This is usually done with the help of newsletter, annual reports, brochures, articles and audio-visual materials. Even interview with TV channels and responding to queries from the media go a long way in promoting public relations.
- d) Lobbying: The organisation has to deal with government officials and different ministers in charge of corporate affairs, industry, finance with respect to policies relating to business and the economy. The public relations department then has to be really proactive in promoting or decoding regulations that affect them.
- e) Counselling: The public relations department advises the management on general issues which affect the public and the position the company would like to take on a particular issue. The company can build goodwill by contributing money and time to certain causes like environment, wildlife, children’s rights, education, etc. Such cause related activities help in promoting public relations and building goodwill.

Part – D

VII Answer the following questions in 20-25 sentences:

1) Explain any eight functions of Marketing.

- a) Gathering and Analysing market information: One of the important functions of a marketer is to gather and analyse market information. This is necessary to identify the needs of the customers and take various decisions for the successful marketing of the products services. Marketing examines a business environment’s strengths, weakness as well as opportunities and threats.

- b) Marketing planning: Another important activity or area of work of a marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. It should specify the action plans to achieve these objectives.
- c) Product designing and development: Another important marketing activity or decision area relates to product designing and development. The design of the product contributes to making the product attractive to the target customers.
- d) Standardisation and Grading: Standardisation refers to producing goods of predetermined specifications, which helps in achieving uniformity and consistency in the output. (e.g. ISI Mark)
Grading is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size etc. It ensures that goods belong to a particular quality and helps in realising higher prices for high quality output.
- e) Packaging and Labelling: Packaging refers to designing and developing the package for the products. It is important not only protection of the products but also serves as a promotional tool. E.g. Lays or Uncle chips potato wafers, Clinic plus shampoos, Colgate toothpaste etc.
Labelling refers to designing and developing the label to be put on the package. It may vary from a simple tag to complex graphics.
- f) Branding: A very important decision area in respect of branding include deciding the branding strategy, say whether each product will be given a separate brand name or the same brand name will be extended to all products of the company E.g. Philips bulbs, tubes and television or Videocon washing machine, television and refrigerator.
- g) Customer support services: A very important function of the marketing management relates to developing customer support services such as after sales services, handling customer complaints and adjustments, procuring credit services etc. All these services aim at providing maximum satisfaction to the customers, which is the key to marketing success in modern days.
- h) Pricing of product: Price of product refers to the amount of money customers have to pay to obtain a product. It is an important factor affecting the success or failure of a product in the market. Generally, lower the price, higher would be the demand for the product and vice-versa.
- i) Promotion: Promotion of products and services involves informing the customers about the firm's product, its features etc. and persuading them to purchase these products. The four important methods of promotion include advertising, personal selling, publicity and sale promotion.
- j) Physical distribution: It refers to physical movement of the product from where it is produced to a place where it is required by the customers for their consumption or use. It includes managing inventory, storage & warehousing and transportation of goods from one place to the other.
- k) Transportation: Transportation involves physical movement of goods from one place to the other. As generally the users of products, particularly consumer products are

wide spread and geographically separated from place these are produced, it is necessary to move them to the place where it is needed for consumption or use.

- l) Storage or Warehousing: Usually there is a time gap between the production or procurement of goods and their sale or use. In order to maintain smooth flow of products in the market, there is a need for proper storage of the products.

2) Explain the classification of products.

Product is a mixture of tangible and intangible attributes, which are capable of being exchanged for a value, with ability to satisfy customer needs. It is a bundle of utilities, which is purchased because of its capability to provide satisfaction of certain need.

Products may broadly be classified into two categories:

- A) Consumer products
- B) Industrial products

- A) CONSUMER PRODUCTS:** Products which are purchased by the ultimate consumers or users for satisfying their personal needs and desires are referred to as consumer products. E.g. Soap, edible oil, eatables, fans etc.

The consumer products have been classified on the basis of two important factors;

- 1. Shopping efforts involved:** On the basis of the time and effort buyers are willing to spend in the purchase of a product. It can be classify into 3 categories:

- a) Convenience products: Those consumer products, which are purchased frequently, immediately and with least time and efforts are referred to as convenience goods. E.g. Cigarettes, ice-cream, medicines, newspaper etc.

Some of the important characteristics of such products are:

- These products are purchased at convenient locations, with least efforts and time.
- Convenience products have a regular and continuous demand.
- The products have small unit of purchase and low prices.
- Convenience products have standardised price as most of these products are branded products.
- The competition in these products is high as the supply is greater than the demand.

- b) Shopping products: Shopping products are those in which buyers spend a significant amount of time comparing the quality, price, style, suitability and so on at various stores before making a final purchase. E.g. Shoes, jewellery, furniture etc.

- c) Speciality products: Speciality products are those consumer goods which have certain special features because of which people make special efforts in their purchase. The buyers are willing to spend a lot of time and efforts on the purchase of such products. E.g. artwork, antiques etc.

- 2. Durability of the products:** Those tangible consumer products which normally survive many uses for refrigerator, radio, bicycle, sewing machine and kitchen gadgets are

referred to as durable products. These goods are generally used for a longer period, require greater personal selling efforts and after sales services.

3. **Services:** Services are intangible in form. It means those activities, benefits or satisfactions which are offered for sale e.g. dry cleaning, watch repairs, hair cutting, postal services, services offered by a doctor, an architect and a lawyer.

Some of the characteristics of services are as follows:

- Services are intangible, i.e. we can not see or touch them.
- A service is inseparable from its source.
- The services cannot be stored. They are highly perishable.
- Services are highly variable as their type and quality depends on the person providing them.

- B) **INDUSTRIAL PRODUCTS:** Industrial products are those products, which are used as inputs in producing other products. E.g. raw materials, engines, lubricants etc.

The industrial goods are classified into the following categories:

1. **Materials and Parts:** items that are completely incorporated into the manufacture's product. It includes;
 - a) **Raw materials :** It includes Farm products (cotton, sugar cane, oil seeds) and Natural products (Minerals like crude petroleum, iron ore and fish, lumber)
 - b) **Manufactured material and Parts:** It includes Component material (i.e. glass, iron, plastic) and Component parts (i.e. tyre, electric bulb, steering and battery).
2. **Capital items:** These are such goods that are used in the production of finished goods. These includes:
 - a) **Installation:** it includes like elevators, mainframe computers.
 - b) **Equipment:** it includes like hand tools, personal computer, fax machines etc.
3. **Supplies and Business services:** These are short lasting goods and services that facilitate developing or managing the finished product.
 - a) **Maintenance and repair:** It includes items like paint, nails etc.
 - b) **Operating supplies:** It includes lubricant, computer, stationery, writing paper etc.

- 3) **What do you mean by Channel of distribution? Explain the functions of distribution channels.**

Channel of distribution are set of firms and individuals that take title or assists in transferring title, to particular goods or services as it moves from the producers to the consumers.

The channel refers to a team of merchants, agents and business institutions that combine physical movement and title movement of products to reach specific destinations.

Functions of Distribution channels:

1. **Sorting:** Middlemen procure supplies of goods from variety of sources which is often not of the same quality, nature and size.

2. **Accumulation:** This function involves accumulation of goods into larger homogeneous stocks, which help in maintaining continuous flow of supply.
3. **Allocation:** Allocation involves breaking homogenous stock into smaller, marketable lots. E.g. products are divided into convenient packs of 1kg, 500gms and 250gms to sell them to different types of buyers.
4. **Assorting:** Middlemen build assortment of products for resale. Middlemen procure variety of goods from different sources and deliver them in combinations desired by customers. E.g. a cricket player may need a bat, a ball, wickets, gloves, helmet, a T-shirt and a pair of shoes. Perhaps no one manufacturer produces these products in desired combination.
5. **Product promotion:** Mostly advertising and other sales promotion activities are organised by manufacturers. Middlemen also participate in certain activities such as demonstrations, special displays, contests etc., to increase the sale of products.
6. **Negotiation:** Channels operate with manufacturers on the one hand and customers on the other. They negotiate the price, quality, guarantee and other related matters with customers so that transfer of ownership is properly affected.
7. **Risk taking:** In the process of distribution of goods the merchant middlemen take title of the goods and thereby assume risks on account of price and demand fluctuations, spoilage, destruction etc.

4) What is Branding? Explain briefly its advantages to marketers and customers.

The process of giving a name or a sign or a symbol etc., to a product is called branding. Thus, most marketers give a name to their product, which helps in identifying and distinguishing their products from the competitors product.

A brand is a name, term, sign, symbol, design or some combination of the above used to identify and differentiate the seller's products from those of competitors. E.g. Bata, Lifebuoy, Hot shot, Parker etc.

Advantages to the Marketers:

- a) **Enables marketing product differentiation:** Branding helps a firm in distinguishing its product from that of its competitors. This enables the firm to secure and control the market for its products.
- b) **Helps in advertising and display programmes:** A brand aids a firm in its advertising and display programmes. Without a brand name, the advertiser can only create awareness for the generic product and can never be sure of the sale for his product.
- c) **Differential pricing:** Branding enables a firm to charge different price for its products than that charged by its competitors.
- d) **Ease in introduction of new product:** If a new product is introduced under a known brand, it enjoys the reflected glory of the brand and is likely to get off to an excellent start. Thus, many companies with established brand names decide to introduce new products in the same name.

Advantages to Customers:

- a) **Helps in product identification:** Branding helps the customers in identifying the products. Thus, branding greatly facilitates repeat purchase of the products.

- b) Ensures quality: Branding ensures a particular level of quality of the product. This builds up confidence of the customers and helps in increasing his level of satisfaction.
- c) Status symbol: Some brands become status symbols because of their quality. The consumers of those brands of products feel proud of using them and adds to the level of satisfaction of the customers.

5) What is Pricing? Explain the factors affecting price determination.

The amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service are called Price. It is considered as the sum of the values that customers exchange in exchange for the benefit of owning or using the product.

The following are the factors affecting price determination:

- a) Product cost: One of the most important factor affecting price of a product or service is its cost. This includes the cost of producing, distributing and selling the product. They aim at earning a margin of profit over and above the costs.
There are broadly three types of costs viz., Fixed Costs, Variable Costs and Semi variable cost. Fixed costs are those costs, which do not vary with level of activity of a firm say with the level of activity of a firm say with the volume of production or sale. Those costs which vary in direct proportion with the level of activity are called variable costs. Semi variable costs are those costs which vary with the level of activity but not in direct proportion with it. Total costs are the sum total of the fixed, variable and semi-variable costs for the specific level of activity, say volume of sales or quantity produced.
- b) The utility and demand: The utility provided by the product, as well as the demand for the product, determine the maximum price that a buyer will be willing to pay for that particular product. Buyers would be willing to pay until the utility of the demand exceeded or equal the utility derived from it. According to the law of demand, consumers buy more at a lower price. Demand elasticity is the responsiveness of demand to changes in product prices. If a small change in price leads to a larger change in quantity demanded, demand is elastic. Firms can set higher prices if demand is inelastic.
- c) Extent of competition in the market: Competitors prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined carefully, before fixing the price.
- d) Government and legal regulations: In order to protect the interest of public against unfair practices in the field of price fixing, government can intervene and regulate the price of commodities(product).
- e) Pricing objectives: The marketing firm's goal is to maximise profits. Pricing objectives can be determined in both the short and long run. If the company wants to maximise profits in the short run, it will charge the highest price for its products. However, in order to maximise its total profit in the long run, it would choose a lower per unit price in order to capture a larger share of the market and earn higher profits through increased sales.

- f) Marketing methods used: Other marketing elements such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, product differentiation, credit facility and customer services.

6) Explain the advantages and limitations of advertising.

Advertising is the most commonly used tool of promotion. It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote some goods and service. The most common modes of advertising are 'newspapers', 'magazines', 'television', and 'radio'.

Merits or Advantages of Advertising:

- a) Mass reach: Advertising is a medium through which a large number of people can be reached over a vast geographical area.
- b) Enhancing customer satisfaction and confidence: Advertising creates confidence amongst prospective buyers as they feel more comfortable and assured about the product quality and hence feel more satisfied.
- c) Expressiveness: With the developments in art, computer design and graphics, advertising has developed into one of the most forceful medium of communication.
- d) Economy: Advertising is a very economical mode of communication if large number of people are to be reached. Because of its wide reach, the overall cost of advertising gets spread over numerous communication links established.

Limitations or Disadvantages of Advertising:

- a) Less forceful: Advertising is an impersonal form of communication. It is less forceful than the personal selling as there is no compulsion on the prospects to pay attention to the message.
- b) Lack of feedback: The evaluation of the effectiveness of advertising message is very difficult as there is no immediate and accurate feedback mechanism of the message that is delivered.
- c) Inflexibility: Advertising is less flexible as the message is standardised and is not tailor made to the requirements of the different customer groups.
- d) Low effectiveness: As the volume of advertising is getting more and more expanded it is becoming difficult to make advertising messages heard by the target prospects. This is affecting the effectiveness of advertising.

7) Explain the importance or role of personal selling.

Personal selling plays a very important role in the marketing of goods and services. The importance of personal selling to businessmen, customers and society may be described as below:

Importance to Businessmen

Personal selling is a powerful tool for creating demand for a firm's products and increasing their sale.

- a) Effective promotional tool: Personal selling is very effective promotional tool, which helps in influencing the prospects about the merits of a product and thereby increasing its sale.
- b) Flexible tool: Personal selling is more flexible than other tools of promotion such as advertising and sales promotion. It helps business persons in adopting their offer in varying purchase situation.
- c) Minimises wastage of efforts: Compared with other tools of promotion, the possibility of wastage of efforts in personal selling is minimum. This helps the business persons in bringing economy in their efforts.
- d) Consumer attention: There is an opportunity to detect the loss of consumer attention and interest in a personal selling situation. This helps a business person in successfully completing the sale.
- e) Lasting relationship: Personal selling helps to develop lasting relationship between the sales persons and the customers, which is very important for achieving the objectives of business.
- f) Personal rapport: Development of personal rapport with customers increases the competitive strength of a business organisation.
- g) Role in introduction stage: Personal selling plays very important role in the introduction stage of a new product as it helps in persuading customers about the merits of the product.
- h) Link with customers: Sales people play three different roles, namely persuasive role, service role and informative role and thereby link a business firm to its customers.

Importance to Customers:

This role of personal selling becomes more important for the illiterate and rural customers, who do not have many other means of getting product information.

- a) Help in identifying needs: Personal selling helps the customers in identifying their needs and wants and in knowing how these can best be satisfied.
- b) Latest market information: Customers get latest market information regarding price changes, product availability and shortages and new product introduction, which help them in taking the purchase decisions in a better way.
- c) Expert advice: Customers get expert advice and guidance in purchasing various goods and services, which help them in making better purchase.
- d) Induces customers: Personal selling induces customers to purchase new products that satisfy their needs in a better way and thereby helps in improving their standards of living.

Importance to Society:

Personal selling plays a very productive role in the economic progress of a society.

- a) Converts latest demand: Personal selling converts latest demand into effective demand. It is through this cycle that the economic activity in the society is fostered, leading to more jobs, more incomes and more products and services. That is how economic growth is influenced by personal selling.

- b) Employment opportunities: Personal selling offers greater income and employment opportunities to the unemployed youth.
- c) Career opportunity: Personal selling provides attractive career with greater opportunities for advancement and job satisfaction as well as security, respect, variety, interest and independence to young men and women.
- d) Mobility of sales people: There is a greater degree of mobility in sales people, which promote travel and tourism in the country.
- e) Production standardisation: Personal selling increases product standardisation and uniformity in consumption pattern in a diverse society.

8) State any eight differences between Advertising and Personal selling.

Sl. No.	Advertising	Personal Selling
1.	Advertising is an impersonal form of communication.	Personal selling is a personal form of communication.
2.	Advertising involves transmission of standardised i.e. same message is sent to all the customers in a market segment.	In personal selling, the sales talk is adjusted keeping view customers background and needs.
3.	Advertising is inflexible as the message can't be adjusted to the needs of the buyer.	Personal selling is highly flexible as the message can be adjusted.
4.	It reaches masses, i.e., a large number of people can be approached.	Only limited number of people can be contacted because of time and cost considerations.
5.	In advertising the cost per person reached is very low.	The cost per person is quite high in the case of personal selling.
6.	Advertising can cover the market in a short time.	Personal selling efforts take a lot of time to cover the entire market.
7.	Advertising makes use of mass media such television, radio, newspaper and magazines	Personal selling makes use of sales staff, which has limited reach.
8.	Advertising lacks direct feedback. Marketing research efforts are needed to judge customers reactions to advertising.	Personal selling plays important role at the awareness stage of decision making
9.	Advertising is more useful in creating and building interest of the consumers in the firms products.	Personal selling plays important role at the awareness stage of decision making.

10.	Advertising is more useful in marketing to the ultimate consumer's who are large in numbers.	Personal selling is more helpful in selling products to the industrial buyers or to intermediaries such as dealers and retailers who are relatively few in numbers.
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PART – A

I Choose the correct answer:

- 1) The provisions of Consumer protection act came into force from
a) 1986 b) 1987 c) 1988 d) 1991

Ans: b) 1987

- 2) If the value of product is Rs.10Lakhs the consumer can file case in
a) District forum c) State commission
b) National commission d) All of the above

Ans: a) District forum

- 3) The members of the District Forum are appointed by
a) Central government c) State Government
b) Local authority d) None of the above

Ans: c) State Government

- 4) If a customer is not satisfied with the judgement of state commission, he can file appeal in
a) District forum c) High court
b) Supreme court d) National commission

Ans: d) National commission

II Fill in the blanks:

- 1) The president and member of National commission are appointed by **Central government.**
2) **Consumer** is a person who buys any product or services for final consumptions.
3) The monetary limit of claim in district consumer disputes redressal forum is **up to Rs.20 Lakh.**
4) Monetary limit of claim in state consumer disputes redressal commission is exceeding **Rs. 20lakhs but up to Rs.1 crore.**
5) The monetary limit of claim in National Consumer disputes redressal commission is claim **exceeding 1 crore.**

III Match the following:

- | | | |
|----|--------------|-------------------------------|
| 1) | A | B |
| a) | Adulteration | i) Food products |
| b) | ISI mark | ii) Consumer responsibilities |
| c) | FPO mark | iii) NGO |

- d) Be honest in your dealings iv) Jewellery
e) Common cause, Delhi v) Unfair trade practices
f) Consumer Rights day vi) Electrical goods
vii) 15th March
a) - v, b) - vi, c) - i, d) - ii, e) - iii f) - vii

IV Answer the following question in one word or one sentence each:

- 1) **State any one unfair trade practice of manufacturing and service providers by which consumers are exploited.**
 - (a) Defective and unsafe products
 - (b) Adulteration
 - (c) False and misleading advertising
 - (d) Hoarding
 - (e) Black marketing(any one)
- 2) **State any one regulation which provides legal protection to the consumers.**
 - (a) The Consumer Protection Act 1986
 - (b) The Indian Contract Act 1872
 - (c) The Sale of Goods Act 1930
 - (d) The Essential Commodities Act 1955
 - (e) The Trade Marks Act 1999
- 3) **In which year the Consumer Protection Act was enacted?**

The Consumer protection act was enacted in 1986.
- 4) **Who is Consumer?**

A consumer is a person who uses or consumes goods or avails of any service.
- 5) **Name any one redressal agency set up under Consumer protection act to redress consumer grievances.**
 - (a) District Forum
 - (b) State Commission
 - (c) National Commission
- 6) **What is the monetary limit of claim in District Consumer Disputes Redressal Forum?**

The compensation claimed does not exceeds Rs.20 Lakhs.
- 7) **State the monetary limit of claim in State Consumer Disputes Redressal Commission.**

The compensation claimed exceeds Rs.20 Lakhs does not exceed Rs. 1 crore.
- 8) **What is the monetary limit of claim in National Consumer Disputes Redressal Commission?**

The compensation claimed exceeds Rs.1 crore.
- 9) **Name any one Consumer organisation or NGO engaged in protecting and promoting consumer's interests.**
 - (a) Consumer coordination council, Delhi.

- (b) Common cause, Delhi.
- (c) Karnataka consumer service society, Bangalore.
- (d) Consumer's association, Kolkata.
- (e) Mumbai Grahak Panchayat, Mumbai. (any 1)

PART – B

V Answer the following questions in two or three sentences:

1) What is Consumer Protection?

Consumer protection refers to protection of physical, economics and other interest of the consumers from exploitation by the business community.

The Consumer Protection Act (CPA) seeks to protect and promote the consumer's interest through speedy and inexpensive redressal of their grievances.

2) State any two reasons to emphasise the importance of consumer protection from Consumers point of view.

- a) Consumer Ignorance
- b) Unorganised consumers
- c) Widespread exploitation of consumer

3) State any two reasons to emphasise the importance of consumer protection from the point of view of Business.

- a) Long term interest of business.
- b) Business uses society's resources.
- c) Social responsibility
- d) Moral Justification

4) Write any two Consumer Rights.

- A) Right to Safety
- B) Right to be Informed
- C) Right to Choose
- D) Right to be Heard (ANY TWO)

5) Who can file a complaint before the appropriate consumer forum?

- a) Any Consumer.
- b) Any Registered Consumers association.
- c) The Central Government or any State Government.
- d) A legal heir or representative of a deceased consumer.
- e) One or more consumers, on behalf of numerous consumers having the same interest.

PART – C

VI Answer the following

1) Explain any four Rights of consumers.

Consumer protection act 1986 has provides six rights to the consumers, which are as follows:

- a) Right to Safety: Consumer has the right to be protected against products and services which are hazardous to health and life. Thus, consumers are educated that they should use electrical appliances which are ISI marked.
- b) Right to be Informed: Consumer has right to have complete information about the product before buying it. E.G. Manufacturing date, price, quantity, directions for use etc.
- c) Right to Choose: Consumer has a right to choose any product out of the available products as per his own decision making. This implies that the marketers should offer a wide variety of products in terms of quality, brands, size etc. and allow the consumer to make a choice from amongst these.
- d) Right to be Heard: The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service. Many consumer organisations are also working towards this direction and helping consumers in redressal of their grievances.
- e) Right to seek Redressal: The consumer has a right to get relief in case the product or service falls short of his expectations. The Consumer protection act provides a number of reliefs to the consumers including replacement of the product, compensation paid for any loss or injury suffered by the consumer etc. Various redressal forums are set up by the government at National and State level.
- f) Right to Consumer Education: The Consumer has a right to acquire knowledge and to be a well informed consumer throughout life. He should be aware about his rights and the reliefs available to him in case of a product or service falling short of his expectations.

2) State any four responsibility of consumers while purchasing, using and consuming goods and services.

- Be aware about various goods and services available in the market. So that an intelligent and wise choice can be made.
- Buy only standardized goods as they provide quality assurance. E.g. ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery etc.
- Learn about the risks associated with products and services, follow manufactures instructions and use the products safely.
- Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates etc.
- Assert yourself to ensure that you get a fair deal.
- Be honest in your dealings. Choose only from legal goods and services.
- File complaint in the appropriate consumer forum in case of a shortcoming in the quantity of goods purchased or services availed.
- Form consumer societies to educate consumers and safeguard their interests.
- Respect the environment. Avoid waste, littering and contributing to pollution.

3) Explain any four ways in which the objective of consumers protection can be achieved.

There are various ways in which the objective of consumer protection can be achieved.

- Self regulation by business: Socially responsible firms follow ethical standards and practices in dealing with their customers. Many firms have set up their customer service and grievance cells to redress the problems and grievances of their consumers.
- Business association: The associations of trade, commerce and business like Federation of Indian Chambers of Commerce of India (FICCI) and confederation of Indian Industries (CII) have laid down their code of conduct which lay down for their members the guidelines in their dealings with the customers.

- Consumer awareness: A consumer, who is well informed about his rights and the reliefs available to him, would be in a position to raise his voice against any unfair trade practices or unscrupulous exploitation. In this regard, the department of consumer affairs, GOI, has been undertaking the campaign, Jaga Grahak Jago through multimedia awareness.
- Consumer organisation: Consumer organisations play an important role in educating consumers about their rights and providing protection to them. These organisations can force business firms to avoid malpractices and exploitation of consumers.
- Government: The government can protect the interests of the consumers by enacting various measures. The consumer protection act 1986 provides for a three-tier machinery at the district, state and national levels for redressal of consumer grievances.

4) State any four directions which can be issued by the consumer court to the opposite party.

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 circumstance.
- 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 services.
- To issue corrective advertisement to neutralise the effect of a misleading advertisement.
- To pay adequate costs to the appropriate party.

5) State any four functions of Consumer organisations and NGOs for the protection and promotion of consumer interests.

Consumer organisations and NGO's perform several functions for the protection and promotion of interest of consumers. These includes:

- Educating the general public about consumer rights by organising training programmes, seminars and workshops.
- Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.
- Carrying out comparative testing of consumers products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.
- Encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers.
- Providing legal assistances to consumers by way of providing aid, legal advice etc. in seeking legal remedy.
- Filing complaints in appropriate consumer courts on behalf of the consumers.
- Taking an initiative in filing cases in consumers courts in the interest of the general public, not for any individual.

6) Explain redressal agencies under the consumer protection act.

The consumer protection act provides for setting up of a three tier enforcement machinery at the district, state and the national levels.

A) DISTRICT FORUM:

- The district forum consists of a President and two other members, one of whom should be a women. They all are appointed by the state government concerned.
- A complaint can to be made to the appropriate district forum when the value of the goods or services in question, along with the compensation claimed, does not exceed Rs.20 lakhs.
- The district forum shall pass an order after considering the test report from the laboratory and hearing to the party against whom the complaint is filed.
- In case the aggrieved party is not satisfied with the order of the district forum, he can appeal before the state commission within 30 days of the passing of the order.

B) STATE COMMISSION:

- Each state commission consists of president and not less than two other members, one of whom should be a women. They are appointed by the state government concerned.
- A complaint can to be made to the appropriate state commission when the value of the goods or services in question, along with the compensation claimed, exceeds Rs.20lakhs but does not exceed Rs.1crore.
- The state commission shall pass an order after considering the test report from the laboratory and hearing to the party against whom the complaint is filed.
- In case the aggrieved party is not satisfied with the order of the state commission, he can appeal before the national commission within 30 days of the passing of the order.

C) NATIONAL COMMISSION:

- The National commission has territorial jurisdiction over the whole country, except the state of Jammu and Kashmir.
- The National commission consists of a president and at least four other members, one of whom should be a woman. They are appointed by the Central government.
- A complaint can to be made to the national commission when the value of the goods or services in questions, along with the compensation claimed, exceed Rs. 1 crore.
- On receiving the complaint, the national commission shall refer the complaint to the party against whom the complaint is filed and where the aggrieved party was not satisfied with the order of the national commission, can be taken to the supreme court of India.

HOTS QUESTIONS: HIGHER ORDER THINKING SKILLS

BUSINESS ENVIRONMENT

- 1) Which environment describes characteristics of the society in which the organisation exists.

Ans: Social environment

- 2) Which element of business environment involves improvement and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

Ans: Technological environment

- 3) Which environment prohibits advertisement of alcoholic beverage?

Ans: Legal environment

- 4) Sudden announcement of demonetization by our prime minister is an example of which feature of environment?

Ans: Uncertainty

- 5) RBI declared lower interest rates on housing loans. State the environment depicted here.

Ans: Economic environment

- 6) Just after the declaration Lok Sabha election results in 2014, stock exchange rose by 1000 points. Identify dimension of environment mentioned here.

Ans: Political environment

- 7) The project of Nano car established in Gujarat is indicated by which factor of environment?

Ans: Political environment

- 8) Parents are focusing on girl education, number of working women has increased in all fields. State the dimension of business environment with which it is related.

Ans : Societal environment

- 9) Identify the dimension of business environment in the below cases and explain briefly.

- A) Birth and death rate
- B) The rates of growth of GNP
- C) Composition of the family
- D) Change in disposal income

Ans: A) Birth and death rate & B) The rates of growth of GNP – Economic environment

Economic environment refers to changes in economic variables such as interest rate, income, stock market indices, value of rupee are some of the economic factors that affect business enterprises. Short & long term interest rates affect the demand for product & services

Ans : C) Composition of the family & D) Change in disposal income – Social environment

Social environment refers to social forces customs, traditions, religious celebrations etc. Values refer to concept that a society hold in high esteem and they translate freedom of choice in the market. Social trends present various opportunities and threats to business enterprise.

- 10) **The court passed an order to ban polythene bags as**
- a) **These bags are creating many environmental problems.**
 - b) **Society is general is more concerned about quality of life.**
 - c) **The government decided to give subsidy to jute industry to promote this business.**
 - d) **Innovative techniques are being developed to promote this business.**

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

- Ans: a) Legal environment
- b) Social environment
- c) Political environment
- d) Technological environment

- 11) **Identify the dimensions of business environment to which the following cases are related to:**
- a) **Bank reduces the interest rate on housing loans.**
 - b) **Online reservation of tickets.**
 - c) **Number of working women is increasing.**
 - d) **Prohibitions of advertisement which promote use of alcoholic beverages.**

- Ans: a) Economic environment
- b) Technological environment
- c) Social environment
- d) Legal environment

- 12)
- A. **The court passed an order that all schools must have water purifier for the school children.**
 - B. **Society in general is more concerned about quality of life.**
 - C. **Innovative techniques are being developed to manufacture water purifiers at competitive rates.**

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

Identify the elements of business environment.

Ans: A. Legal environment

B. Social environment

C. Technological environment

D. Economic environment

13) Identify the dimensions:

a) RBI announced suitable measures will be taken to control raising inflationary trends India.

b) Due to special initiative of central government, merging of public sector banks has become common phenomenon in recent years.

c) Prohibits advertisement of alcoholic beverage.

Ans: a) Economic Environment

b) Economic Environment

c) Legal Environment

STAFFING

1) Suppose you are the general manager of Surya and Co. Ltd. You have been directed by the Directors of the company to select a chartered accountant for the company. Explain the first four Selection procedure you will follow for the same.

Ans: Explain first 4 steps of Selection

2) Which source of recruitment is needed to bring new blood in the organisation? Explain briefly any three advantages of this sources.

Ans: External sources

Explain any three advantages of external source

3) The quality of production is not as per standards. On investigation it was observed that most of the workers were not fully aware of the proper operation of the machinery. What could be the way to improve the accuracy? Briefly explain any three benefits to the organisation.

Ans: Training

Benefits to the organisation any three

4) The quality of production is not as per standards. On investigation it was observed that most of the workers were not fully aware of the proper operation of the machinery. What could be the way to improve the accuracy.

Ans: Training

- 5) Name the sources of recruitment which involves shifting of an employee from one job to another, without a substantive changes in the responsibilities and status of the employee.

Ans: Transfer

- 6) What can be the two possible out comes of the situation of over staffing.

- A) Employee removal
- B) Transfer

- 7) Name the process of introducing selected employees to other employees familiarity with the rules & principles of the organisation.

Orientation

- 8) Which method of training is suitable when employees are required to handle sophisticated machinery?

Vestibule Training

- 9) A company is manufacturing paper plates & bowls due to local festival it got an urgent order of extra 50000 plates bowls, which methods of recruitment would you suggest?

Ans: Labour contractors

- 10) Akash is working in an organisation. After every 3 months, his manager transfer him from one department to another. So that he may gain a broader understanding of all the departments of the organisation.

Name and explain the method of training Akash is understanding.

Ans: Job rotation (write explanation)

FINANCIAL MANAGEMENT

- 1) Identify the decision taken in financial management which affects the liquidity as well as the profitability of business and explain briefly any three factors affected in this decision.

Ans: Capital budgeting decision

Explain any three factors affecting CBD

- 2) To avoid the problems of shortage and surplus of funds what is required in financial management? Name the concept and explain its any three importance.

Ans: Financial planning

Importance of financial planning (any three)

- 3) You are the finance manager of a newly established company. The directors of the company have asked you to plan the capital structure of company. State any four factors that you would consider while planning the capital structure.

Ans: a) Cash flow position

b) Interest coverage ratio

- c) Return on investment
- d) Cost of debt

4) What do you call the capital needed for day operations? Explain any three factors affecting such capital needs.

Ans : Working capital

Explain any three factor affecting for working capital.

5) XYZ company wants to raise 50,00,000 by issuing debentures. State the type of decision & explain any 3 influencing factors of this decision.

Ans: Financing decision

Explain any financing decision factors

6) State whether the working capital requirements of business manufacturing the following items are big or small. Justify the statement.

- a) Cooler – working capital required for manufacturers of coolers will be more because it is seasonal product.
- b) Sugar – working capital required for manufacturers will be more as ration of raw material cost of total cost is more.
- c) Furniture – requirements of working capital for a manufacturers of furniture is less.
- d) Bread – requirements of working capital will be less because it has quick cash turnover.

MARKETING:

1) As a publisher, you have published a new book on marketing management. How will you determine the price of this book? Briefly explain any four factors of pricing.

By considering following factors the publisher should fix the price of book.

- a) Product cost
- b) The utility and demand
- c) Extent of competition in the market
- d) Government and legal regulation
- e) Pricing objectives
- f) Marketing methods used (explain any 4)

2) The manager of an enterprise dealing in cosmetics is facing the problem of poor sales. Suggest and explain any 4 sales promotion measures he can adopt to improve the sales.

- a) Rebate
- b) Refunds
- c) Product combination
- d) Quantity
- e) Lucky draw
- f) Sampling (explain any 4)