



KENDRIYA VIDYALAYA SANGATHAN RANCHI REGION

Study Material for students of Kendriya Vidyalayas
functioning under Ranchi Region:

2023-24

Subject: Business Studies (054)

KEY TO SUCCESS



Our Patron:

Sh. D. P. Patel

DC, KVS, RO, Ranchi

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ACKNOWLEDGEMENT

We are happy to provide useful study material in the subject of business studies keeping in view the academic progress of the students.

Our important objective is to help them to achieve their goals with ease and convenience.

Firstly, we would like to thank Sri. D. P. PATEL, Hon'ble Deputy Commissioner, KVS RO Ranchi and Assistant Commissioner Mrs. Sujata Mishra who showed their concern for students and suggested to prepare the material.

Again, we would like to thank Mr. Bishwanath Hansdah, Principal, KV Surda guided us throughout to prepare the material.

This study material provides conceptual clarity and application expertise. It gives a positive direction to the thinking of the students. Our main objective is to reduce stress and pressure of board exams amongst the students and instill interest in them and dedication to score higher from the very beginning.

We, the editorial team feel proud to contribute in the study material to enrich the subject related information and look for better performance of students in the coming year.

With best wishes.

Regards

“Editorial Team”

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SL.NO	NAME OF THE TEACHER	NAME OF KV	TOPIC
1.	MR. ARBIND KUMAR	K. V BOKARO NO 1	1. NATURE AND SIGNIFICANCE OF MANAGEMENT 2. PRINCIPLES OF MANAGEMENT
2.	MRS. V.L. GAGRAI	K.V TATANAGAR	3. BUSINESS ENVIRONMENT 4. PLANNING
3.	MRS. POONAM TIRKEY	K.V BOKARO THERMAL	5. ORGANISING 6. STAFFING
4.	MS. SWETA SETHI	K.V SURDA	7. DIRECTING 8. CONTROLLING * BST ON FINGER TIPS
5.	MR. SURESH KUMAR	K.V HEC RANCHI	9. FINANCIAL MANAGEMENT 10. FIINANCIAL MARKET
6.	MRS. MADHU CHOURASIA	K.V DEEPATOLI	11. MARKETING MANAGEMENT 12. CONSUMER PROTECTION

Business Studies (CODE NO – 054)**CLASS–XII (2023-24)**

Theory: 80 Marks

3 Hours

Project: 20 Marks

Units		Periods	Marks
Part A	Principles and Functions of Management		
1.	Nature and Significance of Management	12	16
2	Principles of Management	14	
3	Business Environment	12	
4	Planning	14	14
5	Organizing	15	
6	Staffing	16	20
7	Directing	15	
8	Controlling	12	
	Total	110	50
Part B	Business Finance and Marketing		
9	Financial Management	20	15
10	Financial Markets	18	
11	Marketing Management	30	15
12	Consumer Protection	12	
	Total	80	30
Part C	Project Work (One)	30	20

Question Paper Design
Business Studies
(Code No. 054)
Class XII (2023-24)
March 2024 Examination

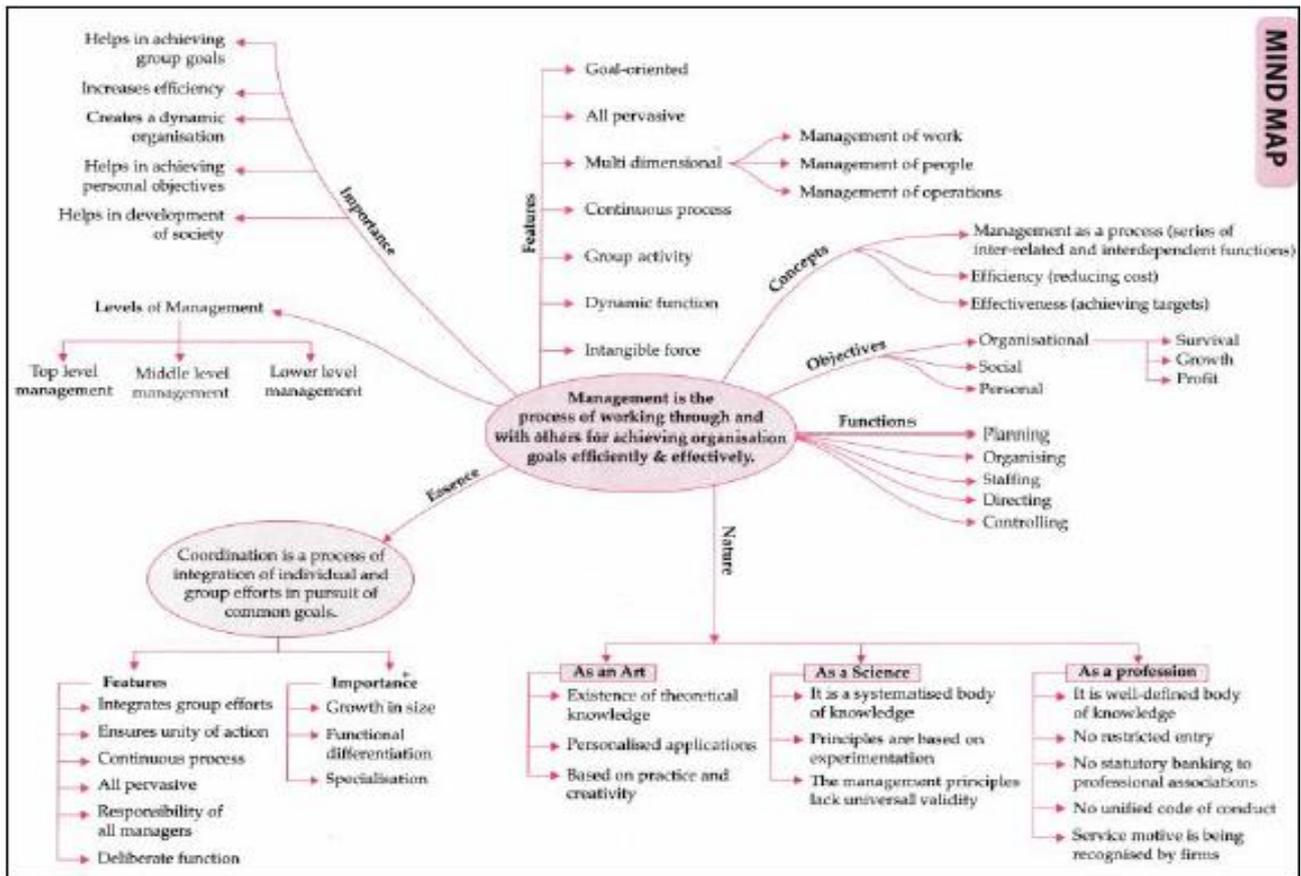
Marks: 80**Duration: 3 hrs.**

S N	Typology of Questions	Mar ks	Percent age
1	<p>Remembering and Understanding: Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas</p>	44	55%
2	<p>Applying: Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way</p>	19	23.75%
3	<p>Analyzing, Evaluating and Creating: 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. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.</p>	17	21.25%
	Total	80	100%

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CHAPTER 1- Nature and significance of Management



Meaning:-

All the necessary inputs - Men, money, market, materials, machinery & methods are dormant (inactive) and need a guiding force to activate them towards the attainment of desired goal efficiently & effectively. This guiding force which mobilizes all the resources towards best achievement of goals is called management.

Following figure explain the concept of management clearly: --

Definition: -

Management is the creation of an internal environment where individual working in a group can perform efficiently & effectively for the achievement of organizational goals.

-Koontz & Donnell.

Features of Management:-

1-Management is a goal-oriented process: Each & every organization exists to achieve certain common goals & management is there to achieve the goals by integrating the efforts of all individuals working in groups /departments."

2-Management is all pervasive: - Management is found in each level, every departments even in every walk of life. It is equally applicable in big or small organization, financial or non- financial charitable, religious, social, educational & all organizations.

3-Management in multidimensional: -

It includes the following?

A) Management of work :- (what is to be done) Organizations work is explained in terms of goals to be achieved, decisions to be made, plans to be established, budgets to be prepared, responsibility & accountability to be fixed to maximize the consumer satisfaction.

B) Management of people:- (who is to do it) It means developing people in a manner that they can achieve the goals efficiently & effectively. Managing people has - **two dimensions:** -

1---->Taking care of employee's personal needs and;

2---->Dealing with individuals as a group of people. (Group spirit or cooperations,love and being loved, thoughts to combine each other).

C) Management of operation - (How to do it) It refers to production process in which inputs are converted into desired outputs. Management of operation is responsible to find out the update system where people perform their best towards achievement of organizations goal.

4-Management is a continuous process: - Management is never-ending process. It constantly identifies the problems & solves them by taking appropriate actions.

5:-Management is a group activity: - Management requires team's works & coordinated results. Works are performed in a group & management is concerned with planning, organizing & controlling the group efforts to achieve of the desired goals.

6:-Management is a dynamic function:- - Everything is changeable except change. In order to survive in the ever-changing environment, an organization must change itself according to the need of new and novel situations. Management is there to perform their challenging jobs.

7:-Management in an intangible force :-Management in an invisible force but its presence can be felt by the result ie: satisfaction of consumers, happiness of employees & society etc.

EFFECTIVENESS V/S EFFICIENCY

Effectiveness: Effectiveness in management means doing the right task & achieving goals on time, it aims at end result.

Efficiency: Efficiency refers to do task correctly at minimum cost. It insists on using less inputs /resources to get more outputs. It is determined as the ratio of outputs to inputs.

Difference between Effectiveness & Efficiency: -

BASIS	EFFECTIVENESS	EFFICIENCY
Meaning	It refers to complete the task on time, no matter whatever the cost.	It refers to completing the task with minimum cost ie: utilization of resources in cost effective manner.
Objective	To achieve end result in time.	To conduct cost benefit analysis ie: ratio of outputs to inputs.
Main consideration	Doing the right task. (end result)	Doing the task in right ways. (cost)

Effectiveness & Efficiency are two sides of the same management coin. Management needs to be both effective & efficient. It has to ensure that goals are achieved in time with use of minimum resources.

Example: - Each of the two production managers (Aditya & Rahul) of a company is asked to produce 1000 computers per month • Both achieve their targets & so both are effective. But the cost of production per computer of first production manager (Aditya) is 40,000 per set & that of the second (Rahul) is 42,000 per set. In this case Aditya is both effective & efficient but Rahul is effective not efficient.

Function / Process of management:

Management is a dynamic process in which every manager has to perform various functions. These functions may be broadly classified into 5 categories: -

1. Planning

Planning refers "deciding in advance (what to do, how to do, whom to do, where to do, & who is going to do it) why, what, when, where, who and how of an action. These decisions provide, base for the other management functions. It bridges the gap between where we are & where we want to reach. Under this process manager set goals and develops the best way of achieving it.

2. Organizing

To convert the plans into reality managers arranges human and non-human resources and establishes an organizational structure. Authority and responsibility relations are created in lucid manner to ensure efficiency and effectiveness.

3. Staffing

Staffing is concerned with finding the right person for the right position at the right time. It includes various activities like recruitment, selection, training and development etc.

4. Directing

After preparing plans, framing the structure and arranging necessary resources the next function is to provide direction to employees. Direction is a process of supervision, motivation, leading and communicating with the subordinate to achieve the organizational objective.

5. Controlling

Controlling is a function of comparing of actual result with the planned target and taking corrective action, if there is any significant deviation between actual and planned performance. The purpose is to ensure that everything is done according to prefixed goals.

Coordination: -

There are many departments in an organization and a number of persons work together in every department. They work at different levels and perform diverse activities. To achieve the goals of the organization it is necessary to unify integrated and harmonize the activity of different individual departments and groups. This can be possible only by coordination. Thus, coordination is the art of achieving harmony of individual and group efforts for the achievement of common goals.

Characteristics / nature of coordination: -

1. Coordination integrates group effort: -

Coordination is an orderly arrangement of group effort to unify the unrelated or diverse interest into purposeful work activities. It is not needed when the entire job is performed by an individual. It is needed when more persons are working having different backgrounds or difference in method of working.

2. Coordination ensures unity of action: -

Coordination act as the binding force between departments and ensure that all efforts are moving towards achievement of organizational goals.

For example, there should be proper coordination between production and sales department to meet the demand in the market.

3. Coordination is a continuous process: -

Coordination is needed in each and every steps in the organization. It is never ending process. The manager is there to ensure perfect coordination among individual / groups / department to achieve the best result.

4. Coordination is an all-pervasive function: -

Coordination is a universal function. It is needed in all departments at all level and every walk of life due to interdependence of various activities.

5. Coordination is the responsibility of all managers: -

Manager at all level have to maintain perfect coordination to attain the goals efficiently and effectively. Top level coordinates the overall plans, middle level coordinates the effort of different sections and subsections and lower level coordinates the activities of workers.

6. Coordination is a deliberate function: -

Coordination is a conscious activity. It does not arise automatically. Every manager has to take adequate measures to achieve perfect coordination.

•Importance of co-ordination or "Coordination is an essence of management"

Coordination is not separate function of management but the essence of management. Like the thread is in a garland it integrates and harmonizes the diverse activities of an organization. Without proper coordination there may be duplication and overlapping of efforts in the organization.

The following points highlight the importance of Management: -

1. Growth in size: -

Growth and expansion is the need of hour, with increase in size of organization number of employees also rises. Employees come from different background having difference in interest, habits of work and goals. Generally, organization goals don't match with individual goals. Coordination harmonizes the individual goals and organization goals.

2. Functional differentiation: -An organization is divided into various department, division or sections. All these division may have their own objective or style of working in isolation from the other. The interdependence of activities needs coordination. For example, marketing manager wants to meet increased demand of the market within a specified period. It is possible only when purchase manager and production manager are ready to co-ordinate after considering the situation.

3. Specialization: -

Complexity of modern technology requires service of experts. Specialist usually thinks that the others are not competent to evaluate, judge and decide according to their profession criteria's. They don't take advice or suggestions from other. It leads to conflict in the organization. Coordination helps to reconcile the difference in approach or opinions of the specialists.

4. Coordination is needed in all management functions: -

Each function of management can be performed only through proper coordination.

A) Planning: - Coordination is required between the master plan of organization as whole and the plan of different departments.

B) Organizing: - Coordination is needed between authority, responsibility and accountability.

C) Staffing: - Coordination is necessary between job requirement and the qualities of employees.

D) Directing: - Coordination between supervision and motivation, leadership and communication insure harmonious working of the organization.

E) Controlling: - Coordination is needed to ensure that actual results confirm to the expected results.

Cooperation & Co-ordination: -

BASIS	CO-ORDINATION	COOPERATION
Meaning	Coordination refers to bringing together the activities of an organisation.	Cooperation to voluntary efforts, find individuals to work together & help each other .
Nature	Coordination deliberate action of manager. .	It is a voluntary effort of employees.
Interdependence	Co-ordination is incomplete without cooperation.	Cooperation is also meaningless without coordination.
Relations	Co-ordination is achieved through both formal and informal relations.	It arises out of informal relation.
Scope	It includes cooperation and hence has a wider scope.	It has a narrow scope as it is towards establishing coordination.

★ Management as a science: -

Science is a systematic body of knowledge developed through observation and experimentation and verification of this knowledge is possible.

Main features of science are as follows: -

1. Body of knowledge
2. Principles based on experimentation
3. Universal application
4. Cause and effect relationship

Testing management as a science

1. Systematic body of knowledge: -

Science is a systematic body of knowledge similarly management is also systematic body of Knowledge since it has own several theories and principles developed by experts after years of research.

2. Principles based on experimentation: -

Like science the principle of management have been developed after continuous observation and experimentation. Time study, motion study, Fayol's principle are some of its examples.

3. Universal validity: -

Like science management principle have universal application in different types of organization - economics, social, political etc.

4. Cause and effect relationship: -

Scientific principle always explains the relationship between cause and effect. This feature does not fully apply in case of Management although cause and effect relationship can be established in the principle of management. For example, in unity of command -command by a superior is the cause and avoidance of confusion is the effect.

Conclusion: -

Management is a science but not like as physics and chemistry. Management is related with human being whose behavior and conduct is changeable. This is the reason management is treated as applied science or inexact science or soft science or behavioral science whose

Principles and techniques are subject to change according to the situation and the nature of human beings.

★ **Management as a profession: -**

An occupation supported by specialized knowledge and training in which entry is restricted is known as profession. For example, law, medical, accountancy, teaching etc.

Testing management as a profession: -

1. Well defined body of knowledge: -

In every profession there is practice of systematic body of knowledge which helps the professional to achieve specialized knowledge of that profession. Like as in management profession has its own theories, principles, techniques etc. based on experimentation and observation. There is large number of books available on management studies. This knowledge is helpful in tackling the changing situation in business organization.

2. Restricted entry: -

Only that person can enter in profession who hold the prescribed qualification or degree. For example, a doctor MBBS degree is necessary. But in case of Management there is no such condition. Peoples are studying in management institute to have BBA and MBA degree but these degrees are not compulsory to become a manager.

3. Professional association: -

Professions are must have representative professional's association to control the activities and behavior of profession. For example: few institutes like AIMA, NIPM etc have been established. But its not essential to become member of these institute to work as managers.

4. Ethical code of conduct: -

Ethical codes are formed by professional associations. Members must obey the standard or conduct. But in case of Management no such universally accepted code of conduct has been devised. SEBI and AIMS has developed code of conducts for directors.

5. Service motive: -

Professional should keep social interest in their mind while charging fees for their services. The traditional view of profit maximization has been replaced by maximization of customer satisfaction. To survive in this competitive and ever-changing global market management has to consider the importance of social obligation along with economic objectives.

Conclusion: -

On the basis of above discussion, it can be concluded that management is not a full-fledged profession like as medical, law etc. due to following reasons: -

1. There is lack of representative professional association for managers.
2. There is absence of universally accepted code of conduct for managers and directors.
3. Registration from professional association is not compulsory to become managers.
4. There is no restriction on the entry in management profession. Anyone with any degree can be a manager. Thus, lastly we can say that management is an emerging profession.

★ **Management as an art: -**

Art is a skillful and personal application of existing knowledge to achieve desired result in best manner.

Feature of art:-

Based on practice and creativity

Personalized application

Existence of theoretical knowledge

Testing management as an art: -

1. Existence of theoretical knowledge: -

Art is based on existence of certain theoretical knowledge. Management has its own theories and literatures. A manager is expected to learn these theoretical aspects and the ways of applying in real situation, then only he will be a successful artist or manager.

2. Personalized application: -Every artist has its own way of applying the theoretical knowledge in actual field. Similarly, every manager has its own style of thinking, taking decision and tackling problems. It is not necessary that a style of work which is successful by a manager will certainly be successful in case of another manager.

3. Based on practice and creativity: -

Successful art needs regular practice and innovation. Practice makes a man perfect. An efficient management is the outcome of more and more practices. The success depends on the frequency and practice in solving the real problems. Managers have to find out the way and means to solve the new and novel problems of ever-changing environment. He has to adjust himself in global and challenging situations.

Conclusion: -

Finally, it is concluded that management is an art as it satisfies all the nature of an art. This is the reason it is said that management is the art of getting things done efficiently and effectively.

* □ **Objective of Management: -**

-Objectives are those end points for which any organizations are setup.

The managerial objective of an organization can be classified into three major categories: -

1. Organizational objectives/economic
2. Social objective
3. Individual objectives

1. Organizational objectives: -

It refers to fixing the objective for the whole organization. Managers try to develop and attain varieties of objective considering all the related fields to minimize the cost and to bring maximum prosperity for the organization.

A) Survival: - Every business organization wants to survive for long period and it is a possible only when is able to cover its costs by earning sufficient revenues.

B) Profit: - Profit is a life blood of business. Mere survival is not enough for business. Management has to ensure that the organization make sufficient profits for survival, growth and expansion of business.

C) Growth: -Business organization must grow the activity to remain in the market. If organization is not able to expand its activity then Big fish will eat small fish. Growth can be measured by increasing trend in sale, number of branches, number of employees, number of products etc.

2. Social objective: -

It refers the benefits / welfare of society through managerial activities. Since an organization is established in a society and its runs through the resources of the society it must fulfill the expectation of society. The objectives in their regard may be: -

- A- Supply of quality product at reasonable prices.
- B-Generation of employment opportunities.
- C-Using environmentally friendly method of production.
- D-Financial support to community.
- E-Generation of economic wealth.
- F-Participating in building charitable trust, dispensaries, educational institute, vocational training centers
- G-Not to get involved in product adulteration.
- H-Establishing industries in rural, backward and hilly area.
- I-Not to indulge in undesirable advertisement etc.

3. Individual objectives: -

Personal/ individual objectives are related to the employees of the organization. As employees are the backbone of the organization every effort should be made to satisfy them and to motivate them so that they can give their best in the organization. Individual objectives may be:-

- 1-Competitive and deserving salary/remuneration.
- 2-Personal growth and development
- 3-Recognition to - peer and social.
- 4-Profit sharing scheme
- 5-Participation in management
- 6-Pood and healthy working environment
- 7-Job security
- 8-Welfare scheme

Any activity-Management= Zero Importance of Management

1. Management help in achieving group goals: -

Management is a goal oriental process. It creates proper environment of organization where people can do their best to achieve its goal efficiently and effectively.

2. Management increases efficiency: -

Manager's try to reduce cost and increase productivity through excellent planning, organizing, staffing, directing and controlling the activities of the organization.

3. Management creates a dynamic organization: -

Change is the way of life. Everything is changeable expect change. Management changes the organization activity to suit the ever-changing environments need. Efficient managers motivate employees to adopt changes willingly and happily, so that they can compete in competitive global market.

4. Management helps in achieving personal objectives: -

Managers motivate and lead his group in such a manner that individual goals of employees are also achieved. Through proper motivation and leadership employee's efficiency and effectiveness go on increasing which ultimately leads to increase their earning and satisfaction.

5. Management helps in the development of the society: -

Efficient and dynamic manager's give due importance to social responsibility. They try to provide quality products at fair / reasonable prices, employment opportunity, ecofriendly environment, competitive comparison etc. By increasing production management also increases that GDP which ultimately leads to growth and prosperity of nation.

6. Management develops international understanding: -

Our economy is globalized. Management is trying to adopt the challenges of international economy. Efforts are being made to compete with international competitors. Internationalism is applied in procurement of input and distribution of output at reasonable competition prices. This step/ process has decreased the dispute among Nations.

Levels of Management

Management is a group activity. Organizations appoint number of persons at different positions to perform different responsibilities. On the basis of extent and amount of authority and responsibility a chain of command is created. This chain is known as hierarchy of management.

The main levels of Management are:

1-Top level management

2-Middle level management

3-Lower level management



Top level management

Top management is responsible for the welfare, survival and excellence of the organization. This level is answerable to the owners of business. This level includes board of directors, chairman managing director, chief executive officer, chief financing officer, chief operating officer, president, vice president, general manager and other senior executives.

Function of top-level management: -

1. Fixing the objectives of the organization:

Top manager formulates overall organizational goal and strategies for their achievement.

2. Appointment of managers and higher workers:

Top managers appoint the senior employees as per the need of the organization.

3. Assembling the resources:

Top management arranges various resources. For example: men, money, machines, material, market etc. to achieve the desired goal in best manner.

4. Liasoning with outside world: -

Top managers remain in contact with government, competitors, suppliers, media etc. to get their support.

.5. Co-ordinate the performance: -

Top management co-ordinate the activities of different departments or individuals. They evaluate and correct the function of middle and lower level of management.

6. Analyze business environment: -

They analyze the business environment and its implication for the survival of the organization.

7. Responsible for social welfare: -

Top managers are responsible for all the activities of business and for its impact in society. Social welfare programs are made and monitored by the top managers.

Middle level management

Middle level is basically concerned with the task of implementing the plan and policy formed by top level. This level is a link between top and lower level. It consists of purchase manager, production manager, finance manager, marketing manager, personnel manager, operation manager, plant superintendent etc.

Functions of middle level management: -

1. Explaining the policies of organizations: -

Middle level management explains the plans and policies formed by top level to lower level.

2. Organizing the activities of their department: -

Middle level managers are the head of some department so they organize all the resources and activities of the department.

3. Selecting suitable operatives: -

They select the most suitable employee for various department along with top executive.

4. Assigning duties to lower level management: -

They issue detailed orders and instruction to lower level managers and co-ordinate the activities of various work units.

5. Motivating personnel to achieve desired objective: -

They offer various incentive to employees so that they get motivated and perform to their best ability.

6. Reporting to top level management: -

Middle level management report the performance, suggestions, problems and other important data to top level manager.

Lower level management

Lower level plays an important role as they interact with actual work force and pass on instruction of the middle level management to the workers. This level works according to plan made by top level. It consists of supervisors, section officer, foreman and other members directly concerned with controlling the operative employees.

Functions of lower level management: -

1. Issuing orders and instructions: -

Operational managers issue orders and instruction to employees and also supervises their activities.

2. Preparing plans for the day to day activities: -

Lower managers plan for day to day activities and assign duties to workers and they guide them to adopt corrective steps whenever necessary.

3. Assisting the employees: -

Supervisors remain with the workers and they solve the problem and suggest the way of tackling the challenges situation.

4. Representing the problems or grievances of workers: -

Lower level managers present workers' problems /grievance before middle level management if it is not solved at lower level.

5. Providing safe and proper working environment: -

This level is also responsible to provide safe and congenial working environment to workers. They maintain proper discipline and pleasing atmosphere at the workplace.

6. Boosting the morale of workers: -

They encourage workers to take initiative and welcome their suggestions. The lower managers develop the team spirit, loyalty, discipline and supportive work environment.

7. Helping middle level management: -

This level helps to middle level in upward submission of necessary information- regarding performance, recruitment, selection, training, placement, promotion even in retrenchment if necessary.

Multiple choice questions (1*10=10)

1. Successful organizations do not achieve goals by chance but by following a deliberate process known as

- (a) Planning
- (b) Co-ordination
- (c) Controlling
- (d) Management**

2. Management is essential for the organizations which are

- (a) Non-profit organizations
- (b) Service organizations
- (c) Social organizations
- (d) All of the above**

3. Management contains a series of interrelated functions that include

- (a) Planning
- (b) Organizing
- (c) Directing
- (d) All of the above**

4. People in the organizations carry out diverse tasks with the aim to achieve

- (a) Different objectives
- (b) Common objectives**
- (c) Both of the above
- (d) None of the above

5. Successful management ensures that

- (a) Goals are achieved with least cost
- (b) Timely achievement of goals
- (c) Both of the above**
- (d) None of the above

6. Efficiency is concerned with

- (a) Doing the right thing
- (b) Doing things right**
- (c) Achieving end results
- (d) None of the above

7. Effectiveness relates to

- (a) Doing the right task
- (b) Completing activities
- (c) Achieving goals
- (d) All of the above**

8. Rohan works as a production manager in Global Enterprises Limited. He has been given the task of getting 1000 units of hand-woven table mats manufactured at the cost of ₹150 per unit within 10 days. In order to be acknowledged as an effective manager, he must ensure that

- (a) The cost of production does not exceed ₹150 per unit
- (b) The work is completed within 10 days even at higher cost per unit**
- (c) The cost of production is less than ₹150 per unit
- (d) All of the above

9. Jay is working as a marketing manager in a company. Has been given the task of selling 100000 units of a product at the cost of ₹100 per unit within 20 days. He is able to sell all the units within the stipulated time, but had to sell last 1000 units at 20% discount in order to complete the target. In such a situation, he will be considered to be

- (a) An efficient manager
- (b) An effective manager**
- (c) Both effective and efficient manager
- (d) None of the above

10. Management is said to be poor if it is

- (a) Efficient but ineffective
- (b) Effective but inefficient
- (c) Both inefficient and ineffective**
- (d) All of the above

Principles of Management

Management principles are statements of fundamental truth, which provide guideline to Managers for making decisions, taking action and solving various problems in best manner.

DERIVATION OF MANAGEMENT PRINCIPLES

(i) Observation

• Management experts observe certain events in actual practice and analyze them to act as Guideline in future problems.

(ii) Experimentation

• Various guidelines are tested in different organizations with different environment. If they provide same results in all conditions, then the guidelines are designed as management Principles.

NATURE OF MANAGEMENT PRINCIPLES: -

(i) Universal Application

• Management principles can be applied to all kind of organizations. However, extent of application varies depending on nature and size of organizations.

(ii) General Guideline

• They are not the readymade answers to the problems. These principles just provide guidelines to managers.

iii) Formed by practice and Experimentation

• Management principles are the outcome of observation experiments and experiences of management experts.

iv) Flexible

• Management principles can be modified according to the need and situation of the organization

v) Mainly Behavioral

• The purpose of management principles is to influence the behavior of human being to achieve organizational goals efficiently and effectively.

vi) Cause and effect relationship

• The principles of management highlight the cause and effect relationship between various factors. It states the strategies that should be adopted to ensure effective and efficient management.

vii) Contingent

• The applicability of management principles is contingent or dependent upon the prevailing situation at a particular point of time.

For example:- According to the principle remuneration what is fair and just is dependent on various factors- efficiency of worker, paying capacity of employer, nature of jobs, prevailing rate of wages etc.

SIGNIFICANCE OF PRINCIPLES OF MANAGEMENT

1. Providing managers with useful insights into reality: -

-The knowledge of these principles enhances the knowledge and understanding of different types of managerial situations. It also enables managers to deal with the issues which are similar in nature. Managers can work efficiently by learning from their previous experience. For example: The knowledge of principle of stability of (tenure) Personnel helps the manager to understand that frequent shifting of an employee from one job to another can create an adverse effect on his work environment performance and reduce the level of job satisfaction.

2. Optimum utilization of resources and effective administration: -

-The principles of management enable a manager to use the resources in efficient manner. Physical and human resources are coordinated in lucid way to avoid chaos. Use of trial and errors or hit or miss methods is completely discarded. These principles also help in better administration by discouraging personal bias and adopting an experimented and objective approach.

3. Scientific decisions:-

-Management principles have been developed after repeated observation and experiments. They enable the managers to take scientific decisions and reject the traditional approaches. Manager having sufficient knowledge of management principle can assess the situation can take timely realistic and effective decisions.

4. Meeting changing environment requirements: -

-Management principles provide an effective and dynamic leadership which ultimately help the organization to adopt environmental changes. For example:- The principle of Division of work has been extended to whole business.

5. Fulfilling social Responsibility: -

-Knowledge of principles management develops a sense of responsiveness among managers towards various kinds of social responsibilities and interest groups e.g. customers, employers etc. Principle of Equity takes care for the fact that a manager should not discriminate among his subordinates on the basis of caste, creed, colour, sex, religions etc.

6.) Management training, education and research:-

-**Management principles are the** fundamental to management theory and practice. During the course of management training and education the learners are provided in understanding about the principles of management so as to develop their managerial knowledge and skills. Researchers are involved conducting research in the field of management through these principles. Today Management is regarded as a separate discipline worldwide due to existence and utility of principles of Management.

FAYOL'S PRINCIPLES OF MANAGEMENT: -

Fayol started working in an engineer in a coal mining company. In 1888, he was promoted as the managing director of the company. At that time the company was in the situation of insolvency. He accepted the challenge and applied his managerial techniques to bring out the company from the situation and he succeeded, when he retired Henry Fayol was born in Turkey in 1841. He got a degree in mining engineering in 1860 and after 30 years the company was a leading coal steel company with a strong financial background.

He became famous as "Father of management studies and thoughts" because of his various contributions in the field of management. The fourteen principles developed by him are as under: -

1. Division of work.

This principle is based on the concept "Individual difference" i.e. no two individuals are alike. Their interest, attitude, aptitude, skills.....differ to each other. Fayol says that instead of assigning the whole work to a person only a part of it should be assigned on the basis of his competence. This may be applied at all the managerial levels along with in all organization functions. For example:

A school appoints several teachers to teach different subjects. It improves their efficiency and makes them special in their respective subjects ultimately the school provides extraordinary performance.

2. Authority and Responsibility.

Authority means power or right to take decisions and instruct the subordinates. Responsibility is the -duty, which the subordinate is expected to perform on account of his position in the organization. Fayol stressed on parity or balance between authority and responsibility. Excess of authority without matching responsibility may bring negative results and excess of responsibility without matching authority will not allow the worker to complete his job in time. For example:-If a person is given responsibility of producing 20 units of furniture per day, but he is not given authority to draw raw materials from stores or purchase from market, then he cannot be blamed.

3. Discipline

Discipline refers to working in an orderly manner. It lays emphasis on obedience to rules and regulations of the organization which is necessary for smooth functioning of the organization.

Fayol suggests following ways to achieve discipline:

- i) Good superior at all levels
- ii) Clear and fair agreement regarding rules and regulations
- iii) Judicious application of penalties.

Discipline is a must for managerial as well as operation levels. Example: Employees must be disciplined to work efficiently and effectively and superiors must also be disciplined to meet their promises of bonus, increments, promotions and other facilities.

4. Unity of command

According to this principle each employee should receive orders from only one Superior at a time and he should be responsible to him only. If he receives orders from more than one superior he will get confused and will not be able to decide that whose order should be followed first and thus he finds himself in a misleading situation. •For example: -

If an employee of the production department is asked to go slow in production to maintain the quality standard by the production in charge and the sales manager instructs employees to increase the speed of production to meet the pending orders. In this contradictory situation the employee will get confused as to whose instructions should be followed.

5. Unity of Direction

Unity of direction means there should be one head and one plan for a group of activities having same objectives. This principle demands one manager and one plan for all operations having the same objective to bring unity of action and coordination in the organization.

For example: -If a company is producing two different products - cement and bricks hence having two divisions. Each division should have their separate in charge, plans and resources.

6. Subordination of Individual Interest to general Interest: -

This principle demands that each individual should sacrifice his personal interest for achieving organizational goals. Organization is superior to individuals. In the case of conflict between individual interest and organizational interest manager's duty is to reconcile it. However, if reconciliation is not possible then general interest must supersede individual interest.

For example - an employee wants to increase his wage by increasing the number units to be produced. But in doing the work speedily there is greater chance of wastage of raw materials and greater risk of breakdown of machinery. Since these wastage and breakdown are against the organization worker should give preference to the interest of organization. .

7. Remuneration of employees

The remuneration should be just and fair to everybody It should provide maximum satisfaction to both employer and employees. Unsatisfied persons can never contribute his maximum. Fair wages / remuneration should be fixed on the basis of:

- Government laws relating to wages.
- Financial position of the organization.
- Nature of work and cost of living.
- Remuneration paid for similar work by the competitors.

8. Centralization and Decentralization

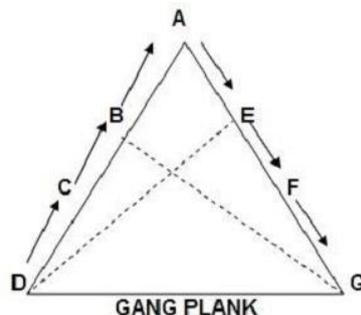
•Centralization refers to concentration of authority at the top level, where as

De-centralization refers to dispersal of authority at all levels of management. According to Henry Fayol, there should be proper balance between centralization and decentralization in the organization. The degree of centralization and decentralization will depend upon various factors such as size of the organization, nature of works and ability and experience and decision-making capacity of the subordinates. In big organization there should be proper decentralization but in small units there may be Centralization. For example: The major decisions and activities likes Setting up goals, plans, policies, etc.. of the whole organization can be centralized but the activities to take day to day decisions or decisions of less importance can be de-centralized.

9. Scalar Chain

- Scalar chain is the chain of superiors moving from highest to lowest. As per this principle message should pass through this scalar chain. However, in case of urgency Fayol permitted to violate the chain known as "gang plank". This following figure shows scalar chain gang plank. In this figure there are two ladders of authority, one from "A to D" and other from 'A to G'.

Suppose D wants to contact G for some normal work he has to move through a long route i.e..C-B-A-E-F and finally to G without violating the chain of command. But in case of urgency D and G are allowed to contact directly which is called "Gang plank". By jumping this prescribed line officials can sort out several problems quickly.



10. Order:-

Order is related to arrangement of raw material as well as men. Arrangement of things is called material order and placement of men is called Social order. Material order requires "a right place for everything and everything in the right place". Similarly, in social order, "there should be the right man in the right place". According to Fayol 3-"There should be Right place for everything and anyone and everything and everyone should be at the right place for maximum efficiency." For example:-

A employee should know the place to get his tools in case of needs. Similarly, he should know the place of his superiors to have guidance. If no fixed place is given then the workers will waste their time and energy in search of tools and superiors.

11. Equity: -

Equity refers to fair treatment i.e. kind and justice on the part of managers while dealing with their Subordinates. There should not be discrimination among the employees on the basis of caste, sex, religion, language, belief or nationality. All the employees should be treated equally and impartially.

Equity does not mean equal salary for all types of but employees performing Similar jobs like two clerks Should be paid the same remuneration. Similarly, if two employees' jobs are late comers, same treatment should be given to both the defaulters.

12. Stability of personnel

According to this principle management, must provide the feeling of job security among the Employees. Employees should be selected very carefully and they should be kept at their position for a long period. Frequent transfer, rotation or change of employee may not be good for organization. However, change may be made when it is unavoidable, like in case of severe illness, laziness, retirement or death of an employee.

13. Initiative

Initiative means power or right to take action within the limits of authority and discipline. Manager should encourage their employees for making the plans and implementing it for the betterment of organization. Initiative in work related matter is necessary for smooth functioning of the organization. It is powerful motivator and a source of strength for the organization. For example:

-An organization must have an employee's suggestion system and employees with useful and unique suggestions should be rewarded.

14.Espirit De Corps (French)

Esprit-de-corps means the spirit of loyalty and devotion which unite the members of a group. Fayol said that there is strength in union. Policy of divide and rule shouldn't be used in the organization as it will adversely affect efficiency. Managers must create team spirit or a sense of belongingness among employees. The feeling of "I" should be replace with "We" in the managers while behaving with employees. For example: -If a group of five members have been assigned a task of providing 50 units and members divided the target among themselves 10 unit each. Unfortunately, one member fall sick then the other four member must try to achieve the target of their group.

•Scientific management

F. Taylor (20-3-1856 - 21-3-1915) is popularly known as father of scientific management. He developed scientific management in place of Rule of Thumb / Trial and Error / Hit or Miss |Traditional Method. He broke up human activity into small parts and found out how could be done effectively is less time and with increased productivity.

In the words of Taylor "Scientific management means knowing exactly what you want men to do and seeing that the do it in the best and cheapest way ".

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Science, not Rule of Thumb :-

This principle demands scientific approach to each and every elements of management. He believed that best method to maximize efficiency can be developed through Study analysis. The method so developed should replace Rule of "Thumb" throughout organization.

For example: -

In the "Rule of Thumb" the standard time required to do a particular job is decided by managers on the basis of his past experience. Taylor advocated that standard time for a job should be fixed scientifically by performing time study in the organization and then day's target should be fixed.

2. Harmony, Not discord (disagreement).

According to this principle there should be proper understanding between the management and workers. Generally, in every organization there exists a possibility of class conflict. Workers feel that they are underpaid" and management feels that workers are good for nothing. Here, Taylor insists on mental revolution which developing positive thinking for each other and work with harmony. Taylor feels that prosperity of organization depends on prosperity of employer as well as employees. For example:-

The main objective of worker is to earn more and the objective of management is to maximize production. Instead of discord for each other's objective workers can earn more by producing more which will help in maximizing the production also .

3. Co-operation, Not Individualism.

This principle is an extension of Principle of Harmony, Not Discord. Competition should be replaced by co-operation. Management should respect the constructive suggestions made by the employees. At the time of taking important decisions workers should be taken into confidence. Before setting up standard tasks for them interest and ability should be considered. At the same time workers should not strike and make unreasonable demands on the management. For example: While assigning job to workers at management asks them about their interest, definitely the workers will perform it more efficiently.

4. Development of each and every person to his /her greatest efficiency and prosperity

Taylor advocates that the efficiency of each and every employee should be maximum. Each person must be scientifically selected. Work should be assigned to workers according to their interest and capability. They should be given required training and opportunities to maximize their efficiency. Efficient employees will earn more and more and ultimately greatest efficiency and prosperity for both company and workers will be ensured.

Techniques of scientific management

Techniques are procedure or methods which involve a series of step to be taken to achieve desire goals. Following are few techniques which are based on various experiments conducted by Taylor during his carrier: -

1. Functional foremanship

This technique is the extension of principle division of work. Taylor believed that a single supervisor can't be export in every expect of work. He advocated separation of planning and production department. He felt that workers must free from burden of planning and they must concentrate on production. For getting the benefit of specialization there should be eight experts supervise and give order to the workers.

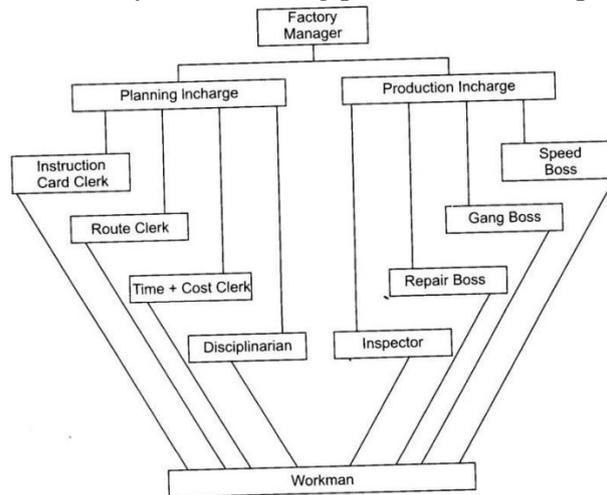
Specialists of planning department and their functions: -

1. Instruction card clerk: - This clerk prepares the instruction card for the worker and hands them over to gang Boss.

2. Route clerk: - This clerk prepares route charts which specify the routes through which the raw material will pass.

3. Time and cost clerk: - This clerk prepares time and cost sheet.

4. Disciplinarian: - He ensures that every work is being performed in disciplined manner



•Specialists of production department and their function: -

1. Gang Boss-He makes arrangement of machines, materials, tools etc. and provide necessary instruction.

2. Speed Boss: -He ensures that all the workers are performing their job at required speed. In case of delay he removes the causes of delay.

3. Repair boss: -This boss is responsible to keep machines and tool in good conditions. It tries to prevent the misuse of machine and equipment's.

4. Inspector: -He inspects the thing provided and compares their quality with standard. In case of deviation he tries to find out corrective measures to maintain the efficiency and effectiveness. Taylor advocated that when every specialist instructs and orders, the workers efficiency improves.

2. Standardization and simplification of work: - Scientific management lays emphasis on maintaining Standards in each and every step of business activity. It also includes the standard size, types, weights, safety measures and quality of products. The following is a brief description of such standards: -

Standardized Materials: The raw materials provided should be according to the quality of finished goods required.

Standardized Machines & Tools:- Standardization of machines and tools ensures that they are of required quantity and type to produce the desired finished goods

Standardized Methods: Cheap and best methods / techniques should be used to achieve the targets efficiently & effectively.

Standardized working condition: Sufficient lighting, ventilation, cleanliness, temperature, safety measures are necessary at work place.

Efforts are made to maintain cordial working condition at the work place after scientific experiments. Simplification of work refers elimination of unnecessary diversity of products, size and types.

As more varieties need more inventory, more types of machineries, more labor costs etc. By simplifying the tasks there can be economy in use of machines, labors, inventory, maintenance costs etc. It will also help in improving the quality and minimizing the cost.

For example:-

Hindustan Uni Lever Ltd. reduced its varieties of soaps and it generated efficient and effective results for the company.

3. Method study: -

Method studies is conducted to find out the best way of doing a job. The purpose is to minimize cost production and maximize quality and satisfaction of customers. The search for the best method start from procurement of raw material and continuous to the final product is delivered to the customers. Many techniques like process chart, operation research etc. are used in this regard.

For example :-Raw material should be stored near place of production to avoid unnecessary wastage of time and money in transporting goods to the place of production.

4. Time study

The technique of time study is conducted to determine:

The standard time required to perform a job.

Setting up the standard target for workers.

Determining the number of workers required to perform a job.

Categorizing the workers in efficient and inefficient categories.

Taylor suggested that time needed to perform a job should not be decided by will and wise of manager. The standard time must be determined on the basis of average time taken by sveral experiments and experience of the same work. This study conducted with the help of a stopwatch

For example:-

Basis of several observation it is determined that standard time taken by worker to make an envelope in 5 minutes. Thus in one hour a worker will make 12 envelopes. Assuming that a worker has to put in 8 hours of work in a shift and deducting one over for the rest and lunch it is determine that in 7 hours he make 84 envelopes. Now this is the standard task worker has to do. We just can be decided accordingly on the basis of products worker and can be divided into efficient and inefficient groups.

5. Motion study

-The scientific study of motion is conducted: -

To determine the movement of worker at a time of performing the job.

To differentiate between productive and unproductive movement.

For cutting down unnecessary movement.

To design suitable equipment and tool to minimize the unproductive/ unnecessary movement of workers.

Taylor suggested that there should be motion study to observe an average worker when he perform a job and note down all the movement he is doing that is lifting, putting objects , shifting and changing position etc. Unnecessary motion is eliminated so that job can be completed in less time and efficient manners.

For example:-

While observing an average worker if it is observed that worker has to bend frequently to pick up the tools from the toolbox placed under his table then a stool can be place near his sit to keep the toolbox so that worker doesn't waste is energy bending again and again same energy can be used for improvising his efficiency level.

6. Fatigue study

Fatigue study is conducted to find out the duration and frequency of rest interval to complete a particular job. A person get tired when he is performing a job for long period of time. They need to rest interval. Intervals should be decided by the experiments not by wish and experience of manager. Taylor suggested to observe and average worker when he is performing a job and note down the time when the workers start getting tired and when he is efficiency level star decreasing then give him break. This time can be noted to decide frequency of rest interval and during break how much time the worker take to become fresh and reach on the work can be time for rest interval. In frequency and time of rest interval is fixed scientifically certainly efficiency will be maintained.

For example:-

If there are three shifts of works if after one shift worker get tired he can be assigned 1st and 3rd shift and given rest interval in 2nd shift. Even in one shift small break may be given to refresh them.

7. Differential piece wage system

Taylor developed the concept of differential piece wage system in which efficient and inefficient worker is paid at different rates.

First of all, standard task is fixed with the help of time, motion, fatigue and method studies.

Then two rates are fixed. Highly rate for workers who produces equal or more than the standard output. Low wage rate for worker who do not reach the standard. The basic purpose is differentiating efficient and in efficient worker and to stimulate less efficient worker to improve the performance along with two reward the efficient workers.

For example:

Suppose standard task is fixed at 10 unit and rate are fixed ₹40 per unit for workers who produces 10 unit or more and ₹30 unit for worker who produces less than 10 units.

If a worker produces 10 unit he will get (40 ×10)₹400 and another worker who produces 9 unit he will get (30×9)270.

According to Taylor the difference of ₹130 for producing only one unit more will be enough for motivating the in efficient workers to perform better.

Comparison Chart

BASIS FOR . COMPARISON	HENRY FAYOL	F.W. TAYLOR
Meaning	Henry Fayol, is a father of modern management who laid down fourteen principles of management, for improving overall administration.	F.W. Taylor, is a father of scientific management who introduced four principles of management, for increasing overall productivity.
Concept	General theory of administration	Scientific Management
Emphasis	Top level management	Low level management
Applicability	Universally applicable	Applies to specialized organizations only.
Basis of formation	Personal Experience	Observation and Experimentation
Orientation	Managerial function	Production and Engineering
System of Wage Payment	Sharing of profit with managers.	Differential Payment System
Approach	Manager's approach	Engineer's approach

Multiple Choice Questions (1*10=10)

1. Which of the following is true about Principles of Management?
- The principles of management are in a continuous process of evolution
 - The principles of management have evolved
 - The principles of management have not evolved
 - None of the above

Answer: a

2. Which of the following best describes the Principles of Management?
- They help managers take decisions while performing managerial functions
 - They denote a cause and effect relationship
 - They are guidelines for further action in management functions
 - All of the above

Answer: d

3. The main reason why Principles of Management do not provide readymade solutions for all management problems is that _____.
- They act as general guidelines for business-related issues
 - The real business issues are pretty complex
 - The real business issues are very dynamic
 - All of the above

Answer: d

4. One good thing about the Principles of Management is that it helps understand the relationship between human and material resources in achieving organizational goals. Which feature of the Principles of Management is described in the above statement?
- Behavioral
 - Cause and effect relationships
 - Use of resources and effective administration
 - None of the above

Answer: a

5. The Principles of Management emphasize logical decision making and avoiding bias or prejudice at all costs. The above statement points out that knowledge of these principles help in _____.
- Scientific decision making
 - Providing managers with a valuable information
 - Meet the changing requirements of a business environment
 - All of the above

Answer: a

6. **Which Principle of Scientific Management says that employees must be rewarded when they make suggestions that lead to cost savings within the company?**

- a. Cooperation not individualism
- b. Harmony not discords
- c. Science, not a rule of thumb
- d. All of the above

Answer: a

7. **Which of the following is true about managers within an organization?**

- a. Management skills apply to managers at top levels in an organization
- b. Management skills apply to managers at all levels in an organization
- c. Management skills apply to managers at middle levels in an organization
- d. Management skills apply to managers at executive levels in an organization

Answer: b

8. **Which of the following is the main reason for the existence of an organization?**

- a. The vision of an organization
- b. The mission of an organization
- c. The objectives of an organization
- d. The Chief Executive Officer (CEO) of an organization

Answer: b

9. **Which of the following is a crucial aspect of strategic planning?**

- a. It is a broad concept that consists of business and corporate strategy
- b. It is an overall concept that consists of strategy formulation and implementation
- c. It is a broad concept that consists of environmental and internal analysis
- d. It is a general concept that consists of business inputs and outputs

Answer: b

10. **Within a workplace, a worker describes how his coworkers leave business documents on the reception desk and personal belongings within the conference room when their manager is absent. How would this affect the functioning of a company?**

- a. The company would not be able to complete its tasks efficiently
- b. The company would not be able to complete its tasks effectively
- c. Both a and b are correct
- d. Both a and b are incorrect

Answer: c

**MR. ARBIND KUMAR ,
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CHAPTER-3 BUSINESS ENVIRONMENT

FEATURES

- Sum total of all the external forces
- Specific and general forces
- Interrelatedness
- Dynamic in nature
- Uncertainty
- Relativity
- Complexity

IMPORTANCE

- helps firm to identify opportunities & getting the first mover advantage
- helps to identify threats & early warning signals
- helps in tapping useful resources
- helps in coping with rapid changes
- helps in assisting in planning & policy formulation
- helps in improving performance

DEMONETISATION

- Viewed as a tax administration measure. `
- Indicated that tax evasion will no longer be tolerated
- Channelize savings into the formal financial system.
- Aims to create a less cash economy.

Gist of the chapter

Definition of Business Environment:

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

Importance of Business Environment

1. **It enables the firm to identify opportunities and getting the first mover advantage** instead of losing them to its competitors.

2. **It helps the firm to identify threats and early warning signals** which are likely to hinder a firm's performance and take timely actions.
3. **It helps in tapping useful resources** as the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires.
4. **It helps in coping with rapid changes** as the managers are able to understand and examine the environment and develop appropriate courses of action.
5. **It helps in assisting in planning and policy formulation** as its understanding and analysis can be the basis for deciding the future course of action or decision making.
6. **It helps in improving performance of an enterprise** through continuous monitoring of the environment and adopting suitable business practices which help to improve both their present and future performance
7. **It helps in improving performance of an enterprise** through continuous monitoring of the environment and adopting suitable business practices which help to improve both their present and future performance

Features of Business Environment

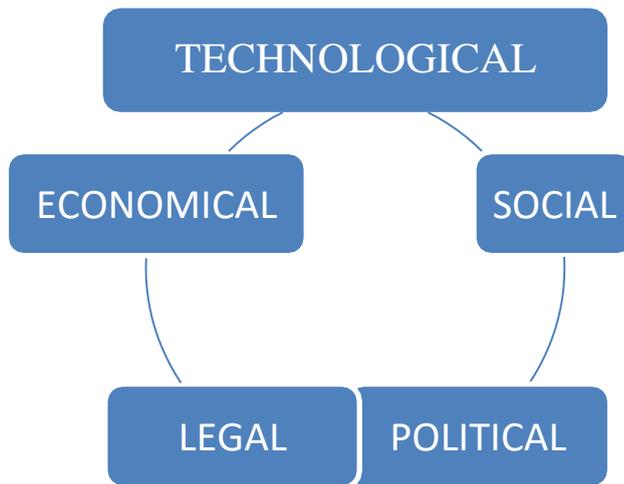
1. **It is a sum total of all the external forces** to business firms which directly or indirectly influence the working of the enterprise.
2. **It consists of both General & specific forces** such as **investors, customers, competitors and suppliers** which affect individual enterprises directly and immediately in their day-to-day working and **general forces** such as **social, political, legal and technological** conditions which have impact on all business enterprises and thus may affect an individual firm only indirectly.
3. All the elements of business environment are closely **interrelated**.
4. **It is dynamic in nature** and keeps on changing due to technological upgradations, shifts in consumer preferences or increase in competition in the market.
5. **It is highly uncertain** as it is not always possible to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
6. **It is complex** in nature as it is relatively easier to understand in parts but difficult to comprehend in its totality because it consists of numerous interrelated and dynamic conditions or forces which arise from different sources.
7. **It is a relative concept** since it differs from country to country and even region to region

DIMENSIONS OF BUSINESS ENVIRONMENT

Dimensions of the business environment include **Economic, Social, Technological, Political and Legal** conditions which are considered relevant for decision-making and improving the performance of an enterprise.

Various Factors Constituting the General Environment of Business

- a) **Economic Environment** comprises of factors that can affect management practices in a business enterprise. It includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.
- b) **Social Environment** includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.



- 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 business.
- d) **Political Environment** includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
- e) **Legal Environment** includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— center, state or local.

Objective Types Questions

Identify the type or dimension of environment in the following cases (1 Mark Each)

1. It includes factors like money supply, price level, monetary policy, etc.
2. Increased awareness towards health has increased the demand for organic food.
3. A stable government builds up confidence among the firms to invest in big projects.
4. Statuary warnings are essential to be printed on tobacco and cigarette labels.
5. Innovations in products and processes affect the production and marketing plans of the business.
6. Rates of savings and investments influence the demand for the product.

Answer:

1. Economic Environment
2. Social Environment
3. Political Environment
4. Legal Environment
5. Technological Environment
6. Economic Environment

FILL IN THE BLANKS (1 Mark Each)

1. Understanding of _____ environment is important to determine products, services and standards of conduct that are acceptable to society.
2. Different elements of business environment are closely _____.
3. Tobacco package must carry the statutory warning 'Chewing tobacco is injurious to health' is an example of _____ environment.
4. 'Companies producing hazardous goods have to comply with the provisions of Bureau of Indian Standards Act, 1986' is an example of _____ environment.
5. 'The attitudes of government officials towards business may have either positive or negative impact upon businesses is an example of _____ environment.

Answer:

1. Social
2. Interrelated
3. Legal
4. Legal
5. Political

TRUE OR FALSE (1 Mark Each)

1. Business Environment is static in nature.
2. Political factors do not play a major role in shaping the environment, in which business firms operate.
3. Changes in taste and preferences of consumers do not have impact on the demand in the market.
4. Early identification of opportunities enables an enterprise to take better advantage of opportunities instead of losing them to competitors.
5. Increased competition in the market gives lesser choice to customers in purchasing goods and services.

Answer:

1. False
2. False
3. False
4. True
5. False

MULTIPLE CHOICE QUESTIONS (1 Mark Each)

1. Correct example of political environment is:
 - a) Change in Preferences
 - b) Continuous Innovation
 - c) Rates of Savings and Investments
 - d) Nature and profile of political leadership

2. Most of the business firms are using social media (like Facebook, Twitter, Instagram, etc.) to promote their business. Which dimension of Business Environment is being highlighted?
 - a) Economic Environment
 - b) Legal Environment
 - c) Technological Environment
 - d) Social Environment
3. 'Increased awareness towards health has increased the demand for products like organic food'. Which factor of business environment is being highlight?
 - a) Political Environment
 - b) Social Environment
 - c) Economic Environment
 - d) Legal Environment
4. Maruti Udyog became the leader in small car market because it was the first to recognize the need for small car. Which importance of business environment is highlight in above case?
 - a) Helps in tapping useful resources
 - b) Helps in coping with rapid changes
 - c) Helps in improving performance
 - d) Help to identify opportunities and getting first mover advantage
5. Increase in cost of production due to increase in minimum wage rates by government' is an example of:
 - a) Legal Environment
 - b) Political Environment
 - c) Social Environment
 - d) Economic Environment

Answer:

1. D
2. C
3. B
4. D
5. D

Important questions answer:

Q 1. Give the meaning of the term of 'Business environment'.

Ans: The term 'business environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

Q 2. How would you characterize business environment? Explain with examples.

Ans : a) **Totality of external forces** - The business environment is the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise.

(b) **Dynamic nature** - Business environment is dynamic, it keeps changing with time. However, this change may not be uniform for all environmental factors. For example, technological change is very fast but. social change is very slow.

c) **Specific and general forces** - Business environment includes both specific (like customers, investors, competitors etc) and general (such as legal, political, economic etc.) forces.

d) **Interrelatedness** - Different forces of business environment are closely interrelated. Therefore, they affect each other. For example: - Political forces affect economic forces through changes in economic policies. Similarly, rate of economic growth leads to change in economic policies.

e) **Relativity** - Business environment is a relative concept. Because of this relativity, it differs from one country to another, from one region to another region within the same country or even over a period of time within the same country. For example – demand for sarees will be high in Uttar Pradesh, while it will be relatively low in Punjab as the traditional dress of females in Punjab is salwar suits.

f) **Complexity** - It consists of in large number of factors which are interrelated and dynamic in nature. It makes business Environment complex. For example; Increase in excise duty on petroleum products will not only increase price of petrol, diesel, LPG etc, but also the price of other factor inputs due to increase in transportation cost etc.

g) **Uncertainty** – It is very difficult to predict future accurately, especially when the environment a business firm forces is changing at a very fast pace. For example- prediction of what changes will occur in information technology (computer hardware and software) even in the near future is uncertain because the rate of change in IT is so fast that a new technology emerges even before the old technology is fully assimilated.

Q 3. Explain the importance of Business Environment?

Ans – a) **It enables the firm to identify opportunities and getting the first mover advantage** - Business environment presents opportunities of various types for doing business. Opportunities refer to the positive environmental trends or changes that will help an organisation to improve its performance. Early identification of such opportunities helps the organisation to get first mover advantage by exploiting market opportunities first and establishing loyalty among customers.

b) **It helps the firm to identify threats and early warning signals** - Knowledge about the environment helps the firms to perceive possible future threats be it from new entrants (incoming) products in the market or existing ones or change in governmental policies at national or international level.

c) **It helps in tapping useful resources**- A business gets various inputs - raw materials, labour, power, machines etc from the environment and converts these into desired goods and services for transfer to the customers. Thus, an enterprise depends for both input and output on the environment. It is important for an organization to understand what is required by the environment and produce accordingly.

d) **It helps in coping with rapid changes** – Business environment is very dynamic. A proper understanding of business environment helps the organization to tackle the situation tactfully and develop suitable course of action.

e) It helps in assisting in planning and policy formulation- For the continuous survival of a business organization, imbibing valuable information from changing environment is necessary. This information forms the basis for planning and policy formulation.

f) It helps in improving performance of an enterprise – The future of an organization is closely related with environmental factors. Understanding the business environment helps the organization not only to improve its present performance but also ensure its survival in the future.

Q.4. What do you understand by the term environment scanning?

Ans- The term 'environment scanning' refers to keeping a continuous watch over the changes taking place in the business environment which offers opportunities as well as threats to the business.

Q5. “ Management of every enterprise can be benefited from being aware of different dimensions of business environment.” Explain all dimensions.

Ans- Components/Dimensions of Business Environment.

a) Economic environment - An economic environment represents the nature of an economy, its policies and system. Some of the major components are: industrial policies, employment rates, fiscal policies - pertaining to excise and customs duties, sales and income tax etc, and monetary policies – pertaining to interest rates, inflation rate, "savings, consumption, etc

b) Political environment - It includes all govt. related affairs like philosophy and ideology of political parties bureaucratic set up, state of political stability and so on.

c) Legal environment- Business firms have to function within the frame work of laws and regulations of the country. Legal environment defines those enactments that have been passed by the parliament. and State legislature and enforced upon the business. Like, Companies act, Trademarks. act, Consumer protection act, Standards of weights and measures act and host of such. other legal enactments as amended from time to time by the Parliament is important for business.

d) Technological environment - It covers forces relating to scientific improvement and innovations, which result in new, better and economical means of producing goods and services. and new methods and techniques of operating a business.

e) Social environment- It describes the characteristics of the society in which an organization operates, like; literacy rate, customs, traditions tastes, preferences, taboos (disallowances) etc.

Q.6. What is demonetization?

Ans- Demonetization is an act of cancelling the status of the legal tender of a currency in circulation and replacing it with new currency. On 8th November, 2016, the government with drew notes of Rs. 1,000 and Rs. 500 demonization and later replaced them with Rs. 2,000 and Rs. 500 new notes,

Q 7. State the impact of demonetization on interest rates, private wealth and real estate.

Ans : The impact of demonetization is as follows:

(i) Interest Rates: As there was decline in cash transactions, bank deposits increased. It resulted in increase in financial savings. As a result, banks were forced to lower interest rates on deposits and lending.

(ii) Private Wealth: It declined as some high demonetised notes were not returned and real estate prices fell.

iii) Real Estate: Prices of the real estate declined.

Q 11. Which dimension of environment is highlighted in the following pictorial presentation?



Ans – Technological environment

Q. 12. The Government is considering a pioneer proposal to launch a single debit-cum-credit card to increase the ease and usage for the consumers. The card which will be called the National Mobility Card will have unique advantages for making payments in metro, buses, parking and making transactions during visits abroad.

After hearing this news, Mega Bank decided to launch a 'Mega Mobility Card' on similar lines, so that they could be the first to exploit the opportunity, arising due to the increasing trend of digitization. In order to improve their performance, they laid down a plan to hire more people in their marketing department and prepared guidelines to train their sales force to market the new card facility being launched by the bank. By quoting the lines, identify and explain any two points of importance of understanding Business Environment discussed above.

Ans. Following are the points of importance of understanding Business Environment discussed:

1. "First to exploit the opportunity, arising due to the increasing trend of digitization": It helps to identify opportunities and get first mover advantage.

2. "In order to improve their performance": It helps in improving performance.

For explanation, refer 'Importance of Business Environment':

Q 13. Lately, many companies have planned for significant investment in organised retailing in India. Several factors have prompted their decisions 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 aspiration levels have increased. The government has also liberalised its economic policies in this regard and permitted even cent percent foreign direct investment in some sectors of retailing. Identify changes in business environment under different heads: economic, social, political and legal, which have facilitated the companies' decisions to plan significant investments in organised retailing.

Ans. The changes in business environment under different heads are:

(i) Economic Environment: 'Customer income is rising

(ii) Social Environment: 'People have developed a taste for better quality products even though they

may have to pay more!

(iii) Political Change: 'The government has also liberalised its economic policies:

(iv) Legal Change: 'Cent percent foreign direct investment in some sectors of retailing has been now permitted.

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CHAPTER -4 -PLANNING

Features
It focuses on achieving objectives

Importance
It provides direction
It reduces the risks of uncertainty
It reduces overlapping & wasteful activities
It promotes innovative ideas

PLANNING

Limitations
It leads to rigidity
It may not work in a dynamic environment
It reduces creativity
It involves huge costs
It is a time consuming

Steps in the Process
Setting Objectives
Developing Premises
Identifying alternative courses of action
Evaluating alternative courses
Selecting an alternative
implement the plan

Types
Standing Plans
Single use Plans
Strategy ,Objectives,
Policies, Procedures,
Methods, Rules, Budget,
Programme

Meaning -Planning refers to the process of setting objectives for a given time period, formulating various courses of action to achieve them, and then selecting the best possible alternative from among the various courses of action available.

Features of Planning:

The main features are:

1. It focuses on achieving organizational objectives.
2. It is the Primary function of management as it lays down the basis for all other functions of management.
3. It is Pervasive as it is required in all organizations, at all levels and in all departments.
4. It is Continuous because a plan is framed, implemented and is followed by another plan.
5. It is futuristic as it involves looking ahead and preparing for the future.
6. It involves decision-making as it involves a choice from among the various alternative courses of action.
7. It is a Mental exercise as it is an intellectual activity of thinking rather than doing.

Importance of Planning:

The major benefits of planning are:

1. It provides directions
2. It reduces the risks of uncertainty
3. It reduces overlapping and wasteful activities
4. It promotes innovative ideas
5. It facilitates decision-making
6. It establishes standards for controlling

Limitations of Planning:

The limitations of planning are:

1. Leads to Rigidity
2. May not work in a Dynamic Environment
3. Reduces Creativity
4. Involves Huge Costs
5. Time-Consuming Process
6. Does not Guarantee Success

Steps in Planning Process

: The process of planning involves the following steps:

1. Setting Objectives
2. Developing Premises
3. Identifying alternative courses of action
4. Evaluating alternative courses
5. Selecting an alternative
6. Implement the plan
7. Follow-up action

Single use Plans: Single use plan is one time plan which is specifically designed to achieve a particular goal.

Standing Plans: Standing Plan is one which is used for activities that occur regularly over a period

of time.

Objectives are the ends which the management seeks to achieve within a given time period by its operations.

Strategy is a comprehensive plan for accomplishing an organization objective.

Policies refer to general statements that channelize energy towards a particular direction.

Procedure refers to a chronological sequence of various steps to be taken in order to perform an activity in an efficient manner.

Method is a prescribed process in which a particular operation or an activity is performed considering the objective of the organization.

Rules refer to specific statements that inform what is to be done.

Programme is a detailed statement about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.

Budget refers to statement of expected result expressed in numerical terms over a specific period of time.

Fill in the Blanks

- 1..... refers to a chronological sequence of steps to be taken to perform an activity.
2. 'No Smoking' is an example of
3. Since everyone requires planning, it is considered
4. Planning involves thinking about..... for doing actions in present.
- 5.is formulated after considering activities of the competitors.

Ans :1. Procedure

2. Rules

3. Pervasive

4. Future

5. STRATEGY

True or False

1. Planning precedes all managerial activities.
2. Planning is more important at the lower levels of management.
3. Setting objectives is the first step in planning.
4. Budgets are repeated use plans.
5. Planning can eliminate business risks.

Ans :

TRUE- 1, 3, FALSE- 2, 4, 5,

Multiple choice questions

1) Planning ensures that the goals are clearly stated, so that they act as a guide for deciding what action should be taken and in which direction. If goals are well-defined, employees are aware of what the organization has to do to achieve those goals.

The above para highlights the following point of importance of planning:

- (a) Planning promotes innovating ideas. (b) Planning establishes standards for controlling.
(c) Planning provides direction. (d) Planning is pervasive

- 2) Which one of the following is a characteristic of Rules?
- (a) Rules are rigid (b) Violation of rules is punishable
(c) Rules aim to guide to human behavior (d) All of these
- 3) From the following steps of planning, identify the correct order of steps:
- (1) Evaluating Alternative Courses (2) Setting Objectives
(3) Identifying Alternative Courses of Action (4) Developing Premises
(a) 1-2-3-4 (b) 1-4-3-2 (c) 2-4-3-1 (d) 4-2-3-1
- 4) Planning is closely connected with.....and.....
- (a) Responsibility and Accountability (b) Delegation and Decentralization
(c) Stability and Security (d) Creativity and Innovation
- 5) Which of the characteristic makes planning a forward-looking function?
- (a) Mental Exercise (c) Futuristic
(b) Continuous (d) Pervasive

Ans – 1) c, 2) d, 3) c, 4) d, 5) c,

Important questions answers:

1. Define Planning.

Ans- Planning defined was deciding in advance what to do, how to do, when to do and who is to do it. It bridges the gap between where we are and where we want to. It makes possible for things to occur which would otherwise not happen.

2. What are the key elements in the concept of planning?

Ans. There are three key elements in the concept of planning. These are:

- Establishing clear, precise and realistic objectives for a given time period, at man
- Identifying alternative course of action.
- Selecting the most suitable alternative.

3.Explain features of planning.

Ans- Following are the important features of planning

- Focuses on achieving objective: - Plans state the objectives to be achieved in the future and steps necessary to achieve them. This planning is goal oriented.
- Primary function: - Planning precedes the execution of all other managerial functions. That is to say after plans are made, managerial functions like organizing, staffing, directing and controlling are performed within the framework of such plans.
- Planning is pervasive: - Planning is the pervasive (all important) function of management. It is required:
 - * In all types of organization whether big or small business or non-business, social, political orreligious.
 - * In all departments of the organization.
 - * At all levels of management, i.e. top. middle and lower.
- Continuous process: - Planning are made for a specific period. of time. At the end of that period, new plans. are laid down. Thus, planning is continuous activity. As a matter of fact, the planning process continues so long as an enterprise is in existence.
- Futuristic: - Planning means looking ahead. It is based on forecasting. Planning is never done for the past. It is done for the future to achieve certain objectives. It tries to forecast opportunities and threats from environment so as to deal with them effectively.

f) Planning involves decision making: - Planning essentially involved decision making to choose the best alternative. Various alternatives are evaluated and the best among them is selected for implementation. Decision making is the core of planning.

g) Planning is a mental exercise: - Planning is an intellectual process involving logical thinking, foresightedness, intelligent imagination and sound judgement. It is not empty guess work. It is thinking before doing.

04. "Planning is of vital importance in the managerial process." Do you agree? Explain in brief any six reasons in support of your answer.

Ans- Planning is important for better management of business. Planning determines objective, decides on future courses of action, removes uncertainties, result in economies of operations and makes control possible. Better planning ensures better utilization of organizational resources. Planning is important due to the following: -

a) Provides direction for achieving objectives: - Planning is directed towards achieving the objectives of an enterprise. It ensures that goals are clearly defined so that they act as a guide for what actions are to be taken and in which direction.

b) Takes care of future uncertainties: -All the business enterprises operate in an uncertain environment. Planning reduces the risk of uncertainty by anticipating changes and developing managerial responses to them.

c) Promotes efficiency by reducing overlapping and wasteful activities: - Planning by coordinating the activities of all the departments reduces idle time of workers, machines, wasteful activities and confusion. It also minimizes the cost of production and promotes efficiency in the organization

d) Promotes innovative idea: - Planning is an intellectual process. It encourages logical and systematic thinking and requires continuous application of innovative ideas.

d) Facilitates decision making: - Planning provides a framework for decision making by selecting a course of action among the various alternatives available.

e) Facilitates control: At the time of planning the management sets certain standards of performance for the employees. These standards are compared with the actual performance at the time of controlling. If any deviations between the two are found, corrective action is taken. Thus, planning provides the basis of control.

5. "Planning leads to increase in efficiency. "Explain in about 30 words.

Ans- Planning ensures better utilization of organizational resources. It involves selection of the best or most profitable course of actions among the various alternatives available. This reduces idle time for workers and machinery which further minimizes the cost of production thereby promoting efficiency in the organization.

6. Explain limitations of planning.

Ans- Planning helps the management to face the future with great strength and confidence. But planning also suffers from some of the limitations discussed below-

a) Planning leads to rigidity: - A plan is a norm or blueprint to achieve the desired objectives. Therefore, changing plans too often is not possible. Besides, planning is done in a preconceived and predetermined manner, where little scope is left for the managers and workers to use their experience and ability, resulting in rigidity in planning.

b) Planning may not work in dynamic environment: The rapidly changing situations present a serious difficulty in the task of planning. All business organizations are subject to change in varying degrees. Factors like changes in consumer tastes and preferences, demand for particular products, policy of competitors, change in government policies, technological change and many other factors that

change very rapidly and are quite unpredictable make planning very difficult.

(c) Planning reduces creativity : - Planning involves deciding in advance what is to be done, how it is to be done, when it is to be done and by whom it is to be done. There is very little scope for deviating from the plans. This blind conformity with predetermined guidelines discourages individual initiative and freedom.

(d) Involves huge cost :- Planning involves collection and analysis of data, setting planning premises, application of various forecasting techniques like trend analysis, correlation analysis etc, determining alternative courses of actions and so on. All these make planning a costly process.

e) Time consuming : Planning is a lengthy process which might lead to delay in action. A lot of time is needed in developing planning premises and therefore, resulting in delay in action.

(f) Does not guarantee success : - Firstly, planning will be successful only when plans are implemented properly. Secondly, planning provides a base for analysing the future course of action. But it is not a solution to all the problems. Even previously tried successful plans may not work again because of change in circumstances.

7. Explain the process of planning.

Ans- 1) Setting objectives :- The first step in planning is to determine objectives. Objectives must be realistic, specific and clear so as to specify what is to be accomplished by the network of policies, procedures, strategies, rules, budgets and programmes.

2) Developing premises : - Planning premises are the anticipated environments in which plans are expected to operate. They include assumptions or forecasts of the future and known conditions that will affect the operation of the plans. They provide useful facts and information and facilitate the work of planning.

3) Identifying the alternative courses of action – The next step in the planning process is to identify the various alternatives available to achieve the objectives. Most of the times identifying the various alternatives is a difficult task and it depends upon the creativity and logical thinking of the planner which opens up different avenues for the firm.

4) Evaluating the alternative courses:- The pros (advantage) and cons (disadvantage) of different courses of actions are evaluated in the light of the objectives to be achieved and their feasibility is judged accordingly.

(5) Selecting the best alternative: The next step is to find out the most suitable courses to be followed. Efforts are directed towards selecting that course which increases efficiency in the organisation by maximising output and profits at minimum costs. Sometimes, instead of just selecting one course of action, a combination of more than one may be selected.

(6) Implementing the plan: - At this step, the plan is transformed from thought to an action by activating other managerial functions.

(7) Follow-up Action - Due to uncertainties of the future it is necessary that the plan should be evaluated from time to time to measure its effectiveness and to ensure that the objectives are achieved.

8. What are standing plans ?

Ans- Standing plans are those plans which guide managerial decision making and action for a problem of recurring nature. They are also known as 'repeated use plans'. They are used over a long period of time. These include objectives, strategy, policy, procedure, method and rule..

9. What are single use plans?

Ans- Single use plans are those plans which are relevant for a specific period of time. After the lapse of that situation or time, these are again prepared for the next situation or period. These are also known as 'specific plans'. These include programmes and budgets.

10. Distinguish between standing plan and single use plan.

Ans:

Standing Plan	Single use plan
1) Standing plan is formulated to deal with recurring problems. 2) These are made to be used time and again. 3) It includes objectives, strategy policy, rule, method and procedure.	Single use plan is formulated for a specific period or situation. These can not be used again. It includes programme and budget.

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CHAPTER 5- Organizing

Meaning. Organizing refers to the process of identifying and grouping various activities and bringing together physical, financial and human resources and establishing productive relations among them for achievement of specific goals.

Organizing Process:

- (i) **Identification and division of work.** Identifies the work to be done and divides it into smaller and manageable tasks.
- (ii) **Departmentalization.** Grouping activities of similar in nature as departments.
- (iii) **Assignment of duties.** Allocating work among employees depending on the competencies and skills.
- (iv) **Establishing reporting relationships.** Defines the authority-responsibility relationship clearly stating for each employee from whom they have to take orders and to whom they are accountable.

Types of organizational structure

A. Functional structure:

1. Division of work as per functions
2. Specialisation in every function
3. Grouping of similar nature of jobs
4. Uniproduct or single or one type of product manufacturing company

Advantages of Functional structure:

- Occupational specialisation
- Promotes control and coordination within department
- Increases managerial and operational efficiency
- Easy and effective training
- Due attention to different functions

Disadvantages of Functional structure:

- Places less importance to overall objectives of organization
- Problems of coordination
- Inflexibility
- Conflict of interest
- Difficult to fix accountability

B. Divisional structure:

1. Division of work as per product
2. Grouping of jobs related to common products
3. Specialization in each product
4. Multiproduct manufacturing companies
5. Organizations adding more lines of products
6. Organizations planning for expansion and diversification

Advantages of Divisional structure:

- Product specialization
- Fast decision-making
- Accountabilities
- Flexibility
- Expansion and growth

Disadvantages of Divisional structure:

- More resources required
- Product focus department
- Conflict
- Increase in cost

Types of organization

1. Formal organization. The formal organization is designed and established by management to achieve certain goals. It is a system of clearly defined activities and relationship.
2. Informal organization. The informal organization exists within the formal organization, the employees develop friendly relationship and form small social groups. The network of these social groups based on friendship is called informal organization.

Delegation of authority: When a manager assigns a part of the task to his subordinate and gives him the necessary authority to perform it, the work is said to be delegated.

Elements of Delegation:

1. Responsibility. Refers to work assigned to subordinate.
2. Authority. Powers and rights to use financial, material and human resources.
3. Accountability. Obligations to carry out assigned task.

Decentralization. It refers to systematic delegation of authority at all levels of management and in all departments of organization to take decisions.

Importance of Decentralization.

1. Develops initiative among subordinates
2. Develops managerial talent for future.
3. Quick decision-making
4. Relief to top level management
5. Better control
6. Facilitates growth

Objective Types Questions

1. The scope of authority _____ as we go higher up in the management hierarchy
 - (a) Bottom to top
 - (b) Increases
 - (c) In all directions

c) None of the above

2. Arrange the following steps in the process of organizing in the correct sequence:

- (a) Assignment of duties.
- (b) Departmentalization.
- (c) Identification and division of work.
- (d) Establishing reporting relationship

A. (a); (b); (d); (c)

B (c); (b); (a); (d)

C. (c); (b); (d); (a)

D. (b); (c); (a); (d)

3. The manager of “Sudha Industries” is overburdened with routine work and is unable to concentrate on core issues of the company. To overcome this problem, he entrusted some of his responsibility and authority to his immediate subordinates to share some of his routine work. Which concept is used by the manager?

- (a) Authority
- (b) Responsibility
- (c) Decentralization
- (d) Delegation

4. is the process by which the manager brings order out of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for teamwork.

- (a) Planning
- (b) Organizing
- (c) Staffing
- (d) Controlling

5. Delegation results in _____ in administrative workload.

- (a) Decrease
- (b) Increase
- (c) Alertness
- (d) Sluggishness

6. Assertion (A): Decentralization must always be balanced with centralization in areas

of major policy decisions.

Reason (R): Decentralization recognizes the decision maker's need for autonomy. The Management, however, needs to carefully select those decisions which will be pushed down to lower levels and those that will be retained for higher levels.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of Assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

7. Assertion: authority must be equal to responsibility

Reason: Responsibility arrived from authority

- A. If both Assertion and Reason are true and Reason is correct explanation of Assertion.
- B. If both Assertion and Reason are true but Reason is not correct explanation of Assertion.
- C. If Assertion is true but Reason is False.

D. If both assertion and Reason are false.

8. Formal organization kills creativity

A) True

B) False

9. Both Accountability and Responsibility can be delegated but not authority.

A) True

B) False

10. Supervision is not an advantage of Functional structure

A) True

B) False

Ans.1. B

2. B

3. D

4. B

5. A

6. A

7. B

8. A

9. B

10. B

IMPORTANT QUESTION AND ANSWERS

1. State any three points which highlight the importance of delegation for an organization.

Ans. Importance of Delegation (any three);

- (1) Delegation leads to effective management through empowerment of employees.
- (2) Delegation helps in employee development by providing them with the chance to use their skills and experience.
- (3) Delegation motivates employees by giving them responsibility which builds their self-esteem.
- (4) Delegation facilitates growth by providing ready workforce to take up any expansion program.
- (5) Delegation provides basis of management hierarchy by establishing superior-subordinate relationship.
- (6) Delegation helps in better coordination as it avoids overlapping of duties.

2. "Authority can be delegated but accountability cannot be." Explain.

Ans. Yes, it is right to say that authority or decision-making power can be delegated but the accountability can never be delegated according to the principle of absolute responsibility or principle of abdication. The accountability remains with the manager even after delegating the work. For example the directors of a computer manufacturing company have asked their production manager to achieve a target production of 150 computers per day. The production manager has asked his five foremen to achieve this target. Two of them could not achieve the

target. In this case, production manager is responsible and accountable for non-completion of target because by passing authority and work to foremen, manager cannot get rid of his responsibilities and accountability.

3. Give the meaning of ‘Authority’ as an element of delegation.

Ans. Authority: Powers and rights to use financial, material and human resources.

4. What is meant by ‘Delegation’?

Ans. Delegation is the process of sharing of responsibilities between superior and subordinates. As manager cannot perform all the tasks himself so he must pass some work to his subordinates. Along with work some powers and rights are also transferred from superior to subordinate and the subordinate becomes accountable for performing the work in desired manner.

5. Give the meaning of ‘Organizing’. State the steps in the process of organizing.

Ans. Organizing refers to the process of identifying and grouping various activities and bringing together physical, financial and human resources and establishing productive relations among them for achievement of specific goals.

Organizing Process:

- (i) Identification and division of work. Identifies the work to be done and divides it into smaller and manageable tasks.
- (ii) Departmentalization. Grouping activities of similar in nature as departments.
- (iii) Assignment of duties. Allocating work among employees depending on the competencies and skills.
- (iv) Establishing reporting relationships. Defines the authority-responsibility relationship clearly stating for each employee from whom they have to take orders and to whom they are accountable.

6) What is a divisional structure? Discuss its advantages and limitations.

Ans: A divisional structure comprises of separate business units or divisions. Each unit has a divisional manager responsible for performance and who has authority over the unit. Generally, manpower is grouped on the basis of different products manufactured.

Merits

- (i) **Skill Development** Product specialization helps in the development of varied skills in a divisional head and this prepares him for higher positions as he gains experience in all functions.
- (ii) **Accountability** Divisional heads are accountable for profits, as revenues and costs related to different departments, can be easily identified and assigned to them. This provides proper basis for performance measurement.
- (iii) **Quick Decision Making** It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.
- (iv) **Facilitates Expansion** It facilitates growth as new divisions can be added without interrupting the existing operations, by merely adding another divisional head and staff for the new product line.

Demerits

The divisional structure has certain disadvantages

- (i) **Conflicts** may arise among different divisions with reference to allocation of funds.
- (ii) **Higher Cost** Providing each division with separate set of similar functions increases expenditure.
- (iii) **Ignoring Organizational Goals**, It provides managers with the authority to supervise all activities related to a particular division. In course of time, such a manager may gain power and in a bid to assert his independence may ignore organizational interests.

7) Decentralization is an optional policy. Explain why an organization would choose to be decentralized.

Ans: Decentralization is much more than mere transfer of authority to the lower levels of management hierarchy. Its importance can be understood from the following points

- (i) **Develops Initiative Among Subordinates** When lower managerial levels are given freedom to take their own decisions they learn to depend on their judgement. A decentralized policy helps to identify those executives, who have the necessary potential to become dynamic leaders.
- (ii) **Develops Managerial Talent for the Future** Formal training plays an important part in equipping subordinates with skills that help them rise in the organization, but equally important is the experience gained by handling assignments independently. It gives them a chance to prove their abilities and creates a reservoir of qualified manpower.
- iii) **Quick Decision Making** In a decentralized organization, however, since decisions are taken at levels, which are nearest to the points of action and there is no requirement for approval from many levels the process is much faster.
- (iv) **Relief to Top Management** Decentralization leaves the top management with more time, which they can devote to important policy decisions rather than occupying their time with both policy as well as operational decisions.
- (v) **Facilitates Growth** Decentralization awards greater autonomy to the lower levels of management as well as divisional or departmental heads. This allows them to function in a manner best suited to their department and develops a sense of competition amongst the departments, consequently, the productivity levels increase and the organization is able to generate more returns, which can be used for expansion purposes.
- (vi) **Better Control** Decentralization makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results. The extent of achievement of organizational objectives as well as the contribution of each department in meeting, the overall objectives can be ascertained

8) How is a functional structure different from a divisional structure?

Ans: Difference between functional and divisional structure

Basis	Functional Structure	Divisional Structure
Formation	It is based on functions performed	It is based on product lines
Specialisation	Functional specialisation	Product specialisation
Responsibility	Difficult to fix responsibility	Easy to fix responsibility
Managerial development	Difficult, as each manager specialises in one function	Easy, as each manager perform multifunctions
Cost	Economical, as no duplication of work	Costly, due to duplication of functions
Co-ordination	Difficult for a multi-product company	Easy, because all functions related to a particular product are integrated in one department.

9) Explain any two advantages and any two disadvantages of informal organization.

Advantages of informal organization are as follows:

- (i) **Fulfils social needs** It gives due importance to psychological and social needs of employees.
- (ii) **Correct feedback** Through informal structure, the top-level managers can know the realfeedback of employees on various policies and plans introduced by them.

Disadvantages of informal organization are as follows:

- (i) **Spread rumors** According to a survey, 70% off information spread through informal organizational structure are rumors and can mislead the employees.

(ii) No systematic working It does not form any definite structure for smooth working of an organization

10) State any two advantages and any two disadvantages of formal organization.

Ans. Advantages of formal organization

advantages of formal organization are as follows:

(i) Systematic working It is an official hierarchy of relations. So, it results in systematic and smooth functioning of an organization.

(iii) Coordination It results in coordinating the activities of various departments. Coordination proceeds according to a prescribed pattern in the organization structure.

(iv) Creation of chain of command It clearly defines superior subordinate relationship, i.e. who reports to whom. Communication has to follow a pattern of formal channels.

Disadvantages of formal organization are as follows:

(i) Delay in action It follows the official chain of command which can't be changed. While following scalar chain and chain of command, actions get delayed in formal structure.

(ii) Emphasis on work only It gives importance to work only, it ignores human relations, creativity, talents, etc as it reflects technological aspect of the organization.

(ii) No overlapping of work In formal organizational structure, work is systematically divided among various departments and employees. So, there is no possibility of duplication or overlapping of work.

11) E-Solution 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 recognized that the decision-makers at different levels of the organization 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 organization 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 operations throughout the country with seven branches overseas. Its organizational 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.

Ans. (a) Decentralization

(b) Importance of Decentralization.

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Chapter 6- STAFFING

Meaning: Staffing is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfactory and satisfied work force.

Features of Staffing

1. It is an integral part of the management.
2. It is a continuous process.
3. It has wide scope.
4. It is a multiple objective activity.

Importance of Staffing

1. Discovering competent personnel.
2. High performance
3. Continuous growth of enterprise
4. Optimum utilization of human resources.

Functions performed by HRM

- 1) Human resource planning
- 2) Employing people
- 3) Career growth
- 4) Performance appraisal
- 5) Motivation
- 6) Compensation
- 7) Providing social security
- 8) Review and audit

Staffing Process

1. Estimating the Manpower Requirements
2. Recruitment
3. Selection
4. Placement and Orientation
5. Training and Development
6. Performance Appraisal
7. Promotion and Career Planning
8. Compensation

Meaning of Recruitment - Recruitment refers to the process of finding possible candidates for a job.

Sources of Recruitment

1. Internal Sources
2. External Sources

Types of Internal Sources

1. Transfer - It means shifting an employee from one job to another or one department to another department.
2. Promotion - Business enterprises generally follow the practice of filling higher jobs by promoting employees from lower jobs.

Merits and demerits of internal sources:

Merits:

- 1) **Internal sources of recruitment are better than external sources of recruitment. Explain by giving reasons in support of the statement.**

or

'Internal sources of recruitment are better than external sources'. How? Give any four reasons.

Ans. Internal sources of recruitment are better than external sources in the following respects:
(Any four)

- (i) **Economical sources** Internal sources are less time consuming and less expensive because the organization and the employees are already known to each other.
- (ii) **Simplifies the process of selection** Since, the employees are already known to the organization, therefore, the process of selection and placement gets simplified.
- (iii) **Motivates employees** Filling higher level jobs through promotion helps to improve the motivation and morale of employees as they know that they can be promoted to senior position in the organization if they work harder for the organization.
- (iv) **Sense of security** Internal recruitment creates a sense of security among the staff.
- (v) **No problem in adjustment** As the organization and the employees are familiar with each other, this leads to smooth functioning of the enterprise without any problem in adjustment on the part of the new employees or the organization.

2) **Why external sources of recruitment are better than internal sources?**

or

External sources of recruitment are better than internal sources. How? Explain by giving any four reasons in support of your answer.

Ans. External sources of recruitment are better than internal sources because (Any four):

- (i) **Fresh talent** The entry of fresh talent into the organization is encouraged. New employees bring new ideas to the organization.
- (ii) **Wider choice** Through external recruitment, the organization gets wider choice.
- (iii) **Qualified personnel** By using external recruitment, the management can get qualified and trained persons.
- (iv) **Latest technical knowledge** Through campus placement, the organization gets employees with latest technical knowledge.
- (v) **Competitive spirit** When outsiders join the organization, this develops a competitive spirit in existing employees of the organization.

2) **State any four limitations of using internal sources of recruitment.**

Ans. Limitations of internal sources of recruitment are as follows:

- (i) **No scope for fresh talent** Internal sources may not be able to bring new competent fresh talent, ideas and latest technical know-how.
- (ii) **Not suitable for new organization** A new enterprise cannot use internal sources of recruitment. No organization can fill all its vacancies from internal sources.
- (iii) **Limited choice** the choice is limited as the recruitment can be made only out of the candidates available within the organization.
- (iv) **Employees become lethargic** the employees may become lethargic if they are sure of time bound promotions.

1) **Explain any four external sources of recruitment. Which of these sources is ideal for a manufacturing organization?**

or

What is meant by recruitment? Explain any four external sources of recruitment.

Ans. Recruitment means inducing or attracting more and more candidates to apply for vacant job positions in the organization. This function is very important because the end result of recruitment function is receiving large number of applications to make selection from.

Recruitment is a positive process as it attracts suitable candidates to apply for available jobs.

Different external sources of recruitment are:

(v) Casual callers It is generally followed by the factories of manufacturing organizations to fill up vacancies at the labor level. In such cases the organization keeps the record of casual callers and present them at the time of interview.

(vi) Advertising The most common and popular method of external recruitment is advertising, e.g. for the job of an accountant, the advertisement can be given in CA journal, for lower rank it can be given in local newspapers and for higher rank it can be given in national level reputed newspapers. Advertisement may also be done through television.

(vii) Placement agencies and management consultant These agencies provide nation-wide service of matching demand and supply of work force and invite the bio-data and record from various job seekers and send them to suitable clients. These agencies charge fees for providing such service.

(viii) Labor contractors They keep a close contact with laborer's and they supply manpower to the factory or manufacturing concerns. Through these contractors, workers are appointed in factories at a very short notice.

3) What is meant by internal sources of recruitment? Why do organizations prefer recruitment through internal sources? Explain.

Ans. Under internal source of recruitment, the vacant job positions are filled by inducing the existing employees of the organization. It implies shifting of the existing employees from one place/post to another place/post. This is called transfer. It also implies shifting an employee to a higher position carrying higher responsibilities, facilities, status and pay, through promotions.

Internal sources of recruitment are:

(i) Transfer It means shifting of employees from one job position to other at the same level of authority. Only the working place is changed. Therefore, it refers to horizontal movement of the workers. Transfer does not involve any drastic change in the responsibilities and status of the employee.

(ii) Promotion It refers to shifting of employees from one job position to the other with higher level of authority. Here, employees move in, upward direction within an organizational structure. There is also an increase in compensation or salary, e.g. promotion of a clerk to the post of an accountant.

4) Filling vacancies from within the organization has some advantages as well as limitation. Explain any three such advantages and any three limitations.

or

What are internal sources of recruitment? State any four advantages and four limitations of internal sources of recruitment.

Ans. Under internal source of recruitment, the vacant job positions are filled by inducing the existing employees of the organization. It implies shifting of the existing employees from one place/post to another place/post. This is called transfer. It also implies shifting an employee to a higher position carrying higher responsibilities, facilities, status and pay, through promotions.

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also an increase in compensation or salary, e.g. promotion of a clerk to the post of an accountant. Internal sources of recruitment are better than external sources in the following respects:

- (i) **Economical sources** Internal sources are less time consuming and less expensive because the organization and the employees are already known to each other.
- (ii) **Simplifies the process of selection** Since, the employees are already known to the organization, therefore, the process of selection and placement gets simplified.
- (iii) **Motivates employees** Filling higher level jobs through promotion helps to improve the motivation and morale of employees as they know that they can be promoted to senior position in the organization if they work harder for the organization.
- (iv) **Sense of security** Internal recruitment creates a sense of security among the staff.
- (v) **No problem in adjustment** As the organization and the employees are familiar with each other, this leads to smooth functioning of the enterprise without any problem in adjustment on the part of the new employees or the organization.

Limitations of internal sources of recruitment are as follows:

- (i) **No scope for fresh talent** Internal sources may not be able to bring new competent fresh talent, ideas and latest technical know-how.
- (ii) **Not suitable for new organization** A new enterprise cannot use internal sources of recruitment. No organization can fill all its vacancies from internal sources.
- (iii) **Limited choice** The choice is limited as the recruitment can be made only out of the candidates available within the organization.
- (iv) **Employees become lethargic** The employees may become lethargic if they are sure of time bound promotions.

5) Which source of recruitment is needed to bring new blood in the organization? Explain any three advantages and any two limitations of this source.

Ans. External source of recruitment is needed to bring new blood in the organization. It is preferred whenever large number of job positions are vacant. Under this, the organization meets its manpower requirement from outside the organization.

The three advantages of external sources of recruitment are as follows:

- (i) **Fresh talent** The entry of fresh talent into the organization is encouraged. New employees bring new ideas to the organization.
- (ii) **Latest technological knowledge** Through campus placement, organization can get employees with latest technical know-how.
- (iii) **Competitive spirit** When outsiders join the organization, this develops a competitive spirit in existing employees of the organization.

Limitations of external sources of recruitment are as follows: (Any two)

- (i) **Employees may not adjust according to the rules and regulations of the company** The new employees may not adjust themselves as per the rules and regulations of the organization which means more chances of employee turnover.
- (ii) **Costly** It is expensive to invite the outsiders to apply for the vacant job positions. Companies have to bear heavy burden of advertising.
- (iii) **Time consuming** It is a lengthy process as external recruitment takes more time.

Types of External Sources of Recruitment:

1. **Direct Recruitment**- A notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job seekers will assemble on the specified date and selection is done on the spot.
2. **Casual callers** - In this method, employees are selected from the database of unsolicited applicants.
3. **Advertisement** - Here, job vacancies are advertised in newspapers, journals, website etc.

4. Employment exchange- Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled and skilled operative jobs. Job seekers register their name in employment exchanges. At the request of the employer, they give the list of candidates having requisite qualification.
5. Placement agencies and management consultants - These firms help the organization to recruit technical, professional and managerial personnel. These agencies compile bio data of a large number of candidates and recommend suitable names to their clients.
6. Campus recruitment - Colleges and institutes of management and technology have become a popular source of recruitment.
7. Recommendation of employee - Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment.
8. Labour contractors - They provide required number of workers at short notice.
9. Web publishing - There are certain websites specifically designed for the purpose of providing information about job seekers and employers.

Selection - It refers to discovering most promising and most suitable candidate to fill up the vacant job position in the organization.

Selection Process

1. Preliminary Screening
2. Selection Tests - Intelligence test, Aptitude test, Personality test, Trade test and Interest test are conducted in it.
3. Employment Interview
4. Checking references and background
5. Selection Decision
6. Medical Examination
7. Job offer
8. Contract of employment

Training and Development

Training means equipping the employee with the required skill to perform the job. The candidates are sent to training so that they can perform the job in the expected manner.

Development refers to overall growth of the employee. It focuses on personal growth and successful employees' development.

Need for Training and Development

- i. Reduced learning time
- ii. Better performance
- iii. Attitude formation
- iv. Aids in or help in solving operational problems
- v. Managing manpower need
- vi. Helps to adopt changes.

Methods of training

1. **On-the-job Training**- When the employees are trained while they are performing the job then it is known as on-the-job training. Under this method the employees learn by doing.
2. **Off-the-job Training** - Means Training given to the employees by taking them away from their work position which means employees are given a break from the job and sent for training. a.

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.

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

c. 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.

d. Induction/Orientation - It means introducing the selected employees to his superiors, subordinates and colleagues and familiarizing him with rules and policies of the organization.

MULTIPLE CHOICE QUESTIONS :

Q1. Recruitment is a widely viewed as a _____ process

- a) Positive
- b) Negative
- c) Both positive and negative
- d) None

Q2. Advertisement through Newspaper, T.V. , radio, professional journal & magazines are _____ method of recruitment.

- a) Direct
- b) Indirect
- c) Third party
- d) None.

Q3. In staffing function, which combination of activities in sequential order is correct?

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

Q4. Mr. M. D'Souza, a chief manager in a company using highly sophisticated machines and equipment's, wants that every employee should be fully trained using the machines and equipment's. Suggest the best method of training that Mr. M. D'Souza can use for training of the employers.

- (a). Orientation method (b) Vestibule training method (c). Internship
- (d). Apprenticeship programmed.

Q5. This test is an indicator of a person's learning ability or the ability to make decisions and judgements.

- (a) Trade test
- (b) Personality test
- (c) Intelligence test
- (d) Aptitude test

Q6. Assertion: Training leads to higher productivity.

Reason: Trained personnel require less supervision.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

Q7. Assertion: In vestibule training method employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor.

Reasoning: Vestibule training is an on the job training method.

- (A) Both Assertion and reason are true and reason is correct explanation of assertion.
- (B) Assertion and reason both are true but reason is not the correct explanation of assertion.
- (C) Assertion is true, reason is false.
- (D) Assertion is false, reason is true.

Q8. Assertion: In certain jobs the candidates are required to undergo medical fitness test

Reasoning: The job offer is given to the candidate who is declared medically fit

- (a) Both Assertion (A) and Reason(R) are true and reason is correct explanation of assertion.
- (b) Assertion (A) and Reason(R) both are true but reason is not the correct explanation of assertion.
- (c) Assertion (A) is true, Reason(R) is false.
- (d) Assertion (A) is false, Reason(R) is true

Q9. Recruitment is called positive process because more and more people are invited to apply for the job.

- (a) True
- (b) False

Q10. Induction training is a type of training given to help a existing employee.

- (a) True
- (b) False

Ans. 1. A

2. B

3. C

4. B

5. C

6. B

7. C

8. A

9. A

10. B

Q11. Define Selection.

Ans. Selection refers to discovering most promising and most suitable candidate to fill up the vacant job position in the organization.

Q12 State any three merits of internal sources of recruitment

Ans. Merits of internal sources of recruitment (any three)

- (i) It is economical.
- (ii) It motivates the existing employees.
- (iii) Less amount is spent on training.
- (iv) The employees are already familiar with rules and regulations of organization. So, less chances of turnovers.
- (v) It improves performance of employees: To get promotion employees show better performance.

Q13. Explain Vestibule Training' and 'Apprenticeship Programmed as methods of training.

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.

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

Q14. How is training of employees beneficial for the organization? State by giving any four reasons.

Ans.-Benefits of training to the Organization: (any four)

- (i) It avoids wastage of efforts and money as training is systematic learning, better than hit and trial methods.
- (ii) It enhances employees' productivity both in terms of quantity and quality leading to higher profits.
- (iii) It equips the future manager to take over in an emergency.
- (iv) It reduces employees' turnover as it increases employees' morale and reduces absentee
- (v) It helps in obtaining effective response in a fast-changing environment.

Q15. State the step in the selection procedure, after the employment interview and before the job offer.

Ans. (i) Checking references and background

(ii) Selection decision

(iii) Medical examination

Q16. State any four benefits of training to employees.

Ans. Benefits to the Employees:

1. Better career options. Improved skill and knowledge due to training bring better career options for employees.
2. Earning more. Improvement in efficient performance of employees helps the employees to earn more.
3. Boosting up the morale of employees. Training increases the satisfaction and morale of employees.
4. Less chances of accidents. Training makes employees more efficient so there are less chances of accidents.

Q17. Entertainment India Ltd. has been incorporated with the objective of entertaining people by organizing festivals, programmers 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 organization's structure by grouping similar job 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.

Ans. Other steps which Nisha has to perform to complete the process being discussed above are

- (i) Selection
- (ii) Training and Development
- (iii) Placement and Orientation
- (iv) Performance Appraisal
- (v) Promotion and career planning
- (vi) Compensation

Q18. Explain the procedure for selection of employees.

Ans. Selection Process

1. Preliminary Screening
2. Selection Tests - Intelligence test, Aptitude test, Personality test, Trade test and Interest test are conducted in it.
3. Employment Interview
4. Checking references and background
5. Selection Decision
6. Medical Examination
7. Job offer
8. Contract of employment

Q19. State the steps involved in the process of staffing.

Ans. Staffing Process

1. Estimating the Manpower Requirements
2. Recruitment
3. Selection
4. Placement and Orientation
5. Training and Development
6. Performance Appraisal
7. Promotion and Career Planning
8. Compensation

Q20. Explain briefly 'Transfers' and Promotions' as internal sources of Recruitment.

Ans. Transfer - It means shifting an employee from one job to another or one department to another department. Promotion - Business enterprises generally follow the practice of filling higher jobs by promoting employees from lower jobs.

CHAPTER-7- DIRECTING

Directing refers to the process of instructing, guiding, counseling, motivating and leading people in the organization to achieve its objectives

ELEMENTS OF DIRECTING:

- (i) **Supervision** (ii) **Motivation** -
- (iii) **Leadership** (iv) **Communication**

Importance of Directing

- (i) To initiate action
- (ii) To integrate employee's efforts
- (iii) Means of motivation
- (iv) Balance in the organization
- (v) To facilitate change



Supervision It means instructing, guiding and monitoring the subordinates to ensure that they perform their jobs in accordance with the plans and instructions.

Motivation can be defined as stimulating, inspiring and inducing the employees to perform to their best capacity. Motivation is a psychological term which means it cannot be forced on employees.

Importance of Motivation

- (i) Motivation helps change negative attitude to positive attitude.
- (ii) Motivation improves performance level of employees.
- (iii) Helps in achieving the organizational goal.
- (iv) Motivation creates supportive work environment.
- (v) Motivation helps the managers to introduce changes.
- (vi) Reduction in employees' turnover.

Need Hierarchy Theory or Maslow's Need Hierarchy theory need or the desire is a very important elements in motivation because the employees get motivated only for their needs. Maslow has given a sequence or hierarchy of needs in the follows way

- (i) Physiological needs
- (ii) Safety and security needs
- (iii) Social or belonging needs
- (iv) Esteem needs
- (v) Self-actualization needs

Financial and Non-Financial Incentives Incentive means all measures which are used to motivate people to improve performance. These incentives may be broadly classified

(i) Financial Incentives The reward or incentive which can be calculated in terms of money is known as monetary incentive.

The common monetary incentives are

- (a) Pay and allowances
- (b) Profit sharing
- (c) Co-Partnership/stock option
- (d) Bonus
- (e) Commission
- (f) Suggestion system
- (g) Productivity linked with wage incentives
- (h) Retirement benefits
- (i) Perks/Fringe benefits/perquisites

(ii) Non-Financial Incentives The incentives which cannot be calculated in terms of money are known as non-financial incentives.

The common non-financial incentives are

- (a) Status
- (b) Organizational climate
- (c) Career advancement
- (d) Job enrichment
- (e) Employees recognition
- (f) Job security
- (g) Employee's participation
- (h) Autonomy/Employee empowerment

Leadership Refers to influencing the behavior of employees such that there is an improvement in their willingness to work and achieve organizational objectives. • Good leadership boosts the self-confidence of workers and induces workers to work to the best of their capabilities

Leadership It is a process of influencing the behavior of people at work towards the achievement of specified goal.

Importance of Leadership

- (i) Helps in inspiring and guiding the employees.
- (ii) Secures co-operation of the members of organization.
- (iii) Creates confidence.
- (iv) Improves productivity.
- (v) Improves job satisfaction.
- (vi) Improves team-spirit or group cohesion

Leadership styles:

- . (i) **Autocratic/Authoritative leadership**
- (ii) **Democratic/Participative leadership**
- iii) **Laissez-faire/Free-rein leadership cantered leadership,**

Communication It is the process of an exchange of ideas and views among two or more persons to create common understanding. Major formal communication networks are as follows: Types of communication

1. Formal communication
2. Informal communication

Formal communication refers to the communication which takes place through official channels and this channel is deliberately framed by top level management.

Types of formal communication. :-

1. **Vertical communication:** - vertical communication refers to communication which includes communication between superior and subordinate.
2. **Horizontal communication:** - horizontal communication refers to communication between departments or employees working at the same level in the organization.

Informal communication: -communication that takes place without following the formal lines of communication is called informal communication.

Features:

1. informal communication arrival out of need of employees to exchange your views which cannot be done through formal channels.
2. Informal communication is referred to as grape wine because it spreads throughout the organization with its branches going out in all directions at all the levels of authority.

Positive aspect

- 1 Sometimes grapevine channels may be helpful as they carry information rapidly.
2. informal channels are used by managers to transmit information so as to know the reaction of the subordinates.

Negative aspect

- 1 **Grapevine** / informal communication spreads rapidly and sometimes gets distorted. also leads to generate rumors which are not authentic.

- **Single chain network** Communication flows from each superior to his subordinate through a single chain.
- **Wheel network** All subordinates under one superior communicates through him/her only.
- **Circular network** Communication moves in a circle. Each person can communicate with his/her adjoining two persons.
- **Free flow network** Each person can communicate with others freely.
- **Inverted V network** A subordinate can communicate with his/her immediate superior as well as superior's superior.
-

Various informal communication networks are as follows:

- **Single strand network** A person communicates with the other in sequence.
- **Gossip network** A person communicates with all on selective basis.
- **Probability network** A person communicates randomly with others.

Cluster network A person communicates with only those people whom he/she trusts.

Importance of Communication

- (i) Act as basis of co-ordination and co-operation
- (ii) Act as basis for decision making
- (iii) Increase managerial efficiency
- (iv) Establish effective leadership
- (v) Helps in process of motivation and morale development
- (vi) Helps in smooth working of an enterprise
- (vii) Promotes co-operation and peace

Barriers to Effective Communication

(i) Semantic Barrier

- (a) Badly expressed message
- (b) Symbols with different meanings
- (c) Faulty translation
- (d) Unclarified assumption
- (e) Technical jargon
- (f) Body language

(ii) Psychological Barrier

- (a) Premature evaluation
- (b) Lack of attention
- (c) Loss by poor retention
- (d) Distrust

(iii) Organizational Barrier

- (a) Organizational policy
- (b) Rules and regulations
- (c) Status difference
- (d) Complex organization

(iv) Personal Barriers

- (a) Lack of confidence
- (b) Lack of incentives
- (c) Fear of authority

Measures to overcome/ Improving Effective Communication

- (i) Clarify the idea
- (ii) Consult others
- (iii) Use of proper language
- (iv) Proper feedback
- (v) Communication for present as well as for future
- (vi) Follow-up
- (vii) Good listener
- (viii) Open mind
- (ix) Completeness of message

Short and Long questions:

1) **Define Directing.**

Ans- According to Ernest Dale, 'Directing is telling people what to do and seeing that they do it to the best of their ability'.

2) **Directing is the heart of the management process. Do you agree? Give any four reasons in support of your answer./Explain Importance of Directing**

Ans. Yes, I do agree with this statement. Directing may be regarded as the heart of the management process; Its importance may be explained under the following points

(i) **Initiates action** Directing helps to initiate action by people in the organization towards attainment of desired objectives, e.g. if a supervisor guides his subordinates and clarifies their doubts in performing a task, it will help workers to achieve work targets given to them.

(ii) **Integrates employees' efforts** Directing integrates employees' efforts in the organization in such a way that every individual effort contributes to the attainment of organizational objectives. Thus, it ensures that the individuals work for organizational goals.

(iii) **Improves efficiency** Directing guides employees to fully realize their potential and capabilities by motivating and providing effective leadership. A good leader can always identify the potential of his employees and motivate them to extract work up to their potential.

(iv) **Brings balance and stability in the organization** Effective directing helps to bring stability and balance in the organization since, it fosters cooperation and commitment among the people and helps to achieve balance among various group activities and the departments.

3) **What are the elements of directing?**

Ans: Directing comprises of four elements

(i) **Supervision** It can be understood as the process of guiding and instructing the efforts of employees.

(ii) **Motivation** The process of encouraging the employees in order to help them in achieving the desired goals is known as motivation.

(iii) **Leadership** It is the process of influencing the behavior of people by making them strive voluntarily towards achievement of organizational goals.

(iv) **Communication** It is the process of exchange of ideas, views, facts, feelings etc between or among people to create common understanding.

4) What is motivation?

Motivation.

It is inducing, inspiring and stimulating a person to perform with their best ability, to accomplish the goal. It depends upon satisfying needs of people. In the words of Farland, "motivation is the way in which urges, desires, aspirations or needs, direct control and explains the behavior of human beings".

5) Explain importance of motivation.

Importance of Motivation

1) Improves the performance level of employees and organization: Suitable motivationsatisfies the needs of employees which in turn encourages them to contribute maximum efforts towards achieving organizational goals.

2) Helps to change the attitude of employees: A suitable reward or positive encouragementenables employees to develop a positive attitude towards work.

3) Helps to reduce employee turnover: Managers need to identify proper incentives/motivational techniques to reduce employment turnover. This enables the organization to save the cost of recruiting new employees and training them.

4) Helps to reduce absenteeism: A sound motivational system helps to reduce absenteeism inthe organization.

5) Helps managers to introduce changes smoothly: Motivation plays a key role in helping managers to swiftly implement changes and policies. A manager can implement changes in the organization only when he/she can convince employees that the proposed changes will help them receive additional reward

6) Explain Maslow's need Hierarchy Theory of motivation with the help of diagram?

Maslow's need Hierarchy theory of motivation.

Maslow's need Hierarchy Theory of Motivation is a psychological term and the needs of an employee plays an important role in motivation. In order to study motivation various researchers developed theories on them. Among them Abraham Maslow's need Hierarchy theory is considered of worth. As per him, there exists a Hierarchy of five needs these are:



- a) **Basic Physiological Needs** These needs are most basic in the hierarchy and correspond to primary needs. Food, clothing shelter are a few examples of this type of need. Basic salary helps to fulfill these needs.
- b) **Safety/Security Needs** When the basic needs satisfied, people start thinking of future. These needs provide security and protection from physical and emotional harm in coming future e.g., job security, pension plans etc.
- c) **Affiliation/Belonging Need** These needs refer to human feeling of belongingness. We all as human beings look forward to being accepted in the society e.g., friendship.
- d) **Esteem Needs** These include factors such as self-respect, autonomous status, attention. An individual wants a respect and recognition from others in this need.
- e) **Self-actualization Needs** It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. The needs include growth self-fulfillment and achievement of goals etc.

7) Explain different financial and non-financial incentives used to motivate employees of a company.

Ans: Financial Incentives Financial incentives refer to incentives which are in direct monetary form or measurable in monetary term and serve to motivate people for better performance. The financial incentives used in organizations are listed below

(i) **Pay and Allowances** For every employee, salary is the basic monetary incentive. It includes basic pay, DA and other allowances. Salary system consists of regular increments in the pay every year and enhancement of allowances from time to time.

(ii) **Productivity Linked Wage Incentives** Several wage incentives aim at linking payment of wages to increase in productivity at individual or group level.

(iii) **Profit Sharing** Profit sharing is meant to provide a share to employees in the profits of the organization. This serves to motivate the employees to improve their performance and contribute to increase in profits.

(v) **Co-Partnership/Stock Option** Under these incentives' schemes, employees are offered company shares at a set price which is lower than market price. The allotment of shares creates a feeling of ownership to the employees and makes them to contribute more for the growth of the organization.

(vi) **Retirement Benefits** Several retirement benefits such as provident fund, pension and gratuity provide financial security to employees after their retirement. This act as an incentive when they are in service in the organization.

(vii) Perquisites

In many companies perquisites and fringe benefits are offered such as car allowance, housing, medical aid, and education etc over and above the salary. These measures help to provide motivation to the employees/managers.

Non-financial Incentives

Incentives which help in fulfilling our psychological, emotional and social needs are known as non-financial incentives. Some of the non-financial incentives are

(i) **Status** Status means ranking or high positions in the organization. Whatever power position prestige an employee enjoys in the organization are indicated by his status. Psychological, social and esteem needs of an individual are satisfied by status given to their job.

(ii) **Organizational Climate** This indicates the characteristics which describe an organization and distinguish one from the other. Individual autonomy, reward orientation, consideration to employees, etc are some of the positive features of an organization. If managers try and include more of these in an organization helps to develop better organizational climate.

(iii) **Career Advancement Opportunity** Managers should provide opportunity to employees to improve their skills and be promoted to the higher level jobs appropriate skill development

Programmers and sound promotion policy will help employees to achieve promotions. Promotions have always worked as tonic and encourage employees to exhibit improved performance.

(iv) **Job Enrichment** Job enrichment is concerned with designing jobs that include greater variety of work contentment, require higher level of knowledge and skill, give workers more autonomy and responsibility and provide opportunity for personal growth and a meaningful work experience.

(v) **Employee Recognition Programmers** Recognition means acknowledgement with a show of appreciation. When such appreciation is given to the work performed by employees, they feel motivated to perform/work at higher level, e.g.,

- (a) Congratulate the employee
- (b) Displaying names of star performers
- (c) Installing awards
- (d) Distributing mementos

(vi) Job Security

Employees want their job to be secure. They want certain stability about future income and work so that they do not feel worried on these aspects and work with greater zeal. There is only one problem with this incentive i.e., when people feel that they are not likely to lose their jobs, they may become relaxed.

(vii) Employee Participation

It means involving employees in decision making of the issues related to them. In many companies, these programmes are in practice in the form of joint management committees, work committees canteen committees etc.

(viii) Employee Empowerment

Empowerment means giving more autonomy and powers to subordinates. Empowerment makes people feel that their jobs are important. This feeling contributes positively to the use of skills and talents in the job performance.

8) Define Leadership?

Ans: Leadership is influencing the behavior of employees such that there is an improvement in their willingness to work and achieve organizational objectives. • Good leadership boosts the self-confidence of workers and induces workers to work to the best of their capabilities

9) Leadership style refers to behavior pattern, which leader reflects in his role as a leader. On the basis of this statement discuss the different types of leadership styles,

Ans. Following are the types of leadership styles:

(i) **Autocratic/Authoritative leadership** Under this style, all decision-making power is vested in the leader and he exercises complete control over his subordinates.

The leader determines the policies without consulting them and assign task to them without giving them any freedom. It is like ‘bossing people around’. It is a boss centered leadership, and is also called directive style of leadership.

(ii) **Democratic/Participative leadership** Under this style, leader consults his subordinates in decision-making process and works out policies with the acceptance of the group. He encourages them to give suggestions in setting goals and implementing decisions. It is group centered leadership.

(iii) **Laissez-faire/Free-rein leadership** Under this style, the leader gives full freedom to the subordinates in setting goals. Such a leader avoids use of power. The leader does not interfere in the activities of the subordinates. Group members work themselves as per their own choice and competence. It is called subordinate centered leadership,

LEADERSHIP STYLES

AUTOCRATIC(Complete control over subordinates)

DEMOCRATIVE(consultation and participation with employees)

FREE REIN(complete delegation and avoids power)

10) Explain Importance of leadership

Leadership is considered as the most important element of directing function because of the following reasons:

- (i) **Effective direction** An organization comes into existence with certain objectives. To attain the objectives, the activities of the Organization must be directed. Direction of the activities is effected through leadership. In short, effective leadership directs the activities of an organization towards the attainment of the specified organizational goals.
- (ii) **Source of motivation** Effective leadership motivates the subordinates to contribute their energies for the benefit of the organization.
- (iii) **Provide confidence** Leadership creates confidence in the subordinates by giving them proper guidance and advice.
- (iv) **High morale** Good leadership increases the morale of the employees which in turn, contributes to higher productivity.
- (v) **Development of team spirit** Effective leadership promotes team spirit and team work which is quite essential for the success of an organization.

10) Define Communication

It is the process of an exchange of ideas and views among two or more persons to create common understanding. According to Rogers, 'Communication is a process by which people create and share information with one another in order to reach common understanding'.

11) Discuss the various formal communication and informal communication networks

Ans. Communication network indicates the pattern through which communication flows within the organisation. (i) Major formal communication networks are as follows:

Single chain network Communication flows from each superior to his subordinate through a single chain.

Wheel network All subordinates under one superior communicates through him/her only.

Circular network Communication moves in a circle. Each person can communicate with his/her adjoining two persons.

Free flow network Each person can communicate with others freely.

Inverted V network A subordinate can communicate with his/her immediate superior as well as superior's superior.

Various informal communication networks are as follows:

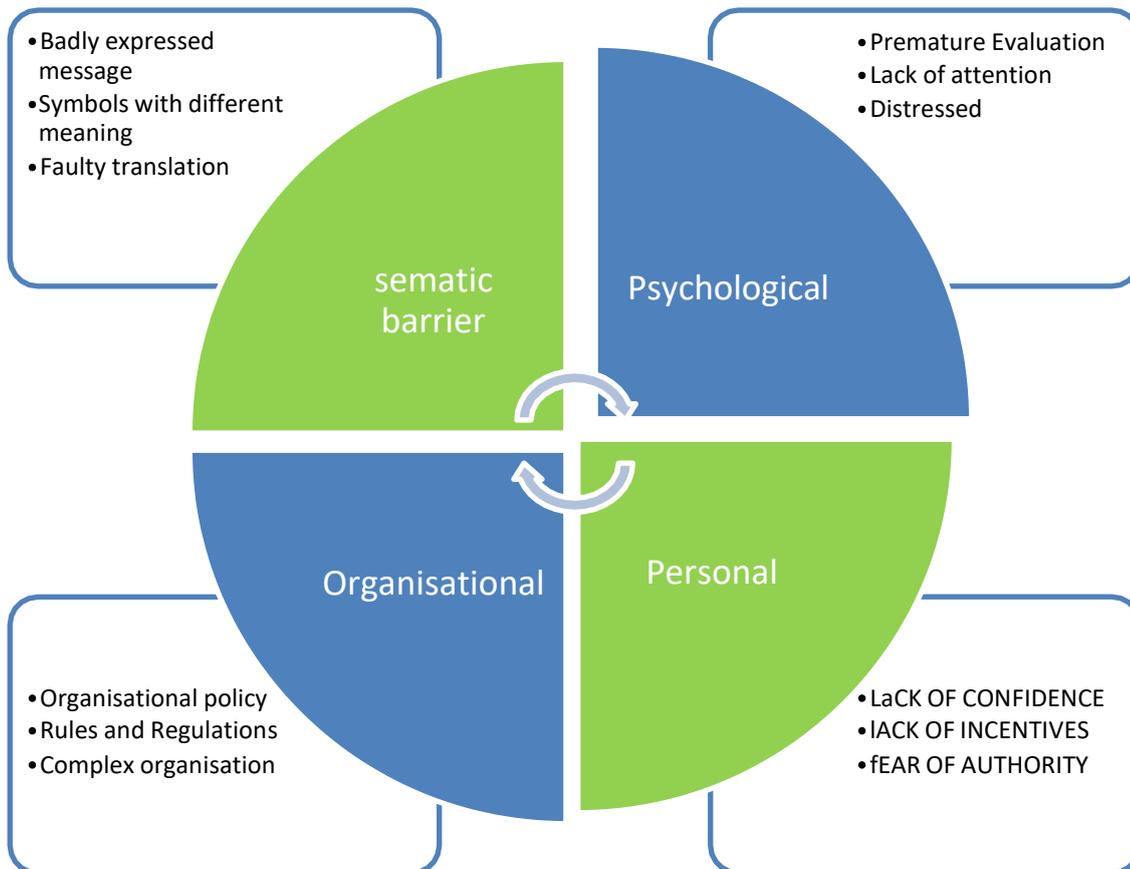
Single strand network A person communicates with the other in sequence.

Gossip network A person communicates with all on selective basis.

Probability network A person communicates randomly with others.

Cluster network A person communicates with only those people whom he/she trusts

BARRIERS TO EFFECTIVE COMMUNICATION



12) There are some barriers in communication which are concerned with encoding and decoding of message. State any three such barriers.

Ans. These barriers are known as **semantic barriers**.

Three types of barriers in communication are as follows: (Any three)

(i) Badly expressed message Sometimes due to lack of vocabulary, manager may use wrong words, omission of needed words, etc. Due to this, the manager may fail to convey the same meaning to his subordinates.

(ii) Symbols with different meanings Sometimes a word may have different meanings. Receiver may understand the other meaning, e.g. price, prize, principle, principal, right, write, etc.

(iii) Faulty translations Sometimes the workers do not understand the language which is used by So workers get it translated. If translator is not efficient, he may make mistakes in translation. Due to wrong translation, there may be transfer of wrong message.

(iv) Unclear assumptions Sometimes, the worker may misinterpret the assumptions, e.g. boss may instruct the subordinate to take care of goods. He may mean that take care of quality of good whereas, workers may understand that he is instructing to keep the goods safely.

13) There are some barriers in communication which are concerned with the state of mind of both the sender and the receiver. State any three such barrier

Ans. Such barriers are known as psychological barriers.

Some of the **psychological barriers** are as follows: (Any three)

(i) Premature evaluation Communication is likely to fail if the receiver evaluates the meaning of message before the sender completes the message. Such premature evaluation may occur due to

pre-conceived notions or prejudice against the communicator.

(ii) Lack of attention When the receiver's mind is preoccupied, he fails to listen to what is said. e.g. a worker explains some problems to his supervisor. The supervisor is preoccupied with a telephone call and does not grasp the message.

(iii) Loss by transmission and poor retention In case of oral communication, when communication passes through various levels, successive transmission of the message results in loss or transmission of inaccurate information.

(iv) Distrust Some communicators don't have leadership skills hence, they cannot effectively communicate with subordinates. When the sender and the receiver do not believe each other, the message may not be understood in its original sense. Effectively communicate with subordinates. When the sender and the receiver do not believe each other, the message may not be understood in its original sense.

14) There are some barriers in communication which are concerned with organizational structure and rules and regulations. State any four such barriers.

Ans. Such barriers are known as **organizational barriers**. Some of them are:

(i) Organizational policy If organizational policy does not support free flow of information, it may result in barriers, e.g. in centralized organization, most of the information remains at top level only. People at lower level may not be able to communicate freely in centralized organization.

(ii) Status Sometimes the people working at higher level do not believe in the information supplied by lower level employees as they feel how would he know about my job and who is he giving suggestions.

(iii) Rules and regulations Rigid rules, and regulations may also create barriers as following rules may lead to red Tapism, delay of action and delay in movement of information.

(iv) Complex organization When the information passes through various levels then it can lead to screening or filtering of information at different levels, e.g. while giving the feedback, the ordinates filter all their negative points and highlight only their positive side

15) Barriers to effective communication exist in all organizations to a greater or lesser degree. State any six measures to overcome these barriers.

Ans. Organization should adopt suitable measures to overcome the barriers and improve communication effectiveness.

The various measures to overcome the barriers are:

(i) Be aware of languages, tone and content of message Language, tone and content of message should be so adjusted according to the situation that it is easily understood by the receiver and stimulates them.

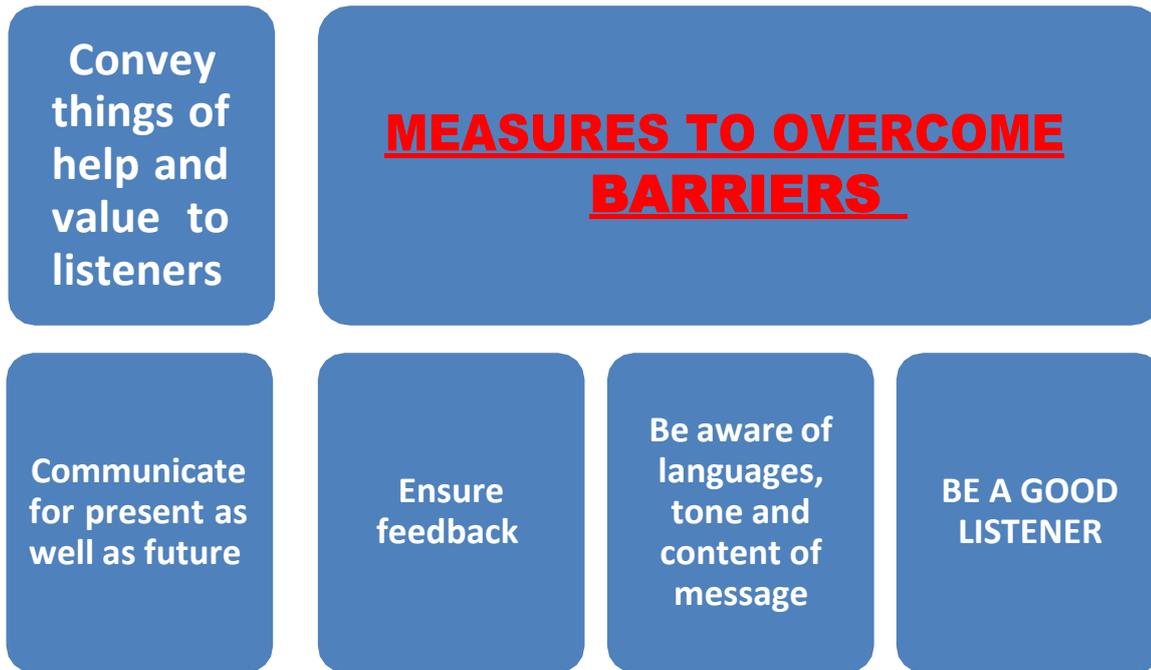
(ii) Convey things of help and value to listeners To get good response from the subordinates, it should be ensured that the message relates to their interests.

(iii) Ensure feedback For success of communication, response of the listeners should be encouraged by the manager.

(iv) Communicate for present as well as future For communication to be successful, managers should incorporate existing commitments as well as future goals of the organization.

(v) Follow-up communication Sometimes it is difficult to implement instructions in its totality by the subordinates. To overcome this, regular follow-up should be done by managers.

(vi) Be a good listener Lot of problems can be solved due to attentive listening quality of the manager.



16. Explain any four personal barriers of effective communication

Ans. Communication begins and ends at the person. Thus, there are barriers to communication that are personal in nature. **Personal barriers** of communication are as follows:

(i) Lack of confidence of superior in his subordinates If superiors have no confidence and trust in their subordinates, then they pay no attention to their advice, opinion or suggestions.

(ii) Lack of incentives If there is no incentive for communication, then subordinates may not take initiatives to give suggestions, e.g. if there is no reward given for giving some good suggestion, then employees will take no initiative to give good suggestions.

(iii) Fear of authority Some superiors may modify feedback going from lower-level employees. This may be done especially if the feedback is a complaint directed against the superior. The dishonest superior may block complains reaching to senior management in order to prevent challenge from authority. In other words, sometimes superiors conceal and hide information if they have fear of losing their authority over the subordinates.

(iv) Unwillingness to communicate The personal characteristic of an individual also influences the free flow of communication. Sometimes the superiors may not be prepared to communicate with subordinates. These superiors may have selfish intentions and may prevent any negative information that threatens their reputation.

MULTIPLE CHOICE QUESTIONS:

- 1) Which of the following is not a type of semantic barriers?
 - (a) Badly expressed message
 - (b) Unclarified assumptions
 - (c) Technical jargon
 - (d) **Premature evaluation**

2) It refers to the process of instructing, guiding, counselling, motivating and leading people in the organization to achieve their objectives.

- (a) Planning
- (b) Organizing
- (c) Staffing
- (d) Directing**

3) Identify the level at which the directing function takes place in an organization?

- (a) Top level management
- (b) Middle level management
- (c) Lower level management
- (d) All of the above**

4) Effective motivation in the organization does not contribute towards

- (a) Developing performance levels of employees
- (b) Helping to reduce employee turnover
- (c) Resistance to changes in the organization**
- (d) All of the above

5) These needs are most basic in the hierarchy of motivation theory and correspond to primary needs.

- (a) Self Actualization Needs
- (b) Basic Physiological Needs**
- (c) Security Needs
- (d) Belonging Needs

HOTS/ CASE BASED/APPLICATION BASED QUESTIONS

1. In an organization, employees always feel that they are under enormous unnecessary stress, as a 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. **Autocratic Leadership style**

2. Sara works in a call center. Her manager did not wish to be contradicted and give rewards depending on the result. State one benefit of the style of leadership being followed by saris team manager.

Anyone benefit of autocratic leadership style

3. Identify the function of management which refers to the process of instructing, guiding, counselling, motivating and leading people in the organization to achieve objectives. Explain the importance of this function of management.

Directing and any three points of importance of directing

1. Directing

2. Motivation

3. Features of motivation it is an internal feeling, it produces goal directed behavior, it can be either positive or negative.

4. Rakesh is working under his superior Neeraj. He always communicates useful ideas and suggestions to his superior regarding reduction of cost, improvement in the product, etc. Neeraj implements his suggestions and has always found favorable results, but he never appreciates Rakesh for his suggestions. Now Rakesh decided not to communicate any suggestion or idea to Neeraj. Identify the factor which X has a communication barrier.

Explain three other factors of the same group of communication barriers. lack of proper incentives

Three other barriers

1. Fear of challenge to authority

2 lack of confidence of superior on his subordinate

3. Unwillingness to communicate

5. Rahim was working in an enterprise on a daily wage basis. It was difficult for him to fulfil the basic needs of his family. His daughter fell ill. He had no money for his daughter's treatment. To meet the expenses on her treatment, he participated in a cycle race and won the prize money. The cycle company offered him a permanent pensionable job which he happily accepted.

1. By quoting the lines from the above para, identify the needs of Rahim that are satisfied by the offer of the cycle company.

2. Also explain to other needs of Rahim followed by above needs that are still to be satisfied. **1.**

Safety and security needs, social needs

2 esteem needs and self-actualization needs.

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CHAPTER 8- CONTROLLING

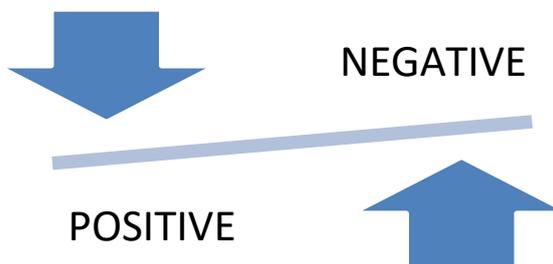
1) Define Controlling.

It can be defined as comparison of actual performance with the planned performance. According to Ricky W Griffin, “Controlling function leads to goal achievement; an organization without effective control is not likely to reach its goals.”

2) What is Deviation?

It refers to difference between actual performance and standard performance.

TYPES OF DEVIATION



3) State importance of controlling.

Importance of Controlling

- (i) Helps in achieving organizational goods
- (ii) Judging accuracy of standards
- (iii) Making efficient use of resources
- (iv) Improving employee motivation
- (v) Ensures order and discipline
- (vi) Facilitate co-ordination in action
- (vii) Controlling help in minimizing the errors

4) State steps in controlling process

Ans:

CONTROLLING PROCESS

S Setting Performance Standards

M Measurement of Actual Performance

C Comparing Actual Performance with Standards

A Analysing Deviations

T Taking Corrective Action

5) Explain the various steps involved in the process of control. (SMCAT)

Ans: Controlling is a systematic process involving following steps:

(i) **Setting Performance Standards:**

- The first step in the controlling process is setting up of performance standards. Standards are the criteria against which actual performance would be measured.
- Standards can be set in both quantitative as well as qualitative terms.
- Some of the qualitative standards are—cost to be incurred, product units to be produced, time to be spent in performing a task etc. Improving goodwill and motivation level of employees are examples of qualitative standards.

(ii) **Measurement of Actual Performance**

- Once performance standards are set, the next step is measurement of actual performance.
- Performance should be measured in an objective and reliable manner.
- Some of the techniques used for measuring the performance are personal observation, sample checking performance reports etc.

(iii) **Comparing Actual Performance with Standards**

- This step involves comparison of actual performance with the standards.
- Such comparison will reveal the deviation between actual and desired results.
- Comparison becomes easier when standards are set in quantitative terms.

(iv) **Analysing Deviations**

- Some deviations in performance can be expected in all activities. It is therefore, important to determine the acceptable range of deviations.
- Deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas.
- Critical point control and management by exception should be used by a manager in this regard.

-

(v) Taking Corrective Action

- The final step in the controlling process is taking corrective action.
- No corrective action is required when the deviations are within acceptable limits. However, when the 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.
- In case the deviations cannot be corrected through managerial action, the standards may have to be revised.

6) Explain the importance of controlling in an organization. What are the problems faced by the organization in implementing an effective control system?

Ans: Control is an indispensable function of management. Without control the best of plans can go away. A good control system helps an organization in the following way

(i) Accomplishing Organizational Goals

The controlling function measures progress towards the organizational goals and brings to light the deviations. If any, and indicates corrective action. It thus, guides the organization and keeps it on the right track so that organizational goals might be achieved.

(ii) Judging Accuracy of Standards

A good control system enables management to verify whether the standards set are accurate and objective an efficient control system keeps a careful check on the changes taking place in the organization and in the environment and helps to review and revise the standards in light of such changes.

(iii) Making Efficient Use of Resources

By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with pre-determined standards and norms. This ensures that resources are used in the most efficient and effective manner.

(iv) Improving Employee Motivation

A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus motivates them and helps them to give better performance.

(v) Ensuring Order and Discipline

Controlling creates an atmosphere of order and discipline in the organization. It helps to minimize dishonest behavior on the part of the employees by keeping a close check on their activities.

(vi) Facilitating Co-ordination in Action

Controlling provides direction to all activities and efforts for achieving organizational goals. Each department and employee is governed by pre-determined standards which are well co-ordination with one another. This ensures that overall organizational objectives are accomplished.

IMPORTANCE OF CONTROLLING :



7) Discuss the relationship between planning and controlling.

Ans: Planning and controlling are inseparable, they are twins of management. A system of control pre-supposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans.

Planning is clearly a pre-requisite for controlling. Controlling cannot be accomplished without planning. With planning there is no pre-determined understanding of the desired performance, planning seeks consistent, integrated and articulated programmes while controlling seeks to compel events to conform to plans.

MULTIPLE CHOICE QUESTIONS:

- 1) Controlling function brings the management cycle back to the
 - (a) Organising function
 - (b) Directing function
 - (c) Planning function**
 - (d) None of the above

- 2) Deviations are said to be positive in nature when
 - (a) Planned performance is more than the actual performance
 - (b) Actual performance is more than the planned performance**
 - (c) Both planned and actual performances are same
 - (d) None of the above

3) Identify the correct sequence of the steps involved in the controlling process.

(a) Measurement of actual performance, Taking corrective action, Setting performance standards, Comparison of actual performance with standards, Analysing deviations (b) Comparison of actual performance with standards, Setting performance standards. Measurement of actual performance, Analyzing deviations, Taking corrective action

(c) Setting performance standards, Measurement of actual performance, Comparison of actual performance with standards, Analyzing deviations, Taking corrective action

(d) Taking corrective action, Measurement of actual performance, Comparison of actual performance with standards, Analyzing deviations, Setting performance standards

4) Controlling is known as a backward-looking function because

(a) It relates to future course of action.

(b) It is like a post-mortem of the past activities

(c) To find out deviation, it aims at improving future performance.

(d) All of the above

True or false

- 1) Controlling function ends after giving feedback report -**false**
- 2) Controlling is a task of supervisory level- **false**
- 3) Controlling is an empty exercise without planning – **True**
- 4) A manager who tries to control everything may end up controlling nothing – **True**
- 5) Deviation can be negative only- **false**

Case study

A company M limited is manufacturing mobile phones both for domestic Indian market as well as for export. It had enjoyed a substantial market share and also had a loyal customer following. But lately it has been experiencing problems because its targets have not been met with regard to sales and customer satisfaction. Also mobile market in India has grown tremendously and new players have come with better technology and pricing. This is causing problems for the company. It is planning to revamp its controlling system and take other steps necessary to rectify the problems it is facing.

1. Identify the benefits the company will derive from a good control system.

Ans: When company starts following a good control on operations, it leads to derive benefits which are

(i) Helps in achieving desired goals.

(ii) Judging accuracy of operations.

(iii) Making efficient and effective use of resources.

(iv) Improving employee morale.

(v) Ensuring proper flow of orders and the whole system is in discipline.

(vi) It facilitates the co-ordination and improve the performance of every individual.

2. How can the company relate its planning with control in this line of business to ensure that its plans are actually implemented and targets attained?

Ans: Company relates its planning with control in this line of business by implementing effective control system as this will help in two aspects planning makes controlling effective and efficient

whereas controlling improves future planning because it is like a postmortem of past activities to find out deviations from the standards and in order to ensure that its plans are actually implemented and targets are attained they will take the help from controlling process as it is a systematic process and it leads to following benefits

(i) **Setting Up of Standards** In this step, company set some targets against which the actual performance is measured.

(ii) **Measuring of Performance** In this step, company is able to measure the performance and evaluating that what is actually done by the employees.

(iii) **Compare Performance** After evaluating the actual result, company compares the actual performance with the planned one this helps in knowing that the desired goal is achieved or not.

(iv) **Analyzing Deviations** This refers to the difference between actual and desired performance. It helps in knowing to the company that the deviation is positive or negative. It needs focus on which part rather than analyzing whole.

(v) **Taking Corrective Measures** Final step is to know the type of deviation and trying to remove this deviation and in future it matches with the plans.

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Ch.9: Financial Management

Definition: Financial Management is concerned with optimal procurement as well as usage of finance.

Role of financial management :

Size and composition of fixed assets
Amount and composition of current assets
Amount of long and short-term fund
Break up of long-term financing into debt equity etc
All items in pl account

Objective of financial management:

- 1) Profit maximization
- 2) Maintenance of liquidity
- 3) Proper utilization of resources
- 4) Meeting of financial commitment with creditors

Meaning of Financial Planning

It is the preparation of financial blue print, which foresees entire fund requirement in respect to quantum as well as the timing.

Importance of Financial Planning

- (i) Helps in forecasting alternative business plans.
- (ii) Helps to avoid business shocks.
- (iii) Helps in coordinating various business functions.
- (iv) Helps in linking present with the future.
- (v) Helps to eliminate wasteful efforts.
- (vi) Provides a link between investment and financing decisions.
- (vii) Facilitates financial control.
- (viii) Helps in avoiding wastage of finance.
- (ix) Helps in proper utilization of funds. –
- (x) Helps in operational activities.

3. Objectives of Financial Planning

- (i) To ensure availability of funds whenever required.
- (ii) To ensure unnecessary finance is not raise

Financial Decisions Involved in Financial Management

- Investment Decision
- Financing Decision
- Dividend Decision

Financing decision It deals with quantum of finance to be raised from long-term sources, viz debt equity. In other words, it refers to the determination as how the total funds required by the business will be obtained from various long-term sources.

Factors affecting financial decisions are:

- | | |
|---------------------------------------|----------------------------|
| (a) Cost | (g) Return on investment |
| (b) Risk | (h) Tax rate |
| (c) Floatation costs | (i) Flexibility |
| (d) Cash flow position of the company | (j) Regulatory framework |
| (e) Fixed operating costs | (k) Control considerations |
| (f) State of the capital market | |

(iii) Dividend decision This decision involves how much of the 'after tax profits' is to be distributed as dividends to shareholders and how much to retain in the business to meet future investment requirements.

Factors affecting dividend decisions are:

- | | |
|----------------------------|------------------------------|
| (a) Earnings | (g) Taxation policy |
| (b) Stability of earnings | (h) Stock market reaction |
| (c) Stability of dividends | (i) Access to capital market |
| (d) Growth opportunities | (j) Legal constraints |
| (e) Cash flow position | (k) Contractual constraints |

Investment decision The investment decision relates to how the firm's funds are invested in different assets. Investment decision may be long-term or short-term. **Long-term investment decision is called capital budgeting decision and short-term investment decision is called working capital decision.**

Factors affecting capital budgeting decisions are:

- Rate of return
- Cash flow of the projects
- Investment criteria involved

Financial Decisions Involved in Financial Management

- Investment Decision
- Financing Decision
- Dividend Decision

Capital Structure:

It refers to the mix between owners and borrowed funds.

Factors Affecting Capital Structure

- | | |
|------------------------|-------------------------|
| (i) Cash flow position | (viii) Floatation costs |
|------------------------|-------------------------|

- | | |
|-----------------------------------|--|
| (ii) Interest coverage ratio | (ix) Risk considerations |
| (iii) Debt service coverage ratio | (x) Flexibility |
| (iv) Return on Investment (Rol) | (xi) Control |
| (v) Cost of debt | (xii) Regulatory framework |
| (vi) Tax rate | (xiii) Stock market conditions |
| (vii) Cost of equity | (xiv) Capital structure of other companies |

Fixed Capital

The amount of capital investment in fixed assets is called fixed capital, e.g. plant and machinery, land and building, etc.

2. Factors Affecting Fixed Capital Requirement

- | | |
|--|-----------------------------|
| (i) Nature of business | (ii) Scale of operations |
| (iii) Choice of techniques | (iv) Technology upgradation |
| (v) Growth prospects and diversification | (vi) Financing alternatives |
| (vii) Collaboration | |

3. Working Capital

It is that part of total capital which is required for holding current assets. It may also be defined as excess of current assets over current liabilities.

Net Working Capital = Current Assets – Current Liabilities

2. Factors affecting working capital requirement

- | | |
|-------------------------------------|--------------------------|
| (i) Nature of business | (ii) Scale of operations |
| (iii) Business cycle fluctuation | (iv) seasonal factor |
| (v) technology and production cycle | (vi) credit allowed |
| (vii) credit availed | |

MULTIPLE CHOICE QUESTIONS :

1. Capital Structure indicates ratio between

- (a) Assets and liabilities of the firm
- (b) Current Assets and Fixed Assets
- (c) Debt and equity in the total capital
- (d) Profit and Revenue of the firm

Ans. C

2. The concept which makes sure the availability of right amount of finance at the right time is called

- (a) Financial Planning
- (b) Capital Structure.
- (c) Working Capital
- (d) Fixed Capital

Ans. A

3. The amount of fixed assets is decided by

- (a) Working capital concept
- (b) Fixed capital
- (c) Investment decision
- (d) Financing decision

Ans. D

4. Fixed assets investment decision is called

- (a) Management of working capital
- (b) Capital budgeting
- (c) Financing decision
- (d) None of these

Ans. B

5. What is the meaning of the management of working capital?

- (a) To maintain the continuity of sufficient amount of working capital.
- (b) To make cash available in large amount.
- (c) To keep the working capital at the minimum level.
- (d) To keep the working capital at the maximum level.

Ans. A

6. Which is considered to be the cheapest of all the sources of finance:-

- (A) Equity Share Capital
- (B) Preference Share Capital
- (C) Retained Earning
- (D) Debentures

Ans. C

7. Cost of capital is related to:-

- (A) Dividend Decision
- (B) Investment decision
- (C) Financing Decision
- (D) None of the above

Ans. C

8. Retained earnings are effected by

- (A) Investment Decision
- (B) Dividend Decision
- (C) Capital structure
- (D) Financing Decision

Ans. B

9. A factor that affects capital budgeting decisions-

- (A) Cash flow of the project
- (B) Return on investment
- (C) Investment criteria
- (D) All of the above

Ans. D

10. Which of the following constitutes owner's fund-

- (A) Retained earnings
- (B) Debentures
- (C) Bank loan

(D) None of the above

Ans. A

What is meant by financial management? State any two financial decisions taken by financial manager.

Ans. **Financial Management** is concerned with management of flow of funds and involves decisions relating to procurements of funds, investments of funds in long-term and short-term assets and distribution of earnings to the owners.

Financial decision

1. Investment Decision
2. Financing decision
3. Divided decision

2. What is meant by 'Capital Structure'? State any two factors which affect the capital structure of a company.

Ans. **Capital structure** refers to proportions of debts and equity used for financing business operations.

Factors Affecting the choice of capital structure:

1. **Cash flow position**-if a company is sure of generating enough cash flow, it may have more of debt securities where as if there is shortage of cash it may go for equity.
2. **Interest coverage ratio**-it shows how many times the earnings before interest and tax is available to the payment of interest. Higher ICR means company has less borrowed funds. It is possible that in spite of better ICR the cash flow position of the company may weak.
3. **Debt service coverage ratio**-(DSCR)It takes care of return of interest as well as Principal repayment. Higher DSCR means company can have more of debt and lower DSCR means company can go for equity capital.
4. **Return on investment**-It return from investment is is more than rate of interest then company can prefer debt in capital structure but if return on investment is less than rate of interest then company should prefer equity as it will not be able to pay interest.
5. **Cost of dept**-If rate of interest is less i.e. cost of debt, more debt can be utilized in the capital structure.
6. **Cost of equity**-More of debt capital increases the cost of equity as it increases the risk of equity shareholders. So debt should be used to a limited level as increased cost of equity adversely affect the market value of shares.
7. **Tax Rate**-Interest on debt is tax deductible which makes debts cheaper. So high end tax means prefer equity in capital structure.
8. **Flotation costs**-The cost of issuing debt capital is less than the share capital, So company may prefer debt in its capital structure.
9. **Risk Consideration**-There are two types of Risk operating and Financial. If firms risk is low, capital can be raised by issuing debt securities and vice versa .
10. **Control**- Equity shareholders acquire voting rights and also interfere in management. To keep proper control less amount of equity share must be issued.

3. What is meant by an investment decision? Give two examples of investment decision.

Ans. **Investment decision** is concerned with investment of firm's funds in different assets.

Investment decision is categorized as capital budgeting decision and working capital decision.

- Example:
- a. making investment in a new machine to replace an existing one.
 - b. Opening a new branch.

c. a new fixed asset. (Any Two)

4. To avoid the problem of shortage and surplus of funds, what is required in financial management? Name the concept and explain any three points of importance.

Ans. Concept is "Financial Planning."

Importance of Financial Planning:

- (i) Helps in forecasting alternative business plans.
- (ii) Helps to avoid business shocks.
- (iii) Helps in coordinating various business functions.
- (iv) Helps in linking present with the future.
- (v) Helps to eliminate wasteful efforts.
- (vi) Provides a link between investment and financing decisions.
- (vii) Facilitates financial control.
- (viii) Helps in avoiding wastage of finance.
- (ix) Helps in proper utilisation of funds. –
- (x) Helps in operational activities.

5. Explain briefly any four factors that affect the fixed capital requirements of a company.

Answer:

The four factors that affect the fixed capital requirements of a company are explained below:

- **Nature of business:** The kind of activities a business is engaged in has an important bearing on its fixed capital requirements. On one hand a trading concern does not require to purchase plant and machinery etc. and needs lower investment in fixed assets. Whereas on the other hand a manufacturing organization is likely to invest heavily in fixed assets like land, building, machinery and needs more fixed capital.
- **Scale of operations:** The amount of fixed capital required by a business varies directly in proportion to its scale of business. A larger organization operating at a higher scale needs bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organization.
- **Diversification:** If a business enterprise plans to diversify into new product lines, its requirement of fixed capital will increase as compared to an organization which does not have any such plans.
- **Growth prospects:** If a business enterprise plans to expand its current business operations in the anticipation of higher demand, its requirement of fixed capital will be more as compared to an organization which doesn't plan to peruse any such plans.

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CHAPTER 10- FINANCIAL MARKET

Financial Market: Definition

A financial market is a market for the creation (new issue of securities) and exchange (sale of existing securities) of financial assets.

Financial Markets: Purpose

Financial market serves as an intermediary between the surplus sector (households which have savings) and deficit sector (business firms which needs funds).

Functions of Financial Market

- 1) **Mobilization of savings and channelizing them into the most productive uses.**
- 2) **Facilitate price discovery**
- 3) **Provide liquidity to financial assets**
- 4) **Reduce the cost of transactions**

Types / Segments of Financial Market

- Capital Market
- Money Market

CAPITAL MARKET

Capital Market: Definition

Capital Market refers to facilities and institutional arrangements through which long term funds, both debt and equity, are raised and invested.

Capital market is a segment of financial market.

Features of Capital Market

- 1) **Link between savers and investment opportunities**
- 2) **Deals in long term investment**
- 3) **Utilizes intermediaries**
- 4) **Determinant of capital formation**
- 5) **Government rules and regulations**

Types / Segments of Capital Market

- Primary Market
- Secondary Market

PRIMARY MARKET

Primary Market: Definition

Primary market is also known as new issue market as the securities are issued for the first time by the companies through this market.

Primary Market is a segment of capital market.

SECONDARY MARKET

Secondary Market: Definition

It is a market for old or existing securities

It is a segment of capital market.

Features of Secondary Market / Stock Exchanges

- It is the market for old/existing securities.
- Both buying and selling of securities takes place.
- Prices of the securities are determined by the forces of demand and supply.
- It involves dealings between two investors.
- Stock exchanges exist at fixed location.

MONEY MARKET

The money market is a market for short term debt instruments whose period of maturity is up to one year.

It is a segment of financial market.

STOCK EXCHANGE

Stock Exchange: Definition

According To Securities Contracts (Regulation) Act 1956, "Stock Exchange means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealings in securities."

Functions of Stock Exchange

- (i) Provides liquidity and marketability of existing securities
- (ii) Pricing of securities
- (iii) Contributes to economic growth
- (iv) Spreading of equity cult
- (v) Provides scope for speculation
- (vi) Safety of transactions

Dematerialization: Definition

Dematerialization refers to the process of holding securities in electronic form.

Depository: Definition

Depository is the organization with which an investor has to open a D-Mat account to hold securities in electronic form.

In India there are two depositories:

- National Securities Depository Limited (NSDL)
- Central Depository Services Limited (CDSL)

The depository participant serves as a link between the investor and the depository i.e. either NSDL or CDSL.

STEPS IN Trading Procedure on a Stock Exchange

- (i) Selection of a broker
- (ii) Opening demat account with depository
- (iii) Placing the order
- (iv) Executing the order
- (v) Settlement

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

The Securities and Exchange Board of India (SEBI) is the regulator for the securities market in India.

- It was established in the year 1988 by the Government of India. It was to function under the overall administrative control of Ministry of Finance of the Government of India.
- It was given statutory powers on 30th January 1992 through an ordinance.
- The ordinance was later on replaced by an Act of Parliament known as the SEBI Act, 1992.

Objectives of SEBI

- To prevent trading malpractice in the securities markets.
- To protect the rights and interest of investors, and to guide and educate them.
- 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.
- To regulate stock exchanges and the securities market to promote their orderly functioning.

FUNCTIONS OF SEBI

(i)Regulatory Functions of SEBI

- (a)Registration of brokers and sub-brokers and other players in the market.
- (b)Registration of collective investment schemes and mutual funds.
- (c)Regulation of takeover bids by companies.
- (d)SEBI conducts enquires and audit of stock exchanges.

(ii)Development Function of SEBI

- (a) Training of intermediaries of the securities market.
- (b) Conducting research and publishing information useful to all market participants.
- (c)Undertaking measures to develop the capital markets.

(iii)Protective Function of SEBI

- (a) Prohibition of fraudulent and unfair trade practices.
- (b) Controlling insider trading and imposing penalties for such practices.
- (c)Undertaking steps for investor protection.

(d) To regulate and develop a code of conduct and fair practices by intermediaries
Stock Exchange

Long question and answers :

“Stock Exchange is an institution which provides a platform for purchase and sale of existing securities. Explain the functions of stock exchange “

Functions

1. **Provides liquidity** and marketability of existing securities because the main function of a stock exchange is to provide a ready and continuous market for the sale and purchase of existing securities.
2. **Pricing of securities:** Share prices on a stock exchange are determined by the forces of demand and supply.
3. **Safety of transactions** because • the membership of a stock exchange is well-regulated and • securities are traded, cleared and settled within the regulatory framework prescribed by SEBI.
4. **Contributes to economic growth:** Savings get channelized into their most productive investment opportunity. This leads to capital formation and economic growth.
5. **Spreading of equity cult:** The stock exchanges 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. **Provides scope for speculation** in a restricted and controlled manner. A certain degree of healthy speculation is necessary to ensure liquidity and price continuity in the stock market.

2) Explain the Steps involved in screen-based trading for buying and selling of securities

1. The investor has to approach a registered broker or sub-broker and sign a broker-client agreement and a client registration form before placing an order to buy or sell securities. He has to provide certain other details and information like • PAN (Permanent Account Number) (This is mandatory), • Bank account details, • Depository account details, etc.
2. The investor has to open a ‘Demat’ account or ‘Beneficial Owner’ (BO) account with a depository participant (DP) for holding and transferring securities in the demat form.
3. The investor then places an order with the broker to buy or sell shares giving instructions about the number of shares and the price. The broker will then go ahead with the deal and issue an order confirmation slip to the investor.
4. The broker then will go on-line and connect to the main stock exchange and match the share and best price available.
5. When the shares can be bought or sold at the price mentioned, the broker will issue a trade confirmation slip to the investor.
6. After the execution of trade, within 24 hours the broker will issue a Contract Note (a Unique Order Code number is printed on it), containing details of the number of shares bought or sold, the price, the date and time of deal, and the brokerage charges. Contract Note is a legal document as it helps to settle disputes/ claims between the investor and the broker.
7. Now, the investor has to deliver the shares sold or pay cash for the shares bought to the broker.

8. Cash is paid or securities are delivered to the stock exchange by the broker on pay-in day, which is before the T+2 day.
9. On the T+2 day, the stock exchange will deliver the shares or make payment to the other broker. This is called the pay-out day. The other broker makes payment to the investor within 24 hours of the payout day.
10. The broker will make delivery of shares in demat form directly to the investor's Demat account.

3) Explain Objectives of SEBI

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.

4) Explain the Functions of SEBI

Protective functions

1. Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc.
2. Controlling insider trading and imposing penalties for such practices. (Insider trading—Directors/Promoters using inside information, e.g. bonus issue to make personal profits.)
3. Undertaking steps for investor protection.
4. Promotion of fair practices and code of conduct in securities market.

Development functions

1. Training of intermediaries of the securities market.
2. Conducting research and publishing information useful to all market participants.
3. Undertaking measures to develop the capital markets by adapting a flexible approach.

Regulatory functions

1. Registration of brokers and sub-brokers and other players in the market.
2. Registration of collective investment schemes and Mutual Funds.
3. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market.
4. Regulation of takeover bids by companies.

5. Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries.

6. Levying fee or other charges for carrying out the purposes of the Act.

7. Performing and exercising such power under Securities Contracts (Regulation) Act 1956, as may be delegated by the Government of India.

Explain the trading procedure on a stock exchange

Ans. The procedure for purchase of and sale of securities in a stock exchange involves the following steps:

(i) **Selection of a broker** The first step is to select a broker, who will buy/sell securities on behalf of the investor/speculator. Brokers may be individuals, partnership firms or corporate bodies. Selection of broker is compulsory as trading can only be done by SEBI registered brokers, who are members of a stock exchange.

(ii) **Opening of a demat account with depository** Dematerialized (Demat) account refers to an account which an individual must open with the depository participant (banks, stock brokers) to trade in the listed securities in electronic form.

Depository is an institution/organization which holds securities in electronic form, in which trading is to be done. At present there are two depositories in India

(a) NSDL (National, Securities Depository Ltd.) and

(b) CDSL (Central Depository Services Ltd.)

Depository Participant (DP) maintain your securities account balance and intimates the account status. Depository Participant (DP) maintain your securities account balance and intimates the account status from time to time.

(iii) **Placing the order** The next step is to place the order with the broker, which can be done through telephone, cell phone, e-mail, etc.

Instruction regarding which securities and how many securities are to be bought or sold should be clearly given to the broker.

(iv) **Executing the order** According to the instructions, the broker executes the order and buys or sells the required securities. The broker then issues a contract note. A copy of contract note specifies the name and the price of securities, names of parties, brokerage charges, etc., which is signed by the broker.

(vi) **Settlement** This is the last stage in the trading of securities done by brokers on behalf of their clients. The mode of settlement depends upon the nature of contract.

Equity spot markets follow a T + 2 rolling settlement. This means a trade taking place on Monday gets settled by Wednesday. Trading times on stock exchange are between 9:55 am and 3:30 pm 1ST, from Monday to Friday. Each exchange has its own clearing house, which assumes all settlement risk.

Explain any four functions of stock exchange.

Ans. Main functions of stock exchange are as follows:

(i) **Pricing of securities** The stock market helps to value the securities on the basis of demand and supply factors. Higher the demand for such securities, higher is their value. The valuation of securities is useful for investors, government and creditors.

(ii) **Contributes to economic growth** In stock exchange, securities of various companies are bought and sold. This process of disinvestment and reinvestment helps to invest in most productive investment proposal and this leads to capital formation and economic growth.

(iii) **Spreading of equity cult** Stock exchange encourages people to invest in ownership securities by regulating new issues, better trading practices and by educating people about investment.

(ii) (iv) **Liquidity** The main function of stock market is to provide ready market for sale and purchase of securities which assures the investors that their investment can be converted into cash whenever they want. The investors can invest in long-term investment projects, as because of stock exchange they can convert it into short-term and medium-term.

What are the functions of a Financial Market?

Ans: Financial market plays an important role in the allocation of scarce resources in an economy by performing the following four important functions

(i) Mobilisation of Savings and Channelising Them into the Most Productive Uses

A financial market facilitates the transfer of savings from savers to investors. It gives choice to the saver of different investments and thus, it helps to channelise surplus funds into the most productive use.

(ii) Facilitate Price Discovery

In a financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.

(iii) Provide Liquidity to Financial Assets

Financial markets facilitate easy purchase and sale of financial assets. Holders of assets can readily sell their financial assets through the mechanism of financial market.

(iv) Reduce the Cost of Transactions

Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to spend to try or otherwise find each other.

Distinguish between Capital Market and Money Market.

Ans: Difference between Capital and Money Market

Basis	Capital Market	Money Market
Duration	It deals in medium and long term securities.	It deals in short term securities.
Investment used	Equity shares, preference shares, bonds, debentures are the common instruments.	Commercial, paper, treasury bill, trade bill, certificate of deposit are the common instruments.
Safety	Capital market is risky.	Instruments here are highly secured.
Expected return	Higher returns on investment.	No or low risk involved leads to lesser returns.
Participants	Individual investors, financial institutions corporate houses etc.	RBI, Commercial Banks, financial institution mutual funds.

What are the functions of a Stock Exchange?

Ans: The efficient functioning of a stock exchange creates a conducive climate for an active and growing primary market following are the important functions of a stock exchange

(i) Providing Liquidity and Marketability to Existing Securities

The basic function of a stock exchange is the creation of a continuous market where securities are bought and sold. It gives investors the chance to disinvest and reinvest. This provides both liquidity and easy marketability to the existing securities in the market.

(ii) 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. Such a valuation provides important instant information to both buyers and sellers in the market.

(iii) Safety of Transactions

The membership of a stock exchange is well-regulated and its dealings are well defined according to the existing legal framework which ensures that the investing public gets a safe and fair deal on the market.

(iv) Contributes to Economic Growth

A stock exchange is a market in which existing securities are resold or traded. This process of disinvestment and reinvestment saving get channelized into productive investment avenues. This leads to capital formation and economic growth.

(v) Spreading of Equity Cult

The stock exchange plays vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments

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CHAPTER – 11 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: -Analyzing and planning marketing activities, implementing the marketing plans, setting control mechanism, marketing management philosophy/Concept, product concept, production concept, selling concept, marketing concept and social concept.

Marketing Management philosophies: -



1. ***Production Concept:*** - Some companies believe that it is easy to sell the products when products are inexpensive and are easily available. So, the firms following production concept focus on lowering the cost of production by means of mass production and distribution but the drawback of this concept is that customers don 't always buy products which are inexpensive and available.
Main Focus: Large-scale production to decrease the cost.
2. ***Product concept:*** -Product concept stresses on quality of production rather than quantity of production. Product improvement is considered the key to success under it.
Main Focus: Good quality, added features in product.
3. ***Selling Concept:*** -Selling concept believes that in order to make a customer buy a product he or she need to be convinced and customers can be convinced by undertaking some aggressive selling and promotional efforts.
Main Focus: To sell whatever is produced by using intensive promotional technique.
4. ***Marketing Concept:*** - Marketing concept concentrates on the need of the customers. The concept says that product should be designed and produced keeping in mind the need of the customer and try to satisfy the need better than the competitor 's product.
Main Focus: Customer satisfaction.
5. ***Societal concept:*** - Marketing concept is satisfying the need s of customers in the best possible manner but then also it has attracted criticism from people who are concerned about society and environment. They argue that companies should not blindly follow the goal of customer satisfaction.
Main Focus: Customer satisfaction with in ethical and ecological boundaries of our society.

Marketing Management philosophies/concept

Basis	Production concept	Product concept	Selling concept	Marketing concept	Societal marketing concept
Starting point	Factory	Factory	Factory	Market	Market & Society
Main focus	Quantity of product	Quality performance	Existing product	Customer needs	Society welfare
Means	Availability of Product	Product improvement	Selling and promoting	Integrated marketing	Integrated market
Ends	Profits through volume of production	Profit through product quality	Profit through sales volume	Profit through consumer satisfaction	Consumer satisfaction and social welfare

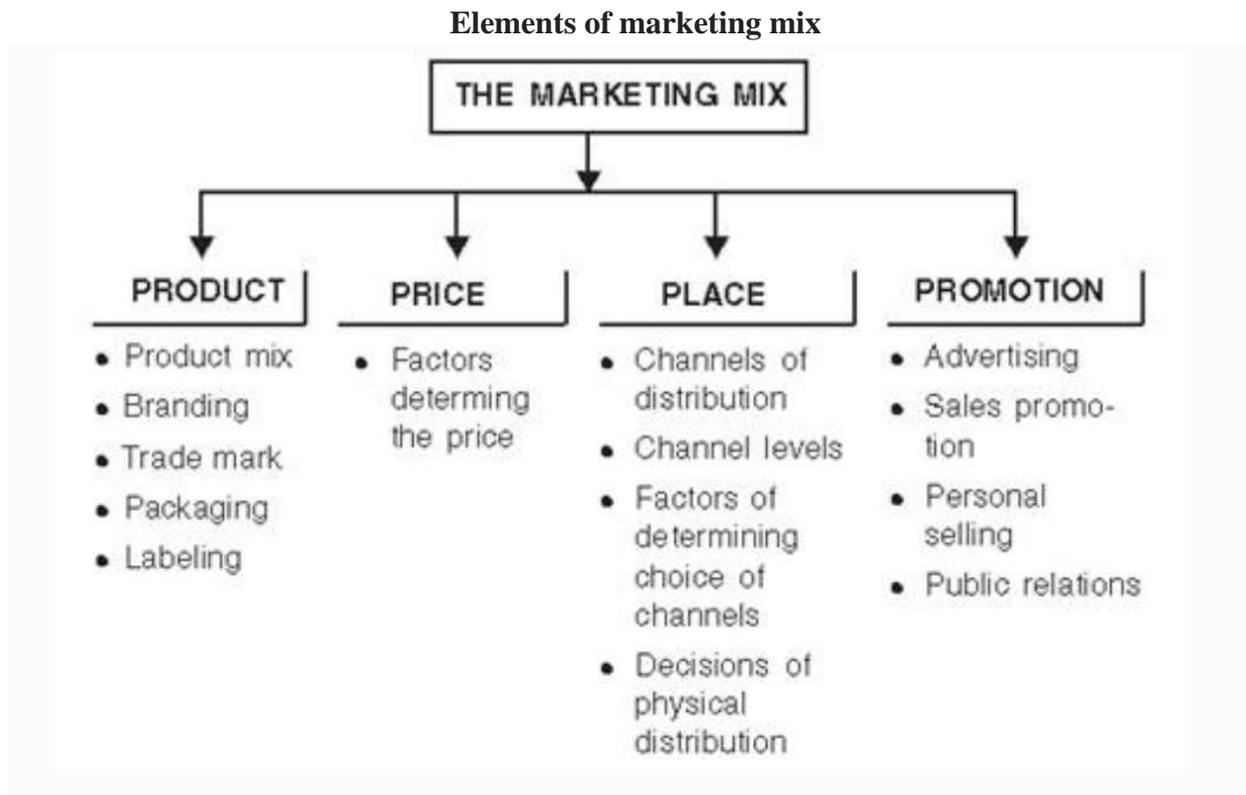
Features of marketing. (easy tips for memorization)

CTN –	C	Creating a market offering
English –	E	Exchange mechanism
News –	N	Needs and Wants
Channel –	C	Customer value

Functions of Marketing: (tips of easy memorization)

Good -	Gathering and Analysis Market Information
Morning -	Marketing Planning
Boss -	Branding
Please	Product designing and development
Call	Customer support service
Police -	Pricing
To -	Transportation
Pin -	Packaging and labelling
Prime -	Promotion
Suspect -	Standardization and Grading
With -	Warehousing

Proof - Physical distribution



PRODUCT MIX

Product: Definition- A product is anything of value i.e. a product or service offered to a market to satisfy needs or wants.

Important product decisions include

- Determining its layout, features, quality, design etc.
- Branding
- Labelling
- Packaging

A Product includes

- Physical product
- After sale services
- Handling grievances
- Replacement of parts etc.

PACKAGING

Packaging: Definition

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

Importance of Packaging

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

Levels of Packaging

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

Functions of Packaging

- Helps in product identification
- Provides protection to the product
- Facilitates the use of product
- Assists in promotion of the product

BRANDING

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

Brand Mark: Definition

A brand mark is that part of a brand can be recognized but is not utter able.

Brand Name: Definition

A brand name is that part of a brand which can be spoken.

Trade Mark: Definition

Trade mark is used in context of a registered brand.

Advantages of branding to the customers

- Supports in product identification
- Certifies quality
- Considered to be status symbol

Advantages of branding to the manufacturers

- Facilitates product differentiation
- Assists in advertising and display programmes

- Facilitates differential pricing
- Ease in the launching of new products

Qualities of a good brand name

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

LABELLING

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

Functions of labelling

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

PRICE MIX

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

Factors affecting price determination

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

PLACE MIX

Physical Distribution: Definition

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

Determining the components of physical distribution

- Order Processing
- Inventory
- Warehousing
- Transportation

Functions of distribution channels

- Sorting
- Accumulation
- Allocation
- Assorting
- Product Promotion
- Negotiation
- Risk Taking

Factors determining choice of channel

1. Product related factors

- Type of product
- Nature of product
- Degree of complexity of product
- Unit value of the product

Company characteristics

- Financial strength of the firm
- Degree of control desired on channel members

Competitive factors

- Policy of firm

Market factors

- Geographical concentration of buyers
- Quantity purchased
- Size of the market

Environmental factors

- Economic conditions
- Legal constraints

Two main decisions involved in physical distribution

- Physical movement of goods from producers to consumers
- Choice of channels of distribution

Channels of Distribution: Definition

Channels of distribution refers to the set of individuals and firms that act as intermediaries in the form of agents, wholesalers, retailers etc. that help to transfer the title of ownership to the buyer and also facilitate physical movement of the products.

Types of channels of distribution

1. Direct channel:

- Manufacturer- consumer (**zero level**)

Indirect channels:

- Manufacturer- retailer consumer (**one level channel**)
- Manufacturer- wholesaler- retailer consumer(**two level channel**)
- Manufacturer-agent wholesaler retailer consumer(**three level channel**)

PROMOTION MIX

Promotion: Definition

Promotion refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuading them to make a purchase.

Promotion mix

- Advertising
- Personal selling
- Sales promotion
- Public relations

Advertisement: Definition

Advertisement is a paid form of non-personal communication undertaken by the marketers to boost the sale of a product or a service.

Objections to Advertising

- Adds to cost
- Undermines social values
- Encourages sale of inferior products
- Some advertisements are in bad taste
- Confuses the buyers

Features of Advertising

- Paid form
- Impersonality
- Identified sponsor

Sales promotion: Definition

Sales promotion refers to the short-term incentives offered by the marketers to promote the sale Of their products

Commonly used Sales Promotion activities

- Rebate
- Discount
- Refunds
- Product combinations
- Quality gift
- Instant draws and assigned gift
- Lucky draw

- Usable benefit
- Full finance @ 0%
- Sampling
- Contests

Public Relations: Definition

Public relations refers to the practice of managing communication between an organisation and its public in order to create and maintain a positive image about itself and its products

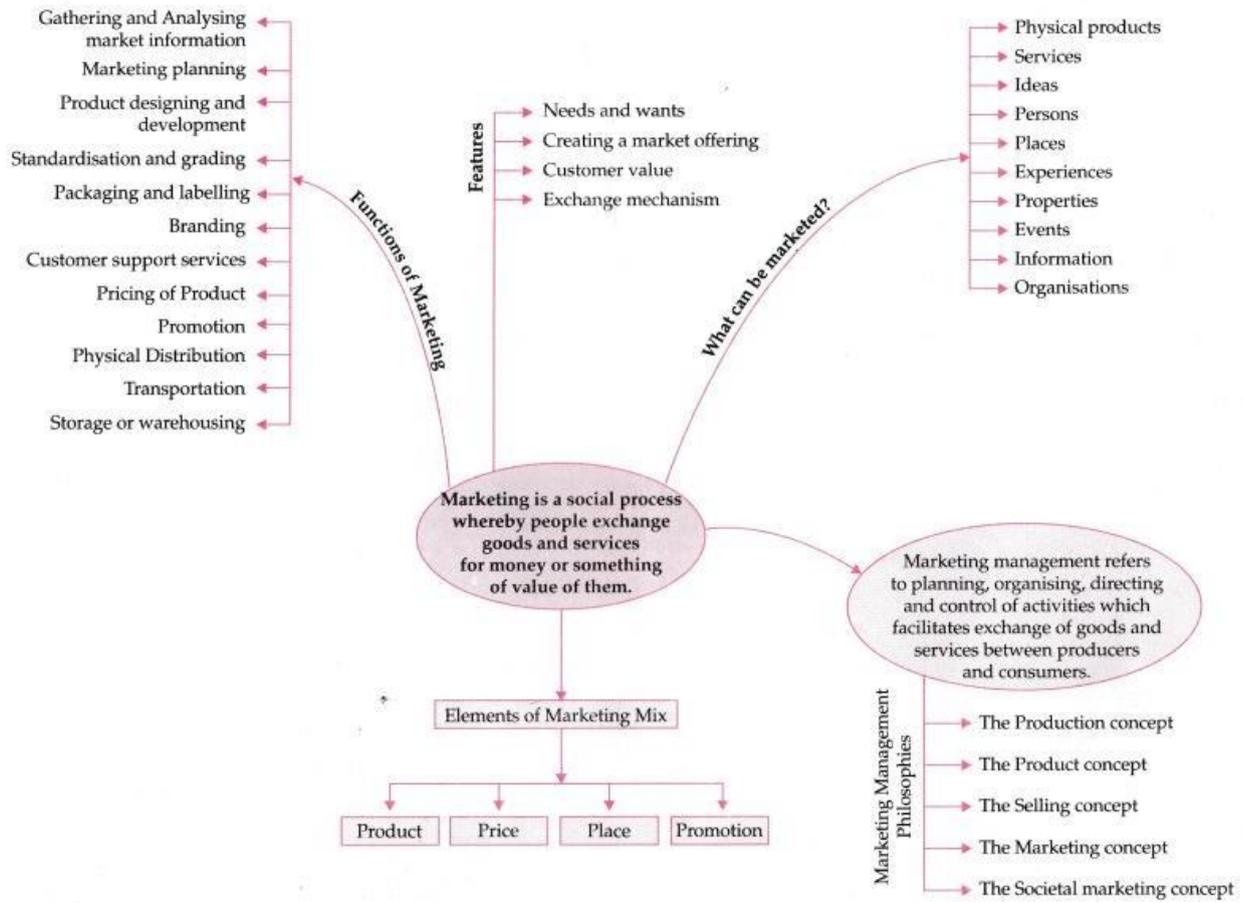
Roles of Public Relations

- Public relations helps to create a positive image about the company in the eyes of various interest holders like consumers, government, suppliers etc.
- It helps in launching new products as they may be accepted easily because of they may be accepted easily because of good reputation of business.
- It helps the business to reinstate itself in wake of controversies or prejudices etc.

Functions of the Public Relation Department

- It manage relations with the press to present true and correct information about the company.
- It undertakes product publicity for new products through sponsorships.
- It is proactive in promoting or defending regulations that affect business by maintaining healthy relationships with associations of commerce and industry etc. through newsletters, brochures, articles or arranging for talk shows or speeches of high officials of the company.
- It initiates or supports various kinds of corporate social activities.

MIND MAP



Some useful and important case studies of marketing management

Question 1

Mansi took her niece Ridhima for shopping to ‘Mega Stores’ to buy her a bag for her birthday. She was delighted when on payment of the bag she got a pencil box along with the bag free of cost. Identify the technique of sales promotion used by the company.

Answer:

Product combination

Question 2

“AJANTA” watch manufacturing company is a renowned company marketing watches. It performs various activities like, market analysis, product designing or merchandising, packaging, warehousing, branding, pricing, promotion and selling. The company maintains good customer relations through various follow up activities. This helps the company in procuring repeat sales orders.

1. Name the concept related to the activities mentioned in the above paragraph.
2. Explain any two features of the concept identified in part 1

Answer:

1. Marketing is the concept related to the activities mentioned in the above paragraph.
2. The two features of marketing are described below:

- **Needs and wants:** Marketing is a social process that seeks to satisfy the needs and wants of individuals and organizations. Needs are basic to human beings like food, clothing and shelter and do not relate to a particular product. Whereas wants are culturally defined human needs which are shaped by multiple factors like personality, religion, culture etc. Needs are limited whereas wants are unlimited. Therefore, the success of marketing lies in the competence of the marketer to identify needs of target customers and develop products to satisfy such needs effectively.
- **Creating a market offering:** The complete offer for a product or service possessing certain specific features like size, quality, color etc. is known as a market offering. Thus, the success of the marketers lies in their proficiency to create a market offering in accordance with the needs and wants of the target market.

• **Question 3**

“Siddhi Ltd.” are the manufacturer of vegetarian frozen dessert food products made with coconut milk, agave syrup and other certified ingredients. The founders of the company Lovely and Lalita originally developed this treat to meet their own needs but found that their friends and families around were also keen to use the products. It was not only the vegetarians, but also those who could not get enough environment friendly sustainable food, that appreciated the product. It did not take long for Lovely and Lalita to recognize the potential of their little venture. In the beginning they started from their home with the product being sold through local family parties that enable guests to personally meet the owner. This helped to establish strong connections with the prospective buyers and the company could put the product on shelves of natural food store. The company used* all marketing activities to grow and expand. The company began sponsoring booths at festivals, drawing attention to its newly created vegetarian products. It also disseminated relevant information to media about its products and the people who helped in building the company’s reputation. Lovely and Lalita were invited for an interview with one of the leading TV channels in which they talked about their environment friendly vegetarian products. To show its gratitude to customers, local business and government officials who supported the company from the beginning, “Siddhi Ltd.” hosted a gala event and involved all of them to raise funds for a few local NGO’s. The company also asked its fans and customers to send songs and poetry conveying their impression about “Siddhi Ltd.” products.

1. Identify and explain the communication tool used by “Siddhi Ltd”.
2. Briefly explain the role of the tool identified in (1) above.

Answer:

1. Public relations is the communication tool used by “Coconut Joy Ltd”. Public relations refers to the practice of managing communication between an organization and its publics in order to create and maintain a positive image about itself and its products.
2. The role of public relations department is described below:

- **Press Relation:** It manages relations with the press to present true and correct information about the company. Thus, public relations helps to create a positive image about the company in the eyes of various interest holders like consumers, government, suppliers etc.

- **Product Publicity:** It undertakes product publicity for new products through sponsorships. Thus, it helps in launching new products as they may be accepted easily because of good reputation of business.
- **Corporate Communication:** It promotes image of the company through different ways of corporate communication like publication of newsletters, brochures, articles or arranging for talk shows or speeches of high officials of the company.
- **Lobbying:** It is proactive in promoting or defending regulations that affect business by maintaining healthy relationships with associations of commerce and industry, government officials and different ministers in charge of corporate affairs etc.

Question 4

Unilever has found a new way to make ice creams by using an ingredient called 'ice structuring protein' which is widely found in nature especially, in fishes which allows them to survive in freezing arctic waters. Combining ISP with stabilizer technology allows to make ice creams that don't melt so easily thereby making it more convenient for small children and consumers in hot countries.

In the context of above case:

1. Identify the component of marketing mix being taken into consideration by the company.
2. Explain briefly the function of marketing highlighted here.
3. List any two values that the company wants to communicate to the society.

Answer:

1. The component of marketing mix being taken into consideration by the company is 'Product'.
2. Product designing and development: Every marketer strives to achieve his marketing objectives by creating offerings to satisfy a need or a want. Therefore, one of the core functions of marketing is to develop the product in the most effective and efficient way. Every marketer endeavor to add value to his product by introducing constant innovations in the product to enhance both its utility and attractiveness in the eyes of the potential buyers and gain a competitive edge.
3. The two values that the company wants to communicate to the society are:
 - Responsibility towards consumers
 - Technological advancement.

Question 5

As a global leader in the consumer electronics and entertainment industries, Sony has set forth 'Road to Zero environmental plan', to achieve a zero environmental' effect by the year 2050 by producing world-class products in a manner that both protects and promotes a healthy and sustainable planet.

In the context of above case:

1. Identify the marketing philosophy being implemented by the company.
2. Outline the main focus and ends of the relevant marketing philosophy.
3. State any two values that the company wants to communicate to the society.

Answer:

1. Societal marketing concept is being pursued by the company.

Ans. Marketing is the sum total of all those activities which move goods and services from the producers to the consumers. According to Philip Kotler, 'Marketing is that social process by which individual and groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others.

The three main functions of marketing are:

- (i) **Marketing planning** the marketer develops appropriate marketing plans to capture or enhance the existing market share. It provides the guidelines to achieve the marketing objectives, e.g. a marketer of color TVs, having 2% of current market share in the country, aims at enhancing his market share to 20% in the next three years.
- (ii) **Production designing and development** Product designing and development is concerned with anticipating customers' needs, developing new products and improving the existing products so as to meet the expectations of customers, e.g. when we plan to buy any product say a motorbike, we not only see its features like cost, mileage, etc but also the design, shape, style, etc.
- (iii) **Pricing of products** It refers to the amount of money which the customers have to pay to obtain a product. Price is an important factor affecting the success or failure of a product in the market. The demand for a product or service is related to its price. Generally, lower the price, higher would be the demand for the product and vice-versa.

Define the functions of Marketing Management.

Ans. Marketing Management is performing a task to capture the market. Its do some needful works to perform these tasks. Following are the functions of marketing management: -

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

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CHAPTER 12 - CONSUMER PROTECTION

Consumer Protection: Definition

Consumer protection refers to not only providing education to consumers about their rights and responsibilities, but also helping them in getting their grievances redressed.

CONSUMER PROTECTION ACT, 2019

Objectives of the New Act

- e-commerce included within the ambit of Consumer Protection
- establishment of the Central Consumer Protection Authority CCPA
- strict norms of misleading advertisement
- product liability option
- greater ease to dispute resolution
- establishment of the Mediation Centre
- introduce Filing by video conferencing

Importance of Consumer Protection from Businessman's Point of View

- Long-term Interest of Business is assured.
- Business uses society's resources so they need to safeguard consumer's interests.
- Social Responsibility towards consumers as an important interest group.
- It is the moral obligation of the businessmen to give due consideration to the consumer's interest.
- To avoid government intervention in business.

Importance of Consumer Protection from Consumers' Point of View

- Consumer Ignorance needs to be removed
- Unorganized Consumers need a mechanism to unite themselves.
- Widespread Exploitation of Consumers needs to be checked.

1) The rights of a consumer.

Ans: The Consumer Protection Act provides six rights to consumers. They are as follows

(i) Right to Safety

The consumer has a right to be protected against goods and services which are hazardous to life, e.g., sometimes we purchased the food items of low quality which causes severe problems. Thus, in this case, we should purchased good quality and FPO labelled products.

(ii) Right to be Informed

The consumer has a right to have complete information about the product, which he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc. Under the legal framework of India manufactures have to provide such information on the package and label of the product.

(iii) Right to Choose

The consumer has the freedom to choose from a variety of products. The marketers should offer a wide variety of products and allow the consumer to make a choice and

choose the product which is most suitable. ‘

(iv) Right to be Heard

The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells.

v) **Right to Seek Redressal**

The Consumer Protection Act provides a number of reliefs to the consumer including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer etc.

(vi) **Right to Consumer Education**

The consumer has a right to acquire knowledge about products. He should be aware about his rights and the reliefs available to him in case of a product/service falling short of his expectations. Many consumer organizations and some enlightened businesses are taking an active part in educating consumers in this respect.

2) Consumer Responsibilities

A consumer must be aware about these responsibilities while purchasing, using and consuming goods and services

- (i) Consumer must be aware of all their rights.
- (ii) Consumer must be careful while purchasing a product.
- (iii) He should file complaint for the redressal of genuine grievances.
- (iv) Consumer must buy a standardized good.
- (v) He should ask for a cash-memo on purchase of goods and services

3) The redressal mechanism available to consumers under the Consumer Protection Act, 2019

Ans: For the redressal of consumer grievances, the Consumer Protection Act provides for setting up of a three-tier enforcement machinery at the District, State and the National levels.

(i) **District Forum** A complaint can be made to the appropriate District Forum when the value of goods or services, along with the compensation claimed, does not exceed ? 20 lakhs. In case the aggrieved party is not satisfied with the order of the District Forum, he can appeal before the State Commission within 30 days.

(ii) **State Commission** A complaint can be made to the appropriate State Commission when the value of the goods or services, along with the compensation claimed, exceeds ? 20 lakhs but does not exceed Rs 1 crore. The appeals against the orders of District Forum can also be filed before the State Commission. In case the party is not satisfied with the order of the State Commission, he can appeal before the National Commission within 30 days of the passing of the order by State Commission.

(iii) **National Commission** A complaint can be made to the National Commission when the value of the goods or services, along with the compensation claimed exceeds Rs 1 crore. The appeals against the orders of a State Commission can also be filed before the National Commission. An order passed by the National Commission in a matter of its original jurisdiction is appealable before the supreme court. This means that only those appeals, where the value of goods + services in question, along with the compensation claimed, exceeded Rs. 1 crore and where the aggrieved party was not satisfied with the order of the National Commission, can be taken to the Supreme Court of India.

4) Who can file a complaint in a consumer court?

Ans: A complaint can be made by

- (i) Any consumer.
- (ii) Any registered consumer's association.
- (iii) The Central Government or any State Government.
- (iv) One or more consumers, on behalf of numerous consumers having the same interest.
- (v) A legal heir or representative of a deceased consumer.

5) Role of Consumer Orgs and NGOs

Consumer organisation and NGOs perform several functions for the protection and

promotion of interest of consumers. In India, these associations are performing lots of functions some of them are

- (i) Educating the general public about consumer rights by organizing training programmers, seminars and workshops.
- (ii) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other – matters of interest.
- (iii) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.
- (iv) Encouraging consumers to strongly protest and take an action L against unscrupulous, exploitation and unfair trade practices of sellers.
- (v) Providing legal assistance to consumers by providing aid, legal advice etc in seeking legal remedy.
- (vi) Filing complaints in appropriate consumer courts on behalf of the consumers.
- (vii) Taking an initiative in filing cases in consumer court in the interest of the general public, not for any individual.

Reliefs Available to a Consumer

- To remove the defect in goods or deficiency in service.
- To replace the defective product with a new one, free from any defect.
- To refund the price paid for the product, or the charges paid for the service.
- To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- To pay punitive damages in appropriate circumstances.
- To discontinue the unfair/restrictive trade practice and not to repeat it in the future.

CONSUMER RIGHTS (EASY TIPS TO LEARN)

<i>CBSE</i>	<i>Right to be assured</i>
<i>Changed</i>	<i>Right to consumer education</i>
<i>History</i>	<i>Right to be heard</i>
<i>Syllabus</i>	<i>Right to safety</i>
<i>In</i>	<i>Right to information</i>
<i>School</i>	<i>Right to seek redressal</i>

CONSUMER RESPONSIBILITY

<u>Let's</u>	<u>Learn about the risk associated with product and services</u>
<u>Fix</u>	<u>Follow manufactures' instructions and use the product safely</u>
<u>A</u>	<u>Assert yourself to ensure that you get a fair deal</u>
<u>Balloon</u>	<u>Be aware about various goods and services in the market</u>
<u>Race</u>	<u>Respect the environment</u>
<u>At</u>	<u>Ask for a cash memo on purchases of goods and services</u>
<u>Resort</u>	<u>Read labels carefully so as to have information about product</u>
<u>Between</u>	<u>Buy only standardized goods as they provide quality assurance</u>
<u>Best</u>	<u>Be honest in your dealing</u>
<u>Friends</u>	<u>File a complaint in an appropriate consumer forum</u>
<u>Forever</u>	<u>Form consumer societies which would play an active part</u>

Redressal Agencies under the consumer Protection Act. (with easy memorization tips)

Do	District commission
Something	State commission
New	National commission

Some important case studies related to consumer protection

Question 1.

Ronit Raj, a marketing manager is a patient of diabetes for which he takes medicines regularly. One day, on his tour to Patna, he met with an accident and was hospitalized. Due to doctor's negligence a delicate nerve of his right leg was cut rendering him crippled throughout his life. Identify the consumer right that has been violated by the doctors under the Consumer Protection Act, 1986 in the above situation.

Answer:

Right to safety is the consumer right that has been violated by the doctors under the Consumer Protection Act, 1986 in the above situation.

Question 2.

Sirajuddin purchased a car for Rs. 15 lacs from an automobile company and found that its airbags were defective. After many complaints with the company that went unheard, he filed a case in the District Forum. He was not satisfied with the orders of the District Forum. He then appealed before the State Commission and on being dissatisfied with the orders of State Commission, he appealed before the National Commission. Sirajuddin was not satisfied with the orders of National Commission. Suggest him the highest authority where he could appeal against the decision of the National Commission.

Answer:

Sirajuddin cannot appeal to any other higher authority. This is because only those matters which have been directly filed in the National Commission and where the value of goods and services in question along with the compensation claimed exceed ? 10 crore are appealable before Supreme Court.

Question 3.

"Grahak Shakti", an N.G.O. organized a workshop to discuss various issues relating to consumers. During the discussion, one of the members drew attention towards exploitation of consumers due to defective and unsafe products, adulteration, black marketing, hoarding etc. To this another member argued that consumers themselves are responsible as they do not raise collective voice against the exploitation. The Chairperson of the organization was of the opinion that it was also the duty of the businessman to take care of the interests of various stakeholders. Business organizations earn money by selling goods and services to consumers. So the interests of the stakeholders have to be well taken care of.

State three points that highlight the need for consumer protection as discussed in "Grahak Shakti's workshop.

Answer:

The three points that highlight the need for consumer protection as discussed in “Grahak Shakti’s workshop are described below:

- Widespread exploitation of consumers
- Unorganized consumers
- Social responsibility.
-

Question 4.

Manuj bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complained about it to the company. The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available. State the consumer right which Manuj exercised.

Answer:

Right to be heard has been exercised by Manuj.

Question 5.

Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box, she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week, the representative of the company visited Suman’s residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her. State the consumer right with Suman exercised.

Answer:

Right to seek redressal has been exercised by Suman.

Question 6.

Manvendra always went to a specific shop to buy all consumable and non-consumable goods. In this shop, a variety of products of different brands were displayed nicely and the sales person available also gave good sales presentations if required. But this shop was quite far-off from his residence. His friend Annant always wondered why Manvendra wastes so much time in going to that shop whereas there were many big brand shops situated near his residence having consumable and non-consumable goods.

Annant asked Manvendra the reason of going to that particular shop. Manvendra told that he was exercising one of his rights which he could not exercise in nearby big brand shops. State the consumer’s right which Manvendra had exercised.

Answer:

Right to choose has been exercised by Manvendra.

One Mark questions

1. Under which consumer right does a business firm set up consumer grievance cell?
Ans. **Right to heard.**
2. Which quality certification mark is used for agricultural products?
Ans. **Agmark.**
3. What is the jurisdiction of cases that can be filed in a State Commission?
Ans. **Exceeds 1 crore and upto 10 crore.**
4. State any two relief available to consumers under CPA.
Ans. **Under this Act, the remedies available to consumers are as follows:**

(a) Removal of Defects: If after proper testing the product proves to be defective, then the 'remove its defects' order can be passed by the authority concerned.

(b) Replacement of Goods: Orders can be passed to replace the defective product by a new non-defective product of the same type.

5. Name the component of product mix that helps the consumer to exercise the right to information.

Ans. Labelling.

6. On which type of products is ISI mark used?

Ans. ISI is the standardisation mark for electrical appliances and electronic goods.

7. Which Act of Consumer Protection provides for the formation of 'consumer protection councils' in every district and the state of the country?

Ans. Consumer Protection Act, 2019

8. Why is consumer protection important for consumers? Give any one reason.

Ans. Consumer protection is important from the view point of consumers, as it protects them from exploitative and unfair trade practices.

9. Why is consumer protection important for a businessman? Give any one reason.

Ans. Consumer protection is important for businessman because of long-term interest of business.

10. Which Act of Consumer Protection provides safety to consumers against deficient services? **Ans.**

The Consumer Protection Act, 2019 provides safety to consumers against deficient services.

11. What is the purpose of enacting the Consumer Protection Act, 2019?

Ans. The purpose of enacting Consumer Protection Act, 1986 is to protect and promote the interest of the consumers through speedy redressal of their grievances.

12. Explain the concept of consumer protection.

Ans. Consumer protection is very wide. It includes rights, responsibilities and various remedies available to consumers. It is not only beneficial for consumers but it is equally important for businessmen also.

13. Why is consumer protection necessary?

Ans. Consumer protection is important because it provides safeguard to consumers from exploitation.

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B.ST ON FINGER TIPS :

MOST IMPORTANT QUESTIONS FROM EACH CHAPTER :

CHAPTER-1 NATURE AND SIGNIFICANCE OF MANAGEMENT

- 1) Define management
- 2) Differentiate between effectiveness and efficiency
- 3) Explain any five importance of management
- 4) Explain three objectives of management
- 5) Explain three levels of management with the help of examples and diagram
- 6) Explain five functions of management in brief
- 7) What is coordination? Explain any three importance

CHAPTER 2- PRINCIPLES OF MANAGEMENT

- 1) Give meaning of principles of management
- 2) Give two features of management principles
- 3) Explain fourteen principles of Henry Fayol
- 4) Explain four principles of management by F W Taylor
- 5) Explain all techniques of scientific management
- 6) Difference between Henry Fayol and F W Taylor giving three differences

CHAPTER-3 – BUSINESS ENVIRONMENT

- 1) Define Business environment
- 2) Explain five dimensions of business environment
- 3) Explain any five importance of business environment
- 4) Explain demonetization and its features.

CHAPTER- 4- PLANNING

- 1) Define planning
- 2) Explain importance of planning
- 3) Explain limitations of planning
- 4) Describe steps in planning process
- 5) Differentiate between single use and standing plans
- 6) Give meaning of types of plans in brief

CHAPTER 5- ORGANISING

- 1) Define organizing
- 2) Explain organization structure
- 3) Describe the steps in organizing process
- 4) Explain the importance of organizing
- 5) Explain functional and divisional structure in organizing
- 6) Explain five advantages and disadvantages of functional structure
- 7) Explain five advantages and disadvantages of divisional structure
- 8) What is formal organization? Explain any three merits and demerits
- 9) What is informal organization? Explain any three merits and demerits
- 10) What do you mean by delegation of authority? Explain its elements in brief
- 11) Explain any five importance of delegation of authority
- 12) What is decentralization? Explain any five importance
- 13) Differentiate between delegation and decentralization giving five differences

CHAPTER- 6 – STAFFING

- 1) Define staffing explain any five importance
- 2) State any five functions performed by HRM
- 3) Describe the steps in the process of staffing
- 4) Explain meaning of recruitment
- 5) Discuss the two sources of recruitment
- 6) Explain merits and demerits of internal recruitment with example
- 7) Explain merits and demerits of external recruitment with example
- 8) What is selection: explain selection process
- 9) What is training? Explain five benefits of training
- 10) Write short notes on: induction, vestibule, apprenticeship and internship training.
- 11) Differentiate between training and development
- 12) Explain the on job and off job training with examples

Chapter- 7- Directing

- 1) What is directing? Explain any five importance?
- 2) Explain the elements of directing
- 3) What is motivation?
- 4) Explain Maslow's need hierarchy theory of needs with the help of a diagram
- 5) Discuss any five financial and non-financial incentives
- 6) What is leadership? Explain leadership styles
- 7) What is communication? Explain its elements of communication process in brief
- 8) Explain various barriers to effective communication
- 9) Suggest measures to overcome barriers to communication

Chapter- 8 – Controlling

- 1) Define controlling
- 2) Explain any five importance of controlling
- 3) Explain the steps in controlling process

Chapter 9- Financial management

- 1) Define Financial management
- 2) Explain the objectives of financial management
- 3) Explain Financial planning and its importance
- 4) What is capital structure? Explain the factors determining choice of an appropriate capital structure
- 5) What do you mean by fixed and working capital
- 6) Explain factors determine fixed and working capital

Chapter 10- Financial market

- 1) What is financial market?
- 2) What do you mean by capital and money market
- 3) Explain types of capital market and also give any five difference between them
- 4) Differentiate between primary and secondary market
- 5) What is stock exchange? Explain its functions
- 6) Describe trading procedure in a stock exchange
- 7) Explain depository services procedure and Demat account

- 8) Explain SEBI and its functions

Chapter 11- Marketing Management

- 1) Explain marketing and its objectives
- 2) Explain marketing philosophies
- 3) What is marketing mix explain its elements?
- 4) Explain branding and qualities of good brand name
- 5) What is labeling. Explain its features
- 6) What is packaging? Explain three levels of packaging
- 7) What are the factors determining price of a product.? Explain
- 8) Explain the components of physical distribution.
- 9) Describe various channels of distribution
- 10) What is advertising, sales promotion and public relations. Explain the terms

Chapter 12- Consumer Protection

- 1) Explain importance of consumer protection
- 2) Explain all rights of a consumer
- 3) Explain responsibilities of a consumer
- 4) Who can file a complaint and against whom?
- 5) Discuss the legal redressal machinery under consumer protection act 2019
- 6) Explain the remedies available to the consumer under consumer protection act 2019
- 7) Describe role of NGOS

MENUNOMICS FOR EACH IMPORTANT TOPIC:

A) FOURTEEN PRINCIPLES OF MANGEMENT BY HENRY FAYOL

U DO CS IES DEAR 4 US

U	Unity of direction
D	Division of work
O	Order
C	Centralization and Decentralization
S	Scalar chain
I	Initiative
E	Esprit de corps
S	Subordination of individual interest to general

D	Discipline
E	Equity
A	Authority and responsibility
R	Remuneration of personnel
4	
U	Unity of command
S	Stability of tenure

B) MEANING OF PRINCIPLES IN BRIEF

U Unity of direction -One unit and one plan for the group of activities having the same objective.
D Division of work -Every employee should be assigned only one type of work as per his skill interest and capability
O Order- People and material must be in suitable places at appropriate time for maximum efficiency.
C Centralization and Decentralization -There is a need to balance subordinate involvement through decentralization with managers' retention of final authority through centralization. Too much of any would misuse power or overburden the person.
S Scalar chain There should be a clear line of authority from top to bottom linking managers at all levels and this chain should be followed top to bottom.
I Initiative The managers of an undertaking should encourage its subordinates to take initiative in thinking out and executing plans. Suggestion system should be installed, where good suggestion should be rewarded.
E Esprit de corps It means unity is strength. Management should promote unity and harmony among employees, encourage group work mutual help and friendly environment
S Subordination of individual interest to general interest The interest of the organization must prevail upon the personal interests of individuals.
D Discipline Discipline means obedience, application, good superiors 'at all levels, clear and fair agreements and judicious application of penalties.
E Equity Sense of fairness and justice to all workers working in an organization
A Authority and responsibility Authority and responsibility should bear a logical relation to each other.

R Remuneration of personnel The employees must be remunerated fairly for their services rendered to the concern. No difference should be made on the basis of caste creed sex.

4

U Unity of command A subordinate should receive orders from one Boss / superior only at a given point of time.

S STABILITY OF TENURE- The person should be assured with job security and stability and should not be frequently transferred

C) STEPS IN PROCESS OF PLANNING

PLANNING PROCESS

S SETTING OBJECTIVES

D DEVELOPING PREMISES

I IDENTIFYING OBJECTIVES

E EVALUATING OBJECTIVES

S SELECTING THE BEST ALTERNATIVE

I IMPLEMENTING THE PLAN

F FOLLOW UP

D) STEPS IN PROCESS OF ORGANISING

ORGANISING PROCESS

I IDENTIFICATION AND DIVISION OF WORK

DEPARTMENTATION

ASSIGNING OF DUTIES

E ESTABLISHING REPORTING RELATIONSHIP

E) STEPS IN PROCESS OF CONTROLLING

CONTROLLING PROCESS

S Setting Performance Standards

M Measurement of Actual Performance

C Comparing Actual Performance with Standards

A Analysing Deviations

T Taking Corrective Action

THANKYOU