

decided to weigh all the options and then select the best one. Identify and explain the three importance of planning highlighted in the given case by quoting the lines.

34. "Understanding of environment by business managers enables them to identify, evaluate and react to various forces external to their firms." In the light of the statement, explain any four importance of business environment.

ANSWERS

1. (d) Recruitment and staffing are one and the same thing
2. (d) recruitment
3. (a) Free-rein style of leadership
4. (a) Securities Contracts Regulation Act, 1956
5. (a) Discount
6. (c) Social needs
7. (a) Coordination
8. (d) All of these
9. (b) Commercial Paper
10. (b) Protective
11. (c) Futuristic
Or (d) None of these
12. (c) (iii) (i) (ii)
Or (b) Evaluating alternative courses
13. (d) Direct recruitment
14. (c) Medical examination
15. (c) Apprenticeship training
16. (a) Supervision
17. (c) Three level
18. (a) Product related
19. (b) Market related
20. (a) Company related
21. This statement refers to staffing. It is important because
 - (i) It ensures the availability of the most suitable and capable persons for various jobs.
 - (ii) By placing right person on the right job, it ensures better performance.
 - (iii) It helps to avoid overmanning, underutilisation of manpower and high labour cost.
 Or The management function reinsured to correct the above case is controlling.
 The procedure is as follows
 - (i) Find out the causes of deviation of defective percentage from 5 to 12.
 - (ii) Take corrective measures to control things.

2. Differences between delegation and decentralisation on the given basis are

Basis	Delegation	Decentralisation
Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in an organisation by giving them more autonomy.
Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
Status	It is a process followed to share tasks.	It is the result of the policy decision of top management.

1 × 3 = 3

23. Mother of Mr. Jain is working at top level of management
The functions performed by her are as follows
- Determining the objectives of the organisation
 - Assembling all the resources such as finance, capital, material, man, etc.
- Or (i) Mr. Franco has opted to follow principle of initiative. Lines from the para indicative of this principle are collected more than 10,000 suggestions from employees out of which 1,500 were selected and implemented in different fields.
- Two positive effects of this principle are
 - Increases the thinking process, creativity and bringing of innovative ideas by the employees
 - Increases the sense of attachment to the organisation.
24. The first three steps of staffing process for this unit are
- Estimating Manpower Requirements** It means to estimate the number of persons required in the unit
 - Recruitment** It is the process of searching for prospective employees and stimulating them to apply for jobs.
 - Selection** It is the process of choosing most suitable candidate for the vacant job position.
25. (i) **District Forum** This is established by the State Government in each district. Only those complaints can be filed in the district forum, where the value of goods or services and the compensation claimed is up to ₹ 20 lakh. An order passed by the District Forum in a matter of original jurisdiction is appealable before the State Commission.
- (ii) **National Commission** This is established by the Central Government. Only those complaints can be filed in the commission, where the value of goods or services and the compensation sought is more than ₹ 1 crore. An order passed by the National Commission in a matter of original jurisdiction is appealable before the Supreme Court.
26. Financial planning is a process which prepares a blue print relating to finance needs. It means estimating the finance requirements of a business and determining the sources of funds. Financial planning includes both short-term and long-term planning.
- Following are the two objectives of financial planning
- To Ensure Availability of Funds, Whenever Required** If adequate funds are not available, the business unit will not be able to honour its commitments and plans.
 - To See that the Firm does not Raise Funds Unnecessarily** If excess of funds are available with the business unit, it will unnecessarily add to the cost and may encourage excess expenditure.
27. (i) Yes, Sana's father is correct in his assertion.
- (ii) Factors affecting dividend decision are
- Stability of Dividend** Every company adopts the policy of maintaining the stability of dividend per share. From this point of view, a little change in profit should not be allowed to increase or decrease the dividend.
 - Legal Constraints** Certain provisions of the Companies Act put restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.
 - Access to Capital Market** Large and reputed companies generally have easy access to the capital market and therefore may be depended less on retained earnings to finance their growth. These companies tend to pay higher dividends than the smaller companies.
28. Organising can be defined as "Identifying and grouping different activities in the organisation and bringing together the physical, financial and human resources to establish the most productive relations for the achievement of specific goals."
- The process of organising include
- Identification and division of work
 - Departmentalisation
 - Assignment of duties
 - Establishing reporting relationships

Some of the advantages of organising are

- Benefits of specialisation
- Clarity in working relationships

(3 × 2 = 6)

Planning is a process of deciding in advance what to do and how to do. It is a basic function of a manager which involves setting up of objectives and developing the best possible course of action to achieve these objectives. (1)

Three limitations of planning are discussed below

- Planning is a Time-consuming Process** Sometimes, plans to be drawn up take so much of time that there is not much time left for their implementation. This leads to failure of planning.
- Planning does not Guarantee Success** Success of planning rests on its implementation. Lack of proper implementation may lead to failure of planning. Even if a plan has worked earlier, it may not work again due to changes in the external environment.
- Planning involves Huge Cost** It usually involves a lot of time, effort and cost of the managers. Collection of data, boardroom meetings, investigations and discussions with experts involve a lot of expenditure of the organisation. Sometimes, the cost incurred may not justify the benefit derived from the plans. (1 × 3 = 3)

29. Advantages of OTCEI market are given below (any four)

- It provides a platform for trading to smaller and less liquid companies as they are not eligible for listing on a regular exchange.
- Family concerns and closely held companies can go public through OTCEI.
- Dealers can operate both in new issues and in secondary market at their option.
- There is no problem of bad and short deliveries.
- Uniform transparent system of trading with free flow of information between market makers to customers, since there is close contact between them. (1 × 4 = 4)

30. According to Taylor, "Scientific management means knowing exactly what you want from men to do and seeing that they do it in the best and cheapest way." (1)

Scientific management can be beneficial for the employees in the following ways (any three)

- It helps to improve the efficiency of business through standardisation, simplification, specialisation and work study.
- It helps in proper selection and training of the workers.
- It enables employers to minimise the cost of production by eliminating all types of costs.
- Through fatigue study, efficiency and productivity can be improved due to better working conditions and proper rest intervals. (1 × 3 = 3)

Or

(i) 'Simplification of work' technique focuses on elimination on unnecessary diversity of products. (1)

(ii) The benefits of this technique are (any two)

- It results in savings of cost of labour, machines and tools.
- It helps in achieving economy in use of required machines and tools.
- It implies reduced inventories, full utilisation of resources and increasing turnover. (1 × 2 = 2)

(iii) Another technique included in the same technique as given by Taylor is 'Standardisation of work' which refers to the process of setting standards for business activities. (1)

31. (i) No, I do not agree with this statement. (1)

(ii) Role of a supervisor can be enumerated as

- The supervisor maintains day-to-day contact with the workers. He guides them like a friend, philosopher and guide.
- Supervisor in an organisation acts as a link between workers and management. Supervisor handles the problems of the workers and helps to avoid misunderstanding and conflict between management and workers. (1 × 2 = 2)

- (iii) Following are the suggestions to relieve the supervisor
- Working of machinery should be explained to subordinates clearly
 - Training should be given to the workers to operate the new machines clearly
 - Select most efficient employee to operate the new machinery

(1 × 1 = 1)

32. (i) The two product related decisions which the students had to take are
- Branding** A brand is a name, term, sign, symbol, design or some combination of them used to identify the products and differentiate it from that of its competitors. Thus, branding is the process of assigning a distinctive name or symbol to a product, by which it can be remembered.
 - Packaging** It refers to the act of designing and producing the container or wrapper of a product. Various kinds of goods are placed into appropriate containers for protection and convenient handling. Thus, packaging implies placing products in suitable packages for delivery of the product to customer or for the purpose of storage and transport.

(2 × 2 = 4)

- (ii) The two important functions that the label of the jam bottle must perform, are as follows

- To describe the product and specify its contents.
- To help in identification of the product or brand.

(1 × 2 = 2)

Or

The name of this technique is rebate. Under it, in order to clear the excess stock, products are offered at reduced prices.

(1)

Two other techniques are explained below

- (i) **Finance @ 0%** Under this method, the product is sold and money is received in installments at 0% rate of interest. The seller determines the number of installments in which the price of the product will be recovered from the customer.

No interest is received on these installments. e.g. Bajaj offers a bike of ₹ 40,000 in 10 easy instalments of ₹ 4,000 each.

- (ii) **Samples** Under this method, the producer distributes free samples of his product among the consumers. Sales representatives distribute these samples from door-to-door. This method is mostly used for products of daily use e.g. washing powder, tea, toothpaste, etc.

 $\frac{1}{2} \times 2 = 3$

Two benefits of using sales promotion technique are

- Encourage buyers to make immediate purchase of products.
- These are tools which can be effectively used by middlemen too.

(1 × 2 = 2)

3. (i) Divisional structure will be suitable for them. It is an organisation structure in which various departments are created on the basis of products, territory or region.

(2)

- (ii) Divisional structure has the following advantages

- All the activities related to one type of product are grouped under one division, which brings integration and coordination in the activities.
- With more initiative and flexibility, decisions are taken much faster in divisional structure.
- It facilitates expansion and growth as new divisions can be added without interrupting the existing operations.
- Fixation of responsibility and accountability is easy, as divisional heads are responsible for the profits and losses of their divisions.

 $\frac{1}{2} \times 4 = 2$

Divisional structure suffers from the following limitations

- There is a duplication of physical facilities and functions, which leads to increase in cost.
- Greater autonomy to divisional heads may lead to misuse of authority.
- Managers in each division focus on their own objectives, without thinking of the organisational goals.
- Conflict may arise between different divisions on allocation of funds and other resources.

 $\frac{1}{2} \times 4 = 2$

Or

Three importance of planning highlighted in the given case are as follows

- (i) **Planning provides Direction** The lines "It has in advance ... resulting in saving of resources."

By stating in advance how work is to be done in future, planning provides direction for action. It clearly defines what the employees have to do, when to do, how to do and for whom to do.

- (ii) **Planning promotes Innovative Ideas** The lines "The company is also planning ... concrete plan has to be made."

It is an intellectual process, which involves finding better ideas and methods to perform a particular job. In planning, new ideas can take the shape of concrete plans.

- (iii) **Planning Facilitates Decision-making** The lines "The main core team ... select the best one."

It helps the manager to look into the future and choose amongst the various alternative courses of action, in order to find out the most viable, economical and suitable plan. $(2 \times 3 = 6)$

34. In the present day of competitive market, it is essential for a business manager to remain alert and aware of its environment, because of the following points

- (i) **Identify Opportunities and Getting the First Mover Advantage** Awareness of environment helps an enterprise to identify the opportunities prevailing in the market and they can make strategies to capitalise such opportunities at the earliest, e.g. Maruti Udyog became the leader in the small car market because it was the first company who recognised the need for small cars in the environment.

- (ii) **Identify Threats and Early Warning Signals** Environmental awareness helps an enterprise in identifying possible threats in future, so that the enterprise can take timely measures to minimise the threats and its adverse effects, if any, e.g. when the new firms entered in the mid segment cars (threat), Maruti Udyog increased the production of its Esteem car. Increase in production enabled the company to make faster delivery. As a result, the company captured a substantial share of the market and became a leader in this segment.

- (iii) **Assist in Planning and Policy Formulation** Environment awareness helps a business unit to identify opportunities and threats in the market. These serve as a basis for planning future course of action and making policies for the same.

- (iv) **Tapping Useful Resources** A business environment is an open system which gets resources such as capital, labour, machines, materials, etc from the environment, converts them into goods and services desired by the customers and then supplies its output to the environment. Thus, a business firm depends on its external environment for tapping various resources and for the sale of its output. $(1\frac{1}{2} \times 4 = 6)$