

# STUDENT SUPPORT MATERIAL



तत् त्वं पूषन् अपावृणु  
केन्द्रीय विद्यालय संगठन

Session : 2019-20

**Class-XII**  
**BUSINESS STUDIES**

**STUDENT SUPPORT MATERIAL**

**CLASS XII**

**BUSINESS STUDIES**



**Session 2019 – 20**

**KENDRIYA VIDYALAYA SANGATHAN**

**NEW DELHI**

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## A WORD TO MY DEAR STUDENTS

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

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

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

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

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

Happy learning!

**Santosh Kumar Mall**  
Commissioner, KVS

## FOREWORD

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

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

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

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

Best of Luck.



**U.N. Khaware**  
Additional Commissioner (Acad.)



# STUDENT SUPPORT MATERIAL

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**BUSINESS STUDIES  
CLASS XII****INDEX**

<b>S.No.</b>	<b>Title/Name of Unit</b>	<b>Page No.</b>
1.	Syllabus	6
2.	Question Paper Design	7
3.	Detailed Syllabus	8-14
	<b>Part 'A' :</b>	
5.	Unit-1 Nature & Significance of Management	15-24
6.	Unit-2 Principles of Management	25-34
7.	Unit-3 Business Environment	35-44
8.	Unit-4 Planning	45-54
9.	Unit-5 Organising	55-64
10.	Unit-6 Staffing	65-71
11.	Unit-7 Directing	72-81
12.	Unit-8 Controlling	82-88
	<b>Part 'B'</b>	
13.	Unit-9 Financial Management	89-96
14.	Unit-10 Financial Market	97-105
15.	Unit-11 Marketing Management	105-116
16.	Unit-12 Consumer Protection	117-125
17.	CBSE Model Question Paper 2019-20 ( solved Papers)	125-160
18.	CBSE Sample Question Papers ( Unsolved Papers)	160-177
19.	Guidelines for students	178-179

**Syllabus (Session-2019-20)**  
**BUSINESS STUDIES**  
**CLASS XII**

Time 3 hrs

MM : 80

<b>UNITS</b>	<b>NAME OF THE CHAPTER / UNITS</b>	<b>MARKS</b>
<b>PART A</b>	<b>PRINCIPLES AND FUNCTION OF MANAGEMENT</b>	
1	NATURE AND SIGNIFICANCE OF MANAGEMENT	16
2	PRINCIPLES OF MANAGEMENT	
3	BUSINESS ENVIRONMENT	
4	PLANNING	14
5	ORGANISING	
6	STAFFING	20
7	DIRECTING	
8	CONTROLLING	
	<b>TOTAL</b>	<b>50</b>
<b>PART B</b>	<b>BUSINESS FINANCE AND MARKETING</b>	
9	FINANCIAL MANAGEMENT	15
10	FINANCIAL MARKETS	
11	MARKETING MANAGEMENT	15
12	CONSUMER PROTECTION	
	<b>TOTAL</b>	<b>30</b>
<b>PART C</b>	<b>PROJECT WORK</b>	<b>20</b>
	<b>GRAND TOTAL A+B+C</b>	<b>100</b>

**Suggested Question Paper Design**  
**Business Studies (Code No. 054)**  
**Class XII (2019-20)**

March 2020 Examination

**Marks:80**

**Duration: 3hrs.**

SN	Typology of Questions	Objective Type/ MCQ 1 Mark	Short Answer I 3 Marks	Short Answer II 4 Marks	Long Answer I 5 Marks	Long Answer II 6 Marks	Marks
1	<b>Remembering:</b> Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers.	5	1	1	1	1	23
2	<b>Understanding:</b> Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas	5	2	1	-	1	21
3	<b>Applying:</b> Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	5	1	-	1	1	19
4	<b>Analysing and Evaluating:</b> Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations.  Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria.  <b>Creating:</b> Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	5	1	1	1	-	17
<b>Total</b>		<b>20x1=20</b>	<b>5x3=15</b>	<b>3x4=12</b>	<b>3x5=15</b>	<b>3x6=18</b>	<b>80 (34)</b>

There will be **Internal Choice** in questions of 3 marks (1 choice), 4 marks (1 choice), 5 marks (2 choices) and 6 marks (2 choices). In all, total 6 internal choices.



# DETAILED SYLLABUS

**Units Chapter and its Internal Topics**

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

**1 Nature and Significance of Management**

**Management-concept, objectives and importance**

- Concept includes meaning and features After going through this unit, the student/ learner would be able to:
- Understand the concept of management.
- Explain the meaning of Effectiveness and Efficiency.
- Discuss the objectives of management.
- Describe the importance of management.

**Management as Science, Art and Profession**

- Examine the nature of management as a science, art and profession.

**Levels of Management**

- Understand the role of top, middle and lower levels of management

**Management functions-planning, organizing, staffing, directing and controlling**

- Explain the functions of management

**Coordination- concept and importance**

- Discuss the concept and characteristics of coordination.
- Explain the importance of coordination.

**2 Principles of Management Principles of Management- concept and significance**

After going through this unit, the student/ learner would be able to:

- Understand the concept of principles of management.
- Explain the significance of management principles.

**Fayol's principles of management**

- Discuss the principles of management developed by Fayol.

**Taylor's Scientific management- principles and techniques**

- Explain the principles and techniques of 'Scientific Management'.
- Compare the contributions of Fayol and Taylor.
- Principles of Management- concept and significance.

### **3 Business Environment- concept and importance**

- After going through this unit, the student/ learner would be able to:
- Understand the concept of 'Business Environment'.
- Appreciate the importance of business environment.

#### **Dimensions of Business Environment- Economic, Social, Technological, Political and Legal**

- Describe the various dimensions of 'Business Environment'.

#### **Demonetization – concept and features**

- Understand the concept of demonetization.

#### **Impact of Government policy changes on business with special reference to liberalization, privatization and globalization in India**

- Examine the impact of government policy changes on business and industry with special reference to liberalization and globalization since 1991.
- Discuss the managerial response to changes in business environment.

### **4 Planning Concept, importance and limitation**

After going through this unit, the student/ learner would be able to:

- Understand the concept of planning.
- Appreciate the importance of planning.
- Understand the limitations of planning.

#### **Planning process**

- Describe the steps in the process of planning.

#### **Single use and standing plans. Objectives, Strategy, Policy, Procedure, method Rule, budget and Program**

- Develop an understanding of single use and standing plans
- Describe objectives, policies, strategy, procedure, method, rule, budget and program as types of plans.

### **5 Organising Concept and importance** After going through this unit, the student/ learner would be able to:

- Understand the concept of organizing as a structure and as a process.
- Explain the importance of organizing.
- **Organizing Process**
- Describe the steps in the process of organizing

#### **Structure of organisation- functional and divisional concept. Formal and informal organisation- concept**

- Describe functional and divisional structures of organisation.
- Explain the advantages, disadvantages and suitability of functional and divisional structure.

- Understand the concept of formal and informal organisation.
- Discuss the advantages, disadvantages of formal and informal organisation.

#### **Delegation, concept, elements and importance**

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

#### **Decentralization: concept and importance**

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

### **6 Staffing Concept and importance of staffing**

After going through this unit, the student/ learner would be able to:

- Understand the concept of staffing.
- Explain the importance of staffing.

#### **Staffing as a part of Human Resource Management concept**

- Understanding the specialized duties and activities performed by Human Resource Management

#### **Staffing process**

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

#### **Selection- process**

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

#### **Training and Development- Concept and importance, Methods of training- on the job and off the job- Induction training, vestibule training, apprenticeship training and internship training**

- Understand the concept of training and development.
- Appreciate the importance of training to the organisation and to the employees.
- Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training.
- Differentiate between training and development.
- Discuss on the job and off the job methods of training.

### **7 Directing Concept and importance**

After going through this unit, the student/ learner would be able to:

- Describe the concept of directing.

- Discuss the importance of directing

#### **Elements of Directing**

- Describe the four elements of directing

#### **Motivation-concept, Maslow's hierarchy of needs, Financial and non-financial incentives**

- Understand the concept of motivation.
- Develop an understanding of Maslow's Hierarchy of needs.
- Discuss the various financial and non-financial incentives.
- **Leadership-concept, styles-authoritative, democratic and laissez faire**
- Understand the concept of leadership.
- Understand the various styles of leadership.

#### **Communication- concept, formal and informal communication; barriers to effective communication, how to overcome the barriers**

- Understand the concept of communication
- Understand the elements of the communication process.
- Discuss the concept, merits and demerits of formal and informal communication.
- Discuss the various barriers to effective communication.
- Suggest measures to overcome barriers to communication.

### **8 Controlling Concept and importance**

After going through this unit, the student/ learner would be able to:

- Understand the concept of controlling.
- Explain the importance of controlling.

#### **Relationship between planning and controlling**

- Describe the relationship between planning and controlling

#### **Steps in process of control**

- Discuss the steps in the process of controlling.

**Total Marks for Part:A**

**50**

## **PART B: BUSINESS FINANCE AND MARKETING**

### **9 Financial Management Concept and objective of Financial Management**

After going through this unit, the student/ learner would be able to:

- Understand the concept of financial management.
- Explain the role of financial management in an organisation.
- Discuss the objectives of financial management

#### **Financial decisions: investment, financing and dividend-Meaning and factors affecting**

- Discuss the three financial decisions and the factors affecting them.

#### **Financial Planning- concept and importance**

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

#### **Capital Structure- Concept**

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

#### **Fixed and Working Capital- Concept and factors affecting their requirements**

- Understand the concept of fixed and working capital.
- Describe the factors determining the requirements of fixed and working capital.

### **10 Financial Markets Financial Markets: Concept, Functions and types**

After going through this unit, the student/ learner would be able to:

- Understand the concept of financial market.
- Explain the functions of financial market.
- Understand capital market and money market as types of financial markets.

#### **Money market and its instruments**

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

#### **Capital market and its types (primary and secondary)**

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

#### **Stock Exchange- Functions and trading procedure**

- Give the meaning of a stock exchange.
- Explain the functions of a stock exchange.
- Discuss the trading procedure in a stock exchange.
- Give the meaning of depository services and demat account as used in the trading procedure of securities.

#### **Securities and Exchange Board of India (SEBI) -objectives and functions**

- State the objectives of SEBI.
- Explain the functions of SEBI.

### **11 Marketing -Concept**

After going through this unit, the student/ learner would be able to:

- Understand the concept of marketing.

- Explain the features of marketing.

### **Marketing Functions**

- Discuss the functions of marketing.

### **Marketing management philosophies**

- Explain marketing management philosophies.

### **Marketing Mix – Concept and elements**

- Understand the concept of marketing mix.
- Describe the elements of marketing mix.

### **Product- Concept, branding, labeling and packaging**

- Understand the concept of product as an element of marketing mix.
- Understand the concept of branding, labeling and packaging.

### **Price- Concept, Factors determining price**

- Understand the concept of price as an element of marketing mix.
- Describe the factors determining price of a product.

### **Physical Distribution-concept and components, channels of distribution: types, choice of channels.**

Understand the concept of physical distribution.

Explain the components of physical distribution.

Describe the various channels of distribution.

### **Promotion–Concept and elements ; advertising concept, sales promotion- concept , public relations- concept**

- Understand the concept of promotion as an element of marketing mix.
- Describe the elements of promotion mix.
- Understand the concept and features of advertising.
- Understand the concept of sales promotion.
- Discuss the concept and role of public relations.

## **12 Consumer Protection**

### **Concept and importance of consumer protection**

After going through this unit, the student/ learner would be able to:

- Understand the concept of consumer protection.
- Describe the importance of consumer protection.
- Discuss the scope of Consumer Protection Act, 1986

### **Consumer protection Act 1986:Meaning of consumer and consumer protection. Rights and responsibilities of consumers. Who can file a complaint against whom? Redressal machinery Remedies available**

- Understand the concept of a consumer according to the Consumer protection Act 1986.

- Explain the consumer rights
- Understand the responsibilities of consumers
- Understand who can file a complaint and against whom?
- Discuss the legal redressal machinery under Consumer protection Act 1986.
- Examine the remedies available to the consumer under Consumer protection Act1986.

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

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

	<b>Total Marks for Part:B</b>	<b>30</b>
<b>Part-C</b>	<b>Project Work</b>	<b>20</b>
	<b>Grand Total</b>	<b>100</b>

# Part - A

## Principles and function of Management

### Unit - 1 : NATURE AND SIGNIFICANCE OF MANAGEMENT

#### Summary of the Chapter

#### **Meaning/concept of management:**

Management is the process of getting things done with the aim of achieving goals effectively and efficiently.

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

**Efficiency**: means completion of task using minimum resources

#### **Features of management**

#### **My Charming Dad Is Giving Grand Party(MCD PIG2)**

1. Multidimensional - Management of Work, Management of People, Management of Operation
2. Continuous process
3. Dynamic
4. Intangible force
5. Goal oriented
6. Group activity
7. pervasive

#### **Functions of management:**

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

#### **Management objectives**

Organisational objectives:



**Survival:-** Ensure that the organisation survives and exists in the future.

**Profitability:-** Earning adequate profit in order to survive and grow.

**Growth:-** Growth indicates how well it exploits the potential opportunities.

**Social objectives:**

- Producing quality products at reasonable rates,
- Generating employment opportunities
- Environmental friendly methods of production.

**Personal objectives:**

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

**Importance of management**

**GDP** depends upon **Efficient Society**

1. Achieving **Group Goals**
2. **Dynamic** organization
3. Achieving **Personal** objectives
4. Increases **efficiency**
5. Development of **society** facilitate changes

**Levels of Management-**

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

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

**Functions:**

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

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

**Functions:**

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

**Lower level Management** - eg- Foremen, Inspectors, Supervisors etc.

**Functions:**

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

### **Nature of management**

#### **As an art:-**

#### **ACRONYM- CAT**

1. Based on practice and creativity
2. Personalised Application
3. Existence of Theoretical knowledge

#### **As a Science:**

#### **ACRONYM- USP**

1. Universal validity
2. Arranged, organized systematic body of knowledge
3. Principles arrived after experimentation

#### **As a Profession:**

1. Well defined body of knowledge.
2. Existence of code of conduct
3. Professional association(AIMA)
4. Restricted entry
5. Fees as remuneration for their services

### **Coordination**

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

#### **Features of coordination:**

1. Integrates Group Effort:
2. Ensures unity of action
3. It is a Continuous Process
4. It remains the function and responsibility of every manager

#### **Importance of coordination**

1. Ensures unity of action

2. Erases interdepartmental conflicts
3. Promotes harmonious implementation of plans
4. Helps in maintaining a high degree of morale amongst employees

1. Multiple choice Questions(MCQ) (1 mark)

1. Which is not a function of Management of the following?
  - a. Planning
  - b. Controlling
  - c. Cooperating.
  - d. Staffing.
2. Setting Objective is a function of:-
  - a. Middle level management
  - b. Operational level management
  - c. Top level Management
  - d. None of the above
3. Which one of the following sequence of process of management is correct:
  - (a) Planning, Controlling, Organising, Staffing
  - (b) Staffing, Planning, Organising, Controlling
  - (c) Planning, Organising, Staffing, Controlling
  - (d) Organising, Planning, Staffing, Controlling
4. Management ensures:
  - (a) Providing employment opportunities
  - (b) Maintaining profit
  - (c) Ensuring maximum utilisation of resources
  - (d) Control on cost
5. A manager obtains the required capital at 12% interest while the prevailing rate of interest happen to be 10%. How would you describe such a manager?
  - (a) Efficient
  - (b) Effective
  - (c) Efficient and Effective
  - (d) Inefficient
6. Whose specialty happens to be 'personal skill'?
  - (a) Profession
  - (b) Art
  - (c) Science
  - (d) None of these
7. At what level of management does the Chief Executive Officer operate?
  - (a) Top-level
  - (b) Middle-level
  - (c) Lower-level
  - (d) None of these

8. 'Thinking before doing', under which function of management is this performed?
  - (a) Controlling
  - (b) Directing
  - (c) Organising
  - (d) Planning
  
9. 'Arrangement of various resources for achieving Target, under which function of management is this performed'
  - (a) Controlling
  - (b) Directing
  - (c) Organising
  - d) Planning
  
10. Under what function of management does the 'corrective action' fall?
  - (a) Planning
  - (b) Organising
  - (c) Directing
  - (d) Controlling
  
11. Coordination is
  - (a) Function of management
  - (b) The essence of management
  - (c) an objective of management
  - (d) none of the above
  
12. Number of levels of management are:
  - (a) one
  - (b) two
  - (c) three
  - (d) four
  
13. Which of the following is true?
  - (a) Coordination is not equally important at all levels of management
  - (b) Coordination has no importance
  - c) Coordination is equally important at all levels of
  - (d) None of these
  
14. What out of the following has been called the essence of management?
  - (a) Communication
  - (b) Coordination
  - (c) Supervision
  - (d) Leadership
  
15. The following is not an objective of management
  - (a) Earning profits

- (b) growth of the organisation
- (c) providing employment
- (d) policy making

### **SHORT ANSWER TYPE QUESTION (3 MARKS EACH)**

1. Mega Ltd. manufactured water heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons behind the less revenues. After analysis, the company decided:

- To reduce the labour costs by shifting the manufacturing unit to a backward area where labour was available at a very low rate
- To start manufacturing solar water-heaters and reduce the production of electric water heaters slowly. This will not only help in covering the risks but also help in meeting other objectives.

a) Identify and explain the objectives of management discussed above.

2. Mr. Nithin Singhania's father has a good business of iron and steel. He wants to go to USA for his MBA but his father thinks that he should join the business. On the basis of emerging trends, do you think that Mr. Singhania should send his son to USA? Give any three reasons in support of your answer.

3. In order to achieve target production of 50,000 units per month, the Production Manager of Action Shoes Ltd had to operate on double shifts. Due to power failure most of the time, the manager was able to achieve the target, but at a production cost. In your point of view, what is lacking in management? Explain.

4. Various departments of Swift Automobiles Ltd have set up their own objectives without paying any interest to the organizational objectives.

a. Name the values which are ignored by the departmental heads.

b. What would be the impact of diverse objectives on the organization?

5. Mr. Amol passed his B.Sc (Non-medical) examination in the year 2014. After this he successfully ran the business of his father. Suddenly he thought of seeking employment. He got the job of a finance manager in a company on the basis of his knowledge, experience and proficiency. He is doing his job successfully.

i. Is the appointment of Mr. Amol as a manager valid?

ii. Was not it necessary for him to do M.B.A or some other course for this job?

### **SHORT ANSWER TYPE QUESTION (4 MARKS EACH)**

1. Management provides judgments and vision. Explain
  
2. Unique Ltd. is engaged in manufacturing electrical appliances. The company has been facing a lot of problems for the last few months because of chaos between two departments i.e., Production department and Sales department. The sales department blames production department for delayed production. However, the production department blames sales department for poor sales. The force that integrates the two departments is missing.
  - a. Identify the missing force in the above case and list its two characteristics.
  - b. List any two values which can be cultivated among the employees by using the force identified in(a)
  
3. Why is management considered as a multifaceted concept?
  
4. State any four functions of Operational Level of management
  
5. Kayco Ltd is manufacturing detergents. They decide to launch a new range of herbal products. As they in a hurry, they have tested products on animals only. The necessary information is missing on the package. The management also plan to launch a new factory in a tribal area where the required products are available for work at low wages in the absence of development opportunities and school
  - (a) Which responsibility of management do you disturbing in the above para?
  - (b) Will the decision to install a new unit in a tribal area helpsociety?

### **5 / 6 MARKS QUESTIONS**

1. B Real Alliance Ltd is a wellknown cement company in India. It is able to earn adequate revenues to cover costs. Its capital base, number of employees and production turnover has increased manifolds over the years. The rate of profitability of the business is also creditable. The employees of the company are happy and satisfied with their remuneration, working conditions, promotion policy etc. As a part of its moral obligation, the company has taken many initiatives for providing employment to specially abled persons and promoting literacy in the villages adopted by it.

In the context of the above case:

  - a. Identify and explain the various types of objectives of management being fulfilled by

Real Alliance Ltd by quoting lines from the paragraph.

b. List any two values that Real Alliance Ltd. wants to communicate to the society.

2. Ajay and Sanjay are childhood friends. Sanjay had lost his right hand in an accident in childhood. They meet after a long time in a restaurant. On being asked, Sanjay tells Ajay that he feels very discontented in managing his family business after the death of his father as it does not match with his areas of interest. Ajay knows that Sanjay possess extraordinary skills in management although he hasn't acquired any professional degree in management. Therefore, he asks Sanjay to wind up his business in India and join him in his hotel business in Dubai as an Assistant Manager in Sales and Marketing Division.

In context of the above case:

a. Can Sanjay be deployed at the post of Assistant Manager in Sales and Marketing Division though he hasn't acquired any professional degree in management? Explain by giving suitable justifications in support of your answer.

3. Ramanuja joins an IT firm as a system analyst after completing his masters in Computer Science. As the nature of his work demands he has to work in very close coordination with all the departmental heads in the firm, very soon Ramanuja realizes that each departmental head has its own individual style of working. They differ greatly in their day-to-day approach to work. They tend to deal with a given situation, an issue or a problem through a combination of their own experience, creativity, imagination, initiative and innovation.

In the context of the above case:

Identify and explain the nature of management highlighted in the above case

4. Kartik joins a garment factory as a plant supervisor in Lucknow. He observes that the output of some workers is very low as compared to the standards set for their performance. On analyzing the reasons for the same, he finds out that a lot of time of the workers is wasted in getting the requisite materials issued from the store. Whereas on asking, the store keeper complaints that there is no harmony in the working of the production department as a whole. Every day the workers approach him at the last minute to procure different kinds of threads, laces, mirrors, buttons etc. If it is not available in the store then he has to place an order with the purchase officer. As a result, a lot of time of the workers is wasted. So, in order to integrate the various production activities, henceforth, Kartik ensures that the store keeper is informed well three days in advance about the requisite material. Consequently, the store keeper is able to keep them materials ready for the worker sever y morning in accordance with their requirements.

In context of the above case:

- a. Identify and explain the quality of management that Kartik has introduced in the working of the production department as a corrective measure to control the output of the workers.
- b. State briefly any two points highlighting the importance of quality of management identified in part a

5. Jayant is working as Head Relationship Manager in the wealth management division of a private sector bank. He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives. A typical day at work in Jayant's life consists of a series of interrelated and continuous functions. He decides the targets for his department which are in line with the objectives of the organization as a whole. The future course of action for his team members is laid out well in advance.

The various resources required by the relationship managers like and iPad with GPS system, account opening forms, brochures, details of account holders etc. are made readily available to them. The executives are given sufficient authority to carry out the work assigned to them. Jayant works in close coordination with the Human Resource Manager in order to ensure that he is able to create and maintain a satisfactory and satisfied workforce in his department. Through constant guidance and motivation, Jayant inspires them to realize their full potential. He offers them various types of incentives from time to time keeping in view their diverse individual needs. Moreover, he keeps a close watch on their individual performance in order to ensure that they are in accordance with the standard set and takes corrective actions when ever needed.

In context of the above case:

- a. Identify the concept being referred to in the following line, "He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives."
  - b. Identify and describe the various functions of the concept as identified in part (a) of the question by quoting lines from the paragraph.
6. "In the absence of management, all the resources of an organization remain only as resources and never become production". Explain the importance of management in the light of this statement.

### ANSWER KEY (EXPECTED ANSWER)

Q	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Ans	C	C	C	C	B	B	A	D	C	D	B	C	C	B	D

### SHORT ANSWER TYPE QUESTION (3 MARKS EACH)

1. Explanation of Social Objective. Any Three points.
2. Management as a profession. Explanation.
3. Efficiency. Explanation.



4. Multiple Objectives of Management--- Explanation Point Wise.
5. Valid. Management is not fully Profession. Explanation Point Wise with reasons.

***SHORT ANSWER TYPE QUESTION (4 MARKS EACH)***

1. Importance / significance of management.
2. Co-ordination and its characteristics. Explain point wise.
3. Management is Multidimensional. Explain point wise.
4. **Lower** Level of management. Explain its Functions.
5. Social Responsibility of business. Explain.

***LONG ANSWER TYPE QUESTION (5/6 MARKS EACH)***

1. Multiple objectives of Management. Explain point wise.
2. Management as a profession Explanation.
3. Management as an science and management as an Art.
4. Co ordination its importance. Explain Point Wise.
5. Importance/Significance of Management.

## Unit- 2 : PRINCIPLES OF MANAGEMENT

### Summary of the Chapter

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

#### **Nature**

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

#### **Significance**

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

#### **Fayol's principles of management-DAD U C USSR? O I SEE**

- (1) **Division of work:-** work should be divided into small tasks / jobs; each performed by a specialist or trained employee.
- (2) **Authority and responsibility:-** 'authority' means the right to give orders and obtain obedience 'responsibility' means obligation to perform the job assigned on time. Fayol suggested that there must be a balance between authority and responsibility.
- (3) **Discipline:-**it means obedience to organizational rules and employment agreement.
- (4) **Unity of command:-**an employee should receive orders / instructions from one and only one boss or superior.
- (5) **Centralisation and decentralisation:-**the concentration of decision-making authority by top management is called centralisation, whereas delegation of authority throughout all the levels of the organisation is called decentralisation. There should be a balance between centralisation and decentralisation.
- (6) **unity of direction:-**all the units of an organisation should be moving towards the same objectives through coordinated and focused efforts.
- (7) **Subordination of individual interest to general interest:-** the interest of the organisation should supersede the interest of any one individual employee.
- (8) **Scalar chain:-** the formal lines of authority from highest to lowest rank are known as 'scalar chain' suggests that communication from top to bottom should follow the official lines of

command. Gang plank is a shorter route and has been provided so that communication has not delayed.

- (9) **Remuneration of employees:-** remuneration of employees should be just and equitable to provide maximum satisfaction to the employees as well as employer.
- (10) **Order:-** it means –There should be a fix place for every person and everything in the organization and each person and everything should be at its definite place.
- (11) **Initiative:** - employees should be encouraged to make and execute plans within the prescribed limits of authority
- (12) **Stability of personnel:** - employees should not be moved from their positions frequently, they should be given reasonable time to show results.
- (13) **Equity:-** the principles of ‘equity’ emphasizes kindness and justice in the behaviour of managers towards workers, i.e., no discrimination on account of sex, caste, language, etc.
- (14) **Espirit de corps:-**Fayol emphasises the need for team work, spirit of unity and harmony among employees.

### *Scientific Management: Principles and Techniques*

## **SCIENCE leads to DEVELOPMENT by HARMONY and COOPERATION**

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

### **Principles**

1. **Science, not rule of thumb** – Taylor believed that there was only one best method to maximize efficiency, which can be developed through scientific study.
2. **Harmony, not discord:** There should be complete harmony between the management and workers.
3. **Cooperation, not individualism:** every employee should work in the organisation with full cooperation not for individual interest only.
4. **Development** of each and every person to his/her greatest efficiency and prosperity: Each person should be scientifically selected. They should be given required training to learn best method.

### **TAYLOR'S Techniques OF SCIENTIFIC MANAGEMENT**

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## **ACRONYM-My Sweet Simple Mother and Father Taught Taylor's Different Functions**

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

### **Standardisation and simplification of work**

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

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

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

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

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

**Planning department** with Instruction card clerk, route clerk, time and cost clerk and discipline officer

**Production department:** Gang boss, speed boss, repair boss and Inspector

### MCQ (1 mark)

1. Who is the considered as the father of Scientific Management?

- a) Henry Fayol
- b) Gilberth
- c) F W Taylor
- d) Harold Koontz

**Ans : c) F W Taylor**

2. Who is known as father of General Management?

- a). Henry Fayol
- b) Gilberth
- c) F W Taylor
- d) Harold Koontz.

**Ans : a) Henry Fayol**

3. Harmony Not discord principle is concerned with\_\_\_\_\_

- a) Management should share the gain of the company with workers
- b) Investigation of Task
- c) Scientific inquiry
- d) Observation and Analysis. Ans: a)Management should share the gain of the company with workers

4. Unity of Direction is concerned with\_\_\_\_\_

- a) One head one plan
- b) One head different plans
- c) Planning by employee
- d) Planning by production manager

**Ans: a). One head One Plan**

5. Espirit De Corps mean\_\_\_\_\_

- a) Gang plank
- b) Gang boss
- c) Order
- d) Union is strength.

**Ans:d) Union is Strength**

6. Gang plank is concerned about \_\_\_\_\_

- a) Contact not allowed
- b) Indirect contact
- c) Direct contact
- d) Contact before application.

Ans. C) Direct Contact

7. Which of the following is not considered with F W Taylor?

- a) Method Study
- b) Motion Study
- c) Time Study
- d) Scalar chain

Ans: d) Scalar Chain

8. Functional foremanship is concerned with\_\_\_\_\_

- a) Marketing
- b) Division of work
- c) Insurance
- d) Gang plank

Ans: b) Division of Work

9. The main objective of functional foremanship is \_\_\_\_\_

- a) Not to provide free time to workers
- b) Separate planning functions from executive functions
- c) To separate top level management from CEO
- d) Not to divide the work.

Ans: b) Separate planning functions from executive functions

10. The main objective of the motion Study is\_\_\_\_\_

- a) To provide more work to the workers
- b) To separate planning functions with other functions
- c) To eliminate unproductive movement
- d) To study standard time.

Ans. c) To eliminate unproductive movement

11. Science not rule of thumb principle is given by\_\_\_\_\_

- a) Henry Fayol
- b) L M Prasad
- c) F W Taylor
- d) L H Haney.

Ans . c) F.W.Taylor

12. What is the main motive of Fatigue Study?

- a) Calculation of standard time
- b) Calculation of standard output
- c) Calculation of frequent rest interval to be given to the employees
- d) Direct contact.

Ans: c ) Calculation of frequent rest interval to be given to the employees

13. Which principle of management discuss about route clerk and gang boss?

- a) Equity
- b) Order

- c) Functional Foremanship
- d) Motion study.

Ans. c ) Functional Foremanship

14. Principle of Order is concerned with \_\_\_\_\_

- a) Orderly arrangements of various resources
- b) Giving order to employees
- c) Receiving order from top level
- d) None of the above.

Ans. a) Orderly arrangements of various resources

15. Which principle of management suggest the concept of replacing I with we.

- a) Order
- b) Equity
- c) Espirit De Corp
- d) None of these.

Ans:c ) Espirit De Corp

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

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

Ans. Principle of initiative.

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

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

Q3. What is the objective of standardization?

Ans. To increase the efficiency of workers

Q4. What is meant by ‘mental revolution’ according to Taylor?

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

Q5. Which principle of management envisages that each group of activities having the same objectives must have one head and one plan? Explain the principle with a suitable example.

Ans. Unity of Direction.

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

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

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

Ans. Functional Foremanship.

Q8. What is the objective of method study ?

Ans. To find out ‘one best way’ of doing job.

Q9. What is the objective of ‘Time Study’?

Ans. To determine the standard time required to perform a certain job so as to fix a fair day’s work for the workman.

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

**Q1.** The directors of Bhupender Ltd. an organisation manufacturing computers want to double the sales & have given this responsibility to their sales manager. The sales manager has no authority either to increase the sales expenses or appoint new salesman. Hence he could not achieve this target. Is the sales manager responsible for not achieving the target? Explain in brief, the relevant principle in support of your answer.

**Ans.** No, the sales manager is not responsible because he has no authority either to increase the sales expenses or appoint new salesmen. In this case, the principle of 'Parity of Authority and Responsibility is violated'.

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

**Q2.** Sita and Geeta are typists in a company having same educational qualifications. Sita is getting Rs. 3000 per month and Geeta Rs. 400 per month as salary for the same working hours. Which principle of management is violated in this case? Name and explain the principle.

**Ans. Principle of Equity.**

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

**Q3.** The production manager of Bharat Ltd. instructs a salesman to go slow in selling the product, whereas the marketing manager is insisting on fast selling to achieve the target. Which principle of management is being violated in this case? State the consequences of violation of this principle.

**Ans.** Unity of Command

Consequences of Violation:-

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

- i) authority is undermined
- ii) discipline and order is disturbed
- iii) stability is threatened
- iv) conflict among superiors
- v) loyalty of employee is divided
- vi) employees will remain in confusion regarding whose tasks to be done. He will have option for excuses.

**Q4.** If an organization does not provide the right place for physical & human resources in the organization, which principle is violated? What are the consequences?

Ans. Principle of order, Consequences:

1. Violation of material order leads to wasteful movement of materials & tools.
2. If social order is violated, it may not be easy to contact the needed employee.

Q5. Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both are working hard and happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew it. At the time of performance appraisal Nikita was judged better than Salman. Even then their boss, Mohammad Sharif decided to promote Salman stating that being a female Nikita will not be able to handle the complications of higher post.

- i) Identify and explain the principle of management which was not followed by this company.
- ii) Identify the values which are being ignored by the company.

Ans. (a) The principle violated is equity. It advocates that there should be no discrimination against anyone on account of sex, religion, language, caste, belief and nationality etc. it emphasizes kindness and justice in the behaviour of manager towards their workers to ensure loyalty and devotion.

(b) The values which are being ignored are:

- (i) Good human behaviour because 'Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss.'
- (ii) Gender equality because 'their boss decided to promote Salman stating that being a female Nikita will not be able to handle the complication of higher post.'

Q6. Explain the following principles of management given by Fayol.

- (a) Unity of command
- (b) Order

Ans. (a) Unity of command

- There should be one and only one boss for every individual employee.
- If an employee gets order from two superior at the same time, the principle is violated.
- Consequences of violation: authority is undermined, discipline is in jeopardy, order is disturbed, and stability is threatened.

(b) Order

- People and material must be in suitable places at appropriate time for maximum efficiency.
- It means 'a place for everything (everyone) and everything (everyone) in its (his/her) place' ie. orderliness.
- **Benefits of the principle:** no hindrance in the activities of business, increased productivity and efficiency.

Q7. The production manager of an automobile company asked the foreman to achieve a target production of 200 scooters per day. But he did not give him the authority to requisition tools and materials from the stores department. Can the production manager blame



foreman if he is not able to achieve the desired target? Explain briefly the principle relating to the situation.

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

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

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

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

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

(b) Values which the company wants to communicate with society

- Good behavior in human interaction. Concern for the environment.

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

Q1. Explain the nature of management principles.

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

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

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

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

(iv) **Flexible:** They are flexible i.e. they can be modified by the managers according to a given situation.

(v) **Mainly behavioral:** They are mainly behavioral in nature since they are devised to influence human behaviour.

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

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

Q2. Explain the importance of management principles.

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

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

various situations more objectively.

- (ii) **Optimum Utilization of Resources and effective administration:** Management principles help in organizing various activities in such a way that results in elimination of unwanted activities and consequent wastage. Management principles help in managing organizations effectively. For example, Unity of Command helps to avoid confusion and conflicts. Unity of direction ensures unity of actions to facilitate coordination.
- (iii) **Scientific decisions:** They help the managers in taking the decisions based on the objective assessment of a situation. Thus decisions taken are logical and free from any bias and prejudice.
- (iv) **Meeting changing environment requirements:** Though the principles are only guidelines for action yet they can be modified according to the need of changing situations. Thus principles of management help in meeting changing requirements of the environment.
- (v) **Fulfilling social responsibilities:** Principles of management have been devised in such a way that they help in fulfilling social responsibilities.
- (vi) **Management training, education and research:** Principles of management are the fulcrum of management theory so that they are used as a basis for management training, education and research.

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

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

1. It establishes better relations between labour and management.
2. Profit is increased many times due to effective integration of right men, materials, money and method.
3. The use of standardized raw materials, equipments, machines and method produce standard article at minimum possible price.
4. It enables the management to reduce the cost of production
5. It helps in providing better working condition and higher standard of living.

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

- I. Which aspects of management of company is lacking? What will be impact on the organization?
- II. Identify the principle of management which has been overlooked by the organization.
- III. State any two value which is neglected by the people of organization.

Ans. I. The company is lacking 'coordination'. Its different department like production, marketing, etc. do not coordinate this work in absence of coordination; these will be

overlapping and chaos instead of harmony and integration of activities. The company will fail to achieve its objectives.

II. Subordinate of individual interest to general interest.

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

# Unit - 3 : BUSINESS ENVIRONMENT

## Summary of the Chapter

### Meaning of Business Environment

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

### Features of Business Environment-Disturb C

1. **D**-Dynamic Nature
2. **I**-Inter-relatedness
3. **S**-Specific and general forces
4. **T**-Totality of external forces
5. **U**-Uncertainty
6. **R**-Relativity
7. **C**-Complexity

### Importance of business environment

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

### Elements or Dimensions of Business Environment

#### 1. **S- Social Environment**

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

#### 2. **T- Technological Environment**

Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

For Example:- recent technological, advances in computers and electronics have modified the ways in which companies advertise their product

#### 3. **E-Economic Environment**

**Interest rates , inflation rates, change in income of the people, stock market and the value of rupee are some of the economic factors that can affect management practices in a business enterprise**

#### 4. P-Political Environment

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

#### 5. L-Legal Environment

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

#### Impact of Government Policy changes on Business and Industries

- 1) Increasing **competition**
- 2) More **demanding customers**
- 3) Rapidly changing **technological environment**
- 4) Necessity for **change**
- 5) Need for developing **human resource**
- 6) Market orientation
- 7) **Loss of budgetary support** to the public sector

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

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

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

**Demontisation** is the act of removing a currency unit of its status as Legal Tender.

#### Features of Demontisation

1. It is viewed as a Tax Administration Measure.
2. It has indicated that Tax Evasion will no longer be tolerated.
3. It led to channelizing savings into the formal financial system.
4. It aims to create a less-cash or cash-lite economy.

**Impact of Economic Reforms on the Business :** The impact of economic reforms on the business are :

1. **Increasing Competition :** Deregulation and liberalized entry of foreign firms increased the competition for Indian firms.
2. **More Demanding Customers :** As the customers are now well-informed and increased competition in the market has created buyer's market.
3. **Rapidly changing Technological Environment:** Increased competition has made it compulsory for Indian firms to adopt the latest technology.
4. **Necessity for change :** After economic reforms, enterprises have to continuously modify their operations as market forces have become turbulent.

5. **Need for Developing Human Resource** : As new market conditions require people with higher competence and greater commitment.
6. **Market Orientation**: With increase in competition and consumerism, firms have shifted to market oriented approach.
7. **Loss of Budgetary Support to the Public Sector** : Due to decrease in role of public sector, Government has also reduced the financial support to them.

**MCQ (1 mark)**

**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 best indicates the importance of business environment?**

- (a) Identification (b) Improvement in performance  
(c) Coping with rapid changes (d) All of them

Ans: d) All of them

**3. Which of the following is an example of social environment?**

- (a) Money supply in the economy (b) Consumer Protection Act  
(c) The Constitution of the country (d) Composition of family

Ans: d) Composition of family

**4. Liberalisation means**

- (a) Integration among economies  
(b) Reduced government controls and restrictions  
(c) Policy of planned disinvestments  
(d) None of them

Ans: b) Reduced government controls and restrictions

**5. Which of the following does not explain the impact of Government policy changes on business and industry?**

- (a) More demanding customers (b) Increasing competition  
(c) Change in agricultural prices (d) Market orientation

Ans: c) Change in agricultural prices

**6. Business environment is a group of \_\_\_\_\_ powers.**

- (a) Special (b) General  
(c) Internal (d) Special and General

Ans: d) Special and General

**7. Which factor is not included in Macro Environment?**

- (a) Economic Environment (b) Competitors  
(c) Social Environment (d) Political Environment

Ans: b) Competitors

Which factor is not included in Internal Environment?

- (a) Objective (b) Policies  
(c) Public (d) Production-Method

Ans: c) Public

**8. The entry of the multinational companies in large numbers in the Indian market has created \_\_\_\_\_.**

(a) Huge Demand (b) Huge Supply

(c) Tough Competition (d) Huge Demand and Supply      Ans: c) Tough Competition

9. Reducing the role of Public Sector and increasing the role of Private Sector **fall under**\_\_\_\_\_.

(a) Liberalisation (b) Privatisation

(c) Liberalisation and Privatisation (d) Globalisation      Ans: b) Privatisation

10. Under\_\_\_\_\_the Reserve Bank keeps control on the money supply in order **to achieve the objectives of the general economic policy.**

(a) Fiscal Policy (b) Monetary Policy

(c) Trade Policy (d) Industrial Policy      Ans: b) Monetary Policy

11. The income and expenditure policy of the government is called\_\_\_\_\_.

(a) Fiscal Policy (b) Industrial Policy

(c) Trade Policy (d) Monetary Reforms      Ans: a) Fiscal Policy

12. In all the countries there is a free-flow of goods and services under which of **the following does it come?**

(a) Liberalisation (b) Privatisation

(c) Liberalisation and Privatisation (d) Globalisation      Ans: d) Globalisation

13. Which of the following deals with the process of simplification of Import-**Export?**

(a) Liberalisation(b) Privatisation

(c) Liberalisation and Privatisation (d) Globalisation      Ans: a) Liberalisation

14. With the introduction of Photostat Machines in the market, the carbon paper **industry was adversely affected. Which component of environment was responsible for it?**

(a) Economic      (b) Political

(c) Technical      (d) All the above      Ans: c) Technical

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

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

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

Ans: Economic Environment

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

Ans: Social Environment

Q4. “The understanding of business environment enables the firm to identify opportunities”. What is meant by opportunities here?

Ans: Opportunities here refer to the favorable condition in the organization environment.

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

Ans. This is the effect of Legal environment

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

Ans. Liberalization

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

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

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

Two examples protecting ‘consumer’s interests’ are:

- (i) Advertisement of alcoholic beverages is prohibited.
- (ii) Packets of cigarettes should mention the statutory warning ‘Cigarette smoking is injurious to health’.

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

- Ans
1. Social environment: It includes social forces like custom and tradition, values, social trends and society’s expectation from business.
  2. Technological environment: It includes forces relating to scientific improvement and innovation which provide new ways of producing goods & services and new methods and techniques of operating a business.

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

Ans: Business environment includes both specific forces (investors, customers, competitors and suppliers) and general forces (economic, social, political, legal and technological conditions). Specific forces affect an individual firm directly and immediately in its day-to-day working while general forces have impact on all business firm and thus may affect an individual firm only indirectly.

Q4. The understanding of business environment enables the firm to identify opportunities and threats. What do opportunities and threats means here?

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



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

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

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

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

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

Ans: Dimensions of business environment:

- (1) Economic environment: customer income is rising.
- (2) Social environment: people have developed a taste for better quality product even though they may have to pay more.
- (3) Political environment: the government permitted cent per cent foreign direct investment in some sector of retailing.

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

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

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

- (1) It helps in assisting in planning and policy formulation.
- (2) It helps the firm to identify opportunities and get the first mover advantage.
  - (a) His business started flourishing in India.
- (3) It helps in improving performance.
  - (b) Now more Indian companies entered into the market with different subject also.
- (4) It helps the firm to identify threats and early warning signals.

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

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

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

*Long Answer Questions (5-6marks)*

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

- (a) State the importance of business environment highlighted quoting the line from the above case.
- (b) Identify any two dimension of business environment mentioned in above case by quoting line from it.
- (c) State any two values which have been overlooked by the company?

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

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

(b) (1) Social environment

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

(2) Legal environment

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

(c) Values overlooked:

- \* Environment protection
- \* Concern for human life
- \* Respect for law and order
- \* Social responsibility

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

etc. Identify any two features a business environment by quoting the lines from the above case.

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

Ans (a) Features of business environment:-

- (1) Dynamic nature–Fashion and taste of the consumer is changing at a fast pace.
  - (2) Uncertainty-It is very difficult for the company to predict future happening.
  - (3) Complexity – It is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factor on decreasing in demand of its products in the market.
- (b) Top level management
- (c) Impact of government policy change in business
- (1) Increasing competition – New competitors have entered the market with new design.
  - (2) More demanding customer- Customer demand is increasing.
  - (3) Market orientation – It was decided that they would study and analyse the market first to identify customer taste and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising after sale service etc.
- (d) Business environment helps the manger in coping with rapid changes.

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

Ans. Importance of business environment:

1. Identify opportunities and get first mover advantage: Early identification of opportunities help the firm to be the first to exploit them instead of losing them to competitors.
2. Identify threats and early warning signals: Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.
3. Tap useful resources: A business firm assembles various resources called inputs like finance, machines, raw materials, power and water, labour, etc. from its environment.
4. Assist in planning and policy formulation: Since business environment provides both opportunities and threats for the firm, its understanding and analysis can be the basis for planning and policy formulation.
5. Helps in coping with rapid changes: Managers must understand and examine the environment and develop suitable courses of action to cope with rapid change in

business environment.

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

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

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

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

- Ans. (1) Legal environment: The court passed an order that all schools must have water purifier for the school children.
- (2) Social environment: Society in general is more concerned about quality of life.
- (3) Technological environment: Innovative techniques are being developed to manufacture water purifier at competitive rate.
- (4) Economic environment: Income is rising and children at home are also drinking purified water.
- (5) Political environment: The government is also showing positives attitude towards the water purifier.

Q6. The court passed an order to ban polythene bags as

- (i) The bags are creating many environment problems which affect the life of people in general.
- (ii) Society in general is more concerned about quality of life.

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

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

- Ans: (1) Legal environment: The court passed an order to ban polythene bags.
- (2) Social environment: The bags are creating many environmental problems which affect the life of people in general. Social in general is more concerned about quality of life.
- (3) Political environment: The government decided to give subsidy to jute industry to promote this business.
- (4) Technological environment: Innovative techniques are being developed to manufacture jute bags at low rates.
- (5) Economic environment: Incomes are rising and people can afford to buy these bags.

Q6. Give the meaning of Demonetisation. Explain the features of it.

Ans: It is the act of removing a currency unit of its status as Legal Tender.



# Unit- 4 : PLANNING

## Summary of the Chapter

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

### Features of Planning:

#### DCP OF MP

1. D- Decision making
2. C-Planning is continuous process
3. P-Planning is pervasive
4. O- Objective achievement
5. F-Planning is Futuristic
6. M-Planning is a mental exercise
7. P- Planning is Primary function

#### Importance/benefits of planning

##### (DRSODI)

1. D-Planning provides direction
2. R-Planning reduces the risk of uncertainty
3. S-Establishing standard of controlling
4. O- Reduces overlapping
5. D-decision making
6. I- Promotes Innovative Ideas

### Planning process/steps involved in planning: SP-ICS-F

S- Setting objectives

?

P-Developing the planning premises

?

I-Identifying alternative courses of action

?

C-Evaluating alternative courses

?

S-Selecting an alternative

?

I-Implement the plan

?

F-Follow Up of action

## Limitations of planning: NCR-DTC

**N- No guarantee of success:** For achieving success management has to properly draw and implement plans. Plans are required to be put into action. There is no guarantee that previously tried and tested plans will lead to success.

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

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

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

**T- Time consuming process:** planning is a blessing in facing a definite situation but because of its long process , it cannot face sudden emergencies. Thus planning is time consuming and it delay action.

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

## Types of plan

(i) Single use plan

(ii) Standing plan

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

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

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

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

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

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

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

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

## MCQ (15 QUESTION)

1. Rearrange the steps in the decision-making process logically.

- A. Identification of a problem
- B. Identification of decision criteria
- C. Allocation of weights to criteria

- D. Development of alternatives
- E. Analysis of alternatives
- F. Selection of an alternative
- G. Implementation of the alternative

- a. GFEDCBA
- b. CDBAFEG
- c. ABCDEFG
- d. GCDABEF

Ans: c) ABCDEFG

2. State true or false

i. Managers when plan, organise, lead and control are called decision makers.

- a. True
- b. False

Ans. a) True

3. Which of the following is an assumption of rationality to rational decision making?

- a. Preferences are clear
- b. Final choice will maximize pay off
- c. The problem is clear and unambiguous
- d. All of the above

Ans:d) All of the above

4. Is accepting solutions that are "good enough".

- a. Bounded rationality
- b. Satisfying
- c. Escalation of commitment
- d. None of the above

Ans: b) Satisfying

5. Making decisions on the basis of experience, feelings and accumulated judgement is called as \_\_\_\_

- a. Decision making
- b. Structured problems
- c. Intuitive decision making
- d. None of the above

Ans: c) Intuitive decision making

6. Which software provides key performance indicators to help managers monitor efficiency of projects and employees?

- a. Management Information System
- b. Business Performance Management
- c. Enterprise Application Software
- e. Online analytical Processing

Ans: b) Business Performance Management



7. \_\_\_\_\_ is a rule of thumb that managers use to simplify decision making.  
a. Sunk costs   b. Framing   c. Heuristics   d. None of the above

Ans: c) Heuristics

8. State true or false.

Availability bias is when decisions makers tend to remember events that are most recent.

- a. True  
b. False

Ans: a) True

9. Which of the following quality a manager must possess to succeed in planning?

- (a) Reflective Thinking  
(b) Imagination  
(c) Farsightedness  
(d) All of these

Ans: d) All of these

10. Plan which is firstly discussed in business plan is mostly

- a. marketing plan  
b. financial planning  
c. personnel plan  
d. production plan

Ans: a) Marketing plan

11. First step in planning process is to

- a. setting an objectives  
b. Evaluate alternative  
c. Determine strength and weakness  
d. None of the above.

Ans: a) Setting an objectives

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

- Q 1. How does planning provide direction?

Ans: Planning provide directions by stating in advance what to do, how to do, when to do, and who is to do it.

- Q2. The planning function of management is conducted at which level of management?

Ans: At all Three Levels.

- Q3. One of the functions of management is considered as a base for all other functions. Name that Function.

Ans: Planning.

- Q4. A company needs a detailed plan for its new project- construction of shopping mall. What

type of plan is it?

Ans: Programme.

Q5. In which type of plan the sequence to perform a job is determined?

Ans: Procedure.

Q6. Which plans suggest action and non-action of employees?

Ans: Rules

Q7. “No Smoking “: the statement is related to which type of plan?

Ans: Rule.

Q8. Mc Donald does not give its franchise to any other company which is running food business. This is related to which type of plan?

Ans: Policy

Q9. What is meant by single use plan?

Ans. It is a plan developed for a one-time event or project.

Q10. What is meant by standing plan?

Ans. It is used for activities that occur regularly over a period of time.

### Short Answer Questions (3-4 marks)Q

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

Basis	Objective	Strategy
Meaning	Objectives are an end-point which to has to be achieved.	Strategies are comprehensive plans achieve oraganizational obiectives.
Natur	Flexible, changes with availability of resources. Relevant resources.	Flexible, identifies required
Objective	Determined by the top management to alian all departments accordinalv.	A department prepares it as per top managaement.
Scope	Scope is wide as it covers all other plans like policies, strategies, etc., and covers overall business	Scope Limited to particular departments or business

2. How does planning restrict creativity?

Ans. Planning in an activity which is done by top management usually the rest of the organisation just implements these plans. The result is that middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. Thus planning restricts creativity.

Q3. State how planning leads to rigidity?

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

Q4. Planning provide directions and reduces the risk for uncertainty. Explain?

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

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

Q 5. Planning facilitates decision-making and establishes standards for controlling. Explain how?

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

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

Explain any two limitations of planning highlighted in the above case. Also, quote the lines from it.

Ans. (i) 'XYZ ltd. has devoted a lot of time and money to its plan.'

Planning is a time consuming process. It also involves huge costs.

(ii) 'The competition starts increasing, so it could not change its plan to beat its competitors because huge amount of money had already been devoted to the pre-decided plan.'

Planning leads to rigidity. Following a pre-decided plan, when circumstance change, may not turn out to be in the organisation's interest.

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

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

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

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

- (a) Identify and state the concept of management discussed in the above para.
- (b) State the characteristics /feature of business environment highlighted in the above para.

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

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

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

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

- (a) Name the function of management being discussed above and give any of its characteristic.
- (b) Discuss any three limitations of the function discussed in the case.

Ans. (a) Planning

#### **Characteristic of planning**

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

#### **(b) Limitations of planning**

- (i) Planning leads to rigidity-once a well-defined plan is drawn, managers may not be able to change it. They do not have flexibility to be able to cope with the changed circumstances.
- (ii) Planning reduces creativity – planning is done by top management. Middle and

lower management neither allowed to deviate from plans nor are they permitted to act on their own. They only carry out orders. Thus, much of the initiative or creativity inherent in them gets lost or reduced.

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

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

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

Ans. The different types of plans are:

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

An objective is the end which the management seeks to achieve within a given time period.

- (ii) Policy-'It was decided that raw material like flour, sugar, salt etc. will be purchased on two month credit'.

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

- (iii) Procedure 'He also decided follow the steps required for marketing the products through his own outlets'.

OR

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

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

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

OR

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

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

- (iv) Rule:- ' while working on the production table a penalty of Rs. 150 per day was

announced for not wearing the helmet, gloves and apron by the worker.’

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

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

- (i) To increase the working hours of labourers without additional payment.
- (ii) To employ children from the local community.
- (iii) To sell its product outside the school and colleges.

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

- (a) Identify the function of management described in the above para.
- (b) State the steps of the process involved in the function of management identified in (a) quoting the lines from the above para.
- (c) State any two values neglected by the organization.

Ans. (a) Planning.

(b) Steps involved in planning process:

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

(c) Values neglected:

- Child labour is banned.
- Bad effect on student’s health.
- Moral values.

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

- (a) What characteristic features of business environment are highlighted in the above lines? State any two.
- (b) State and explain the limitation of planning highlighted in the above lines.
- (c) Identify any two types of plans mentioned in the above para by quoting the lines from it.

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

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



# Unit- 5 : ORGANISING

## Summary of the Chapter

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

### **Organising Process- IDAE**

1. I- Identification and Division of Work
2. D- Departmentation
3. A- Assignment of duties
4. E- Establishing reporting relationship.

### **Importance of Organising – BADO**

1. B-Benefits of specialization
2. A-Adaptation to changes
3. D-Development of Personnel
4. O-Optimum utilisation of resources

### **Types of organisation-**

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

### **Organisation Structures-**

1. Functional Structure–Created on the basis of different functions.

#### **Advantages of functional structure**

- Benefits of specialisation
- Coordination is Established
- Managerial Efficiency is Increased

#### **Disadvantages**

- Problem in coordination
  - Conflicts of interest
  - Less emphasis of overall objectives
2. Divisional Structure – Created on the basis of different products produced by business

#### **Advantages**

- Product specialization
- Easy to fix accountability



- It facilitate Expansion and Growth

### **Disadvantages**

- Increase in cost
- Ignore organizational interests

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

Elements-

1. Authority
2. Responsibility
3. Accountability.

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

### **Importance of decentralisation:**

- i) Relief to top management
- ii) Develops initiative among subordinates
- iii) Develops managerial talent for the future
- iv) Facilitates growth
- v) Quick decision making
- vi) Better control

### **MCQ QUESTIONS. (1 MARK)**

**1. Under what function of management the relationship between different posts (positions) is explained?**

- (a) Planning (b) Communication  
(c) Organisation (d) Supervision

**2. Where lies the need of organisation?**

- (a) In business organisation (b) In non-business organisation  
(c) In both (a) and (b) (d) No where

**3. Which organisation structure is consciously or deliberately established?**

- (a) Formal (b) Informal  
(c) Both (a) and (b) (d) None

**4. Which organisation structure is based on rules and procedures?**

- (a) Informal (b) Formal  
(c) Both (a) and (b) (d) None

**5. Which structure of organisation is helpful in locating the inefficient employees?**

- (a) Formal (b) Informal

(c) Both the above (d) None of the above

**6. Which organisation structure does not have duplication of work?**

- (a) Formal (b) Informal  
(c) Both (a) and (b) (d) None of these

**7. Which of the following is not the disadvantage of formal organisation?**

- (a) Lack of initiative (b) Delay in work  
(c) Lack of favoritism (d) Mechanical relationship

**8. In which organisation structure do we find “group norms”?**

- (a) Formal (b) Informal  
(c) Both (a) and (b) (d) None of these

**9. Which of the following is not an element of delegation?**

- (a) Accountability (b) Authority  
(c) Responsibility (d) Informal organisation

**10. A network of social relationship that arises spontaneously due to interaction at work is called:**

- (a) Formal organisation (b) Informal organisation  
(c) Decentralisation (d) Delegation

**11. Which of the following does not follow the scalar chain?**

- (a) Functional structure (b) Divisional structure  
(c) Formal organisation (d) Informal organisation.

**12. A tall structure has a**

- (a) Narrow span of management (b) Wide span of management  
(c) No span of management (d) Less levels of management

**13. Centralisation refers to**

- (a) Retention of decision making authority  
(b) Dispersal of decision making authority  
(c) Creating divisions as profit centers  
(d) Opening new centers or branches

**14. For delegation to be effective it is essential that responsibility be accompanied with necessary**

- (a) Authority (b) Manpower (c) Incentives (d) Promotions.

**15. Span of management refers to**

- (a) Number of managers  
(b) Length of term for which a manager is appointed  
(c) Number of subordinates under a superior  
(d) Number of members in top management

**16. The form of organisation known for giving rise to rumors is called**

- (a) Centralised organisation      (b) Decentralised organisation  
(c) Informal organisation          (d) Formal organization

**17. Grouping of activities on the basis of product lines is a part of**

- (a) Delegated organization      (b) Divisional organisation  
(c) Functional organisation      (d) Autonomous organization

**18. Grouping of activities on the basis of functions is a part of**

- (a) Decentralised organisation      (b) Divisional organisation  
(c) Functional organisation          (d) Centralised organization

Answers: 1. (c), 2. (c), 3. (a), 4. (b), 5 (a), 6. (a), 7. (c), 8. (b), 9. (d), 10. (b), 11. (d), 12. (a), 13. (a), 14. (a), 15. (c), 16. (b), 17. (b), 18. (c).

#### **VERY SHORT ANSWER QUESTIONS (1MARK)**

**Q1.** Define 'organizing' as a function of management.

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

**Q2.** Give two advantages of functional organization.

- Ans. a) Benefits of specialization  
b) Coordination is established

**Q3.** What is an organization chart?

Ans. Organization chart is a drawing which shows the relationship among the various posts established in the organization.

**Q4.** 'If we delegate authority, we multiply it by two; if we decentralize it, we multiply it by many.' Name the two concepts to which this statement is related.

- Ans. a) Delegation of authority  
b) Decentralization

**Q5.** How 'effective management' is possible through delegation of authority?

Ans) Because it reduces the work load of a manager.

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

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

Ans. Accountability

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

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

Ans. Informal organization

**Q8.** State the essence of authority.

Ans. Its essence is to get decisions implemented.

**Q9.** Informal organization is not deliberately created. Then how it is created?

Ans. It emerges out of mutual relations and tastes.

**Q10.** In order to successfully realize the objectives of an organization, first of all it is ensured that which activities will have to be performed. In the list of activities, all the activities, big or small, are included. But it is not possible to set up separate departments for all activities. Some similar activities are put together in same department. In the same way some necessary departments are set up. The reason for doing this is to exercise control over unnecessary administrative expenses.

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

Ans. Departmentalization

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

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

Identify the concept of management discussed above.

Ans. Decentralization

### **SHORT ANSWER QUESTIONS (3 / 4 MARKS)**

**Q 1.** State any three advantages of informal organization.

Ans. a) **Effective communication:** In the absence of any definite course, it is an effective system of communication. Messages can be quickly conveyed from one place to another with the help of this system

b) **Fulfils social needs:** People having similarity of thoughts and ideas form a group of their own. All the people in the group stand by one another in all the organizational or personal matters.

- c) Fulfills organizational objectives in informal organization, there is no pressure of formal organisation. In the informal organisation, the subordinates put their ideas before the superiors without any fear or hesitation. It helps the superiors to understand their difficulties and immediate solution of the problem is sought out.

Q 2. What is meant by Delegation? State any four points which highlight the importance of delegation in an organization.

Ans. Delegation of authority is the process of entrusting responsibility and authority, and creating accountability of the person to whom work or responsibility is handed over. Its importance are:

- a) Effective management: Delegation of authority reduces the work load of a manager. Managers who practice delegation of authority are definitely better decision makers than those who do not delegate authority.
- b) Motivation of employees :In the process of delegation of authority, both authority and responsibility are delegate to their subordinates. This situation provides liberty to work and take decisions on the part of subordinates. Through this; they exhibit their talent and skill.
- c) Facilitation of work: Delegation of authority does not develop only one person or division but facilitates the development of the organisation as a whole. As adequate number of able employees are available in an organization to take decisions expansion modernisation and diversification of a business can be done with full confidence.

Q 3. State any three characteristics of decentralization.

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

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

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

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

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

Q 5. 'Organization is a machine of management'. Comment.

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

Q 6. Give the meaning of 'divisional structure' of organizing. State its four advantages.

Ans. Divisional structure means division of the whole enterprise according to the major products to be manufactured by it. Its advantages are:

- a) Development of divisional heads: The head of each division looks after all the functions connected with their product. Hence, it helps in the development of varied skills in a divisional head.
- b) Quick decision making: Every division is independent in itself. The divisional manager can take any decision regarding his division independently without consulting others.
- c) Easy expansion: For every product, a separate division is opened. If a company wants to introduce a new product, it can be introduced easily without disturbing existing division.

Q 7. Decentralization is extending delegation to the lowest level. Comment.

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

Q 8. 'Formal organization Is impersonal while Informal organization is personal.'Clarify.

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

Q 9. Distinguish between Delegation of Authority and Decentralisation

Ans.

Basis	Delegation of Authority	Decentralisation
a) Meaning	Sharing of the task with the subordinate and granting authority in a prescribed limit by the superior is Delegation	The systematic delegation to the lowest level of management is called decentralization
b) Nature	It becomes compulsory in all the organizations as the complete task cannot be performed by the superior	It becomes compulsory in the large organisations
c) Freedom	Less freedom to the subordinate Final authority lies with the delegator	More freedom given to the subordinate.
inaction	Its purpose is reduction of workload of the	The purpose is expansion of the

### LONG ANSWER QUESTIONS (5/6 Marks)

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

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

- a) Ignorance of organizational objectives: Each departmental head will work according to his sweet will. They always give more importance to their department objectives. Hence organisational objectives suffer.
- b) Difficulty in inter departmental coordination: All departmental heads may work as per their own wish. No doubt this facilitates coordination within the department but it makes inter departmental coordination difficult
- c) Conflict of interest: Every departmental head wants to become a functional empire. To satisfy their ego, every one demands maximum resources in their department. This situation leads to conflicts among different departmental heads.
- d) Hurdle in complete development: This system is a hurdle in the way of the complete development of the employees. Each employee specialises only in a small part of the whole job.

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

- a) Which concept of management has been mentioned in the paragraph given above?
- b) Write about two of the advantages of the concept identified in point 'a'.
- c) Identify two of the values of the company.

Ans. a) Decentralization

- b)
  - i) This reduces the workload of the top management.
  - ii) Decisions can be taken very soon when the authority is given to all the concerned managers.
- c)
  - i) Women Empowerment
  - ii) Feelings of equality

Q3. 150 employees are working in a handloom company. There is the pre defined arrangement of responsibility, authority and accountability in the company. As a result, the employees have hardly any doubt about their roles in the company. But the employees of the Marketing Department of the company are always very unhappy with a problem. The problem is that several times they get orders from two officers simultaneously. The two officers giving orders are the Marketing manager and the General Manager. In such a situation, they are not able to understand to whose orders they should give priority – one

is their immediate boss and the other, a top officer of the company.

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

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

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

Q4. Distinguish between Formal and Informal Organization

Ans.

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

Q5. 'Decentralization is an important philosophy that implies selective dispersal of authority'. In the light of this statement, explain any four points of importance of 'Decentralization.

Ans. Importance of Decentralization are:

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



with skills a chance to prove their abilities and creates reservoir of qualified manpower that can be considered to fill up more challenging positions through promotions.

- (3) **Quick decision making**: In a decentralized organization, decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels. So, more accurate and faster decisions can be taken as the subordinates are well aware of the realities of situations
- (4) **Relief to top management**: Decentralisation leaves the top management with more time which they can devote to important policy decisions as they decentralize authority for routine operational problems. Further decentralisation diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate because they are given the freedom to act.

**Q6.** Aradhana and Gandharv are heads of two different departments in Yumko Ltd. they are efficient managers and are able to motivate the employees of their respective departments to improve performance. However, their drive to excel in their own sphere of activity instead of giving emphasis on objectives of the enterprise has hindered the interaction between the departments that Aradhana and Gandharv are heading. Often there are inter-departmental conflicts and they have become incompatible. This has proved to be harmful in the fulfillment of the organizational objectives. The situation has deteriorated to such an extent that the CEO of Yumko Ltd. has hired a consultant Rashmi, to resolve the problem. After studying the situation closely, Rashmi found that the problem has arisen due to inflexibility and a narrow perspective on the part of both Aradhana and Gandharv. She is of the view that this situation is a result of the type of organizational structure Yumko Ltd. Has adopted.

**Identify the organizational structure adopted by Yumko Ltd. And state any three advantages of the structure so identified.** (CBSE 2018)

**Ans.** Functional Structure is the organizational structure adopted by Yumko Ltd.

Advantages in detail

- 1. Benefits of specialization
- 2. Coordination is Established
- 3. Managerial Efficiency is increased

Notes:-

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## Unit - 6 :STAFFING

### Summary of the Chapter

**Staffing** - Staffing is the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied workforce

#### **Importance of staffing- D CGOP**

1. Helpful in **D**iscovering **C**ompetent personnel
2. Helpful in better **p**erformance
3. Helpful in **G**rowth of organization
4. Optimum utilization of human resources

#### **Staffing Process-MR SPOT PPC**

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

#### **Element of staffing- RSTD**

1. Recruitment
2. Selection
3. Training and Development

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

#### **Sources of recruitment-**

1. **I**nternal sources – Promotion and Transfer. **PT**
2. **E**xternal Sources – Direct recruitment, Casual callers, campus Placement, Employment Exchanges, Private Placement agencies, Employee recommendation and Web Publishing.

DCC WEEP (DOUBT CLEARANCE CLASS LE LENGE TO RONA NAHI PADEGA)

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

#### **Selection Process- P SER SM**

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

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

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

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

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

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

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

### **MULTIPLE CHOICE QUESTIONS (1 Mark Questions)**

1. Staffing is
  - a. Setting goals for the organization
  - b. translation of plans into action
  - c. putting right people in right job
  - d. filling and keeping filled positions in the organizational structureAns: c) Putting right people in right job
2. This explains the reason for increase in importance of staffing.
  - a. Increase in business operations
  - b. rapid advancement of technology
  - c. complexities in human behavior
  - d. all the aboveAns: d) All the above
3. This determines the number and types of personnel required to perform the jobs
  - a. workforce analysis
  - b. workload analysis
  - c. selection
  - d. none of the aboveAns: a) Workforce analysis
4. Workforce analysis is a part of
  - a. recruitment process
  - b. selection process
  - c. training and development process
  - d. estimation of manpower requirementAns: d) Estimation of manpower requirement
5. This is not a part of recruitment process
  - a. estimate manpower requirement
  - b. rejects applications of unqualified candidates
  - c. invites applications from potential candidates
  - d. identifies sources to find suitable candidatesAns: b) rejects applications of unqualified candidates
6. This results in higher responsibilities and hike in salary
  - a. transfers
  - b. job rotation
  - c. promotion
  - d. none of the aboveAns: c) Promotion
7. It is not an internal source of recruitment
  - a. direct recruitment
  - b. transfers
  - c. promotions
  - d. all of the aboveAns: a) Direct recruitment
8. This source of recruitment selects fresh talent
  - a. direct recruitment
  - b. campus interview
  - c. promotions
  - d. all of the aboveAns: b) Campus interview



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

Ans . Vestibule training.

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

Q1. Enumerate the three steps of staffing process?

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

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

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

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

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

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

Ans.2(a) Staffing (b) Recruitment.

Q3. Why is staffing considered an important function of management in all types of organisation? .Give any four reasons

Ans3.(i) Fulfilling jobs with competent personnel

(ii) Better performance

(iii) Expansion and Growth.

(iv) Optimum utilization of human resources.

Q4. State any four benefits of training?

Ans :(i) Systematic learning

(ii) Prepare future managers.

(iii) Increased Productivity.

(iv) Motivate the employees.

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

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

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

(a) Using naukri.com to search for prospective candidates.

- (b) Consider voluntary applications received earlier from various job seekers. Identify the source of recruitment and explain it.

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

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

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

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

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

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

Q8. Manu, the chief manager in a company using highly sophisticated machines and equipments, wants that every employee should be fully trained before using the machines and equipments. Suggest and describe the best method of training that Manu can use for training for its employees

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

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

Q9. State three advantages of External sources of recruitment.

Ans. 1. **Fresh Talent :** The entry of fresh talent into the organisation.

2. **Wider choice:** The external sources provide a wider choice of personnel to choose from.

3. **Qualified personnel:** Required qualifications are available for the external sources.

4. **Competitive Spirit:** Competitive spirits is available by external source.

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

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

Ans. (a) Fulfilling job with competent Personnel: Staffing helps in selection of right person for right job. The staff selected is according to need of the job which in result helps in smooth functioning of the enterprise

(b)- Better Performance : The staff selected is according to them need of the job. The person selected will be expertise in his field resulting in better job performance with fewer chances of mistakes.

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

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

Q2. Explain the process of selection of employees in an organization

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

interview (ii) filling up the blank application form.

- (b) **Selection Tests** In the selection process, selection test have an important place. Through these test, ability and skill of the candidates are measured. These tests are divided into following three categories:
  - i) Proficiency tests
  - ii. Psychological tests
  - iii. Other tests
- (c) **Employment Interview:** Having successfully cleared all the tests related to employment by the candidate, he is called for the final interview. Its objectives are to see the looks of the candidate, his way of talking, his conduct and temperament, his interest, presence of mind and maturity etc.
- (d) **Reference and Background checks:** After a candidate is selected successfully in the interview then some information about him is gathered from those persons whose name figures in the column of 'References'. This information relates to the character, social relation, background etc. of the candidate.
- (e) **Selection Decision :** Applicants who clear Selection Tests, Employment Interview and Reference checks are selected. Prior to taking final selection decision, the opinion of the manager concerned is sought.
- f) **Medical Examination:** Medical examination is done to check whether the candidate is fit to carry on the responsibilities assigned to him and whether he is physically fit or not. The selected candidate is suffering from any disease or not is also verified through medical examination.

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

Ans3. Training of employees. Advantages of Training.

1. **Increase in capacity and efficiency:** Through training, one learns the art of doing a special job methodically. It increases the skill and efficiency of the employee
2. **Increase in market value:** Trained employees have a better market value. Increased market value means that other organization is always willing to employ trained personnel at higher remuneration.
3. **Fewer accidents:** Reduction of accidents is not only beneficial to the organization, it also protects the life of the workers. By learning the art of operating the machine the rate of accident can be minimized.
4. **Job satisfaction:** In the life of an employee, job satisfaction is most important. It means that whatever job he is performing, he should be fully satisfied with it.

Q4. Explain the methods of training.

Ans. Training is imparted to the employees through two methods

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

Main methods of on the job training are:

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





# Unit- 7 :DIRECTING

## Summary of the Chapter

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

### **Elements of directing.**

1. Supervision
2. Leadership
3. Motivation
- 4, Communication

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

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

### **Maslow’s Need Hierarchy Theory-**

1. Basic Needs
2. Safety and Security Needs
3. Affiliation or Social needs
4. Esteem needs
5. Self actualization needs

### **Types of incentives-**

- (i) Financial Incentives
- (ii) Non-Financial Incentives

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

### **Leadership Styles-**

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

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

### **Type of Communications:**

- (i) Formal Communication
- (ii) Informal Communications

### **Barriers in communication**

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

- (b) Physiological or Emotional barriers:** The importance of communication depends on the mental condition of both the parties. A mentally disturbed party can be a hinder in communication. It can be
- (i) Premature evaluation
  - (ii) lack of attention
  - (iii) Distrust
- (c) Organizational barriers:** Organizational structure affects the capability of all the employees as far as the communication is concerned. Some major hindrances are
- (i) Organizational policies
  - (ii) Rules and regulations
  - (iii) complexity in organizational structure
  - (iv) Organizational facilities
- (d) Personal barriers :** This barrier is related with personal attitude of employees as well as employer. They fear challenge of authority, lack of confidence in subordinates etc. Employees are some time not willing to communicate, lack of proper incentive.

### Multiple Choice Question (One Marks)

- Q1: Which one of the following is not an element of direction?  
 a. Motivation      b. Communication      c. Delegation      d. Supervision      Ans: a) Delegation
- Q2: The motivation theory which are classified needs in hierarchical order is developed by.  
 a. Fred luthans      b. Scott      c. Abraham Maslow      d. Peter sticker  
 Ans: c) Abraham Maslow
- Q3: Which of the following is a Financial incentive?  
 a. Promotion      b. Stock incentive  
 c. Job Security      d. Employee Participation      Ans: b) Stock incentive
- Q4. Which of the following is not an element of communication process?  
 a. Recording      b. Communication      C. Channel      d. Receiver  
 Ans: b) Communication.
- Q5. Grape vine is  
 a. Formal Communication      b. Barrier to Communication  
 c. Lateral Communication      d. Informal Communication      Ans: d) Informal Communication

- Q6. Status comes under the following type of barriers  
 a. Semantic barriers    b. Organizational barrier    c. Non semantic    d. Psychological barrier  
 Ans: b) Organisational Barrier
- Q7. The software company promoted by Narayana Murthy is  
 a. Wipro    b. Infosys    c. Satyam    d.HCL    Ans: b) Infosys
- Q8. The highest level need in the need hierarchy of Abraham Maslow is  
 a. Safety need    b. Belongingness need    c. Self-actualization need  
 d. Prestige need    Ans: c) Self Actualization need
- Q9. The process of converting the message into communication symbols is known  
 a. Media    b. Encoding    c. Recording    c. Feedback    Ans: b) Encoding
- Q10. Two way communication technique is used under \_\_\_\_\_  
 A. Laissez Faire    B. Democratic style  
 C. Autocratic style    D. None of these    Ans: b) Democratic Style
- Q11. Under which style of leadership there is no delegation of authority  
 A. Democratic    B. Autocratic  
 C. Laissez Faire    D. None of these    Ans: b) Autocratic
- Q12. Which of the following is not a leadership style?  
 A. Free-rein    B. Autocratic  
 C. Democratic    D. Dictatorship    Ans: d) Dictatorship
- Q13. Self Actualisation Needs are concerned with \_\_\_\_\_  
 A . Autonomy status    B. Recognition  
 C. Growth and Self-fulfillment    D. None of these    Ans: c) Growth and Self -fulfillment
- Q14. Basic Physiological Needs are concerned with \_\_\_\_\_  
 A. Shelter    B. Hunger  
 C. Thirst    D. All of These    Ans: d) All of these

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

Q1: What is meant by Directing?

Ans: It refers to instructing, guiding, communicating and inspiring people to achieve common objectives.

Q2: What is meant by 'Motivation'?

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

Q3: What is Informal Communications?

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

Q4 How Supervision is helpful in maintaining discipline?

Ans: Through close eye and timely guidance of the employees.

Q5: Give an example of 'employee recognition programmes' as in non-financial incentive?

Ans: Displaying employee's achievements on the notice board or company's news letter.

Q6 Give any two Characteristics of 'Organizational Climate' that influence the behavior of individuals and act as non-financial incentives.

Ans: Characteristics of 'Organisational Climate' that influence the behavior of individuals are

- 1) Individuals Autonomy
- 2) Reward orientation

Q7: Kritika is posted at lower level management at 'libra cosmetics pvt. Ltd.' The daily sale of the company is about Rs.50 lakhs only. She has given her responsibility that the production work of the company should continue uninterrupted. The managing director has asked her to focus her attention especially on the speed and quality of production she is doing her efficiently. Her reputation is that of a successful leader. She takes every decision after discussing it with all the concerned persons. Her subordinates are happy with her.

Identify the leadership style adopted by kritika.

Ans: Democratic leadership style.

Q8: The chief Executive Officer- CEO of 'Shriram ltd. ' sent the message to all the departmental Managers: "With effect from today, whatever communication they have to do, they will do so in writing. "This communication reached all the departments. In the company, this order began to be followed. Within a few days the unfavorable consequence of this order became apparent. Mainly the speed of work became slow. In this context, who so ever went to the CEO to give a suggestion, he ignored all others.

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

Ans: 1. Organisational barrier 2. Personal Barrier

Q9: Everyday a new problem crops up at 'BALCO Engineering Udyog Limited.' A meeting of the managers was held regarding this situation. After a lot of discussion they arrived at this conclusion that the root-cause of all the problems was the company's weak communication system. Hence, if the communication system was improved, they could be relieved of the problems to a great extent. With this aim in view, the company invited a specialist in communication system. In his lecture, he mainly asserted that it was most necessary to ascertain whether the receiver had taken the communication in the right sense.

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

Ans: Ensuring proper feedback.

*Short answer type question (3/4 marks)*

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

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

Ans: (a) Employee development/Promotion and Career Planning.

- (b) No, it can't be taken that the communication process have been incomplete, because for the completion of communication process, only to understand the message is necessary, not acting up on it.

(c) Democratic leadership style.

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

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

Ans: (a) Espirit De Corps.

(b) Vertical communication: It is of two types:

- i) Downward Communication: Policies and orders fall in this category.
- ii) Upward Communication: Reports and complaints fall in this category.

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

senior finance Manager. Thus, both jointly prepared the cash budget.

- (a) What type of organizational structure is being adopted by this company?
- (b) What type of formal communication would you call the conversation which took place between the heads of different departments?
- (c) What type of formal communication is the conversation which took place between the two officials of the Finance Department?

Ans : (a) Functional Organizational Structure

- (b) Horizontal Communication
- (c) Vertical Communication

Q4. Usually we see that on the occasion of Diwali people buy a large number of gifts. 'Ambe Electronics limited' wants to take advantage of this habit of people. It decided to prepare a big range of attractive gifts. All the employees of the company co-operated fully to implement this decision. One day some of the employees were chatting together in the canteen. One of them, Mr Ravindra had secret and enjoyable information about one of his colleagues. He was telling them all as he stood amidst them. All of them were enjoying themselves the information he shared with them.

- (a) Identify this factor of business Environment.
- (b) In which method of communication comes the chatting going on in the canteen? Describe this method.
- (c) To which main type of communication belongs the method referred to in point 'b'?

Ans: (a) Social Environment.

- (b) Gossip Chain
- (c) Informal communication.

Q.5.: Describe the Process of communication.

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

Q6. State any three non- monetary incentives.

Ans. Three non-monetary incentives are:

- (a) **Job Enrichment** — is a method of motivating employee by making the task to be performed by him more interesting and challenging. The job in itself serves as a source of motivation to the employee and brings out the best in him.
- (b) **Suggestion System** — Is a system where suggestions regarding the work procedure, environment are solicited from employees. This increases their participation &

importance in the working of the enterprise and hence motivates them.

- (c) **Job Security** - refers to making the employee feel safe in his job positions. He is not threatened by transfers or removal from service and hence performs to the best of his abilities

Q.7: Explain the difference between formal communication and informal communication.

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

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

*Long answer type Question (5/6 marks)*

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

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

Features:

- (a) Written and oral. It can be both in written or oral. Daily works are handed through oral communication while the policy matters require written communication.
- (b) Formal Relations : This communication is adopted among those employees where formal relations have been established by the organization. The sender and the receiver have some sort of organizational relation.
- (c) Prescribed path: The communication has to pass through a definite channel while moving from one person to another For example to convey the feelings of a worker to the manager, their foreman’s help has to be sought.
- (d) Organisational message. This channel is concerned with the authorized organizational messages only and the personnel messages are out of its jurisdiction.

- Q.2: Mr Ekant Miglani, after completing his studies of B.B.A is working in the Production Department of 'jai chemicals limited'. There are fifty persons working at different posts in this Department. He tries hard to keep a watch over the Routine Activities of all the employees. He observed one of the employees, Bholo ram and a few others working on machines. They were running the machines in a wrong manner. The machines were very sophisticated. Mr Miglani at once explained the right method of working to them. He wanted to solve this problem of the employees for good. He called a meeting of his subordinates. He took this decision that the company will have to organize training of the employee immediately. They also decided all the employees will drop a suggestion each in the suggestion-box daily, so that the different activities of the department may be improved speedily. It was announced that the employees giving valuable suggestions shall be rewarded. On the basis of the above paragraph answer the following question:
- (a) Which method of training of the employees will be suitable to be adopted here? Explain.
  - (b) Which style of leadership is being followed by Mr Miglani?
  - (c) Which method of motivation will be decided to be adopted in the meeting of employees?

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

(b) Democratic Leadership Style.

(c) Employee Recognition Programme.

Q.3 Five students of BBA took part in a discussion. The subject of their discussion was: "Why do people get motivated to do anything?" The main portions of their discussion are as under: The first student said, "People work because they want to deposit wealth enough to protect themselves from diseases and to be relieved of the tension of old age."

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

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

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

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

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

Ans: (a) Motivation

- (b) First friend: Safety Needs
- (c) Second friend: Physiological Needs



- (d) Third friend: Self Actualization Needs
- (e) Fourth friend: Social Needs
- (f) Fifth friend: Esteem Needs

Q.4: Describe five importance of directing?

- Ans: (1) Through directing, managers not only tell the people what they should do, when they should do and how they should do, but also see that their instructions are implemented in proper direction
- (2) As the superiors direct the actions of employees towards the predetermined goals, it results in unity of direction and achievement of organizational goal.
  - (3) It is well known fact that employees are having lot of individual differences such as differences in levels of authority, types of job, interest, attitude, aptitude etc. But, the directing function integrates and co-ordinates the efforts of all the employees in such a way that every individual effort contributes to the organizational performance.
  - (4) Through directing, managers not only tell the people what they should do, when they should do and how they should do, but also see that their instructions are implemented in proper direction
  - (5) As the superiors direct the actions of employees towards the predetermined goals, it results in unity of direction and achievement of organizational goal.

Q.5: Explain the barriers of effective communications?

- Ans: (a) **Semantic Barriers:** This barrier is related with the words, signs and figures used in the communication. Sometimes they cannot convey the same message which they want to. It can be (i) badly expressed message (ii) symbols and words with different meaning (iii) Faulty translation and soon
- (b) **Physiological or Emotional barriers :** The importance of communication depends on the mental condition of both the parties . A mentally disturbed party can be a hinder in communication. It can be (i) premature evaluation (ii) lack of attention (iii) distrust
- (c) **Organizational barriers:** Organizational structure affects the capability of all the employees as far as the communication is concerned. Some major hindrances are (i) organizational policies (ii) Rules and regulations (iii) complexity in organizational structure (iv) organizational facilities
- (d) **Personal barriers:** This barrier is related with personal attitude of employees as well as employer. They fear challenge of authority, lack of confidence in subordinates etc. Employees are some time not willing to communicate, lack of proper incentive and so on.

Q.6: Discuss six monetary Incentives.

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

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



# Unit- 8 : CONTROLLING

## Summary of the Chapter

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

**Actual Performance = Standards = No deviation**

### **Importance of controlling-**

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

2. **Process of Controlling:**

1. **Setting performance standards:** Standards are the Criteria against which actual performance would be measured. Standards serve as bench marks. They can be set in both quantitative as well as qualitative.
2. **Measurement of actual performance:** Performance should be measured in an objective and reliable manner.
3. **Comparing actual performance with standards:** in this step actual performance is compare with the set standards and deviations are being found.
4. **Analyzing deviations:** Major deviation or minor deviation and analyzing the causes of deviation.
  - **Critical point control:** Focus only on Key Result Areas (KRAs).
  - **Management by Exception:** Concentrate only on major deviations only.
5. **Taking corrective action:** When deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

### **Relationship between Planning and Controlling:**

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

**MCQ. (1 mark)**

1. An efficient control system helps to:
  - (a) Accomplishes organizational objectives
  - (b) Boosts employee morale
  - (c) Judges accuracy of standards
  - (d) All of the above
2. Controlling function of an organization is
  - (a) Forward looking
  - (b) Backward looking
  - (c) Forward as well as backward looking
  - (d) None of the above
3. Management audit is a technique to keep a check on the performance of
  - (a) Company
  - (b) Management of the company
  - (c) Shareholders
  - (d) Customers
4. Budgetary control requires the preparation of
  - (a) Training schedule
  - (b) Budgets
  - (c) Network diagram
  - (d) Responsibility centres
5. Controlling is needed at which level of management?
  - (a) Top level
  - (b) Middle level
  - (c) Lower level
  - (d) All level
6. Controlling is related to:
  - (a) Results
  - (b) Individuals
  - (c) Things
  - (d) Managers
7. First step in controlling process is:
  - a) Taking corrective action
  - b) Analysing the deviations
  - c) Determining standards
  - d) Measurement of actual performance.
8. Cost at Rs. 100 per unit is an example of which standard?
  - (a) Quantitative
  - (b) Qualitative
  - (c) Both
  - (d) None of these
9. Which standard is associated with production?
  - (a) Quality
  - (b) Quantity
  - (c) Quality and Quantity
  - (d) Labour
10. Strike is which type of cause of deviation?
  - (a) Uncertain conditions
  - (b) Human cause
  - (c) Various hindrances
  - (d) Defective standards
11. Which function of management is controlling?
  - (a) First
  - (b) Second
  - (c) Third
  - (d) Last

12. 'Planning in the absence of controlling is meaningless'. What does this statement indicate in respect of both?
- Only planning is essential
  - Only controlling is essential
  - both are essential
  - Both are unnecessary
13. Which of the following is associated with the marketing standard?
- sales expenses
  - Capital expense
  - Quantity
  - Dispute rate
14. Which of the following qualities the standard should have?
- Achievable
  - Measurable
  - Flexible
  - All of these
15. What type of nature the control has?
- Positive approach
  - Negative approach
  - Both of the above
  - None of these

Ans: 1 d, 2 c, 3 b, 4 b, 5 d, 6 a, 7 c, 8 a, 9 c, 10 b, 11 d, 12 c, 13 a, 14 d, 15 c

**Very short answer questions (1 Mark)**

**Q1.** Which two standards will you suggest for production department?

**Ans.** (i) Quality (ii) Quantity.

**Q2.** Why is it said that 'planning is meaningless without controlling'?

**Ans.** Because in the absence of controlling nobody will take it seriously to work according to the plans and hence, the plans will fail.

**Q3.** In which situation the need of taking corrective action arises?

**Ans.** In case of negative deviation.

**Q4.** Name the two situations in which corrective action is not required.

**Ans.** (i) Zero deviation (ii) positive deviation.

**Q5.** What should be the 'focus point' for a manager while controlling as controlling at each and every step is not possible?

**Ans.** Focus point for a manager While Controlling should be the 'key result areas'.

**Q6.** In controlling process standards were set according to the efficiency of the average employee which value has been kept in mind while setting the standards?

**Ans.** (i) Increase in the morale of the employees.  
(ii) Improving the quality of production.

**Q7.** In a company, employees achieved quantitative standard but could not attain qualitative standards which values have been ignored here?

**Ans.** i) Production of inferior quality goods.  
ii) Exploitation of consumers.

**Q8.** State any one advantage of 'critical-point control' and 'management by exception'.

**Ans.** By taking care of important deviations both time and efforts are saved.

**Q9.** Give meaning of the term 'deviation' as used in the control function of management?

**Ans.** Deviation refers to the difference between actual performance and standard work.

**Q10.** Which two steps in the process of control are concerned with compelling events to conform to plan?

**Ans.** (i) Setting performance standards and

(ii) Taking corrective action.

*Short answer Question (3/4 marks)*

**Q1.** Explain the principal of 'critical-point control' and 'principal of management by exception'?

**Ans. (i) principal of critical-point control:** it refers to that concept of management which holds instead of all activities the management should focus its attention on only important activities.

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

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

**Ans. Cause of deviations-**

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

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

**Corrective Action**

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

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

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

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

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

**Q4.** Michel john is a sole proprietor in Nicrobar. He has started trade after getting M.B.A. degree. he is fully familiar of management. He starts his business with the planning function of management. He desires that all his activities should conform to planning. To this effect, he has adopted a system that keeps a constant watch on the business

Consequently, there is zero possibility of adverse results. It can, therefore, be said that this method is directly related to the results. Mr. John also believes that this method applies not only to any one level of management but to all the levels as well.

- a) **Identify the function of management referred to in the aforesaid paragraph.**
- b) **Describe any two importance's of the functions of management as identified under point (a) above.**

**Ans.** (a) Controlling

(b) Two importance of controlling are as under:

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

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

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

**Ans.** (a) Controlling

(b) Two importance of controlling are as under:

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

**Q6.** Love and kush are two friends. both are MBA (final year) students. One day, their professor called them to class stage for a surprise Test. He told that one of them will establish relationship between any two functions of management then the other one, will establish reverse relationship between the same two functions. Both will have to give justification for the relationship explained by them. It was a test carrying 50 marks. But the students were Intelligent and skillful. Love was the first to speak.

Love said that in his opinion of the functions of management selected by him one is always looking ahead (future) and the other is looking back (past).

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

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

**Ans.** (a) Planning and controlling.

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

**Q7.** Explain any three feature of controlling?

**Ans.** (i) Controlling is a fundamental management function:

- (ii) Pervasive function:
- (iii) Controlling is a continuous activity:

### *Long Answer Questions (6 Marks)*

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

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

- [1] **Setting Performance Standards:** Standards serve as criteria against which actual performance would be measured. It can be both in terms of quantitative and qualitative.
- [2] **Measurement of Actual Performance:** Performance should be measured in an objective and reliable manner.
- [3] **Comparison of Actual Performance with Standards:** in this steps actual performance are compared with standard such comparis on reveals deviations.
- [4] **Analyzing deviations:** This step compels events to conform to plans. Deviations are the errors or weakness which may occur in the process of achievement of goals and the manager has to rectify them. The acceptable range of deviations must be determined.
- [5] **Taking Corrective Action:** It is necessary to identify the exact deviation to take corrective action. This step compels events to conform to plans.

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

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

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

- 1) Interdependence
- 2) Difference

#### **Interdependence: -**

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



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

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

**Difference:-**

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

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

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

**Ans:** (a) Organizing and controlling

(b) (i) **Concept related to organizing**-Under it, second step of organizing process i.e., departmentalization is involved.

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

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

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

# Part - B

## Business Finance and Marketing

### Unit - 9 : FINANCIAL MANAGEMENT

#### Summary of the Chapter

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

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

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

**Financial Decisions-** (ACRONYM-FDI-F-FINACING, D-DIVIDEND, I-INVESTMENT)

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

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

**Factors Affecting –**

1. Cash flow positions
2. Return on investment
3. Investment criteria.

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

Factors Affecting-

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

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

**Factors Affecting-**

1. Amount of earning
2. Stability of earning
3. cash flow position
4. Taxation policy

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

**Objective of financial Planning-**

1. To ensure availability of funds whenever required
2. To ensure unnecessarily finance is not raised.

**Capital Structure** – Refers to proportion of debt and equity used for financing the operations of business.

**Factors Affecting–**

1. Cash flow positions
2. Return on investment
3. Tax rate
4. Cost of Debts
5. Control
6. Risk
7. Stock market condition.

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

**Factors Affecting –**

1. Nature of business
2. Scale of operations
3. Choice of technique
4. Growth prospectus

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

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

*MCQ (1 Mark)*

1. The Cheapest source of finance is:.

- a. Debenture
- b. Equity share capital
- c. Preference share
- d. Retained earnings

Ans : d) Retained earnings

2. A decision to acquire a new and modern plant to upgrade an old one is a

- a. Financing decision
- b. Working capital decision
- c. Investment decision
- d. None of the above

Ans : c) Investment decision

3. Other things remaining the same, an increase in the tax rate on corporate profit will

- a. Make the debt relatively cheaper
- b. Make the debt relatively the dearer
- c. Have no impact on the cost of debt
- d. We can't say

Ans : a) Make the debt relatively cheaper

4. Companies with a higher growth potential are likely to

- a. Pay lower dividends
- b. Pay higher Dividends
- c. Dividends are not affected
- d. none of the above

Ans: a) Pay lower dividends

5. 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 is low.

Ans: b) ROI is higher than the cost of debt

6. 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

7. 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.

8. Current assets are those assets which get converted into cash:

- a. within six months
- b. within one year
- c. between one year and three years
- d. between three and five years.

Ans: b) within one year

9. A fixed asset should be financed through:

- a. a long term liability
- b. a short term liability
- c. a medium term liability
- d. a mix of long and short term liabilities

Ans: a) long term liability

10. Current assets of a business firm should be financed through:

- a. current liability only
- b. long term liability only
- c. Fixed liabilities only
- d. Both types (i.e., long and short term liabilities)

Ans: a) Current liability only.

#### *Very short questions (1 mark)*

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

**Ans.** Investment Decision.

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

**Ans.** Capital Budgeting decision or investment decision.

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

**Ans.** Financing decision.

**Q.4.** What is meant by 'Financial Risk'?

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

**Q.5.** What kind of decisions involves distributions of profit to share holders?

**Ans.** Dividend Decisions.

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

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

**Q.7.** Identify, why the requirement of Fixed Capital for a trading concern are different from that of a manufacturing organization.

**Ans.** Trading concern requires less fixed capital as compared to manufacturing organization because

trading concern requires relatively much less investment in fixed assets.

**Q8.** Ankit adopted a new policy in his business: Purchase computer on credit and sell them for cash. Will it affect the requirement of working capital?

**Ans.** Yes, it will reduce the need of working capital as the debtors due to cash sales and there is less investment in inventory due to credit availed.

**Q9.** For optimal procurement of funds, a finance manager identifies different available sources and compares those in terms of cost and associated risks. Identify and define the concept highlighted in the above lines.

**Ans.** The concept is financial management and is concerned with management of flow of funds and involves decisions relating to procurement and investment of funds, in long term and short term assets and distribution of earnings to the owner.

**Q10.** How do 'Growth Opportunities' as a factor affect dividend decision? State.

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

**Q11.** State how 'Growth Prospects' affect the working capital requirements of a company?

**Ans.** The firms which have sufficient possibilities of growth prospects in future require more working capital. However, for companies with lesser prospects, less working capital is needed.

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

**Q 1.** What are the objectives of financial management for an organization? Give any three reasons in support of your answer.

**Ans.**

1. Financial management helps in determination of total funds required.
2. Helps in allocation of funds for fixed assets and current assets.
3. Helps in determination of sources to raise funds for the organization.
4. Wealth maximization

**Q 2** What do you mean by Financial planning? Explain its two importance.

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

#### **Importance of financial Planning-**

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

**Q 3.** Financial decision is concerned with selection of fixed assets in which funds will be invested by the business? Identify the decision and explain any three factors affecting the decision.

**Ans.** **Long term Investment decision/Capital Budgeting Decision**—It is concerned with investment of firm's funds in different fixed assets like buying of machinery.

### Factors Affecting –

1. **Cash flow position of the company**-Before considering an investment option, business must carefully analyse the net cash flow expected from the investment during the life of the investment. Investment should be made if net cash flow is more.
2. **Return on investment**-Investment should be done in the projects which earn the higher rate of return. It should be calculated on the basis of expected return of the projects.
3. **Investment criteria**-Before taking decision, each investment opportunity must be compared by using the various capital budgeting techniques. These techniques involve calculation of rate of return, cash flow during the life of investment, cost of capital etc.

**Q4.** 'Sarah Ltd.' is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organization and believes in quality, equal employment opportunities and good remuneration practices.

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

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

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

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

Factors affecting dividend decision:

- (i) **Stability of Earnings:** It affects dividend decision as a company having stable earnings is in a position to declare higher dividends.
- (ii) **Cash Flow Position:** A good cash flow position is necessary for declaration of dividend. 'There is availability of enough cash in the company'.
- (iii) **Growth prospects:** If a company has good growth opportunities, it pays out fewer dividends. 'Good prospects for the growth in the future'.
- (iv) **Shareholders' Preferences:** Shareholders 'preference is kept in mind by the management before declaring dividends. 'It may have shareholders who prefer to receive regular income from their investments'.

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

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

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

### Factors affecting the choice of capital structure

1. **Cash Flow Position:** Size of projected cash flows must be considered before issuing debt, to ensure that it has sufficient cash buffer after meeting its fixed cash obligations.
2. **Interest Coverage Ratio (ICR):** The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.
3. **Debt Service Coverage Ratio (DSCR):** Debt Service Coverage Ratio takes care of the deficiencies referred to in the Interest Coverage Ratio(ICR).
4. **Return on Investment(RoI):** If the RoI of the company is higher, it can choose to use trading on equity to increase its EPS, i.e., its ability to use debt is greater.
5. **Cost of debt:** A firm's ability to borrow at a lower rate increases its capacity to employ higher debt. Thus, more debt can be used if debt can be raised at a lower rate.

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

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

### Factors affecting the requirement of working capital .

1. **Nature of business:-**the requirement of working capital depends on the nature of business. Manufacturing business requires more amount of working capital because it takes a lot of time in converting raw material into finished goods while trading business requires less amount of working capital.
2. **Scale of operation:-**Business operating on a larger scale requires more funds to maintain the high quantum of inventory, debtors or meet day to day expenses as compared to small scale business.
3. **Business Cycle:-**Different phases of business cycle affect the requirement of working capital by a firm. In case of boom, there is an increase in production and scales leading to the increased requirement for working capital whereas the requirements for working capital reduce during depression.
4. **Seasonal factors:** - many businesses may have a high level of activity during a specific period of time which may be referred to as season time. Therefore, during peak season the level of activity is high, leading to an increased need of working capital as compared to the capital during lean period.

**Q3.** Which decision is concerned with raising of finance using shareholders' funds or borrowed Funds? Identify and describe the financial decision involved in this decision. Explain any four factors affecting that decision.

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



### **Factors affecting the financing decision.**

1. **Cost:** - cost of raising fund influences the financing decisions. A prudent financial manager selects the cheapest source of finance.
2. **Risk:** - Debt capital is most risky and from the point of view of risk it should not be used.
3. **Floatation cost:** - From the point of view of floating costs, retained profit is the most appropriate source. Therefore, it should be made.
4. **Cash Flow position:**-If the cash flow position of the company is good, the payment of interest on the debt and the refund of capital can be easily made. Therefore, in order to advantage of cheap finance, debt can be given priority.

**Q4.** What do you mean by fixed capital? Explain any four factors affecting the requirement of fixed capital.

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

### **Factors affecting the requirement of fixed capital .**

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

# Unit – 10: Financial Market

## Summary of the Chapter

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

### **Functions of Financial Market**

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

Types of Financial Market-

#### **1. Capital Market–**

Where long term securities are sold and purchased.

2. **Money Market** : Which deals in short term securities i.e. whose maturity period is less than 01year.

Types of capital market-

1. Primary or new issue market
2. Secondary Market (Stock Exchange)

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

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

### **Various methods of floating capital-**

1. **Public Issue**- Under this method, the company issues a prospectus and invites the general public to purchase shares or debentures.
2. **Offer for Sale**-Under this method, Firstly the new securities are offered to an intermediary at a fixed price. They further resell the same to the general public.
3. **Private Placement**-The Company sell securities to the institutional investors or brokers instead of selling them to the general public.
4. **Right Issue** – When an existing company issues new securities, First of all it invites its existing shareholders.
5. **Electronic Initial Public offer (e-IPO's)** – Under this method ,companies issue their securities through the electronic medium (i.e. internet)

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

### **Instruments: (TC4)**

1. **Treasury Bill (T-bills)**
2. **Commercial Paper**
3. **Call Money:**
4. **Certificate of Deposit(CD):**
5. **Commercial Bill (Trade Bill)**

**Depository**:-A Depository is an institution which holds the shares of an investor in electronic form. It act as bank where investors can open a securities account and deposit the electronic

form of securities. At present, there are two depository institutions in India:

NSDL – National Securities Depository Limited.

CDSL – Central Depository Services Limited.

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

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

### **Functions of stock exchange**

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

### **Trading procedure in the stock exchange-**

1. Selection of broker and signing of broker- client agreement, submitting other details including PAN (mandatory)
2. Opening Demat Account or ‘beneficial owner’(BO) account with depository participant(DP)
3. Placing the order with broker and confirmation slip issued to investor by broker.
4. Broker will in-line match the share and best price available.
5. When the price will match order will be executed electronically and a trade confirmation slip will be issued to the investor.
6. Within 24 hours, contract Note will be issued by the broker containing details of the transaction. it is legally enforceable and helps to settle disputes.
7. Investor has to deliver the shares or pay cash for the shares. This is called the pay- in-day.
8. Cash is paid or securities are delivered on pay-in-day , which is before T+2 day.
9. On T+2 day, exchange will deliver shares or make payment to the other broker. This is called pay-out day. The broker will make payment to the investor within 24 hours of pay-out day.
10. The broker can deliver directly to demat account.

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

### **Objectives of SEBI-**

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

### 3. Checking the Insider Trading-

#### Functions of SEBI-

1. Regulatory Functions
2. Development Function
3. Protective Functions

#### MCQ (1 mark)

1. Primary and Secondary Markets
  - a. Compete with each other
  - b. Complement each other
  - c. Function independently
  - d. Control each other

Ans: b) Complement each other

2. Total number of stock exchanges in India are
  - a. 25
  - b. 21
  - c. 22
  - d. 23

Ans: a) 25

3. The settlement cycle in NSE is
  - a. T+5
  - b. T+3
  - c. T+2
  - d. T+1

Ans: c) T+2

4. National Stock Exchange in India was recognized as stock exchange in the year.
  - a. 1992
  - b. 1993
  - c. 1994
  - d. 1995

Ans: b) 1993

5. Treasury Bills are basically
  - a. an instrument to borrow short term funds
  - b. an instrument to borrow long term funds
  - c. an instrument of capital market
  - d. none of the above.

Ans: a) an instrument to borrow short term funds.

6. Certain instruments of money market is short self-liquidating & used to finance credit sales name the instruments:

- a. Call Money
- b. Certificate of Deposit
- c. Commercial Bill
- d. Treasury Bill

Ans: c) Commercial Bill

7. Educating the investor is the \_\_\_\_\_ function of SEBI.
  - a. Protective
  - b. Regulatory
  - c. Both the a and b

d. developmental.

Ans: a) Protective

8. Which of the following falls in the category of Zero Coupon Bond?

- a. Treasury Bill
- b. Commercial Paper
- c. Certificate of Deposit
- d. Commercial Bill

Ans: a) Treasury Bill

9. Which of the following is the method of collecting capital?

- a. Public offer
- b. Offer for sale
- c. Private Placement
- d. All of the above

Ans: d) All of the above.

10. Which of the following takes advantage of the internal trading?

- a. All shareholders
- b. All Debenture holders
- c. People having secret information of the company
- d. All the employees

Ans: c) People having secret information of the company

### *Very Short Type Questions – (1 Mark)*

**Q1.** You are a finance expert. One of your friends come to you and tells you that the capital market and the money market are one and the same, whereas you differ with him. How would you convince him? Give any four reasons.

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

**Q2.** “All securities can be traded in the stock exchange.” Do you agree?

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

**Q3.** Why do money market instrument are more liquid as compare to capital market instrument?

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

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

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

**Q5.** Supriya’s grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificate inside. Her grandmother told her that they had been left behind by her late grandmother. As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position

to deal with these certificates.

(i) Identify and state the process.

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

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

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

**Q6.** What is meant by 'Allocative Function' performed by financial market?

**Ans.** Allocative function of financial market refers to linking the savers and investors by mobilizing funds between them.

**Q7.** Which bearer document is issued by a bank against deposit kept by the companies and institutions for a short period?

**Ans.** Certificate of Deposit.

**Q8.** Name the two methods of floating new issues in the primary market.

**Ans.** (I) Offer through prospectus; (ii) Private Placement.

**Q9.** What is meant by right issue?

**Ans.** Right issue refers to a method in which company offers the new shares to its existing shareholders in proportion of shares already held by them.

**Q.12.** State any one objective of setting up of Securities and Exchange Board of India (SEBI).

**Ans.** To regulate stock exchange to promote their orderly functioning.

### *Short Answer Type Question (3 or 4 marks)*

Q1. Mr. Rohit is a holder of financial securities in Futura limited. He wants to sell his securities to purchase new securities of another company. You are required to suggest him the markets where he can sell his securities and describe the concept. Explain two function of that market.

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

#### **Functions of Financial Market**

- 1. Facilitates Price Discovery:** - The price of any goods or services is determined by the forces of demand and supply. Like goods and services, the investors also try to discover the price of their securities. The financial market is helpful to the investors in giving them proper price.
- 2. Provides Liquidity Financial Assets:-**This is market where the buyers and the sellers of all the securities are available all the times. This is a reason that it provides liquidity securities. It means that they invest their money, whenever they desire, in securities through the medium of financial market. They can also convert their investment into money whenever they so desire.

**Q2. What do you mean by the SEBI? Explain its objectives.**

Ans. The Securities Exchange Board of India was established in 1992 to protect the interest of investors and to regulate and control the trading of financial securities.

**Objectives of SEBI-**

- 1. Regulation of stock exchange-** It regulate stock exchanges so that efficient services may be provided to all the parties operating there.
- 2. Protection to the Investors-**SEBI protects interest of investors from wrong information given by the company and reducing the risk of delivery and payment etc
- 3. Checking the Insider Trading-**It means the buying and selling of securities by those persons (Directors, Promoters etc) who have some secret information about the company and who wish to take advantages of this secret information. **SEBI** check insider trading.

**Q3: What is Primary or New issue market? Explain various methods of floating capital.**

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

**Various methods of floating capital.- (ACRONYM-POORE)**

- 1.Public Issue-** Under this method, the company issues a prospectus and invites the general public to purchase shares or debentures.
- 2.Offer for Sale-**Under this method, Firstly the new securities are offered to an intermediary at a fixed price. They further resell the same to the general public.
- 3.Private Placement-**The company sell securities to the institutional investors or brokers instead of selling them to the general public.
- 4. Right Issue –** When an existing company issues new securities, First of all it invites its existing shareholders.
- 5. Electronic Initial Public offer (e-IPO's) –** Under this method, companies issue their securities through the electronic medium (i.e. internet)

Q4. What do you mean by the Depository? Explain

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

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

Q5. What do mean by the DeMat account? Explain.

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

Q6. What are the functions of SEBI? Explain.

Ans. **Functions of SEBI-**

- (i) **Regulatory Functions-**These functions aim to regulate the functioning of the stock

exchange. It includes registration of brokers, Investment schemes, and regulation of stock bankers.

- (ii) **Development Function**-These functions aim to promote the development of stock exchange. It includes registration of brokers, Investment schemes, and regulation of stock bankers. It includes training of intermediaries of the securities market.
- (iii) **Protective Functions**- These functions aim to protect interest of investors, controlling insider trading, unfair trade practice etc.

*Long Answer type Questions (5 or 6 marks)*

Q1. Which financial market meets the short term financial requirement of business? Identify concept and Explain instruments of that market.

Ans. **Money Market Instruments:**

1. **Treasury Bill (T-bills):** It is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds.
2. **Commercial Paper:** It is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and credit worthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year.
3. **Call Money:** It is a short-term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. It is a method by which banks borrow from each other to be able to maintain the cash reserve ratio.
4. **Certificate of Deposit (CD):** It is an unsecured, negotiable short-term instrument in bearer form, issued by commercial banks and development financial institutions. It can be issued to individuals, corporations and companies.
5. **Commercial Bill (Trade Bill):** It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms. The bill can be discounted with a bank if the seller (drawer) needs funds before the bill maturity.

Q2. Give the meaning and definition of Stock exchange? Explain the functions of stock exchange.

Ans. **Meaning**-The stock exchange is a market where existing securities are bought and sold.

**Definition**-The securities contract (regulation) act, 1956 defines “a stock exchange as an association, organization, body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling of business in buying, selling and dealing in securities”.

**Functions of stock exchange**

1. **Providing Liquidity and Marketability to Existing Securities:** It gives investors the chance to disinvest and re-invest. This provides both liquidity and easy marketability to already existing securities in the market.
2. **Pricing of Securities:** Share prices on a stock exchange are determined by the forces of demand and supply. A stock exchange is a mechanism of constant valuation



through which the prices of securities are determined.

3. **Safety of Transactions:** The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal frame work. This ensures that the investing public gets a safe and fair deal on the market.
4. **Contributes to Economic Growth:** A stock exchange is a market in which existing securities are re-sold or traded. Through this process of disinvestment and re-investment savings get channelized into their most productive investment avenues. This leads to capital formation and economic growth.
5. **Spreading of Equity Cult:** The exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.
6. **Providing Scope for Speculation:** The stock exchange provides sufficient scope within in the provisions of law for speculative activity in a restricted and controlled manner.

**Q3.** Describe procedure to trade securities in a Stock Exchange.

**Ans. Trading Procedure:-**

The procedure for purchase and sale of securities in a stock exchange involves the following steps:

1. Selection of broker and signing of broker- client agreement, submitting other details including PAN (mandatory)
2. Opening Demat Account or 'beneficial owner'(BO) account with depository participant(DP)
3. Placing the order with broker and confirmation slip issued to investor by broker.
4. Broker will in-line match the share and best price available.
5. When the price will match order will be executed electronically and a trade confirmation slip will be issued to the investor.
6. Within 24 hours, contract Note will be issued by the broker containing details of the transaction. it is legally enforceable and helps to settle disputes.
7. Investor has to deliver the shares or pay cash for the shares. This is called the pay- in-day.
8. Cash is paid or securities are delivered on pay-in-day , which is before T+2 day.
9. On T+2 day, exchange will deliver shares or make payment to the other broker. This is called pay-out day. The broker will make payment to the investor within 24 hours of pay-out day.
10. The broker can deliver directly to demat account.

# Unit - 11: MARKETING MANAGEMENT

## Summary of the Chapter

**Marketing management:** It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer's wants. Its aim to achieve the organizational goals at minimum cost by: -

1. Analysing and planning marketing activities
2. Implementing the marketing plans.
3. Setting control mechanism

### **Marketing management philosophy/Concept**

- (i) Product concept
- (ii) Production concept
- (iii) Selling concept
- (iv) Marketing concept
- (v) Social concept

### **Functions of marketing**

1. Marketing research
2. Marketing planning
3. Product planning development
4. Packaging and labeling, Branding.
5. Customer support services
6. Storage and warehousing
7. Transportation
8. Promotion
9. Standardization and grading
10. Pricing Fixing

### **Marketing mix**

Marketing mix includes all those activities, rules, procedures etc. which requires attaining success in the market.

Elements of marketing mix:

- 1. Product Mix-**Product mix includes all those decisions, Activities, procedures which are related to the product such as features, quality, packaging etc.
- 2. Price Mix-**It includes all those factors which are considered while determining of the price of the product.
- 3. Place Mix-**It includes those activities which are related to movement of goods from the

manufactures to the consumers and thus creates place utility.

- 4. Promotion Mix-** - Promotional techniques are used to create product awareness amongst the potential target customers and persuade them to purchase the product. Like- advertising, personal selling, publicity and sales promotion etc. Channels of distribution, Physical distribution

### **Product Mix**

**Packaging** -Refers to the act of designing and producing the container, box or a wrapper of a product.

#### **Levels of Packaging –**

- 1. Primary Packaging**-It refers to the product's immediate container. Like-toothpaste tube.
- 2. Secondary Packaging**- It refers to the additional package, which provides additional layer protection to the product. Like- Card board box for toothpaste.
- 3. Transportation Packaging**-it refers to further packing, which is necessary to protect the product in the process of transportation and storage.

#### **Functions of packaging.-**

1. Product identification
2. Product protection
3. Facilitating use of the product
4. Product promotion

### **Branding**

Branding is the process of giving a name of or a sign or a symbol to a product. Such as Polo, LG etc.

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

- 1. Short**-Brand name should be short so that anyone can remember, spell it.
- 2. Relevant to the functions**- Name of the product should be relevant to the product's functions and suggest the producer's benefits and qualities.
- 3. Adaptable to packing of labeling**- Brand name should be adaptable to packing of labeling requirement.

#### **Advantages of branding:**

- a) Brand name helps in advertising in easier way
- b) Brand name establishes the permanent identify of the product.
- c) Brand name promotes repurchasing.
- d) Competition becomes easier with the help of brand loyalty.

**Price:** It is the worth of a product or service in monetary terms. This money represents the Sum of values that consumers exchange for the benefit so far having or using the product or service.

Factors considered before fixing price are

- a) **Cost of product**– It includes the total cost of producing, distributing and selling the product like- Fixed Cost, variable costs, Semi-variable cost.

- b) **Competition in the market**-Competitors prices and their anticipated reaction must be considered before fixing the price of a product.
- c) **Utility and Demand of the product**- The maximum price a buyer is willing to pay is the value of the utility of the product and minimum price a seller is willing to offer is the cost of the product.
- d) **Pricing Objectives**-  
1- Price Maximization, 2-Obtaining market shares, 3-Surviving in a competitive market etc.

**Place mix:** It refers to a set of decisions that need to be taken in order to make the product available to the consumers for purchase and consumption.

Channels of distribution.—

- a) **Direct Channel (Zero level)** – In this channel manufacturer sells his product directly to the consumers without using any intermediary. Like-Bata, Amway etc.
- b) **Indirect Channel** – When manufacturer involves one or more intermediary to sell or distribute their product to the customers. Indirect distribution network are-

- 1. **One Level Channel** –This channel of distribution involves one intermediary to transfer of goods from manufactures to the consumers.

**Manufacturer**-----Retailer-----Customer

- 2. **Two Level Channel** –This channel of distribution involves two intermediaries to transfer of goods from manufacture to the consumers.

**Manufacturer** ---Wholesaler-----Retailer-----Customer

- 2. **Three Level Channel** –This channel of distribution involves three intermediaries to transfer of goods from manufacturer to the consumers.

**Manufacturer** ---Agent---wholesaler -----Retailer-----Customer

**Promotion mix:** It is concerned with activities that are undertaken to communicate with both customers and participate in the channel of distribution such that sales goals are realized.

**Elements of Promotion Mix-**

- 1-Advertising 2-Personal Selling 3- Sales Promotion 4-Publicity

**Advertising:** It is defined as any paid form of non-personal presentation or promotion of ideas, goods or services by an identified sponsor.

- Merits:**
- 1) Mass reach
  - 2) Enhancing customer satisfaction
  - 3) Expressiveness
  - 4) Economical

- Limitations:**
- 1) Less forceful
  - 2) Lack of feed back
  - 3) Inflexibility
  - 4) Low effectiveness

**Sales promotion:** It refers to short term use of incentives or other promotion activities that seek to stimulate interest.

**Public relations**-Public relations are the deliberate, planned and sustained effort to establish and maintain understanding between an organization and its public.



(a) **Production concept** (b) Product concept (c) Marketing concept (d) Selling concept

Ans: a) **Production concept**

8. Under which concept the companies push for the betterment of the quality of their products in their efforts for marketing?

(a) Production concept (b) **Product concept** (c) Marketing concept (d) Selling concept

Ans: b) Product concept

9. \_\_\_\_\_ is objection to advertisement.

(a) **Undermines social values** (b) Decrease in price (c) Knowledge on various products

(d) Improvement in Quality of Product

Ans: a) Undermines social values

10. Which of the following is the example of Dunlop?

(a) Branding (b) Brand (c) **Brand Name** (d) Brand Mark

Ans: c) Brand Name

11. 'Products are not purchased but sold', with which point of view is this statement associated?

(a) Product (b) **Sale** (c) Production (d) Marketing

Ans: b) Sale

12. The collection of utilities is known as \_\_\_\_\_.

(a) Purchaser (b) Seller (c) **Product** (d) Market

Ans: c) Product

13. Which of the following is the function of marketing?

(a) Promotion (b) Physical Distribution (c) Transport (d) **All the above**

Ans: d) **All the above**

14. Cardbox of Shaving Cream is the example of?

(a) Primary Packaging (b) **Secondary Packaging** (c) Transport Packaging (d) None of the above

Ans: b) Secondary Packaging

15. Selling goods by producer to consumer involves which channel?

a) one level b) two level c) three level d) **zero level**

Ans: d) **zero level**

16. Marketing mix does not include

a) product b) place c) promotion d) **People**

Ans: d) **People**

17. Nisha, a school bag manufacturer decided to improve the product for profit maximization and thus added a water bottle holder to the existing design. Identify the marketing management philosophy adopted by Nisha

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

**Ans: a) Product concept**

18. Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District forum under the Consumer Protection Act and got the relief. Identify the important aspect neglected by the marketer in the above case.

- a) Packaging b) Branding c) **labelling** d) Pricing

**Ans: c) Labelling**

19. Mr. Rajiv, the sales executive of ABC Ltd. possess good marketing techniques, his techniques involve oral presentation of message, convincing the customer with face to face interaction, etc. Name the element of marketing mix under which the above technique fall:

- a) **Promotion** b) Product c) Price d) Place

**Ans: a) Promotion**

20. Mansi, a shoe manufacturer for school students, decided to maximize profits by producing and distributing shoes on a large-scale and thus reducing the average cost of production. Identify the marketing management philosophy adopted by Mansi.

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

**Ans: b) Production Concept**

### *Very Short answer Type questions (1Mark)*

**Q.1** “It is necessary that goods and services must be made available to the customer at the right place, in right quantity and at the right time’. Name the concerned element of marketing-mix.

**Ans.** (a) The concerned element is Place mix.

**Q.2.** ‘Automobiles Ltd. Offered to sell their new bikes at about Rs.4, 000 less than the usual price’. This is an example of one of the techniques of sale promotion. Name the technique.

**Ans.** The given techniques of promotion mix are ‘Rebate’.

**Q.3** “Money spent on advertisement is not a waste but an investment”. Do you agree with this view? Give reason in support of your answer.

**Ans.** Yes’ I agree with the given statement. Advertising is a medium through which a large number of people can be reached over a vast geographical area.

**Q.4** A toy car free with ‘Maggi Noodles’ is an example of one of the techniques of sales

promotion. Name the techniques

**Ans.** The given technique is 'Product Combinations'.

**Q.5** Which distribution channel should be used in case the buyers are widely dispersed?

**Ans.** Indirect Channels.

**Q.6** Nisha, a school bag manufacturer decided to improve the product for profit maximization and thus added a water bottle holder to the existing design.

- (i) Identify the marketing management philosophy adopted by Nisha ; and
- (ii) Explain the philosophy on the basis of:
  - (a) Main focus and
  - (b) Means and End.

**Ans.** (i) Product Concept.

- (ii) (a) Main focus of this concept is on product quality.
- (b) Means: Through better quality ; Ends: Profit through product quality.

**Q.7** Mansi, a shoe manufacturer for school students, decided to maximize her profit by producing and distributing at large scale and thereby reducing the average cost of production.

- (i) Identify the marketing management philosophy adopted by Mansi.
- (ii) Explain this philosophy on the basis of:
  - (a) Main Focus;
  - (b) Means and Ends.

**Ans.** (i) Production Concept.

- (ii) (a) Main focus of this concept is on quantity of product.
- (b) Means: Through availability and affordability of product; ends: Profit through mass production.

**Q.8** Jasdeep, a dealer in school uniforms, decided to maximize his profit by using different aggressive promotional efforts.

- (i) Identify the market management philosophy adopted by Jasdeep.
  - (a) Explain this philosophy on the basis of; Main Focus;
  - (b) Means and Ends.

**Ans.** (i) Selling Concept.

- (ii) (a) Main focus of this concept is on selling existing product.
- (b) Means: Through selling and promotional efforts; Ends: Profit through sales volume.

**Q.9** It is necessary that goods and services must be made available to the customers at the right place, in the right quantity and the right time. Name and explain the concerned element of marketing Mix given above.

**Ans. Name - Place / physical Distribution-** The physical handling and movements of goods from place of production to the place of distribution is referred to as physical distribution.



**Q.10** ATV manufacturing company is spending substantial amount of money to persuade target customers to buy its T.V. sets through advertisements, personal selling and sales promotion techniques. Identify the element of marketing mix referred here.

**Ans.** Promotion / Promotion Mix.

**Short Answer type Question (3 or 4 marks) Q**

1. What is difference between selling concept and marketing concept?

**Ans.**

Points	Selling Concept	Marketing Concept
Main Focus	Attracting consumers	Consumer satisfaction
Means	Advertising, personal selling and sales promotion	Marketing promotion activities
Ends		Profit through consumer

**Q2. What do you mean by marketing management?**

**Marketing management:** It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer's wants. Its aim to achieve the organizational goals at minimum cost by:-

1. Analysing and planning marketing activities.
2. Implementing the marketing plans.
3. Setting control mechanism.

**Q3** Which marketing concept take care of social, ethical and ecological aspect of marketing? Describe the concept.

**Ans. Societal Marketing Concept**- This concept states that a business organization must adopt marketing concept in such a manner that it fulfills the needs and wants of potential customers.

**Q4** What do you mean by the **Branding**? Explain Three qualities of a good brand name.

**Ans. Branding** is the process of giving a name of or a sign or a symbol to a product. Such as Polo, LG etc.

**Qualities of a good brand name-**

1. **Short**-Brand name should be short so that anyone can remember, spell it.
2. **Relevant to the functions**- Name of the product should be relevant to the product's functions and suggest the producer's benefits and qualities.
3. **Adaptable to packing of labeling**- Brand name should be adaptable to packing of labeling requirement.

**Q.5** Elder Pharmaceuticals is a leading company engaged in manufacturing cough syrups. The company packs the syrup first in glass bottle and then in a cardboard box. As the syrup is demanded all over the world, 20 boxes of syrups are packed in corrugated boxes and distributed to various chemist and hospitals.

- (i) Identify the three levels of packaging highlighted in the given case;
- (ii) What is the basic purpose of packing the cardboard boxes in corrugated boxes?

**Ans.** (i) The three levels of packaging are:

- (a) Primary Package (glass bottle);
- (b) Secondary packaging (cardboard box);
- (c) Transportation packaging (corrugated box)

(ii) The basic purpose is to protect the product in the process of transportation and storage.

Q6 What is public relation? Explain its role.

**Ans.** Public relations are the deliberate, planned and sustained effort to establish and maintain understanding between an organization and its public.

**Role of public relation:**

- i. Press relations-** Public relation department is in contact with the media to present the organization's picture in positive manner in press.
- ii. Product publicity-** Public relation department manages the sponsoring of sports and cultural events to create the publicity of the new product to be launched.

*Long Answer Type Questions (5/6 Marks)*

Q1 Explain the functions of marketing?

**Ans. Marketing functions:**

- 1. Marketing research-** This refers to study of market so that customers needs, desires and preferences can be identified and product can be designed and developed as per their requirement.
- 2. Marketing planning-** The marketing plan involves laying out specific strategies to increase market share, promotion program and increase production capacity to meet increased demand.
- 3. Product planning development-** A good design improves the quality of the product and makes it attractive and competitive in the target market. Development of product as per requirement of customers.
- 4. Packaging and labeling- Packaging** refers to designing the package for the products and labeling refers to designing the label to be put on the package. Both play an important role in marketing the product.
- 5. Branding-** Branding refers to giving a name, sign or symbols to the product. Brand name provides business an identity and distinguishes its product from that of its competitors.
- 6. Customer support services-** These services related to handling customers after goods are sold to them. Its main aim is to maintain good relationship with customers.
- 7. Storage and warehousing-** For smooth flow and regular supply of goods business needs to maintain appropriate stock level and thus require warehousing or storage.

facilities.

8. **Transportation** – Transportation facilitates movement of goods from the manufacturer to the consumers and thus creates place utility.
9. **Promotion**- Promotional techniques are used to create product awareness amongst the potential target customers and persuade them to purchase the product. Like- advertising , personal selling , publicity and sales promotion etc.
10. **Standardization and grading**- Standardization refers to producing products with predetermined specifications and grading classified the product into different groups on the basis of size, quality etc.
11. **Price Fixing** – Price of the product affects the success or failure of a product in the market. Demand of the product is inversely related to its price. The marketers analyses all the factors, while setting prices.

**Q2** What do you mean by Packaging? Explain level and functions of packaging.

**Ans.** Packaging refers to the act of designing and producing the container, box or a wrapper of a product.

**Levels of Packaging –**

1. **Primary Packaging**- It refers to the product's immediate container. Like- Toothpaste tube.
2. **Secondary Packaging**- It refers to the additional package, which provides additional layer protection to the product. Like-Cardboard box or toothpaste.
3. **Transportation Packaging**-it refers to further packing, which is necessary to protect the product in the process of transportation and storage.

**Functions of packaging.-**

1. **Product identification** – Packaging helps in identification of the product out of various products. It contains brand, features of the product etc.
2. **Product protection** – Packaging protects the products from spoilage, damage, leakage, pilferage, humidity etc.
3. **Facilitating use of the product**-The size and shape of the package should be convenient to open, handle and use for consumers.
4. **Product promotion** – Packaging acts as a good salesman as it promotes the product and increases its sale.

**Q3** What do you mean by the price? Explain factors affecting price determination.

**Ans. Price:** It is the worth of a product or service in monetary terms. This money represents the sum of values that consumers exchange for the benefits of having or using the product of service.

Factors considered before fixing price are

- (i) **Cost of the product:-** Cost of the product is the main component of the price . No company can sell its product or service at less than the cost of the product. A Fixed

and variable cost are to be considered for determining the price.

- (ii) **The utility and demand for the product:** - Intensive study for the demand for product and service in the market is to be undertaken before the fixation of the price of the product. If demand is relatively more than supply, higher price can be fixed.
- (iii) **Extent of competition in the market:-** It is necessary to take into consideration prices of the product of the competing firms prior to fixing the price. In case of cut throat competition it is desirable to keep price low.
- (iv) **Government & Legal Regulation:-** If the price of the commodity and service is to be fixed as per the regulation of the govt., it should also be borne in mind.

# Unit - 12 : CONSUMER PROTECTION

## Summary of the Chapter

**Meaning:** Consumer protection means protecting the interest of consumers.

**Importance of consumer protection.** From consumer s point of view

1. Consumer Ignorance: Most of the consumers are not aware of their rights and relief available to them. It is therefore necessary to educate them and create awareness among them.
2. Unorganized Consumers: There is need to organize consumers in the form of consumer association who would take care of their interest.
3. Wide spread exploitation of consumers: Unscrupulous and unfair trade practices, such as defective and unsafe products, hoarding and black marketing etc. are wide spread. Consumers require protection against such malpractices.

**From Business Point of view:**

1. Long term Interest: It is in the long term interest of the business to satisfy customers. When customers are satisfied business gets repeated sales and its customers increase.
2. Use of society's resources: Business firms use resources of the society. Therefore they are under an obligation to supply products and services which are in public interest.
3. Social Responsibility: A businessman has responsibility towards various groups. Customer is one of the important groups because firms earn money by selling goods and services to them.
4. Government Intervention: If businessman wants to avoid intervention of government then they should not involve in unfair trade practices. Firms should voluntarily serve the needs and interests of customers.
5. Moral Justification: It is a moral duty of every business firm to take care of customer's interest. It must avoid all types of unscrupulous and unfair trade practices.

**Scope of Consumer Protection Act :** The act applies to all goods and services of any kind other than for commercial purposes provided by the sector – private, public or co-operative. It also covers public utility services. Any ultimate consumer or registered association of consumers, state and central Govt. can file a complaint under this act. Complaint can be filed either personally or by post. There is no fee for filing a complaint.

**Consumer's Rights:**

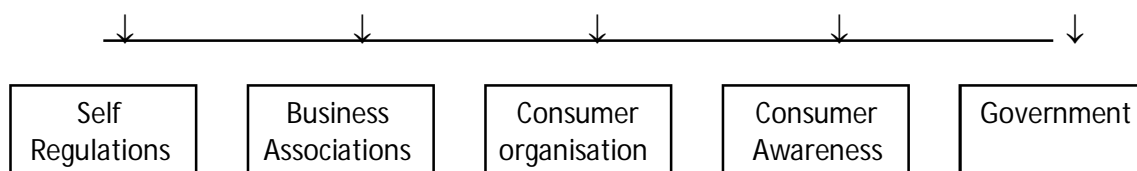
1. **Right to safety:** It is a consumer's right to be protected against goods and services which are hazardous to health and life.
2. **Right to be Informed:** A consumer has a right to have complete information about the quality, quantity, price of goods, ingredients etc

3. **Right to Choose:** Every consumer has the right to choose the goods from a variety of products at competitive prices.
4. **Right to be heard;** The consumer has the right to file a complaint and to be heard in case of dissatisfaction with products services.
5. **Right to Seek Redressal:** The consumer has a right to get relief in case the product or services falls short of his expectation
6. **Right to consumer Education:** The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life.

### Redressal Agencies

Basis	District Forum	State Commission	National Commission
Composition	A President and two .. . . .	A President and two other members	A President and four other members including one women
Compensation claim	Up to Rs.20 Lakhs	Above 20 lakhs but .. . . .	.....
Appeal commission against order	Go to state within	Go to national commission within 30 days.	Go to Supreme Court within 30 days.

### Ways and Means of Consumer protection:



### Consumer's Responsibilities:

1. **Be aware about various goods and services** available in the market so that an intelligent and wide choice can be made.
2. **Read labels** carefully so as to have information about prices, net weight, manufacturing and expiry dates etc.
3. Ask for **cash memo** on purchase of goods and services. This would serve as a proof purchase made.
4. Be **honest in your dealing**. Choose only from legal sources and discourage unfair practices like black marketing, hoarding etc.
5. **File a complaint** in appropriate consumer forum in case of a short coming in the quality of goods purchased or services availed.
6. **Respect the environment**. Avoid waste, littering and contributing to pollution.

### Role and functions of consumer organizations and NGOs

1. Educating to Consumers
2. Collecting data on different products and Testing them
3. Filing suit on behalf of consumers
4. Helping Educational institutions
5. Promoting network of consumer association.
6. Extending support to Government

**NGOs:** Non-Government Organizations are those organizations which aim at promoting the welfare of the people with non-profit concept. They are taking up various aspects of consumer exploitation.

### MCQ(1 mark)

1. To provide protection to the consumers against the improper behaviour of the producers

and sellers is called\_\_\_\_\_.

- (a) Consumers Protection Act
- (b) Consumer Protection**
- (c) Consumer Welfare
- (d) Consumer Education

Ans: b )Consumer Protection

1. When a single consumer fails to get his rights protected, he seeks the help of\_.

- (a) Trade Union (b) **Consumer Association**(c) Labour Union (d) None of the above

Ans: b) Consumer Association

2. Don't purchase in haste', this is an important\_\_\_\_\_of the consumer.

- (a) Responsibility** (b) Right (c) Act (d) All the above

**Ans: a) Responsibility**

3. The consumer organisations collect the samples of the products for\_\_\_\_\_.

- (a) Sell them b) **Check them** c) Get bribe from the sellers (d) Distribute them among the poor

Ans: b) Check them

4. Disputes of \_\_\_\_\_amount are settled at the level of District Forum?

- (a) Up to rupees ten lakh
- (b) Up to rupees thirty lakh
- (c) Up to rupees fifty lakh
- (d) Up to rupees twenty lakh**

**Ans: d) Up to rupees twenty lakh**

5. Which of the following Acts is related to the Consumer 's'protection'?

**(a) Consumer Protection Act,1986**

(b) Indian Companies Act,1956

(c) Indian Partnership Act

(d) Indian Contract Act

**Ans: a)Consumer Protection Act,1986**

6. Who, of the following, cannot be considered a consumer?

(a) A person who buys things to further sell them consideration.

(b) A person who gets things without consideration.

(c) A person who uses things without the permission of the purchasers.

**(d) All the above**

**Ans. d) All the above**

7. Who of the following cannot file a complaint?

(a) Individual consumer

**(b) Consumer association that has not been recognised**

(c) Central government

(d) State government

**Ans: b)Consumer association that has not been recognised**

8. Which of the following is a consumer organization?

(a) Common Cause, New Delhi (b) Voice, New Delhi

**(c) Consumer Forum, Udipi (d) All of these**

**Ans: d) All of these**

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

**Q1** Government is actively advertising for 'Jago Grahaks Jago'. Which consumer right is highlighted in the given statement?

Ans. Right to consumer education.

**Q2** The approach of Caveat Emptor has been changed to Caveat Venditor. What do the two approaches mean? Why such a radical change has taken place?

Ans. The approach of Caveat Emptor means let the buyer beware and approach of caveat venditor means let the seller be ware. The change has taken place because a consumer is said to be a king in the current competitive market and all the marketing efforts of a firm revolve around him.

**Q3** If the market has enough qualities and varieties of product at competitive prices, then buyer have an opportunity of wise selection. Identify the consumer right discussed.

Ans. Right to choose

**Q4** Identify the products to which the following quality certification marks are associated. Also mention the name of quality mark.

Ans. (i) food products (FPO marks);



- (ii) Electrical appliances (ISI mark);
- (iii) Jewellery (Hallmark);
- (iv) Environmental friendly products (Eco mark);
- (v) Agriculture products (Agmark).

**Q5** Mili went to a shopkeeper to buy vegetable oil. The shopkeeper forced her to buy a particular brand out of various available brands. Which right of Mili has been exploited?

Ans. Right to choose.

**Q6** Ramesh purchased medicines without noticing a date of expiry. He did not obtain cash memo. Do you think, Ramesh will be able to protect himself by loss caused due to expired medicine?

Ans. No Ramesh will not be able to protect himself as he didn't obtain the proof of purchase,  
i.e. cash memo.

**Q7** Mention the quality mark which a consumer should look for while purchasing the following products:

- Ⓐ Electrical goods;      (ii) Jewellery;      (iii) Agriculture products;
- (iv) Food products;      (v) Environmental friendly

products. Ans.      (i) ISI marks;      (ii)

Hallmarks; (iii) Agmark;

- (iv) FPO mark;      (v) Eco mark.

**Q8** Why consumer protection is important for consumers? Give any one reason. Ans. It is important because of 'consumer ignorance'.

**Q9** Which act provides for the setting up of three tier machinery? Ans. Consumer Protection Act, 1986.

**Q10** Which consumer right entitles the consumer to get relief in case the product or service falls short of his expectation?

Ans. Right to seek redressal.

**Q11** Name the right, which suggests that a consumer has a right to register his dissatisfaction? Ans. Right to be heard.

**Q13** Which can serve as the proof of purchase made, for filing a complaint against defective product?

Ans. Cash memo.

**Q14** Rita wants to buy a packet of juice. As an aware customer how can she be sure about the quality of juice she plans to buy?

Ans. Rita should look for FPO Mark on the packet of juice.

**Q15** Pragya brought an iron of a reputed brand for Rs. 1,500 but it caused an electric shock while it was being used Pragya wants to exercise her 'Right'.

Identify the 'Right' under which he can be protected.

Ans. Right to Safety.

*Short Answer Question (3/4 Marks)*

Q 1 Harishankar purchase a book for Rs. 250. Later on, he found that MRP of book was Rs. 200 only and the shopkeeper had put a sticker of Rs. 250 on the original MRP. Answer the following question:

- (i) Which right of Hari Shankar is violated in the given case?
- (ii) Can he recover the extra money?
- (iii) Whether any option is available against the bookseller?

Ans. (i) Right to be informed is violated;  
(ii) Yes, Harishankar can recover extra money of Rs.50;  
(iii) Harishankar also has more option:  
(a) He can ask for refund of money after returning the book;  
(b) He can also sue bookseller for unfair practices.

Q2 What is the role of consumer organizations and non-government organizations?

Describe. Ans. Role of consumer organizations and non-government organizations-

- 7. Educating to Consumers
- 8. Collecting data on different products and Testing them
- 9. Filing suit on behalf of consumers
- 10. Helping Educational institutions
- 11. Promoting network of consumer association.
- 12. Extending support to Government

*Long Answer Type Questions (5 or 6 marks)*

Q1 What is the concept of consumer protection give importance of consumer protection.

Ans. **Meaning:** Consumer protection refers to protecting the consumer against anti-consumer trade practices by the producers or sellers.

Importance of consumer protection.

**From consumers point of view**

- 1. Consumer Ignorance: Most of the consumers are not aware of their rights and relief available to them. It is therefore necessary to educate them and create awareness among them.
- 2. Unorganized Consumers: There is need to organize consumers in the form of consumer association who would take care of their interest.
- 3. Wide spread exploitation of consumers: Unscrupulous and unfair trade practices, such as defective and unsafe products, hoarding and black marketing etc. are wide spread. Consumers require protection against such

malpractices.

**From Business Point of view:**

1. Long term Interest: It is in the long term interest of the business to satisfy customers. When customers are satisfied business gets repeat sales and its customer base increase.
2. Use of society's resources: Business firms use resources of the society. Therefore they are under an obligation to supply products and services which are in public interest.
3. Social Responsibility: A businessman has responsibility towards various groups.  
Customer is one of the important groups because firms earn money by selling goods and services to them.

**Q2** What are Rights of consumers ? Explain.

- **Ans. Right to safety**: It is a consumer's right to be protected against goods and services which are hazardous to health and life. Ex- Electrical Appliances which are not ISI marked might cause serious injury.
- **Right to Information**: A consumer has a right to have complete information about the quality, quantity, price of goods, ingredients etc. which he intends to purchase. Thus manufacturer must mention complete information about the product.
- **Right to Choice**: Every consumer has the right to choose the goods from a variety of products at competitive prices. The marketers must allow consumers to make a choice from a wide variety of product.
- **Right to be heard**: The consumer has the right to file a complaint and to be heard in case of dissatisfaction with a product services.
- **Right to Seek Redressal**: The consumer has a right to get relief in case the product or services falls short of his expectations.
- **Right to consumer Education**: The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life.

**Q3** What remedies are available to consumers in consumer's protection Act-1986?

**Ans. Under this Act, remedies available to consumers are as follows:**

To remove the defect in goods or deficiency in service.

1. To replace defective product with a new non defective product.
2. To refund the price paid for the product ..
3. To pay reasonable compensation for loss or injury suffered by the consumer due to negligence of the opposite party.
4. To discontinue unfair or restrictive trade practice and not to repeat in the future.
5. Not to offer hazardous goods

for sale. **Q4.** What is the responsibilities of consumers? **Ans.** Consumer responsibilities-

1. Consumer must exercise his rights: They must be aware of their rights while buying.
2. Consumers should buy only standard goods like ISI/AGMARK goods only.
3. Filing complaint for the redressal of genuine grievances.
4. Consumer must be quality conscious/should not compromise on quality.
5. Consumers should learn the rights associated with products and services.
6. Do not forget to get receipt and Guarantee/ Warranty Card.
7. Consumers should read labels carefully.
8. Consumers should be honest in their dealings. They should buy only legal goods.
9. Consumers should respect environment. Avoid waste, littering and contributing to pollution.
10. Consumers should form consumer societies.

Q5. What are the ways and means of consumer's protection?

Ans. **Ways and Means of Consumer protection**

- a) **Self regulation by business:** Every firm insists to have a strong consumer base which means that more and still more people should buy their products. This is possible only when the consumer is carefully satisfied with the products of the firm.
- b) **Business Associations:** Business associations prepare a code of conduct for businessmen.
- c) **Consumer Awareness :** Consumer should protect himself
- d) **Consumer organizations:** these organizations can force business firms to avoid malpractices and exploitation of consumers.
- e) **Government:** Interests of the consumers are protected by the government by enacting various legislations. Consumer protection Act 1986 is an important legislation by the government to provide protection to the affected consumer.

Q6. Explain the redressal machinery under the consumer protection

Act, 1986. Ans. The redressal machinery under the consumer protection Act, 1986-

- a) **District forum:** According to consumer protection Act state government can set up one or more district forum in each district.
  - 1) District forum hears disputes involving a sum up to Rs. 20 Lacs.
  - 2) It can file appeal against it with the state commission within 30 days.
- b) **State commission:**
  - 1) State commission redresses grievances involving a sum exceeds Rs. 20 lacs and up to Rs. 1 crore.
  - 2) It can file an appeal before the national commission within 30 days.

**c) National commission:**

- 1) It is appointed by the Central Government
- 2) It has the jurisdiction to hear complaints involving a sum exceeding Rs.1 crore.
- 3) It can file an appeal with the Supreme Court within 30 days

KENDRIYA VIDYALAYA SANGATHAN  
Sample paper - 1 (solved)

Time allowed: 3 hours

Maximum Marks:80

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**General instructions:**

- (i) *All questions are compulsory.*
- (ii) *Question numbers 1 to 12 are multiple choice type questions carrying 1 mark each, right option has to be chosen.*
- (iii) *Question numbers 13 to 20 are very short answer questions carrying 1 mark each, to be answered in one sentence.*
- (iv) *Question numbers 21 to 25 are short answer questions carrying 3 marks each. , to be answered in about 75 words.*
- (v) *Question numbers 26 to 28 are also short answer questions carrying 4 marks each, to be answered in about 150 words.*
- (vi) *Question numbers 29 to 31 are long answer questions carrying 5 marks each, to be answered not exceeding 150 words each.*
- (vii) *Question numbers 32 to 34 are also long answer questions carrying 6 marks each, to be answered not exceeding 200 words each.*
- (viii) *Attempt all parts of a question together.*

**Section A**

1. Management is:

- a) An activity b) A Process c) A Tradition d) A Myth (1)

Ans: b) A Process.

2. The directing process does not include one of the following:

- a) Leadership b) Planning c) Motivation d) Communication (1)

Ans: b) Planning

3. In which year 'The Consumer Protection Act' was introduced? (1)  
a) 1982      b)1986      c)1988      d)2000

Ans: b)1986

4. Principles of management can be applied to: (1)  
a)      Big organization                      b) Small organization  
c)      Government organization      d)All organizations

Ans: d) All Organisations

5. Which of the following is the first step in the staffing process? (1)  
a) Orientation   b) Development   c)Manpower planning   d)Recruitment

Ans: c) Manpower planning

6. Function of management that ensures the activities in an organization are performed as per plans. (1)  
a) Planning   b) Directing   c) Organizing   d) Controlling

Ans: d) Controlling

7. Treasury bills are basically: (1)  
a) An instrument to borrow short-term funds  
b) An instrument to borrow long term funds  
c) An instrument of capital market  
d) An instrument of Secondary Market

Ans: a) An instrument to borrow short-term funds

8. The adjustments to the changing environment relate to one of the following characteristics of planning: (1)  
a) Precision   b) Universality      c) Forecasting      d)Flexibility

Ans: d) Flexibility

9. On which concept is the approach of wealth maximization based? (1)  
a) Cash flow  
b) Social Responsibility  
c) Present value of wealth  
d) Profitability

Ans: c) Present value of wealth

10. Jewellery is an example of \_\_\_\_\_. (1)  
a) Convenience Product  
b) Durable product

- c) Shopping Product
- d) Non-durable Product

Ans: b) Durable Product

11. Centralization refers to: (1)

- a) Retention of decision making authority
- b) Dispersal of decision making authority
- c) Creating divisions as profit centers
- d) Opening new centers or branches

Ans: a) Retention of decision making authority

12. \_\_\_\_\_ refers to the withdrawal of currency from circulation which is done to ambush black market currency and unaccounted money.

- (1)
- a) Devaluation
  - b) Decentralization
  - c) Denomination
  - d) Demonetization

Ans: d) Demonetization

13. “Successful organizations do not achieve their goals by chance but by following a deliberate process.”

Identify the process highlighted here.

(1)

Ans. Process highlighted in the statement is ‘Management’

14. Distinguish between Delegation and Decentralization on the basis of freedom of action.

(1)

Ans.

Basis	Delegation	Decentralisation
Freedom of Action	More control by superiors hence less freedom to take own decisions	Less control over executives hence greater freedom of action.

15. Distinguish between Authority and Responsibility on the basis of Origin.

Ans:

Basis	Authority	Responsibility
Origin	Arises from	Arises from

	formal position	delegated authority
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16. Name the on-the-job method of training that is used to give training to plumbers.

Ans. Apprenticeship programmes can be used to give training to the plumbers.

17. Mohit purchased a smart phone for Rs.30,000 from a mobile phone seller on his verbal commitment that the smart phone will be replaced in case of any defect, within a span of six months. The phone started creating technical issues in spite of proper maintenance and upkeep of the phone. The seller denied taking any action on the complaint made by Mohit. Name the redressal agency under the Consumer protection Act where Mohit can file his complaint.

(1)

Ans. No, Mohit cannot file a complaint against the seller in the consumer court as he does not have cash-memo. He had purchased mobile on the verbal commitment only.

18. 'The size of assets, the profitability and competitiveness are affected by one of the financial decisions.' State the decision involved with reference to the given statement.

(1)

Ans: Capital budgeting decision involves allocation of funds to different projects or assets with long term implications.

19. In an organization, employees always feel that they are under enormous unnecessary stress, as the manager does not provide any information about future plans but simply instructs them what to do. He also does not listen to any of the suggestions given by the subordinates. Identify the type of leadership style followed by the manager in the above situation.

(1)

Ans: Autocratic style of leadership is being followed by the manager in the given situation.

20. Mr. Mohan , Financial manager of Excel Ltd., has prepared the annual statement of Proposed expenditure to be presented in the Annual General Meeting. Identify the type of plan formulated by the financial manager.

(1)

Ans: Budget is the type of plan formulated by the financial manager.

### Section-B

21. State any three points of importance of directing function of management.

(3)

OR

State any three measures to overcome the communication barriers.



Ans: Importance of directing: (Any three Importance)

- i) Directing helps to initiate action in the organization towards attainment of desired objectives. Directing integrates employees' efforts in the organization in such a way that every individual effort contributes to the organizational performance.
- ii) Directing guides employees to fully realize their potential and capabilities by motivating and effective leadership.
- iii) Directing facilitates introduction of needed changes in the organization.
- iv) Effective directing helps to bring stability in the organization.

OR

Measures to overcome communication barriers:

- i) Clarify the ideas before communication.
- ii) Communicate according to the needs of the receiver
- iii) Consult others before communicating.
- iv) Be aware of the languages, tone and content of messages.
- v) Convey things of help and value to listeners.
- vi) Ensure proper feedback.
- vii) Communicate for present as well as future.
- viii) Follow up communication
- ix) Be a good listener (Any three)

22. Sanjay decided to start a desert cooler manufacturing business. He sets the target of earning 20% profit on sales in the first year. He was very much concerned about the future prospects of the business, which were uncertain. For this, he gathered information from the potential market and analysed that the demand for wall mounted coolers is increasing day by day. He used this information as the base for future planning. On the basis of the gathered information, he called a meeting in the following week to find new methods to achieve the objective.

- a) Identify the function of management involved in the above case.
- b) Enumerate the next two steps, which have been followed by Rahul that are related to the process of one of the functions of management.

(3)

Ans: a) Planning

b) (i) Identifying alternative courses of action.

(ii) Evaluating alternative courses of action.

23. "The overall objective of SEBI is to protect the interest of investors and to promote the development of, and regulate the securities market." In light of the given statement, state any three objectives of SEBI.

(3)

Ans: Objectives of SEBI (any three)

1. To regulate stock exchanges and the securities industry to promote their orderly functioning.
2. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
3. To prevent trading malpractices and achieve a balance between self regulation by the securities industry and its statutory regulation.

4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional

24. 'Delegation is not a process of abdication.' Comment. (3)

Ans: The given statement is true as delegation helps a manager to extend his area of operation as without it his activities would be restricted to only what he himself can do. However, delegation does not mean abdication; the manager shall still be accountable for the assigned task.

25. Mr. Rishi is into transport business. His buses are hired by schools for transportation of students.

He is willing to expand and diversify his business to inter-state transportation purposes.

Enumerate any six factors that will affect the fixed capital requirements. (3)

Ans :Factors affecting fixed capital requirements are: (any Six)

- i) Scale of operations
- ii) Financing alternatives
- iii) Growth prospects
- iv) Nature of business
- v) Diversification
- vi) Level of collaboration
- vii) Technology Up gradation
- viii) Financing alternatives.

### Section-C

26. The Government of India has recently come up with an amendment to section 6 of the payment of Wages Act 1936, to allow employers of certain industries to make payment through various electronics modes of payments. The amendment will be applicable to all the public sector undertakings for wages disbursement using e-payment options. This is another milestone in the direction to further push to cashless economy. Identify and explain any two dimensions of business environment which relate to the above mentioned case. (4)

Ans: The various dimensions of business environment which relate to the above mentioned case are stated below:

- a) Political Environment: Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
- b) Legal Environment: Legal environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as decisions rendered by various commissions and agencies at every level of the government centre, state or local. It is imperative for the management of every enterprise to obey the law of the land.

c) Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business (any two)

27. State any four differences between Primary market and Secondary market.

OR

Differentiate between Capital Market and Money Market on the basis of:

a) Liquidity                      b) Duration                      c) Expected Return      d) Safety

(4)

Ans:

<b>Primary Markets</b>	<b>Secondary Markets</b>
There is sale of securities by new companies or further (new issues of securities by existing companies to investors).	There is trading of existing shares only
Securities are sold by the company to the investor directly (or through an intermediary)	Ownership of existing securities is exchanged between investors
The flow of funds is from savers to investors, i.e., the primary market directly promotes capital formation	Enhances encashability (liquidity) of shares i.e., the secondary market indirectly promotes capital formation.
Only buying of securities takes place in the primary market, securities cannot be sold there.	Both the buying and the selling of securities can take place on the stock exchange.
Prices are determined and decided by the management of the company	Prices are determined by forces of demand and supply.
There is no fixed geographical location.	Located at specified places.

OR

<b>Basis</b>	<b>Capital market</b>	<b>Money Market</b>
Liquidity	Capital market securities are considered liquid but less liquid than money market securities	Money market securities enjoy higher degree of liquidity
Duration	Capital market deals with medium and long term securities	Money market deals with short term securities.
Expected return	The investment in capital market yield higher return due to longer duration	The investment in money market yield less return due to short duration
Safety	Capital market securities are riskier than	Money market securities are comparatively safer than capital market securities

	money market instruments	
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28. Siji paul buys a packet of dry cake from a cake shop without asking for the bill. The pack does not bear any information other than the name of the shop. After reaching home she finds the cake to be stale.

- a) Identify the consumer right that has been violated.
- b) State any three responsibilities that a consumer must keep in mind while purchasing any good.

(4)

Ans: a) Right to information

b) Consumer responsibilities (any two)

- i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made
- ii) Buy only standardized goods as they provide quality assurance. Thus , look for ISI mark on electrical goods, FPO mark on food products, Hallmark on Jewelery etc.,
- iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.,
- v) Assert yourself to ensure that you get a fair deal
- vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like Black-marketing, hoarding etc.,
- vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.

#### **Section – D**

29. State any five functions performed by the manager who is working at the middle level management.

OR

State any five characteristics of Coordination.

Ans: Following are the functions performed by the Middle level Manager:

- a) Interpret the policies framed by top management
- b) Ensure that their department has the necessary personnel
- c) Assign necessary duties and responsibilities to them.
- d) Motivate them to achieve desired objectives.
- e) Cooperate with other departments for smooth functioning of the organization

OR

Characteristics of Coordination:

- i) Co-ordination unifies unrelated or diverse interests into purposeful work activity.
- ii) The purpose of coordination is to secure unity of action in the realization of a common purpose. It acts being a binding force between

departments and ensures that all action is aimed at achieving the goals of the organization.

- iii) Coordination is not a one-time function but a continuous process. It begins at the planning stage and continues till controlling.
- iv) Coordination is required at all levels of management due to the interdependent nature of activities of various departments. It integrates the efforts of different departments and different levels.
- v) Coordination is the responsibility of all managers at the top, middle and lower level.
- vi) Coordination is the deliberate function of management. (any five)

30. Trimax Ltd., is engaged in manufacturing high end luxury pens. The target production is 900 units daily. The Company had been successfully attaining this target until three months ago. Over the last few months, it has been observed that daily production varies between 800 – 850 units.

- i) Identify the function of management, has been highlighted in the above context .
- ii) Discuss the first four steps involved in the process of the function identified above.

(5)

Ans: i) Controlling

ii) Following are the first four steps involved in the controlling process:

- a) Setting performance standards: Standards are criteria against which actual performance would be measured.
- b) Measurement of Actual performance: performance should be measured in an objective and reliable manner. There are several techniques for measurement of performance.
- c) Comparing Actual Performance with Standards: This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results.
- d) Analysing deviation: Some deviation is expected in all activities. It is therefore, important to determine the acceptable range of deviations. Also deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas.

31. Sharanya Sunil joined as the human resource director of Saraswati Vidyalaya, a senior secondary educational institute. She observed that the school had an experienced medical team on its payroll. They regularly offered useful suggestions which were neither appreciated nor rewarded by the school authorities. Instead the school outsourced the task of maintenance of health records of the students and paid them a good compensation for their services. Because of this, the existing medical team felt disheartened and stopped giving useful suggestions.

- a) Identify the communication barrier discussed above
- b) State the category of this communication barrier.
- c) Explain any other three communication barriers of the same category.

(5)

Ans. a) The communication barrier discussed above paragraph is lack of proper incentives.

b) It is a personal barrier.

c) Other communication barriers of the same category are:

- i) Fear of challenge of Authority
- ii) Lack of confidence of superior on his subordinates
- iii) Unwillingness to communicate.

OR

Naren Ltd., is a large and credit – worthy company manufacturing automobiles for the Indian market. It now wants to cater to the other market and decided to invest in new machines. For this, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money market.

- a. Name and discuss the money market instrument the company can use for the above purpose.
- b. What is the duration for which the company can get funds through this instrument?
- c. State any other purpose for which this instrument can be used.
- d. Name any other Money Market instrument. (5)

Ans: a. Commercial paper – it is a short term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period.

- b. 15 days to one year
- c. It is used to provide short term funds for seasonal and working capital needs of business.
- d. Certificate of deposit or any other money market instrument.

**Section-E**

32. Differentiate between functional structure and divisional structure.

OR

Distinguish between Formal organization and Informal organization.

(6)

Ans:

<b>Basis</b>	<b>Functional Structure</b>	<b>Divisional structure</b>
Formation	Formation is based on functions	Formation is based on product lines

		supported by functions
Specialisation	Functional specialisation	Product specialization
Responsibility	Difficult, as each functional manager has to report to the top management	Easy to fix responsibility for performance.
Managerial Development	Difficult, as each functional manager has to be report to the top management.	Easier, autonomy as well as chance to perform multiple functions helps in managerial development
Cost	Functions are not duplicated hence economical	Duplication of resources in various departments, hence costly.
Coordination	Difficult for a multiproduct company	Easy, because all functions related to particular product are integrated in one.

OR

Basis	Formal Organisation	Informal Organisation
Meaning	Structure of authority relationship created by the management	Network of social relationships arising out of interaction among employees.
Origin	Arises as a result of company rules and policies	Arises as a result of social interaction.
Authority	Arises by virtue of position in management	Arises out of personal qualities
Behavior	It is directed by rules	There is no set behavior pattern
Flow communication	Communication takes place through the scalar chain	Flow of communication is not through a planned route. It can take place in

		any direction.
Nature	Rigid	Flexible
Leadership	Managers are leaders	Leaders may or may not be managers. They are chosen by the group (Any Six)

33. A public transport corporation has hired 2000 buses for the different routes for the passengers of metropolitan city. In order to fill vacancies, it advertised in the newspaper and number of applicants applied for the same. The company has to now undertake the process of selection to identify and select the best. Explain the first six steps involved in the process.

(6)

Ans: Following are the steps involved in the selection process:

- i) 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 misfit for reasons, which did not appear in the application forms.
- ii) Selection Tests: An employment test is a mechanism (either a paper and pencil test or an exercise) that attempts to measure certain characteristics of individuals. These characteristics range from aptitudes, such as manual dexterity, to intelligence to personality.
- iii) Employment Interview: Interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job. The role of the interviewer is to seek information and that of the interviewee is to provide the same. Though, in present times, the interviewee also seeks information from interviewer.
- iv) Reference and background checks: Many employers request names, addresses and telephone numbers of references for the purpose of verifying information and gaining additional information on an applicant.
- v) Selection decision: The final decision has to be made from among the candidates who pass the tests, interviews and reference checks. The views of the concerned manager will be generally considered in the final selection because it is he/she who is responsible for the performance of the new employee.
- vi) Medical Examination: After the selection decision and before the job offer is made, the candidate is required to undergo a medical fitness test. The job offer is given to the candidate being declared fit after the medical examination.

34. Luvit Ltd., was engaged in the business of making handmade chocolates. Lately, the business was expanding due to good quality and reasonable prices. As the demand was increasing, Luvit Ltd., decided to explore due to good quality and reasonable prices. As the demand was increasing, Luvit Ltd decided to explore



bakery products as well. In order to make bakery products the company directed its workforce to work overtime but this resulted in multiple problems. Due to increased pressure the efficiency declined and the workers had to take orders from more than one superior. Workers were overburdened and their health was also affected.

Gradually the quality of the products begins to decline and market share also went down. The company realized that they had implemented changes without waiting for the required infrastructure.

Identify and explain the principles / techniques of Taylor/Fayol referred to in the above para.

(6)

Ans:

- i) Unity of Command: According to Fayol there should be one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organization should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle.
- ii) Fatigue Study: A person is bound to feel tired physically and mentally if she/he does not rest while working. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task.

OR

Explain in brief techniques of scientific management.

Ans: F.W.Taylor developed the following techniques of scientific management or mechanisms to put scientific management into practice:

- i) Functional Foremanship: Taylor suggested that specialization should be introduced at the supervisory level. It states that the task of supervision is divided into several specialized functions and each function is entrusted to a specialist foreman. The techniques of functional foremanship is an extension of the principle of division of work or specialization but it violates the principle of unity of command.
- ii) Standardization and simplification of work: Standardization of work refers to the process of setting standards for every business activity, e.g., standardization of process, raw material, time, product etc., Simplification of work aims at eliminating unnecessary diversity of products. It results in saving of cost of labour, machines and tools.
- iii) Work study: Work Study is a systematic objective and critical examination of all factors relating to work so as to maximize efficiency. It includes the following techniques:

- a) Method study: Method study refers to finding out one of best ways of doing a particular job.
  - b) Motion Study: The objective of motion study is to identify wasteful or unnecessary motion and eliminate them to determine the best way of doing a particular job.
  - c) Time study: The Objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs.
  - d) Fatigue study: It seeks to determine the amount and frequency of rest intervals required in completing a task.
- iv) Differential piece wage system: This technique is the strongest motivation for the workers to reach standard performance because in this technique incentive is directly linked with productivity.

# KENDRIYA VIDYALAYA SANGATHAN

## Sample paper - 2 (solved)

Time allowed: 3 hours

Maximum Marks:80

### General instructions:

- (i) All questions are compulsory.
- (ii) Question numbers 1 to 12 are multiple choice type questions carrying 1 mark each, right option has to be chosen.
- (iii) Question numbers 13 to 20 are very short answer questions carrying 1 mark each, to be answered in one sentence.
- (iv) Question numbers 21 to 25 are short answer questions carrying 3 marks each, to be answered in about 75 words.
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- (vii) Question numbers 32 to 34 are also long answer questions carrying 6 marks each, to be answered not exceeding 200 words each.
- (viii) Attempt all parts of a question together.

### Section A

S.No	QUESTIONS	MARKS
1	<p>A purchase manager of a company has to purchase 500 tonnes of raw material. Apart from the other suppliers in the market, his son also supplies that raw material. The manager purchases the raw material from the firm of his son at a rate higher than the market rate, which principle of management has been violated by this situation?</p> <p>(a) Unity of command (b) Unity of direction (c) Subordinating personal interest to general interest (d)Equity</p> <p>Ans: c)Subordinating personal interest to general interest</p>	1
2	<p>The violation of which principle of management results in 'disorderly flow of information'?</p> <p>(a) Scalar Chain (b) Unity of Command (c) Authority and Responsibility (d) Stability of employees</p> <p>Ans: a)Scalar Chain</p>	1

**3** Reducing the role of Public Sector and increasing the role of Private Sector fall under \_\_\_\_\_.

- (a) Liberalisation (b) Privatisation (c) Liberalisation and Privatisation (d) Globalisation

Ans: b) Privatisation

**4** Under which environmental effect, IBM and Coca-Cola had to leave India?

- (a) Political (b) Social  
(c) Economic (d) Technical

Ans: a) Political

**5** "In case the debts are not paid within a month interest at a definite rate will be levied." To what element of planning does this saying point out?

- (a) Policy (b) Rule (c) Procedure (d) Budget  
Ans: b) Rule

**6** Where lies the need of organisation?

- (a) In business organization (b) In non-business organisation  
(c) In both (a) and (b) (d) No where

Ans: (c) In both (a) and (b)

**7** Centralization refers to

- (a) Retention of decision making authority (b) Dispersal of decision making authority  
(c) Creating divisions as profit centers (d) Opening new centers or branches

Ans: a) Retention of decision making authority

**8** Span of management refers to

- (a) Number of managers (b) Length of term for which a manager is appointed  
(c) Number of subordinates under a superior (d) Number of members in top management superior

Ans: c) Number of subordinates under a superior

**9** \_\_\_\_\_ is helpful in finding out a competent employee.

- (a) Planning (b) Staffing

(c) Both the above (d) Organisation

Ans: b) Staffing

**10** Recruitment process starts with\_\_\_\_\_.

- (a) Strike (b) Lockout  
(c) Demand of employees (d) Invitation to interested people

Ans: d) Invitation to interested people

**11** \_\_\_\_\_ is included in Internal Source of Recruitment.

- (a) Promotion (b) Transfer  
(c) Both (a) and (b) (d) None of these

Ans: c) Both (a) and (b)

**12** What type of the process selection is?

- (a) Positive (b) Negative  
(c) Qualitative (d) Quantitative

Ans: b) Negative

**13** According to which principle of management, all similar activities for the fulfilment of one object must be kept under one authority.

Ans . Centralisation According to which principle of management, all similar activities for the fulfilment of one object must be kept under one authority.

**14** State an example of Monetary Motivation.

Ans: Bonus

**15** 'Controlling in the absence of planning is blind' what does this statement indicate in respect of both?

Ans : Both are essential

**16** When does the measuring of actual performance become meaningful?

Ans: When the standards have been set.

17 What is meant by MBE?

Management by Exception

18 State any two factors affecting Fixed Capital Requirement.

Ans: Nature of Business and Scale of Business

19 Which investment decisions are difficult to be changed?

Ans: Fixed Capital Decision

20 Money market deals in \_\_\_\_\_ securities.

Ans: Short Term

### Section \_B

21 Explain the next three steps in the process of controlling after setting up of target (standard).

Ans:

- i. Measuring of performance
- ii. Comparing performance against standard
- iii. Analyzing deviations

OR

Control is backward looking and planning is forward looking. Explain.

Ans: Control means a review of performance fixed in planning process whereas, planning means, deciding future course of action.

22 Pankaj a shoe manufacturer for school students decided to use indirect channel of distribution

to sell his product. Briefly explain the different forms of indirect channel available for him.

Ans: i) One level Channel

ii) Two level Channel

iii) Three level Channel

23 List different types of Leadership style

Ans: Autocratic style, Democratic Style and Free Rein Style

24 What is meant by non-monetary incentives? Explain any two types of non-monetary incentives which contribute to the performance of employees.

Ans: Incentives which cannot be calculated in terms of money are known as Non-Monetary incentives.

Types of Non-Monetary Incentives:

- i. Status
- ii. Organizational climate
- iii. Career advancement
- iv. Job enrichment
- v. Employees recognition
- vi. Job security
- vii. Employees participation/Employees empowerment

25 ABC company is facing a lot of problems these days . it manufactures electric goods like washing machines, refrigerators and air conditioners etc. the company's margins are under pressure and the profits and market share are declining. The production department blames marketing for not meeting sales targets and marketing blames production department for producing goods, which are not of good quality meeting customer's expectations. The finance department blames both production and marketing for declining return on investment and bad marketing.

What quality of management do you think the company is lacking ? State any two points of essence of it.

Ans: Coordination

Importance of co-ordination:

- i. Growth in size of the organization
- ii. Functional differentiation
- iii. Specialization

26. Financial market plays an important role in the allocation of scarce resources in and

economy by performing many important functions. Explain any four such functions.

Ans:

- i. Mobilization of savings and channelizing them into more productive use
- ii. Facilitates Price discovery
- iii. Provides Liquidity to financial assets
- iv. Reduces the cost of transactions

27. Management function cannot be carried out efficiently due to barriers of communication. Explain

any four organizational barrier of communication in the light of this statement.

Ans: Organizational barriers of communication: - 1) Organizational policy 2) Rules and regulations 3) Status difference 4) Complex organization. 5) Organizational facilities

28. During Boom period, Sohan Industries (Water cooler industries) decided to reduce the rest interval of workers from 45 minutes to just 10 minutes. However due to heavy work load and reduction in time of rest interval, efficiency of workers went down and it led to fall in production level, instead of rising.

Which technique of scientific management should be followed by Sohan Industries?

Also state the technique.

- ii. What should be done by the company to make the technique effective?

Ans: Fatigue Study. It refers to determining the amount and frequency of rest-intervals required to revitalize an employee while performing the job. To make this technique, the co should determine the amount and frequency of rest intervals not randomly, workers should be observed by noting down the time.

OR

Name and explain the principle of management being violated in the following cases :-

- i) Sachin receives order from the planning incharge as well as the production incharge.

Mr. Rohit, the HR manager, grants one of his assistant 15 days paid leave but rejected the leave application of other assistant who was appearing in an exam.

Ans: Principle of management violated

- 1) Unity of command 2) Principle of Equity (Explanation to be given)

**Section-D**



29. What is meant by recruitment? Explain any five external sources of recruitment of employees.

Ans: Recruitment: - Recruitment means inducing or attracting more and more candidates to apply for vacant job positions in the organization.

External sources of recruitment

- 1) Direct recruitment
- 2) Casual callers
- 3) Media advertising
- 4) Employment exchange
- 5) Placement agencies
- 6) Campus recruitment
- 7) Recommendations from present employees
- 8) Labour contractor
- 9) Factory gate

30. Sudhir Gupta and Jagat Gupta have decided to start a business of stationery. They have identified the following main activities which they have to perform:-

- a) Purchase of raw material
- b) Purchase of machinery
- c) Production of stationery
- d) Arrangement of finance
- e) Sale of stationery
- f) Selection of employees
- g) Identifying the areas where they can sell their product.

In order to facilitate the work they create four managerial positions to look after  
1. Production 2. Finance 3. Marketing 4. Personnel

Identify the function of management Sudhir Gupta and Jagat Gupta performed in the above given statement.

(A) Explain the steps followed in the process of this function of management.

Ans. Function of management:-Organizing.

Organizing process

- (1) Identification and division of work.
- (2) Grouping the jobs and departmentalization.
- (3) Assignment of duties.
- (4) Establishing reporting relationship.

OR

An auto company, C Ltd is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements.

Questions.

- i. Prepare a model business plan for C Ltd meet the existing challenge. You need not to be very specific about quantitative parameters. You may specify which type of plan you are preparing.
- ii. Identifying the limitations of such plan.
- iii. How will you seek to remove these limitations?

Ans: Strategy as a type of plan made by C Ltd.

The various steps of planning prepared by the Co are

- a. Set-up its objectives
- b. The Co can cut down its prices without compromising the quality
- c. Use sales promotion tools

Limitations of such plan- a costly process, time consuming process, may not work in dynamic environment.

For overcome the limitations the following measures can be taken:

I can keep a strict watch on time limit.

II Properly monitor the environment.

∴ You are a mobile manufacturer and you have introduced a new brand of mobile in the

market.

What are the factors those you consider while determining the price of your product?

Ans: Following factors should be kept in mind while determining the price of mobile :-

- 1) Pricing objective. 2) Product cost. 3) Extent of competition in the market.
- 4) Customer demand and utility 5) Government and legal regulations
- 6) Marketing method used.

OR

Explain any five factors affecting Working Capital Requirement.

Ans: Five factors affecting requirement of working capital are as follows :-

- 1) Length of operating cycle 2) Nature of business 3) Scale of operation
  - 4) Business cycle fluctuations 5) Seasonal factors 6) Technology and production cycle
  - 7) Credit allowed 8) Credit availed 9) Operating efficiency
  - 10) Availability of raw material
  - 11) Level of competition 12) Inflation 13) Growth prospectus
- (Any Five to be explained)

### Section E

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

Ans: Importance of controlling :-

1. Helps in achieving organizational goal. 2. Judging accuracy of standard. 3. Making efficient use of resources. 4. Improving employees' motivation. 5. Ensures order and

discipline. 6. Facilitates coordination in action. 7. Controlling helps in improving the performance of the employees. 8. Controlling helps in minimizing the errors.

OR

Explain any three financial and any three non-financial incentives used to motivate employees of a company?

Ans: Explanation of financial incentive (3 Marks)

- a. Pay and allowances
- b. Bonus
- c. Profit Sharing
- d. Co partnership/ stock option
- e. Retirement benefits
- f. Productivity linked wage incentives
- g. Perquisites

Explanation of non-financial incentive (3 Marks)

- a. Status
- b. Organizational climate
- c. Career advancement opportunity
- d. Job enrichment
- e. Employee recognition programmes
- f. Job security
- g. Employee participation
- h. Employee empowerment

Explain the redressal mechanism available to consumers under the Consumer Protection Act, 1986. 6

Mr. Kabir is a finance manager of XYZ Ltd. The directors have asked Mr. Kabir to determine the amount of working capital requirement for the company. Explain any six factors those should be considered while determining the working capital requirement for the company.

Ans: Three-tier redressal mechanism are:

- i. District forum
- ii. State commission
- iii. National commission

OR

The director of a company want to modernize its plant and machinery by making a public issue of shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares.

Advise the directors whether to approach stock exchange or a consultant for new public issue of shares and why? Also advise about the different method swchich the company may adopt for the new public issue of shares.

- a. Ans: It is advised the director to approach a consultant for new issue of shares as it is not possible through stock exchange. In stock exchange buying and selling of previously issued securities is done.
- b. New public issue of shares is the activity of the primary market. So, the director should approach the consultant.
- c. Different methods for new public issue of shares are: offer through prospectus, offer for sale, private placement, right issue, e-IPO

Metlapp Networks and Technologies Ltd. is a leader in technology innovation in the United States, creating products and solutions for connecting the world. It has,, a large research and development team which invented the first smart watch, named as W-7. The watch besides showing the time, also monitors few health parameters like heart beat, blood pressure etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of simplified export procedure and removal of quantitative as well as tariff restrictions in India. It set up its office in Jamnagar with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

1. In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.
2. Also, explain briefly any three impacts of these concepts on Indian business and industry.

Ans: Liberalisation and globalisation

Increasing competition, More demanding customers, Rapidly changing technological environment

KENDRIYA VIDYALAYA SANGATHAN

Sample paper - 3 (solved)

Time allowed: 3 hours

Maximum Marks:80

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**General instructions:**

- (i) *All questions are compulsory.*
- (ii) *Question numbers 1 to 12 are multiple choice type questions carrying 1 mark each, right option has to be chosen*
- (iii) *Question numbers 13 to 20 are very short answer questions carrying 1 mark each, to be answered in one sentence.*
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## **Section A**

1. Management is :

- (A) An Activity      (B) A Process      (C) A Tradition      (D) A Myth

Ans. (B) A Process

1

2. The directing process does not include one of the following :

- (A) Leadership      (B) Planning      (C) Motivation      (D) Communication

Ans. (B) Planning

1

3. In Which year 'The Consumer Protection Act' was introduced?

- (A) 1982      (B) 1986      (C) 1988      (D) None of the above

Ans. (B) 1986      1

4. Principles of management can be applied to :

- (A) Big organisation      (B) Small organisation  
(C) Government organisation      (D) All organisations

Ans. (D) All organisations

1

5. Which of the following is the first step in the staffing process?

- (A) Orientation      (B) Development      (C) Manpower planning      (D) Recruitment

Ans. (C) Manpower planning

1

6. Function of management that ensures the activities in an organization are performed as per plans.

(A) Planning            (B) Directing            (C) Organising            (D) Controlling

Ans. (D) Controlling

1

7. Treasury bills are basically :

(A) an instrument to borrow short-term funds    (B) an instrument to borrow long-term funds

(C) an instrument of Capital market            (D) none of the above

Ans. (A) an instrument to borrow short-term funds

1

8. The adjustment to the changing environment relate to one of the following characteristics of planning :

(A) Precision            (B) universality            (C) forecasting            (D) flexibility

Ans. (D) flexibility

1

9. On which concept is the approach of wealth maximisation based?

(A) Cash Flow            (B) Social Responsibility

(C) Present value of wealth            (D) Profitability

Ans. (C) Present value of wealth

1

10. Which of the following best indicates the importance of understanding business environment?

(A) Identification of opportunities            (B) Coping with rapid changes

(C) Improvement in performance            (D) All of these



Ans. (D) All of these 1

11. "Retention of more authority helps in managerial development." This statement is related with:

(A) Centralisation (B) Delegation (C) Decentralisation (D) All of above

Ans. (C) Decentralisation 1

12. Jewellery is an example of \_\_\_\_\_.

(A) Convenience Product (B) Durable Product  
(C) Shopping Product (D) Non-durable Product

Ans. (B) Durable Product 1

13. "Planning promotes innovative ideas." How?

Ans. Planning promotes innovative ideas as it encourages new ideas that can take shape of concrete plans. 1

14. 'Wealth-maximisation' is the primary objective of financial management. Explain.

Ans. Wealth-maximisation is concerned with the procurement of funds and is reflected in the market value of the firms shares. 1

15. You have an advertising agency. A manufacturer of consumer products like Soap, Tooth paste has come to you to help him in the promotion his products. Convince him how advertising can assist in giving boost to his sales.

Ans. Advertising helps in creating awareness about the product in consumers. It helps in persuasion and provides information. Leads to market Expansion. 1

16. What does pyramid form of level of management suggest?

Ans. It indicates that as the management level increases up, the total number of personal found at each level decreases. 1

17. State how 'Staffing ' improves job satisfaction and morale of employees.

Ans. Staffing deals with the placement of right people at right job and provides training, development promotions etc to its employees. 1

18. Your mother purchased a washing machine for Rs.10,000 from an authorized dealer of the manufacturer with an oral guarantee that the machine will be replaced with the new one if any of its parts become defective within three month from the date of purchase. The motor of the machine was burnt within 15 days of its purchase. On complaining, the seller refused to replace the machine. Name the redressal agency under the Consumer Protection Act where your mother can file the complaint.

Ans. Consumer Forums. 1

19. Pratibha Ltd. Decides to advertise to its products on radio and newspapers.

What type of plan it is?

Ans. Objective. 1

20. Is planning and controlling inversely related?

Ans. No, Planning and controlling are interrelated and dependent on each other. 1

## Section B

21. Distinguish between Delegation and Decentralisation on the basis of the following:

a. Purpose, b. Scope, c. Status and d. Nature 3

Ans:

Basis	Delegation	Decentralization
Scope	Limited as superior delegates powers to subordinates on individual basis	Decision making is shared by the subordinates
Purpose	Important in all concerns whether big or small	Becomes more important in large concern

Status	It is a process followed to share tasks	It is the result of the policy decision of the top management
Nature	Routine function	Important decision of an enterprise

22. Give the meaning of Business Environment. Explain any three features of Business Environment. 3

Ans: Business Environment is the sum total of all external and internal factors, that influence a business.

Features:

- a. Totality of external forces
- b. Complexity
- c. Uncertainty

23. Anil, a consumer purchased medicines without noticing the date of expiry. He also did not obtain the cash memo. Do you think he will be able to protect himself by the loss caused due to expired medicine? Give reasons to support your answer. 3

Ans: Anil will not be able to protect himself by the loss caused due to expired medicine because he did not fulfil his responsibility on following ground:

- i) He did not go through the packing specifications mentioned on the label of the packet
- ii) He did not obtain the cash memo from the seller.

24. These days the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector, where it is needed the most to give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this there is another market, in which in secured and short term debt instruments are actively traded every day. These markets together help the savers and investors in directing the available funds into their most productive investment opportunity. 3

- i. Name the function being performed by the market in the above case
- ii. Name the market segment other than the capital market segment in which in secured and short term debt instruments are traded. Also give any one difference between the two.

Ans: i. Allocative function

- ii. Money Market

iii. Maturity period of capital market is more than one year and Money market securities is for one year.

25. Ayush Agro Foods Ltd., is a famous multinational company. Mr. Venugopal is the Finance Manager. He is making efforts to increase the market value of capital invested by the equity shareholders. He already knows it can be possible only when price of the shares increases and price of the shares increases only if financing, investment and dividend decisions are taken optimally. He did the same and achieved success.

Which objective of financial management has been referred to here? Explain. 3

Ans: When business managers try to maximize the wealth of their firm, they are actually trying to increase the company's stock price, as the stock price increases, the value of the firm increases along with the shareholders wealth.

OR

What is meant by financial management? Explain three decisions involved in Financial Management.

Ans: Financial Management is concerned with optimal procurement of funds as well as the usage of the finance.

Decisions involved in financial management:

Financing decision

Investment decision

Dividend decision

### Section C

26. State any four points of importance of staffing function of Management

4

Ans:

- a. Effective use of technology and other resources
- b. Optimum utilization of human resources
- c. Building higher morale
- d. Motivation of human rights (With explanation)

OR

Explain any two methods of "On the job training"

- a. Job rotation
- b. Apprenticeship (with explanation)

27. Explain any four factors which affect the fixation of the price of a product.  
4

Ans:

- a. Demand for the product
- b. Degree of competition in the market
- c. Government regulations
- d. Marketing methods used
- e. Objectives of pricing. (with explanation)

28. Vishal asked for a bottle of Mineral water from a shopkeeper. The MRP printed on the bottle was Rs.12 only, whereas the shopkeeper was charging Rs.35/-. In spite of many arguments the shopkeeper was not ready to sell the bottle for less than Rs.35/-. Vishal was in need of it and had no option except to buy it.

As an aware consumer, name and explain the right which Vishal can exercise. 4

Ans: As an aware customer Vishal can exercise his right to be heard

The consumer has the right to file a complaint and to be heard in case of dissatisfaction with the goods or services. It is because of this reason that many enlightened business firms have set up their own consumer services and grievance cells. Many consumer organizations are also working towards this direction and helping consumers in Redressal of their grievances.

### **Section D**

29. The Process of Organising involves a series of steps in order to achieve the desired goals.

Explain these steps involved in organizing.

5

Ans: Steps involved in the process of organizing:

- a) Identification and division of work
- b) Grouping the jobs and departmentalization

- c) Assignment of duties
- d) Delegation of authority
- e) Coordinating activities
- f) Establishing reporting relationships (With explanation)

30. A company is manufacturing soft toys, it wants to increase its profits. Christmas season is

approaching, so it hopes for increase in sales. The Company has three choices:

- a) It makes a deal with Disney Ltd and manufactures its merchandise
- b) It uses low quality raw material and sells the soft toys
- c) It focuses on developing good quality soft toys and increases advertising

The company decides to choose option b)

- a. Identify the function of Management involved.
- b. Mention the steps involved in the process by quoting the lines from the question
- c. To complete the process of the function identified in (a), what are the next two steps that the company needs to undertake?

5

Ans: a. Planning

- a. Identifying alternative courses of action & Evaluating alternative courses and selecting an alternative
- b. Implementing the plan and follow up action

OR

Explain any four steps of Planning process.

Ans: Steps in the process of Planning:

- a. Setting up of objectives
- b. Planning premises
- c. Identifying alternative courses of action
- d. Evaluating alternative courses of action

31. Controlling provides direction to all activities and effort for achieving organizational goals. Which point of importance of controlling is referred here? Discuss it briefly

5

Ans: Controlling ensures that all the activities in an organization are performed as per plans.

Importance of controlling can be highlighted by the following points

- i. It helps in achieving the organizational goals
- ii. It helps in judging the accuracy of standards
- iii. It facilitates efficient use of resources
- iv. It provides direction to all activities and thus it facilitates coordination

OR

Explain the term Controlling. Clarify the importance of controlling by taking any four points.

Ans: Controlling is the important function of Management, it helps to check the errors and take the corrective action. It is necessary to ensure that the desired results are achieved

Importance of Controlling:

- a. Accomplishing Organizational goals
- b. Judging the accuracy of standards
- c. Making efficient use of resources
- d. Improving employee motivation (with explanation)

### Section E

32. What is SEBI? Explain its functions.

6

Ans: Securities exchange board of India is set up to protect the interest of the investors and to develop and to regulate the securities market

Functions of SEBI

- i. Regulatory functions
- ii. Protective functions and
- iii. Development functions (with listing and explanation)

33. "Co-ordination is the essence of management" explain this statement.

Ans: "Co-ordination is the essence of Management":

- a. Reconciliation of goals
- b. Total Accomplishment
- c. Economy and efficiency
- d. Good personal relations (With Explanation)OR

Explain in brief techniques of scientific management.

Ans: F.W.Taylor developed the following techniques of scientific management

- i. Functional foremanship

- ii. Standardization and simplification of work
- iii. Work study –method study, motion study, time study and fatigue study
- iv. Differential piece wage system (With explanation)

34. Madhavi Ltd., believes that the members of an organization should have a drive to work towards fulfilment of common organizational goals. Team work and integration of efforts of all employees is expected, as every employee and every department depends on each other for information and resources to complete their task.

- a. Identify the function of Management, discussed in the above case study
- b. State any three features of the function identified above in the case study
- c. Identify and explain the characteristic of management, which is reflected in the case study.

6

Ans:

Directing function of management

- a. Features of directing:
  - i. Directing initiates action
  - ii. Directing takes place at every level of management
  - iii. Directing is a continuous process
  - iv. Directing flows from top to bottom
- b. The characteristic of management, which is reflected in the case is ‘Management is a group activity’

OR

Explain semantic barriers of communication.

Ans: Semantic barriers to effective communication:

Badly expressed message

Technical Jargaon

Faulty translations

Words with different meaning

Unclearified assumptions

Body language and gesture. ( With explanation)

KENDRIYA VIDYALAYA SANGATHAN

Sample paper – 1 (unsolved)

Time allowed: 3 hours

Maximum Marks:80

**General instructions:**

- (i) All questions are compulsory.



- (ii) Question numbers 1 to 12 are multiple choice type questions carrying 1 mark each, right option has to be chosen
- (iii) Question numbers 13 to 20 are very short answer questions carrying 1 mark each, to be answered in one sentence.
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- (viii) Attempt all parts of a question together.

### Section A

1. What is meant by the term branding? (1)
  - a. Suitable name of the product
  - b. Protection of the product
  - c. Enhancing sale of product
  - d. Size of the market.
  
2. A form of communication in which information flows in all directions is called \_\_\_\_\_ communication. (1)
  - a. Lateral
  - b. Vertical
  - c. Grapevine
  - d. Horizontal
  
3. “This Act provides for a three-tier machinery for the protection of a consumer.” Identify the Act referred in the above statement and name the three levels of the consumer protection machinery under the Act? (1)
  - a. District forum, State commission, National commission
  - b. State commission, National commission, Union commission
  - c. National level, Union level
  - d. State level, Union level
  
4. Who of the following can file a complaint in the consumer court? (Choose the correct alternative) (1)
  - a. Consumer
  - b. Central and state government
  - c. Registered consumer association
  - d. All of the above
  
5. All trade in securities must be settled within \_\_\_\_\_ days of the trade date. (Fill in the blank by choosing the correct alternative) (1)
  - a. 3
  - b. 5

- c.2
- d.10

6. Capital structure is optimal when the ratio of debt and \_\_\_\_\_ is such that the value of \_\_\_\_\_ increases. (Fill in the blank by choosing the correct alternative) (1)
- a. Equity, debt
  - b. Equity, equity share
  - c. Retained earnings, debt
  - d. Retained earnings, equity share
7. ABC Ltd. is ready to take a financial risk but does not want to dilute control of its management? Which of the following sources of finance should it opt for? (1)
- a. Debt
  - b. Equity finance
  - c. Preference share capital
  - d. None of the above
8. Which of the following financial instruments is not traded in the capital market? (Choose the correct alternative) (1)
- a. Bonds
  - b. Equity
  - c. Debentures
  - d. Commercial paper
9. Capital market provides funds for: (1)
- a. Short period
  - b. Short and medium term period
  - c. Medium and long term period
  - d. Long term period
10. Which of the following is related with social environment: (1)
- a. Composition of families
  - b. Consumer protection Act
  - c. Business Law
  - d. Privatisation
11. Which of the following is an example of objectives: (1)
- a. Increase in sales of Garments
  - b. Providing employment to 100 people
  - c. Increase Sales above 2000 crore
  - d. Seminar for improvement in Communication System
12. A complaint can be made to a State Commission when the value of the goods or services in question along with the compensation claimed- (1)
- a. Exceeds Rs.20 lakhs
  - b. Does not exceed 20 lakhs
  - c. Exceeds one crore
  - d. Exceeds Rs.20 lakhs but does not exceed Rs.1 crore

13. Dharmik after completing his graduation started working with a multinational company in Delhi. But due to ill health of his parents he had to go back to his village. There he noticed that the villagers were literate but ignorant about their rights. Many vegetable vendors were using stones as weights to sell their vegetables. Some shopkeepers were selling food items without having 'FPO Mark'. Villagers did not find anything wrong with these practices. So to create awareness among villagers Dharmik decided to publish a weekly Journal 'Jan Jagriti'. State the 'Right' which Dharmik has exercised by doing so.
14. Philip Kotler has defined it 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'. Name the process mentioned here.  
(1)
15. Which function of marketing seeks to protect against both unavoidable delays in delivery and to meet out contingencies?  
(1)
16. What does pyramid form of level of management suggest? (1)
17. "Garima Ltd., A manufacturer of Car engines achieves a breakthrough by developing a car engine which runs on water. This development is effectively communicated by the Company to its dealers and prospective customers. Because of this breakthrough, the image of the company has gone up. The company has also set up a department that advises its top management to adopt such programmes which will add to its public image. Name and state the term that is used for this activity. (1)
18. Manish is a shoe manufacturer for school students. He decided to maximize his profits by producing and distributing at large scale and reducing the average cost of production. Identify the philosophy adopted by Manish.  
(1)
19. Mega runs a factory wherein she manufactures shoes. The business has been doing well and she intends to expand by diversifying into leather bags as well as western formal wear thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women. Which type of structure would you recommend for her expanded organization and why?  
(1)
20. Which function of management fill the jobs created by organizing function.  
(1)

### Section – B

21. Arokya Ltd., assured their employees that in spite of recession no workers will be retrenched from the job. Name and explain the type of incentive offered to the employees.

(3)

22. Three years ago Mr.Vishal started 'Sunshine Ltd' with only 10 employees. At that point of time when the enterprise was very small, he could not pay the required salaries to his employees but he promised to pay them in future. In the last few years, the company has made good profits but Mr.Vishal has not increased the salaries as promised by him.

(a) Identify and explain the principle of management violated by Mr.Vishal.

(b) Also list any one value being ignored by Mr.Vishal.

(3)

OR

Santhosh is the production manager of Persistent Ltd., He has decided to study various movements of workers while performing a particular task so that unnecessary movements are eliminated. Identify and state the technique of scientific management highlighted here.

(3)

23. Define planning. Explain third and fourth step of Planning process.

(3)

24. Seven Seas Food Ltd., is launching 'Yummy' instant noodles as a part of its strategy to expand its brand which was of soups and ready to cook range in India. The market survey was done to analyse the available opportunities and threats as well as strengths and weakness of the company. The goods were manufactured, packaged, branded, priced and promoted. It was soon realized that in spite of the best efforts put in by the company, it lost its customers to its competitors as majority of the customers found the product unavailable in the shops which forced them to purchase the alternate brand available there.

(a) Where did the company fail? Identify and state that point.

(b) State any two important decisions taken under this point.

(3)

25. State any three points of importance of management.

(3)

Section -C

26. Chanchal Ltd., manufactures herbal beauty products. The company has a centralized management which helped the company to enjoy an eminent position in the market. With the growth of business, the company witnessed increasing competition due to entry of new firms in the market. The market share of the company started declining and the management witnessed that delay in decision making is the root cause for it. To rectify the mistake, the



company it encourages people who have the courage and skills to topple old ideas, and who believe in change passionately enough to make it happen. Moreover, the managers in the company are not expected to be status conscious and therefore they allow their subordinates to express their feelings freely.

- (a) Identify the types of communication barriers the company has been able to overcome through its initiatives.
- (b) State the category to which the communication barriers as identified in (a) above belong.

- (c) List any two values that the company wishes to communicate to the society.

(5)

OR

State the measures to improve effective communication.

### Section-E

32. What is meant by 'Financial planning'? Explain any five points which highlight its importance. (6)

33. 'The right people can help take a business to the top, the wrong people can break the business'. Name and state the function of Management which is being referred in this statement. Also explain any four points of its importance.

OR

Explain the process of Recruitment with the help of example.

34. ITC started its business as Imperial Tobacco Company in 1910 but was christened as ITC Limited in 1974. Since then, it has diversified its business into Hotel industry, FMCG, stationery etc., Quality, timely availability and customer satisfaction have always been the motto of the company. The company has attained high name and fame in the market. Thus, it helps the customers in product identification, builds up their confidence, and increases their level of satisfaction.

- (a) Identify the element of marketing mix referred above.
- (b) Identify and state the concept of the above identified elements, which assures quality and helps in product identification.
- (c) Explain any three advantages of the concept identified in (b) above for the marketers.

(6)

OR

Explain any four factors which affect the determination of the price of a product.

KENDRIYA VIDYALAYA SANGATHAN

Sample paper – 2 (unsolved)

Time allowed: 3 hours

Maximum Marks:80

**General instructions:**

- (i) All questions are compulsory.
- (ii) Question numbers 1 to 12 are multiple choice type questions carrying 1 mark each, right option has to be chosen
- (iii) Question numbers 13 to 20 are very short answer questions carrying 1 mark each, to be answered in one sentence.
- (iv) Question numbers 21 to 25 are short answer questions carrying 3 marks each, to be answered in about 75 words.
- (v) Question numbers 26 to 28 are also short answer questions carrying 4 marks each, to be answered in about 150 words.
- (vi) Question numbers 29 to 31 are long answer questions carrying 5 marks each, to be answered not exceeding 150 words each.
- (vii) Question numbers 32 to 34 are also long answer questions carrying 6 marks each, to be answered not exceeding 200 words each.
- (viii) Attempt all parts of a question together.

Section A

1. A truly global economy implies a boundary less world where there is –
  - a. Free flow of goods and services across nations
  - b. Free flow of capital across nations
  - c. Free movement of people across borders
  - d. No movement of people across borders(1)
2. An efficient control system helps to
  - a. Accomplishes organizational objectives
  - b. Boosts employee morale
  - c. Judges accuracy of standards
  - d. All the above(1)
3. Total number of stock exchanges in India are:

- a. 20
  - b. 23
  - c. 22
  - d. 24 (1)
4. Which of the following is not an effective source of recruitment for a middle level managerial position:
- a. Company website
  - b. Campus interview
  - c. Head hunters
  - d. Newspapers (1)
5. Which of the following function is not performed by top level management?
- a. Determining policies
  - b. Interpreting policies
  - c. Determining objectives
  - d. Determining activities (1)
6. The description of a product's quality, features, style, brand name and packaging identifies the \_\_\_\_\_:
- a. Actual product
  - b. Augmented product
  - c. Core product
  - d. Tangible product (1)
7. Which of the following acts provides for the setting up of a three tier judicial machinery?
- a. The trade marks Act 1999
  - b. The sales of goods Act 1930
  - c. The Consumer Protection Act 1986
  - d. Essential commodities act 1955 (1)
8. Financial planning arrives at:
- a. Minimizing the external borrowing by resorting to equity shares
  - b. Ensuring that the firm always have synthetically more funds than required, so that there is no paucity of funds
  - c. Ensuring the firm faces neither a shortage nor a glut of unusable funds
  - d. Doing only what is possible with the funds, that the firm has at its disposal (1)
9. Why need arises to make changes in Principles of Management?
- a. Changes in assets
  - b. Changes in capital
  - c. Changes in technology
  - d. Changes in Managers (1)



10. From the option given below, controlling helps which two factors to maintain balance?
- a. Capital and drawings
  - b. Efforts and results
  - c. Production and Sales
  - d. Income and Expenses (1)
11. Planning creates rigidity, this statement shows the –
- a. Importance of planning
  - b. Planning process
  - c. Limitation of planning
  - d. Characteristics of planning (1)
12. Organizing process involves :
- a. Grouping of identical work
  - b. Division of work
  - c. Assigning work to appropriate person
  - d. All of these (1)
13. Identify the type of plan in the following case:  
Goodwill Ltd., has “No Smoking” written on all its factory walls (1)
14. An Indian Information Technology company presently employing 10000 people desires to expand its business in manufacturing, trading etc., It wants to become a global company. To achieve its objectives, it has started shifting from a centralized to decentralized management system. Identify the Management function being performed by the company to become a decentralized company. (1)
15. Anitha Limited does not have any debt in its capital structure but Kajal Ltd., has debt at 15% in its capital structure. Rate of return of both the company is 20% Which company enjoys the benefits of trading on equity and why? (1)
16. List the features of Controlling. (1)
17. The principles of Management are different from those of pure sciences. State any one difference. (1)
18. Which function of marketing requires gathering and analysis of marketing information? (1)
19. Sonu purchased a medicine from Alpha Medical store for his wife, who had stomach pain. But even after giving the medicine, wife’s condition did not improve and she had to be admitted to a nearby hospital for treatment. Doctors on examination found that the medicines given to Sonu’s wife were spurious. Sonu complained about this to Alpha Medical Store. As a result Alpha Medical Decided to file a complaint against the Manufacturer in the Consumer

court. Can Alpha Medical store lodge the complaint? Give reason.

(1)

20. A manager is responsible to solve conflicts regarding Authority and Responsibility amongst employees and create fruitful environment to work as a unit. Identify the function of Management.

(1)

**Section -B**

21. Explain the aspects of Political Environment.

(3)

22. Explain the functions of Middle level Management in an organization .

(3)

OR

Explain in brief any three functions of Top level Management in an organization.

23. Planning is looking ahead and Controlling is looking back- Comment.

(3)

24. Explain the protective functions of SEBI.

(3)

25. What do you understand by branding. Explain any two qualities of a good brand name.

(3)

**Section - C**

26. State any four benefits of training to the employees.

OR

Explain the various steps in the process of Selection.

(4)

27. Explain any four ways and means of Consumer Protection available in India

(4)

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

a. Identify the marketing philosophy used by Cup-a-Soup

b. List out the other Marketing Philosophies. (4)

**Section- D**

29. Explain any five limitations of Planning function of Management. (5)

30. State any five steps involved in the process of communication.

OR

Mr. Salauddin CEO of New Castle enterprises one of the world's most successful companies. His success stories have been well documented. He

chooses highly motivated and capable managers, who can perform their tasks creatively and adequately without his help. He allows the group members to work on their own task and resolve issues themselves. He intervenes but only when needed to correct a unfavorable situation. He does not use power unless it is absolutely essential. He even allows mistakes to happen for his people to learn from them. He supports them and supplies them the required information to complete the assigned task.

- a. Identify the leadership style adapted by Mr.Salauddin.
- b. With the help of diagram, explain the other two leadership styles, based on the use of authority.

(5)

31. Roasted Coffee corporation is a Coffee House chain operating in Seven states of India. Through its effective organizational structure, it has grown despite the pressure from the competitors in the National market. The company has a purchase and production department. Supply chain management and logistics departments, brand management department and sales department. This structure has facilitated operational efficiency, as employees became specialist within their own realm of expertise. They could be imparted specialized training as the focus was on limited range of skills.

Identify the organizational structure of Roasted Coffee Corporation. Also state the four advantages of this structure other than those discussed in the above paragraph.

OR

Differentiate between formal organisation and informal organisation on any five basis.

### Section-E

32. In an environment of raising petroleum prices and a large middle class population in India, KV motors Ltd., recognized the need for small cars in India. It created a product far superior than their competitors not only in terms of quality but also in terms of overall driving experience. It soon became the leader in the small car market.

As the India Government was encouraging for investment, MNC's having a big name in car manufacturing entered the Indian Market.

KV Motors further expanded its service network and quality creating a entry barrier for the competitors.

It depicted its strength through various brand building activities. As a result, the market share of KV Motors is refusing to go down , In spite of all major auto makers as its competitors.

- a. Identify the economic reforms, highlighted in the above case
- b. Quoting the lines, explain the points on importance of business environment, being highlighted in the above case.

(6)

33. What is meant Financial Management? Explain any four factors affecting Dividend decision.

OR

Explain the importance of Financial Planning.

(6)

34. Explain the various steps in the process of controlling.

OR

What do you understand by Controlling? Specify any four points, which highlights the importance of Controlling.

(6)

KENDRIYA VIDYALAYA SANGATHAN

Sample paper – 3 (unsolved)

Time allowed: 3 hours

Maximum Marks:80

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**General instructions:**

- (i) *All questions are compulsory.*
- (ii) *Question numbers 1 to 12 are multiple choice type questions carrying 1 mark*

- each, right option has to be chosen*
- (iii) *Question numbers 13 to 20 are very short answer questions carrying 1 mark each, to be answered in one sentence.*
  - (iv) *Question numbers 21 to 25 are short answer questions carrying 3 marks each, to be answered in about 75 words.*
  - (v) *Question numbers 26 to 28 are also short answer questions carrying 4 marks each, to be answered in about 150 words.*
  - (vi) *Question numbers 29 to 31 are long answer questions carrying 5 marks each, to be answered not exceeding 150 words each.*
  - (vii) *Question numbers 32 to 34 are also long answer questions carrying 6 marks each, to be answered not exceeding 200 words each.*
  - (viii) *Attempt all parts of a question together.*

**SECTI  
ON A**

1. According to the functional foremanship technique, there would be a\_\_ under the production in-charge who would supervise the quality of work done.  
(Choose the correct alternative and fill in the blank)

(1)

- a. Inspector
- b. Workman
- c. Gang boss
- d. Disciplinarian

2. “This Act defines the various relief alternatives in case the goods or services purchased by a consumer are not as per implied condition so warranties”. Which of the following Acts passed by the Government of India is being referred in the above statement?

(Choose the correct alternative)

(1)

- a. The Contract Act, 1982
- b. The Competition Act, 2002
- c. The Sale of Goods Act, 1930
- d. The Essential Commodities Act, 1955

3. Organising stimulates creativity among managers and allows manager to reduce their work load by assigning routine jobs to their subordinates. Which importance of organizing is stated here?

(1)

- a. Expansion and growth
  - b. Development of personnel
  - c. Effective Administration
  - d. Consider the following information
4. This function of management involves setting standards of performance and accordingly comparing the present performance with the set standards. Which of the following functions of management is being described in the given statement?  
(1)
- a) Planning
  - b) Directing
  - c) Organising
  - d) Controlling
5. \_\_\_\_\_ refers to the withdrawal of currency from circulation which is done to ambush black market currency and unaccounted money.  
(1)
- a. Devaluation
  - b. Decentralisation
  - c. Denomination
  - d. Demonetization
6. What is meant by organisation structure? (1)
- a. Working relationship
  - b. Adaption to change
  - c. Resistant to change
  - d. Fulfill social need
7. In case an aggrieved party is not satisfied with the judgment of the National Commission, an appeal can be filed in the\_\_\_\_\_.(1)  
(Choose the correct alternative and fill in the blank)
- a. State court
  - b. District court
  - c. Supreme court
  - d. None of the above
8. Which of the following statements is not true with regard to planning?  
(1)
- a. Planning is done for an infinite time.
  - b. Planning is done by manager sat all levels.
  - c. Planning is concerned with setting objectives.
  - d. Planning defines the course of action to be followed.
9. What is the basic objective of financial management  
(1)

- a. Maximise the wealth of share holders.
- b. Developing a sound capital structure.
- c. Easier evaluation of actual performance
- d. Help to prepare for future.

10. The process of selection starts with \_\_\_\_\_

(1)

- a. Test
- b. Screening
- a. Personal interview
- b. Background checks

11. What is meant by the term capital structure?

(1)

- a. Ratio of Debt and Equity
- b. Ratio of Debt and Fund
- c. Ratio of interest and equity
- d. Ratio of Debt and assets

12. Which of the following alternatives is correct with regard to the given statements?

(1)

Statement 1: Controlling identifies the deviation from pre-defined standards.

Statement 2: An effort must be made to control everything in the organization

- a. Only Statement 1 is correct.
- b. Only Statement 2 is correct.
- c. Both statements are correct.
- d. Both statements are incorrect.

13. Hindustan Unilever Company offers a wide range of cosmetics products and keeps introducing new variety of cosmetic range. Which characteristic of management is highlighted by the statement? (1)

14. What is meant by organizing?

(1)

15. Sagar Ltd., and Shenoy Ltd., have debt @ 10% and 15% respectively in their capital structure. If they earn 12 % return on capital employed, which company will enjoy the benefit of trading equity? Give reasons.

(1)

16. What is meant by 'Consumer Protection'?

(1)

17. 'Stopping Increment' is an example of which category of motivation.

(1)

18. Define 'Compensation'.

(1)

19. Which function of management deals with human element of management?

(1)

20. Sanjana bought a refrigerator in January 2010 with a warranty period of two years. In April, 2011 she noticed some defect and asked the company to rectify it. The company did not listen to the complaint. Now in March, 2013 she is thinking to approach the District for Redressal. Can the forum accept her complaint? (1)

### SECTION B

21. What is meant by planning? Why does planning precede all other functions of management? Is planning required at all levels of management? Explain. [3]
22. AB Ltd. opened a new division in the organization which deals with women's apparel. For this it as identified and estimated the requirements of human resource. It now plans to hire competent and skilled personnel for the same.[3]
- a) Identify the function of management reflected in the question  
b) State two points highlighting the importance of the function identified above.
23. Explain the any three principles of directing. [3]  
(OR)  
State any 3 differences between a manager and a leader.
24. PK Ltd. wants funds for opening a new factory. It finalised two sources for the same. First it identified a group of investors to which it sold its securities. Second, it offered its existing share holders new shares which would be a proportion of the shares already held by them. Identify the methods of floatation reflected in the above example. [3]
25. Kalpana Ltd. manufactures laptops, mobile phones and tablets. Which type of organisational structure should be adopted bythem? Write three advantaged of the identified structure. [3]

### SECTION C

26. Explain the characteristics of management(Any4) [4]
27. The business environment is constantly changing. It can be observed that increased awareness of health care has increased the demand for many health products and services such as Diet Coke, fat-free cooking oil and health resorts. There are also continuous changes in fashion and tastes of consumers and technological improvements. Identify and explain the features of business environment given in above paragraph. Also, quote the lines from the paragraph. (4)
28. Explain the importance of consumer protection from the point of view of



a business (Any2points)

[4]

(OR)

Explain in detail any two rights of a consumer

### **SECTION D**

29. "Although planning is essential for an organization, it is not always possible for it to adhere to the plans and the planning may fail." In light of the above statement, explain any two limitations of planning  
[5]

(OR)

Explain any two features of planning in detail.

30. Shreya works as an accountant in AI Ltd. Although her salary is at par with industry standards, she feels that her designation is not according to her knowledge and work experience.

- a. Identify the incentive which would be best suitable in the given situation. Explain four other such incentives. [5]

(OR)

Explain the importance of motivation in an organisation. [5]

31. Explain the importance of controlling (5)

### **SECTION E**

32. Who coined the term scientific management? Explain any two principles as given by him?  
[6]

(OR)

Xavier Ltd. is planning to launch a new product. Now, it has to decide the price of the product. Identify the factors which it must consider for determining the price of the product.

33. What is financial planning? What are its objectives? State any three points highlighting the importance of financial planning.  
[6]

34. According to the governing rules for food items, it is mandatory to specify the ingredients and contents of the product on the package of the product.

- a. Identify the aspect of product reflected in the above question.  
b. What are the functions performed by the aspect identified above? [6]

(OR)

Explain the role of marketing in a firm and in the economy.

## **GUIDELINES FOR STUDENTS**

Cracking an examination is a skill that can be acquired. As with studying scoring good marks too is a combination of managing one's time well and applying the right method. Here are some guidelines that ones can follow while attempting or write an exam.

- **Answer the question as it is asked.**

Read the question at least twice before answering. Be at guard for either/or questions. Make sure to tackle all sub-sections of a question.

- **Use the marks as a guide.**

The examination paper mention the marks each question carry. Use these mark as rough guide as to how long their answers ought to be. Do not expand an answer relevant. This will save a lot of time which can be used while writing a long-answer question.

- **Avoid writing irrelevant points**

While writing an answer, focus on the nature of question asked to maintain focus. Answering something that is irrelevant to the question, no matter how good a description will not only waste time but also be given low marks.

- **Budget your time**

Don't dwell too much on particular question as remaining question may get little or no time if. Despite how much one writes, one can only score the maximum marks allocated to that question. If facing difficulty in answering, move on to other question and return to the former later.

- **Check and double-check**

Always keep some time for revision while budgeting time. in the rush to complete the paper, some basic spelling mistake or for gotten, half-attempted question may spoil all effort.

- Believe in yourself. Set a goal for yourself.

- Accordingly set a time table for yourself.

- Identify a limited number of direct questions which usually come in the exams &

prepare them well.

- Apply FRT(fast reading technique)i.e.to revise more in less time.
  - Presentation: Be particular about how you write the answers. It should always points with a heading and brief explanation.
  - Do not leave out any questions.
  - Also be careful not to spend too on 1question at the cost of other questions.
  - Wherever any process is asked to be explained, write all the steps involved, irrespective if the marks allotted to that question.
  - Draw a flow chart/diagram in support of your answer, whenever possible.
  - Answer those question first, which you know very well.
  - Underline all the sub-headings.
  - Draw small cartoons/diagrams with small captions wherever fits suitable.
  - Attempt 'HOTS' question at last.
  - Utilize the QP paper reading time to plan writing strategies instead of trying to write answers in advance.
  - While trying to understand 'HOTS' question keeps in mind chapter-wise allotment of marks for each chapter. Sometimes this helps to guess the chapter from which the hots question is given.
  - Especially in case of application oriented question (HOTS), read Hindi medium version also, it may give you some clue. It also removes the vagueness in English language.
  - Maintain a separate small hand-book to write only sub-headings for all the concepts in the subject. It helps as a ready-reckoner.
  - Read summaries given at the end of each chapter to get a comprehensive idea about the given chapter. Hots can be given from summaries also.
- Refer latest CBSE sample question papers along with previous year board question papers. Refer 'high scoring students' answer sheets available in the **CBSE**website

Wish you all the best!



**SET-1****Series BVM/2**कोड नं.  
**Code No. 66/2/1**रोल नं.  
Roll No. 

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परीक्षार्थी कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।

Candidates must write the Code on the title page of the answer-book.

- कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ **15** हैं ।
- प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए कोड नम्बर को छात्र उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।
- कृपया जाँच कर लें कि इस प्रश्न-पत्र में **25** प्रश्न हैं ।
- कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, प्रश्न का क्रमांक अवश्य लिखें ।
- इस प्रश्न-पत्र को पढ़ने के लिए 15 मिनट का समय दिया गया है । प्रश्न-पत्र का वितरण पूर्वाह्न में 10.15 बजे किया जाएगा । 10.15 बजे से 10.30 बजे तक छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।
- Please check that this question paper contains **15** printed pages.
- Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.
- Please check that this question paper contains **25** questions.
- **Please write down the Serial Number of the question before attempting it.**
- 15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

**व्यावसायिक अध्ययन****BUSINESS STUDIES**

निर्धारित समय : 3 घण्टे

अधिकतम अंक : 80

Time allowed : 3 hours

Maximum Marks : 80



### सामान्य निर्देश:

- (i) इस प्रश्न-पत्र में पाँच खण्ड हैं : अ, ब, स, द तथा य ।
- (ii) खण्ड अ में 1 अंक वाले प्रश्न 1 से 8 तक हैं । जिनका उत्तर एक शब्द अथवा एक वाक्य में हो ।
- (iii) खण्ड ब में 3 अंक वाले प्रश्न 9 से 13 तक हैं । जिनका उत्तर 50 – 75 शब्दों में हो ।
- (iv) खण्ड स में 4 अंक वाले प्रश्न 14 से 19 तक हैं । जिनका उत्तर लगभग 120 शब्दों में हो ।
- (v) खण्ड द में 5 अंक वाले प्रश्न 20 से 22 तक हैं । जिनका उत्तर लगभग 150 शब्दों में हो ।
- (vi) खण्ड य में 6 अंक वाले प्रश्न 23 से 25 तक हैं । जिनका उत्तर लगभग 200 शब्दों में हो ।
- (vii) प्रश्न-पत्र में कोई समग्र-चयन-विकल्प उपलब्ध नहीं है, तथापि एक अंक वाले 3 प्रश्नों में, तीन अंक वाले 2 प्रश्नों में, चार अंक वाले 2 प्रश्नों में, पाँच अंक वाले 1 प्रश्न में तथा छः अंक वाले 1 प्रश्न में विकल्प उपलब्ध हैं । ऐसे प्रश्नों में आपको केवल एक विकल्प का ही उत्तर देना है ।

### General Instructions :

- (i) This question paper contains five Sections : A, B, C, D and E.
- (ii) Section A contains questions 1 to 8 carrying **one** mark each. Answers to these questions may be given in **one** word or **a** sentence.
- (iii) Section B contains questions 9 to 13 carrying **three** marks each. Answers to these questions may be given in **50 – 75** words.
- (iv) Section C contains questions 14 to 19 carrying **four** marks each. Answers to these questions may be given in about **120** words.
- (v) Section D contains questions 20 to 22 carrying **five** marks each. Answers to these questions may be given in about **150** words.
- (vi) Section E contains questions 23 to 25 carrying **six** marks each. Answers to these questions may be given in about **200** words.
- (vii) There is no over-all-choice in the question paper, however an internal choice has been provided in **3** questions of one mark, **2** questions of three marks, **2** questions of four marks, **1** question of five marks and **1** question of six marks. You have to attempt only one of the choices in such questions.



**खण्ड अ**  
**SECTION A**

1. दास 'गैमट लिमिटेड' के प्रबन्ध निदेशक हैं जो विभिन्न प्रकार का पनीर बना रही है। उसके अधीन एक कुशल टीम काम कर रही है जिसमें उत्पादन प्रबन्धक – रजत, विपणन प्रबन्धक – विनय तथा वित्त प्रबन्धक – अदित हैं। वे दास द्वारा बनाई गई नीतियों को समझते हैं, उनका विश्लेषण करते हैं, इसे आश्वस्त करते हैं कि उनके विभाग में उपयुक्त मानव शक्ति हो, उन्हें आवश्यक कार्य दायित्व सौंपते हैं तथा इच्छित उद्देश्यों की प्राप्ति के लिए उन्हें अभिप्रेरित करते हैं।

उपर्युक्त उल्लिखित कार्यों के अतिरिक्त एक और कार्य का उल्लेख कीजिए जिसका निष्पादन इस टीम द्वारा उस स्तर पर किया जा सकता है, जिस पर यह कार्य कर रही है।

1

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

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

2. 'प्रवाह' के आधार पर 'अधिकार' तथा 'उत्तरदायित्व' में अन्तर स्पष्ट कीजिए।

1

**अथवा**

'अर्थ' के आधार पर 'उत्तरदायित्व' तथा 'उत्तरदेयता' में अन्तर स्पष्ट कीजिए।

1

Differentiate between 'Authority' and 'Responsibility' on the basis of 'flow'.

**OR**

Distinguish between 'Responsibility' and 'Accountability' on the basis of 'meaning'.



3. 'नियम' का क्या अर्थ है ? 1

अथवा

'संगठन' को परिभाषित कीजिए । 1

What is meant by 'Rule' ?

**OR**

Define 'Organising'.

4. 'निर्देशन' की किन्हीं दो विशेषताओं का उल्लेख कीजिए । 1

अथवा

'अपवाद द्वारा प्रबन्ध' का अर्थ दीजिए । 1

State any two characteristics of 'Directing'.

**OR**

Give the meaning of 'Management by Exception'.

5. कमल एक लेपटॉप निर्माणी कम्पनी 'सोकिया लिमिटेड' की असेम्बली इकाई में टोली नायक के रूप में कार्य कर रहा है । वह दस प्रशिक्षित कामगारों का पर्यवेक्षण कार्य करता है, जो लेपटॉप की विभिन्न प्रकार की असेम्बली गतिविधियों का निष्पादन करते हैं । एक दिन जब वह कामगारों के कार्य का पर्यवेक्षण कर रहा था, उसने एक कामगार अशोक को कहा कि उसके कार्य में सुधार लाया जा सकता है । अशोक ने कमल की टिप्पणी को समझा कि उसका कार्य अच्छा नहीं था ।

इस स्थिति में प्रभावी संप्रेषण की बाधा के प्रकार की पहचान कीजिए । 1

Kamal is working as a gang boss in the assembly unit of 'Sokia Ltd.', a laptop manufacturing company. He supervises the work of ten trained workers who perform the various activities related to the assembly of the laptops. One day when he was supervising the work of his workers, he told Ashok, a worker that his work could be improved. Ashok interpreted the comments of Kamal as that his work was not good.

Identify the type of barrier to effective communication in this case.





6. यह बाज़ार वित्तीय परिसम्पत्ति के क्रय एवं विक्रय में खरीदने और बेचने वाले दोनों ही के समय, प्रयास एवं धन को बचाता है जो उन्हें एक-दूसरे को खोजने पर खर्च करना पड़ता ।

बाज़ार का नाम दीजिए तथा यहाँ संदर्भित कार्य की पहचान कीजिए ।

1

This market helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other.

Name the market and identify the function being referred to.

7. कुमार एक कम ईंधन उपयोग करने वाली तथा न्यूनतम प्रदूषण वाले नवीनतम मानदंडों वाली कार खरीदना चाहता था । उसने ऐसी कार प्रस्तावित करने वाला एक विज्ञापन देखा तथा उस कम्पनी के शोरूम में गया जहाँ कार प्रदर्शित की गई थी । बातचीत करते समय विपणन प्रबंधक ने बताया कि कम्पनी उधार सुविधाएँ, रखरखाव सेवाएँ तथा अन्य बहुत-सी प्रभावी सेवाएँ प्रदान कर रही है जिससे बार-बार क्रय करने तथा उत्पाद के ब्रांड के प्रति स्वामिभक्ति (ब्रांड निष्ठा) विकसित करने में अत्यधिक सहायता मिलती है ।

विपणन प्रबंध के उस कार्य की पहचान कीजिए जिसके विषय में विपणन प्रबंधक कुमार से चर्चा कर रहा था ।

1

Kumar wanted to purchase a fuel efficient car having the latest standards regarding minimisation of pollution. He saw an advertisement offering such a car and visited the showroom of the company wherein the car was displayed. In his discussion, the Marketing manager told him that the company is providing credit facilities, maintenance services and many other effective services which are helping in bringing repeat sales and developing brand loyalty.

Identify the marketing function which the Marketing manager was discussing with Kumar.

8. 'अल्ट्रा टेलीविजंस लिमिटेड' अपने 90" के टी.वी. सेट्स को 1 मार्च, 2019 से शुरू करके एक माह की अवधि के लिए ₹ 15,000 के डिस्काउंट पर बेचने का प्रस्ताव कर रही है ।

'अल्ट्रा टेलीविजंस लिमिटेड' द्वारा उपयोग की गई विक्रय प्रवर्तन गतिविधि की पहचान कीजिए ।

1

'Ultra Televisions Ltd.' is offering its 90" TV sets at a discount of ₹ 15,000 for a period of one month starting from 1<sup>st</sup> March, 2019.

Identify the sales promotion activity used by 'Ultra Televisions Ltd.'



**खण्ड ब**  
**SECTION B**

9. प्रबंध के नियोजन कार्य के महत्त्व के किन्हीं तीन बिन्दुओं को समझाइए । 3

**अथवा**

- प्रबंध के नियोजन कार्य की किन्हीं तीन सीमाओं को समझाइए । 3

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

**OR**

Explain any three limitations of planning function of management.

10. निम्नलिखित के आधार पर औपचारिक एवं अनौपचारिक संगठन में अन्तर्भेद कीजिए : 3

- (क) उद्गम;
- (ख) अधिकार; तथा
- (ग) नेतृत्व ।

**अथवा**

निम्नलिखित बिन्दुओं के आधार पर कार्यात्मक संरचना तथा विभागीय संरचना में अंतर स्पष्ट कीजिए : 3

- (क) समन्वय;
- (ख) प्रबंधकीय विकास; तथा
- (ग) लागत ।

Distinguish between Formal and Informal organisation on the basis of the following :

- (a) Origin;
- (b) Authority; and
- (c) Leadership.

**OR**

Distinguish between Functional and Divisional structure on the basis of the following points :

- (a) Coordination;
- (b) Managerial Development; and
- (c) Cost.



11. प्रशिक्षण की विधियों के रूप में 'प्रकोष्ठ प्रशिक्षण' तथा 'प्रशिक्षणार्थी कार्यक्रम' को समझाइए ।

3

Explain 'Vestibule Training' and 'Apprenticeship Programme' as methods of training.

12. 'प्रतिभूति बाज़ार में उचित प्रथाओं तथा आचार संहिता को बढ़ावा देना' भारतीय प्रतिभूति तथा विनिमय बोर्ड का एक कार्य है । उस वर्ग का उल्लेख कीजिए जिससे यह कार्य संबंधित है तथा इस वर्ग के किन्हीं दो अन्य कार्यों का उल्लेख कीजिए ।

3

One of the functions of Securities and Exchange Board of India is 'Promotion of fair practices and code of conduct in securities market'. State the category to which this function belongs and state any two other functions of this category.

13. 'जी. मोटर्स' परिष्कृत क्रेनों के निर्माता हैं । कम्पनी के उत्पादन प्रबंधक ने मुख्य कार्यकारी अधिकारी आशीष जैन को रिपोर्ट दी कि परिष्कृत क्रेनों के निर्माण में प्रयुक्त एक मशीन को बदलना है ताकि बाज़ार में प्रतियोगिता का सामना किया जा सके क्योंकि अन्य प्रतियोगी क्रेन बनाने के लिए स्वचालित मशीनों का प्रयोग कर रहे हैं । एक विस्तृत विश्लेषण के बाद नवीनतम तकनीक के साथ एक नई स्वचालित मशीन क्रय करने का निर्णय लिया गया । यह भी निर्णय लिया गया कि इस मशीन के लिए वित्त दीर्घकालीन वित्तीय स्रोतों से एकत्रित किया जाए । आशीष जैन ने बहुत-सी मशीनों की तुलना की और उस मशीन में निवेश करने का निर्णय लिया जो निवेशकर्ताओं को अधिकतम प्रतिफल दे सके ।

(क) आशीष जैन द्वारा लिए गए वित्तीय निर्णय को पहचानिए ।

(ख) उपर्युक्त (क) में पहचाने गए निर्णय को प्रभावित करने वाले किन्हीं तीन कारकों को समझाइए ।

3

'G. Motors' is the manufacturer of sophisticated cranes. The Production manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors.

(a) Identify the financial decision taken by Ashish Jain.

(b) Explain any three factors affecting the decision identified in (a) above.



**खण्ड स**  
**SECTION C**

14. व्यावसायिक पर्यावरण की किन्हीं चार विशेषताओं को समझाइए ।

4

**अथवा**

‘विमुद्रीकरण’ की किन्हीं चार विशेषताओं को समझाइए ।

4

Explain any four features of business environment.

**OR**

Explain any four features of ‘demonetization’.

15. वर्ष 2005 में कुणाल ने एक कपड़ा कम्पनी के उत्पादन विभाग में कार्यशाला (शॉप) स्तर पर प्रबंधक के रूप में पदभार ग्रहण किया । उसके अच्छे कार्य के कारण वह वर्ष 2010 में कम्पनी का उप-उत्पादन प्रबंधक बन गया । उसके पास प्रतिष्ठा एवं ख्याति थी तथा कम्पनी में सभी उसका सम्मान करते थे । 1 मार्च, 2019 को उसे कम्पनी के सामान्य प्रबंधक के पद पर पदोन्नत कर दिया गया । कुणाल अपनी पदोन्नति पर बहुत खुश था क्योंकि अब वह वो बन गया था जिसके वह योग्य था । एक अच्छे प्रबंधक के रूप में कुणाल ने आवश्यकता-क्रम सिद्धांत को समझकर जो विभिन्न मान्यताओं पर आधारित है, अपने अधीनस्थों को अभिप्रेरित करने का निर्णय लिया । उसने यह अनुभव किया कि व्यक्तियों का व्यवहार उनकी आवश्यकताओं पर निर्भर करता है और एक प्रबंधक अपने कर्मचारियों की आवश्यकताओं को संतुष्ट करके उनके व्यवहार को प्रभावित कर सकता है ।

(क) आवश्यकता-क्रम सिद्धांत की एक मान्यता का उल्लेख उपर्युक्त अनुच्छेद में किया गया है । इस सिद्धांत की अन्य तीन मान्यताओं का उल्लेख कीजिए ।

(ख) पदोन्नति द्वारा कुणाल की कौन-सी आवश्यकताएँ संतुष्ट हुईं, उल्लेख कीजिए ।

4

Kunal joined as a shop level manager in the Production department of a textile company in the year 2005. Because of his good work, he became the Deputy Production Manager of the company in the year 2010. He had status and prestige and was well-respected by all in the company. On 1<sup>st</sup> March, 2019, he was promoted as the General Manager of the company. Kunal was very happy on his promotion as now he had become what he was capable of becoming. As a good manager, Kunal decided to motivate his subordinates, after understanding the Need Hierarchy theory which is based on various assumptions. He realised that people's behaviour is based on their needs and the manager can influence the behaviour of his employees by satisfying their needs.

(a) One of the assumptions of Need Hierarchy theory is stated in the above paragraph. State the other three assumptions of this theory.

(b) State the needs of Kunal which are being satisfied through promotion.



16. 2010 से 'फूड्स इंडिया लिमिटेड' कम्पनी पैकेज्ड जूस के उत्पादन में संलग्न है। इस अवधि में बहुत से प्रतियोगियों ने बाज़ार में प्रवेश किया तथा 'फूड्स इंडिया लिमिटेड' को कठिन चुनौती दे रहे हैं। इस चुनौती का सामना करने के लिए तथा बाज़ार में हिस्सा बढ़ाने के लिए कम्पनी ने पुरानी मशीनरी को ₹ 100 करोड़ की अनुमानित लागत से नई मशीनरी से बदलने का निर्णय किया। इस वित्त को एकत्रित करने के लिए कम्पनी ने 9% ऋणपत्रों को निर्गमित करने का निर्णय लिया। कम्पनी के वित्त विभाग ने अनुमान लगाया कि इन 9% ऋणपत्रों को निर्गमित करने की अनुमानित लागत ₹ 10,00,000 होगी। कम्पनी इस फ्लोटेशन लागत को पूरा करना चाहती है।

(क) इस उद्देश्य के लिए कम्पनी द्वारा निर्गमित किए जाने वाले प्रपत्र को समझाइए।

(ख) वित्तीय बाज़ार के किस प्रकार में उपर्युक्त (क) में समझाए गए प्रपत्र का लेन-देन किया जाता है? यह भी समझाइए कि इस बाज़ार में प्रपत्र कितने सुरक्षित होते हैं।

4

'Foods India Ltd.' is a company engaged in the production of packaged juice since 2010. Over this period, a large number of competitors have entered the market and are putting a tough challenge to 'Foods India Ltd.'. To face this challenge and to increase its market share, the company has decided to replace the old machinery with an estimated cost of ₹ 100 crores. To raise the finance, the company decided to issue 9% debentures. The Finance department of the company has estimated that the cost of issuing the 9% debentures will be ₹ 10,00,000. The company wants to meet its floatation cost.

(a) Explain the instrument that the company may issue for this purpose.

(b) In which type of financial market, is the instrument explained in (a) above traded? Also explain how safe the instruments are in this market.

17. उपभोक्ता संरक्षण अधिनियम, 1986 के प्रावधानों के अनुसार 'उपभोक्ता' की परिभाषा दीजिए।

4

**अथवा**

ऐसी किन्हीं आठ राहतों का उल्लेख कीजिए जो उपभोक्ता को उपलब्ध हैं, यदि अदालत शिकायत की यथार्थता से संतुष्ट हो।

4

Define a 'Consumer' according to the provisions of the Consumer Protection Act, 1986.

**OR**

State any eight reliefs available to the consumer, if the court is satisfied about the genuineness of the complaint.



18. एक उत्पाद के मूल्य-निर्धारण को प्रभावित करने वाले किन्हीं चार कारकों को समझाइए ।

4

Explain any four factors which affect the fixation of price of a product.

19. 'स्मार्ट स्टेशनरी लिमिटेड' अपने नए प्रोजेक्ट के लिए ₹ 40,00,000 के कोष एकत्रित करना चाहती है । इस राशि को एकत्रित करने के लिए प्रबन्धन ऋण तथा समता के निम्नलिखित मिश्र के बारे में सोच रहा है :

पूँजी ढाँचा	विकल्प		
	I (₹)	II (₹)	III (₹)
समता	40,00,000	30,00,000	10,00,000
ऋण	0	10,00,000	30,00,000

अन्य विवरण निम्नलिखित हैं :

ऋण पर ब्याज दर	9%
समता अंशों का अंकित मूल्य	₹ 100 प्रति
कर दर	30%
ब्याज एवं कर से पूर्व आय (EBIT)	₹ 8,00,000

(क) तीनों विकल्पों में से किस विकल्प के अन्तर्गत कम्पनी समता पर व्यापार का लाभ उठा सकती है ?

(ख) क्या ऋण में वृद्धि के साथ प्रति अंश आगम में हमेशा वृद्धि होती है ?

4

'Smart Stationery Ltd.' wants to raise funds of ₹ 40,00,000 for its new project. The management is considering the following mix of debt and equity to raise this amount :

Capital Structure	Alternative		
	I (₹)	II (₹)	III (₹)
Equity	40,00,000	30,00,000	10,00,000
Debt	0	10,00,000	30,00,000

Other details are as follows :

Interest Rate on Debt	9%
Face Value of Equity Shares	₹ 100 each
Tax Rate	30%
Earning Before Interest and Tax (EBIT)	₹ 8,00,000

(a) Under which of the three alternatives will the company be able to take advantage of Trading on Equity ?

(b) Does Earning Per Share always rise with increase in debt ?



## खण्ड द

### SECTION D

20. 'समन्वय' की किन्हीं पाँच विशेषताओं को समझाइए ।

5

अथवा

'प्रबंध' की किन्हीं पाँच विशेषताओं को समझाइए ।

5

Explain any five characteristics of 'Co-ordination'.

OR

Explain any five characteristics of 'Management'.

21. विकास, 'येलेट लिमिटेड' कम्पनी का मुख्य प्रचालन अधिकारी था, जो भारतीय रक्षा सेवाओं को उन्नत सॉफ्टवेयर सोल्यूशन प्रदान कर रहा था । वे पिछले बारह वर्षों से व्यवसाय सफलतापूर्वक चला रहे थे और अच्छे लाभ अर्जित कर रहे थे । लेकिन पिछले एक वर्ष से उन्होंने यह महसूस किया कि व्यवसाय को बड़े आदेश मिल रहे हैं, जिनकी पूर्ति समय पर की जा रही है, फिर भी आगम घटते जा रहे हैं । विकास इसका पता नहीं लगा पा रहा था कि समस्या कहाँ है । उसने क्रियाओं की प्रगति पर निकट से निरीक्षण करना आरम्भ किया क्योंकि वह यह समझ पा रहा था कि कहीं कुछ गलत है । इससे पहले कि व्यवसाय को कोई बड़ा नुकसान हो जाए, वह कोई कार्यवाही करना चाहता था । विकास ने एक साइबर सुरक्षा विशेषज्ञ को नियुक्त किया जिसने कम्पनी की प्रगति पर निगरानी रखी और पाया कि कम्प्यूटर प्रचालक कम्प्यूटर में से कुछ प्रविष्टियाँ हटा रहा था और आगम को अपनी जेब में डाल रहा था । वह पकड़ा गया और उसे पुलिस के हवाले कर दिया गया । इससे संगठन में आदेश एवं अनुशासन का वातावरण बना और कर्मचारियों के बेईमान व्यवहार को कम करने में सहायता मिली ।
- (क) उपर्युक्त अनुच्छेद में प्रबन्ध के जिस कार्य पर प्रकाश डाला गया है, उसे पहचानिए ।
- (ख) ऐसे कोई चार अन्य तरीके भी बताइए जिनसे प्रबन्धन का यह कार्य संगठन की सहायता कर सकता है ।

5

Vikas was the Chief Operating Officer of 'Yalet Ltd.', a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Vikas was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vikas appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of the employees.



- (a) Identify the function of management highlighted in the above paragraph.
- (b) Explain any four other ways in which this function of management may help the organisation.

**22.** 'पुष्पांजली लिमिटेड' चॉकलेट, बिस्कुट, केक तथा इसी प्रकार के अन्य उत्पादों के निर्माता हैं। कम्पनी अच्छे लाभ उत्पन्न नहीं कर पा रही है। कम्पनी के विपणन प्रबन्धक सौरभ ने, कारणों का पता लगाने के लिए एक सर्वेक्षण किया। सर्वेक्षण के परिणामों से पता चला कि उत्तम गुणवत्ता के बावजूद उपभोक्ता इस कम्पनी के उत्पादों को प्रतियोगियों के उत्पादों से भिन्न नहीं कर पा रहे थे। उपभोक्ता 'पुष्पांजली लिमिटेड' के उत्पादों को उनकी अच्छी गुणवत्ता के कारण बार-बार खरीदना चाहते थे लेकिन वे बाज़ार में इसके उत्पादों की पहचान नहीं कर पा रहे थे। इसके कारण कम्पनी की बिक्री में वृद्धि नहीं हो पा रही थी, परिणामस्वरूप लाभ अपर्याप्त थे। विपणन प्रबन्धक, सौरभ ने अब अनुभव किया कि 'पुष्पांजली लिमिटेड' उत्पाद से सम्बन्धित बहुत महत्वपूर्ण निर्णयों में एक निर्णय लेना भूल गई है।

'पुष्पांजली लिमिटेड' कौन-सा निर्णय ले कि इसके उपभोक्ता बाज़ार में इसके उत्पादों की पहचान कर सकें? यदि उपर्युक्त निर्णय ले लिया जाए, तो 'पुष्पांजली लिमिटेड' व इसके उपभोक्ताओं को कौन-कौन से लाभ मिलेंगे, समझाइए।

5

'Pushpanjali Ltd.', is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The findings of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its good quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits. Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd.' had forgotten to take one of the most important decisions related to the product.

What decision should 'Pushpanjali Ltd.' take so that its customers are able to identify its products in the market? Explain the benefits that may result to 'Pushpanjali Ltd.' and its customers if the above decision is taken.





**खण्ड य**  
**SECTION E**

23. वैज्ञानिक प्रबन्ध की निम्नलिखित तकनीकों को समझाइए : 6
- (क) समय अध्ययन;  
(ख) गति अध्ययन; तथा  
(ग) कार्यात्मक फोरमैनिशिप ।

**अथवा**

- सामान्य प्रबंध के निम्नलिखित सिद्धांतों को समझाइए : 6
- (क) कार्य विभाजन;  
(ख) अधिकार एवं उत्तरदायित्व; तथा  
(ग) अनुशासन ।

Explain the following techniques of scientific management :

- (a) Time Study;  
(b) Motion Study; and  
(c) Functional Foremanship.

**OR**

Explain the following principles of general management :

- (a) Division of Work;  
(b) Authority and Responsibility; and  
(c) Discipline.

24. वर्ष 2000 में 'ई-सोल्यूशंस लिमिटेड' ने अपने प्रचालन आरंभ किए । इसके स्थापन के समय कम्पनी के पास केवल दस कर्मचारी तथा दो विभाग थे, एक उत्पादन विभाग तथा एक प्रशासनिक विभाग । पिछले कुछ वर्षों में कम्पनी द्वारा आपूर्ति किए गए उत्पादों तथा प्रदान की गई सेवाओं ने लोकप्रियता प्राप्त की । प्रबन्धन को कर्मचारियों की योग्यताओं में विश्वास था और इसलिए उन्हें कार्य करने की स्वतंत्रता दी गई थी । प्रबन्धन ने यह पहचाना कि संगठन में विभिन्न स्तरों पर निर्णय लेने वालों को अधिक स्वतंत्रता दी जाने की आवश्यकता है । उन्होंने



एक नीतिगत निर्णय लिया कि उच्च अधिकारियों का अधीनस्थों पर नियंत्रण कम होना चाहिए। इससे संगठन में अधीनस्थों की भूमिका बढ़ गई और अब वे अधिक संख्या में, साथ ही महत्वपूर्ण निर्णयों को लेने की स्थिति में थे। इसके परिणामस्वरूप इस व्यवसाय ने बहुत से क्षेत्रों में विविधता प्राप्त कर ली। वर्तमान में इसका प्रचालन पूरे देश में हो रहा है तथा इसकी विदेशों में सात शाखाएँ हैं। इसका संगठनात्मक ढाँचा अब विभागीय ढाँचे में परिवर्तित हो गया है और दस हजार लोग इस कम्पनी में काम कर रहे हैं।

(क) प्रबन्ध की उस अवधारणा को पहचानिए जिसकी सहायता से कम्पनी ने बहुत से क्षेत्रों में विविधता प्राप्त कर ली तथा विदेशों में इसकी शाखाएँ खोल लीं।

(ख) उपर्युक्त (क) में पहचानी गई अवधारणा के महत्त्व के पाँच बिन्दु समझाइए।

6

‘E-Solutions Ltd.’ started its operations in the year 2000. At the time of its inception, the company had only ten employees with two departments, a Production department and an Administration department. The products supplied and the services provided by the company started gaining popularity over the years. The management had faith in the abilities of the employees and thus they allowed them freedom of action. The management recognised that the decision-makers at different levels of the organisation need to be given more autonomy. They took a policy decision that there will be less control of superiors over subordinates. This increased the role of the subordinates in the organisation and now they were in a position to take numerous as well as important decisions. As a result, its business has diversified into many areas. Presently, it has its operations throughout the country with seven branches overseas. Its organisational structure has now changed into divisional structure and ten thousand people are working with the company.

- (a) Identify the concept of management which helped the company to diversify into many areas and branches abroad.
- (b) Explain five points of importance of the concept identified in (a) above.



25. 'एंटरटेनमेंट इंडिया लिमिटेड' का निगमन, त्योहारों, कार्यक्रमों तथा देश की इसी प्रकार की समृद्ध सांस्कृतिक विरासत से संबंधित अन्य गतिविधियों का आयोजन कर लोगों का मनोरंजन करने के उद्देश्य से किया गया है। कम्पनी के प्रबंधन में कला, साहित्य तथा संस्कृति से संबंधित प्रसिद्ध व्यक्तित्व है। उन्होंने यह निर्णय लिया है कि वे उभरते हुए युवा संगीतज्ञों, कवियों तथा कलाकारों को एक मंच प्रदान करेंगे। कम्पनी ने अपनी संगठनात्मक संरचना का निर्धारण एक जैसी क्रियाओं का समूहन करके किया है। इसके पश्चात् विभिन्न विभागों के प्रमुखों की नियुक्ति भी कर दी गई है। निशा ने, जो एक विभागीय प्रमुख है, नियुक्त किए जाने वाले व्यक्तियों की संख्या, प्रकार तथा आवश्यक योग्यता का विश्लेषण कर लिया है। कार्य-विवरण को लिखने की प्रक्रिया में जो सूचना उत्पन्न हुई उसे तथा उम्मीदवार के वर्णन को विज्ञापन के 'रिक्त पदों' को विकसित करने के लिए उपयोग किया गया था। इसे प्रिंट मीडिया में प्रकाशित और इलेक्ट्रॉनिक मीडिया में प्रसारित किया गया। इससे आवेदनों की बाढ़ आ गई।

उपर्युक्त चर्चित प्रक्रिया को पूरा करने के लिए निशा द्वारा निष्पादित किए जाने वाले अन्य चरणों को समझाइए।

'Entertainment India Ltd.' has been incorporated with the objective of entertaining people by organising festivals, programmes and other similar events depicting the rich cultural heritage of the country. The company management has renowned personalities from the field of art, literature and culture. They decided to give a platform to young budding musicians, poets and artists. The company decided its organisational structure by grouping similar jobs together. Thereafter, the heads of different departments were also appointed. Nisha, one of the heads, did an analysis of the number, type and qualification necessary for people to be appointed. The information generated in the process of writing the job description and the candidate profile was used to develop 'Situations vacant' advertisement. This was published in print media and flashed in electronic media. This brought in a flood of response.

Explain the other steps which Nisha has to perform to complete the process being discussed above.

6



तत् त्वं पूषन् अपावृणु  
केन्द्रीय विद्यालय संगठन

केन्द्रीय विद्यालय संगठन

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