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## PART-A

1. **Management is a Profession, explain.** 2

**Ans:** Yes, managements & profession if these features are available in that

**1. Well-defined body of knowledge:** The foremost quality of a professional is the possession of specialised knowledge. Management has its own principles based on experiments. It requires special competence to bring them into use. On the basis of this specialluy, management can be accepted as a profession,

**2. Service Motive:** The main motive of a profession is to serve the society. For example, no doubt a doctor follows his profession for his living but to ensure that his patients get justice happens to be his chief motive. Though there is no code of conduct regarding management but its social reponsibilites are being stressed upon increasingly. From theis point of view, there should not be any hesitation to accept management as a profession.

2. **State any two functions of Top level Management.** 2

**Ans: (1) Determining Objectives:** Top-level management sets objectives for the organisation. For example, an objective can be set that in the following year the sales of the company has to cross Rs. 1,000 crore.

**(2) Determining Policies:** Only at this level policies related to the realisation of objectives are formed. For example, it can be a sales policy of a company to just make cash sales.

3. **Define Co-ordination.** 2

**Ans: Meaning:** The dictionary meaning of coordination is rapport. Thus, coordination is to synchronize the various activities of an orgnisation. In the context of a business unit, the meaning of coordination is to balance its various activites (purchase, sales, production, finance, personnel; etc.) so that objectives of business can be easily achieved.

**Definition:** According to Koontz and O'Donnell, "Coordination is the essence of management for the achievement of harmony of individual efforts towards the accomplishment of group goals."

4. **What is the principle of 'Division of Work' ?** 2

**Ans:** According to this principle the work should be divided intosmall tasks. Every employee should be trained in the job that he has to perform. This principle is based on the principle of specialization and results in increased output by making employees more efficient.

**5. What is meant by Divisional Organisation Structure ? 2**

**Ans:** Divisional organisation structure means division of the whole enterprise according to the major products to be manufactured by it. If in a business enterprise many types of goods are manufactured, departmentation is done on the basis of product instead of function. If it is not so, there is a constant fear that the production of some products and their marketing will consume much time while some other products will get only a little attention.

**6. State any three limitations of Formal Organisation. 3**

**Ans: (i) Delay in Work:** Every activity is bounded by rules which causes unnecessary delay in the completion of work.

**(ii) Lack of Initiative:** In this organisation, the employees have to do what they are asked to do and they do not have a chance of some independent thinking. This, therefore, kills initiative.

**(iii) Mechanisation of Relations:** Their relationship of all the people are defined. This leaves no chance of any mutual interplay and thus the knowledge of other people and their experience cannot be exploited.

**7. State any three differences between delegation of Authority and Decentralisation. 3**

**Ans:**

<b>Basis of Difference</b>	<b>Delegation of Authority</b>	<b>Decentralisation</b>
<b>1. Nature</b>	Delegation of authority is inevitable and work cannot proceed in its absence	It is not necessary and work can proceed in its absence
<b>2. Freedom of Action</b>	Less Freedom. Under this even after delegating authority, the delegator has full control on his subordinate.	More freedom. Under this most often, the delegator loses the control on his subordinate.
<b>3. Status</b>	This is a process done as a result of division of work.	This is a result of the policies framed by higher officials.
<b>4. Scope</b>	Delegation of Authority depicts limited distribution of authority, that is why its scope is	This depicts broader distribution of authority that is why its scope is broad.

<p><b>5. Purpose</b></p>	<p>limited.  The purpose is reduction of the workload of an officer.</p>	<p>The purposed is expansion of the authority in an organisation.</p>
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**8. Explain the principles of Scientific Management. 4**

**Ans: (i) Science, Not Rule of Thumb:** This principle says that we should not get stuck in a set routine with the old techniques of doing work, rather we should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.

**(ii) Harmony, Not Discord:** As per this principle, such an atmosphere should be created in the organisation that labour (the major factor of production) and management consider each other indispensable.

**(iii) Cooperation, Not Individualism:** According to this principle, all the activities done by different people must be carried on with a spirit of mutual cooperation. Taylor has suggested that the manager and the workers should jointly determine standards. This increases involvement and thus, in turn, increases responsibility.

**(iv) Development of Each and Every Person to His/Her Greatest Efficiency and Prosperity:** According to this principle, the efficiency of each and every person should be taken care of right from his selection. A proper arrangement of everybody's training should be made. It should also be taken care that each individual should be allotted work according to his ability and interest.

**9. Explain the process of Recruitment of Employees. 4**

**Ans: Process of Recruitment of Employees:**

**(1) Requisition of Employees:** Recruitment process begins with the requisition of employees. After determining the need of employees in their respective departments, the departmental managers bring it to the notice of personnel manager.

**(2) Identification of the Sources of Recruitment:** On receipt of requisition letters from all departments, the personnel manager, by virtue of his knowledge and experience, decides about the sources from where to make available the personnel possessing different qualifications.

**(3) Invitation to Interested People:** In the second stage, after finding the sources, interested people are invited to apply for different jobs. To this effect, personnel manager prepares a comprehensive information carrying the following details: (i) number of vacancies, (ii) nature of job, (iii) qualification required, (iv) experience,

(v) detail of salary, (vi) conditions of employment, (vii) last date of application, and (viii) brief detail of selection procedure. Information must be prepared in a simple and attractive language so that large number of application are received.

**(4) Preparing the list of Deserving Applicants:** On receipt of the applications the same are verified. During the course of verification, applications are divided into two parts. One part consists of those applications which fulfil all the qualifications required by the organisation and the other part consists of those applications which do not fulfil all the requisite qualifications. A list of those applicants who possess the requisite qualifications is prepared. Such eligible applicants alone are included in the selection process.

**10. Explain the four characteristics of Training. 4**

**Ans: Characteristics of Training:**

**(i) Expense on Training is Investment and not the Wastage:** Most important characteristic of training is that expenses incurred on it constitute investment and not wastage. In other words, expenses incurred on training today will provide benefit to the organization for a long time in the form of increased efficiency of the employees.

**(ii) Relates to a Special Job:** Training does not mean increase in the general knowledge of the employees, rather it is meant to increase the skills of the employees to perform a specific job.

**(iii) Training and Development are Different:** Training aims at making employees skilful in a specific job while development aims at imparting knowledge in respect of all the fields. Training is essential for all the levels of employees while need for development is relatively more for managerial class.

**(iv) Essential for both the New and the Old Employees:** So far as new employees are concerned training is a must but even the old hands need to be taught new techniques and their knowledge is to be brushed up regularly.

**11. What is the meaning of Motivation ? Explain its importance. 5**

**Ans: Motivation:** Whenever a person does some work there is always a need behind it which motivates him in doing so. This impelling need is called motive.

**Definition:** Motivation means a process of stimulating people to action to accomplish desired goals.

**Importance of Motivation:**

**(1) Improves Performance Level:** The ability to do work and willingness to do work both affect the efficiency of a person. The ability to do work is obtained with

the help of education and training and willingness to do work is obtained with the help of motivation. Willingness is more important in comparison to ability.

**(2) Helps to change Negative or Indifferent Attitudes of Employees:** Some employees of an organization have a negative attitude. They always think that doing more work will not bring any credit. A manager uses various techniques of change this attitude.

**(3) Reduction in Employee Turnover:** The reputation of an organization is affected by the employee turnover. This creates a lot of problems for the managers. A lot of time and money go waste in repeatedly recruiting employees and giving them education and training. Only motivation can save an organization from such a wastage. Motivated people work for a longer time in the organisation and there is a decline in the rate of turnover.

**(4) Helps to Reduce Absenteeism in the Organisation:** In some of the organizations, the rate of absenteeism is high. There are many causes for this - poor work conditions, poor relations with colleagues and superiors, no recognition in the organization, insufficient reward, etc. A manager removes all such deficiency and motivates the employees. Motivated employees do not remain absent from work as the work place becomes a source of joy for them.

**(5) Reduction in Resistance to Change:** New changes continue taking place in the organization. Normally workers are not prepared to accept any changes in their normal routine. Whereas it becomes essential to bring in some changes because of the demand of time. Employees can be made to accept such changes easily with the help of motivation. Motivated people accept these changes enthusiastically and improve their work performance.

**12. Discuss the Advantages and Limitations of Informal Communication. 5**

**Ans: Informal Organisation:** An informal organization is that organization which is not established deliberately but comes into existence because of common interests, tastes, and religious and communal relations.

**Advantage of Informal Organisation:**

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

**(2) Fulfills Social Needs:** In the informal organization, people having similarity of thoughts and ideas form a group of their own. All the people in the group stand by one another in all the organizational or personal matters.

**(3) Fulfils Organisational Objectives:** Here there is no pressure of formal organization. In the informal organization, the subordinates put their ideas before the superiors without any fear or hesitation. It helps the superiors to understand their difficulties and immediate solution of the problem is sought out. Since the problems are easily solved it becomes easier to achieve the objectives of the organization.

**Limitations of Informal Organisation:**

**(1) It Creates Rumours:** All the person in an informal organization talk carelessly and sometimes a wrong thing is conveyed to the other person which may bring in horrible results.

**(2) It Resists Change:** This organization resists change and lays stress on adopting the old techniques.

**(3) Pressure of Group Norms:** In this organization, people are under pressure to observe group norms. Sometimes the people assembled in informal group lose sight of their objective and all decide to oppose their superiors unanimously. Such a situation adversely affects productivity.

**13. What is the features of planning ? Explain any six.**

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**Ans: Planning:** Planning forms that part of management which lays down the objectives and various activities to be done for the attainment of those objectives. Under this it is decided-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.

**Features of Planning:**

**(1) Planning focuses on Achieving Objectives :** Management begins with planning and planning begins with the determining of objectives. In the absence of objectives no organization can ever be thought about. With the determining of objective, the way to achieve the objective is decided in the planning. In case, it is necessary to change the previously decided course of action for the attainment of objectives, there is no hesitation to do so . It is thus clear that planning is helpful in the attainment of objectives.

**(2) Planning is Primary Function of Management:** Planning is the first important function of management. The other functions, e.g., organizing, staffing, directing and controlling come later. In the absence of planning no other function of management can be performed. This is the base of other functions of management.

**(3) Planning is Continuous:** Planning is a continuous process because:

(a) Plans are prepared for a particular period. Hence, there is need for a new plan after the expiry of that period.

(b) In case of any discrepancy plans are to be revised.

(c) In case of rapid changes in the business environment plans are to be revised.

**(4) Planning is Futuristic:** Planning decides the plan of action - what is to be done, how is it to be done, when it to be done, by whom is it to be done, all these questions are related to future. Under planning, answers to these questions are found out. While an effort is made to find out these answers, the possibility of social, economic, technical and changes in legal framework are kept in mind. Since planning is concerned with future activities, it is called futuristic.

**(5) Planning involves Decision Making:** Planning becomes a necessity when there are many alternatives to do a job. A planner chooses the most appropriate alternative. Therefore, it can be asserted that planning is a process of selecting the best and rejecting the inappropriate. It is, therefore, observed that planning involves decision making.

**(6) Planning is a Mental Exercise:** Planning is known as a mental exercise as it is related to thinking before doing something. A planner has mainly to think about the following questions:

(i) What to do ?      (ii) How to do it ?      (iii) When to do it ?      (iv) Who is to do it ?

**OR**

**Explain these under the planning:**

**(i) Methods**

**(ii) Rules**

**(iii) Programmes**

**Ans: Methods:** Method is that plan which determines how different activities of the procedure are completed. A method is not related to all steps but only to one step of the procedure. It is more detailed than procedure. There may be many methods to do a particular work. After extensive study, a method has to be selected from which a worker feels minimum fatigue, increase in productivity and there is reduction in costs.

**Rules:** Rules tell us what is to be done and what is not to be done in a particular situation. In the presence of rules there is no need to take any decision. Whatever is said in the rules has to be followed without any thinking. For example, the rule 'No

Smoking in the Factory' is applicable to everybody and it must be observed. Provision for punishment in case of non-observing of the rule can also be made.

**Programmes:** A programme means a single-use comprehensive plan laying down the what, how, who and when of accomplishing a specific job. Through programme the managers are informed in advance about various needs so that there is no problem in future. The programmes can be of different types, e.g., production programme, training programme, sales promotion programme, management development programme, etc. In case of sales promotion programme, the what, how, who, when of everything right from the purchase of the raw material to the manufacturing of the product is defined. The moment a work is completed for which the programme has been designed, its utility ends. In other words, a new programme is designed for every new work.

**14. Explain briefly the process of controlling. 6**

**Ans: Following steps are involved in controlling process:**

**(i) Setting Performance:** The first step of controlling to set performance standards. The standards are those criteria on the basis of which the actual performance is measured. Standards can be set in both quantitative and qualitative terms.

**(ii) Measurement of Actual Performance:** After establishing standards the next step in the control process is to measure the actual performance.

Following are the points which should be kept in mind while measuring the actual performance:

(a) The figures regarding work progress should, as far as possible, be completely true.

(b) These figures should be continuously prepared.

(c) The standards for measuring progress should be the same as were adopted at the time of determining standards.

(d) Progress measuring system should be quick to point out deviations.

**(iii) Comparison of actual performance with standards:** In this step, actual performance is compared with the standards and deviations are found. Deviations can be of two types: (i) Negative Deviation and (ii) Positive Deviation.

**(iv) Analysing Deviations:** The term Deviation in controlling means the difference between the actual performance and standards. It is important to determine the acceptable range of deviation. Also deviation in key area of business needs to be attended more urgently as compared to deviation in certain insignificant area.

**(v) Taking Corrective Action:** The last but the most important step in the process of controlling is taking corrective action. By now, the deviations and their causes become known. Now is the time for removing the hurdles in the actual work progress.

## **PART-B**

**15. What is the meaning of Fixed Capital ? 2**

**Ans:** Fixed capital refers to that capital which is used for the purchase of fixed assets, such as, land, building, machinery, furniture, etc. To earn income for a long-time is the motive behind purchase of these assets and not to sell them off immediately.

**16. What is 'Blue Chip Share'? 2**

**Ans:** Shares of a reputed profit making company is known as Blue Chip Shares. These share are shares of a large well established and financially sound company that has operated for many years. These stocks of share are known to have capabilities to endure tough market conditions and give high return in good market conditions.

**17. What is Financial Market ? 2**

**Ans:** It refers to that market which creates and exchanges financial assets. Financial market plays an important role in transferring finance from one sector to the other sector. Financial market means the market that creates and exchanges financial assets. When companies issue shares, debentures, etc. It is called creation of financial assets while their sale-purchase in the financial market is called exchange.

**18. Explain briefly the need of Working Capital. 3**

**Ans:** **(1) Taking advantages of cash discount:** Sufficient working capital enables a business concern to make prompt payments and hence help in taking discount opportunity.

**(2) Continuity of working capital:** Quick payment of raw materials ensures the regular supply of raw materials from suppliers. Suppliers are satisfied by the payment on time. It ensures regular supply of raw material and continuous production.

**(3) Payment of current liabilities on time:** Working capital is really a life blood of any business organisation which maintains the firm in well condition. Any day to day financial requirement can be met without any shortage of fund. All expenses and current liabilities are paid on time.

**19. Explain any three advantages of packaging. 3**

**Ans:** (i) **Rising Standards of Health and Sanitation:** As the people are becoming health conscious they like to buy packed goods. The reason is that the chances of adulteration in such goods are minimised.

(ii) **Self Service Outlets:** Now-a-day self service retail shops are becoming very popular, particularly in big cities. Because of this, the role of sales assistants has gone to packaging.

(iii) **Innovational Opportunity:** With the increasing use of packaging more innovational opportunity becomes available in this area for the researchers.

**20. Explain any four functions of Share Market. 4**

**Ans:** (1) **Providing Liquidity and Marketability of Existing Securities:** Stock Exchange is a market place where previously issued securities are traded. Various types of securities are traded here on regular basis. Whenever required, an investor can invest his money through this market into securities and can reconvert this investment into cash. Availability of ready market for sale and purchase of securities increases their marketability and enhances liquidity.

(2) **Pricing of Securities:** A stock exchange provides platform to deal in securities. The forces of demand and supply work freely in the stock exchange. In this way, prices of securities are determined.

(3) **Safety to Transactions:** Stock Exchanges are organised markets. They fully protect the interest of investors. Each stock exchange has its own laws and bye-laws. Each member of stock exchange has to follow them and any member found violating them, his membership is cancelled.

For instance, if any broker working in stock exchange charges more commission than stipulated from any investor or misleads him in any other way, then the management committee of the stock exchange can fine the broker and even his membership can be cancelled.

(4) **Contributes to Economic Growth:** A Stock Exchange provides liquidity to securities. This gives the investor a double benefit-first, the benefit of the change in the market price of securities can be taken advantage of, and secondly, in case of need for money they can be sold at the existing market price at any time. These advantages provided by the share market encourage the people to invest their money in securities. In this way, people's money gets invested in industries and economic development becomes possible.

**21. Clarify the four difference between Advertising and Personal Selling. 4**

**Ans:**

<b>Basis of Difference</b>	<b>Advertising</b>	<b>Personal Selling</b>
<b>1. Form</b>	This is impersonal.	This is personal.
<b>2. Message</b>	There is uniformity of message which means that the message is the same for all the customers	The message has no uniformity which means it can be changed keeping in view the behavior of the customers.
<b>3. Flexibility</b>	It lacks flexibility	It is completely flexible.
<b>4. Reach</b>	Through its medium the message can be carried to numerous people at the same time.	Through this medium the message is conveyed to a single person or a group of person at a time.
<b>5. Feedback</b>	This gives no information about the reactions of the customers.	The reaction of the customers becomes immediately known or clear.
<b>6. Suitability</b>	This method of promotion is useful for the ultimate consumers who are in large numbers.	This method is useful for industrial buyers and middlemen (e.g., dealers and retail sellers) who are less in numbers.

**22. State factors affecting the financing decision.**

**5**

**Ans: Financing Decision:** It refers to the determination as to how the total funds required by the business will be obtained from various long-term sources. Long-term financial sources chiefly include equity share capital, preference share capital, retained earning, debenture, long-term loan, etc.

(i)**Cost:** The cost of all the sources of finance is different. The rate of interest on debt, fixed rate of dividend to be paid on preference share capital and the expectations of the shareholders on the equity share capital are in the form of costs. If the situations happen to be favourable, the benefit of cheap finance can be availed off by choosing debt capital.

(ii) **Risk:** Debt capital is most risky and from the point of view of risk it should not be used.

(iii) **Floatation Cost:** From the point of view of floating costs, retained profit is the most appropriate source. Therefore, its use should be made.

(iv) **Cash Flow Position:** If the cash flow position of the company is good, the payment of interest on the debt and the refund of capital can be easily made. Therefore, in order to take advantage of cheap finance, debt can be given priority.

**(v) Level of Fixed Operating Costs:** In business there are mainly two types of costs: insurance premium, etc.

**(a) Fixed Operating Costs**, e.g., rent of building, payment of salary etc.

**(b) Fixed Financial Costs**, e.g., interest on debt, etc.

If the level of fixed operating costs is in excess, it is better to keep the fixed financial costs at their minimum. Therefore, debt capital should not be used. On the contrary, if the level of fixed operating cost is low, the use of debt capital is profitable.

**(vi) Control Consideration:** The ultimate control of the company is that of the equity shareholders. Greater the number of equity shareholder, the greater will be the control in the hands of more people. This is not a good situation. Therefore, from this point of view the equity share capital should be avoided.

**(vii) State of Capital Market:** Bullish time brings more profit. Therefore, the people like to invest more in equity shares. On the contrary, the profits are low when there is a bear market. The people give preference to debt capital in order to earn more profits. Therefore, the source of finance should be chosen keeping in view the position of the market.

**23. What is Publicity ? Explain its role.**

**5**

**Ans: Publicity:** It is a medium of providing information about a particular product to the customer for which no effort is made by the producer. For instance, if the editor of a newspaper or magazine himself publishes information about the product of a company, it is called publicity. Producer has not to incur any expenses on it. The editor does so with a view to adding to the knowledge of his readers. Such an information has a salutary effect on customers.

**Role of Publicity:** The role of publicity becomes clear through the following facts:

**(A) Importance to Manufactures:** The importance of publicity for the manufacturers comes out clearly from the following discussion;

**(1) Costless Media of Promotion:** Publicity is a non-paid form of communication. It does not cost anything to the company.

**(2) Enhancing Goodwill:** Publicity is in the form of special news item regarding the company's products, policies, activities, etc. It presents company's view-point and forms public opinion. In this way it creates goodwill.

**(B) Importance to Customers**

Main advantages of publicity to the customers are as under:

**(1) Enhancing Customers' Confidence:** Publicity comes to the receiver as a truth rather than a commercial effort. It has more credibility. Hence, it increases the confidence of the customers.

**(2) Enhancing Customers' Knowledge:** People come to know about different kinds of products by means of publicity. Hence, the customer's knowledge increases and they can pick up the best from among the many products.

**24. What are the main provisions of Consumer Protection Act, 1986 ? Discuss. 5**

**Ans:** The consumers who want to avail the benefits of this Act should have the knowledge of the following main provisions:

**(I) Meaning of Consumer**

A person shall be termed as consumer if:

(i) he buys goods or hires services for a consideration;

(ii) he uses goods with the approval of the buyer;

(iii) he uses services which are availed of with the approval of one who hires the services; and

(iv) he uses the goods bought or services hired exclusively for earning livelihood by self-employment. (For example, a doctor who is a C.T. Scan expert, buys a C.T. Scanner for the purpose of earning his livelihood is a consumer.)

**(II) Under this Act, the complaint is lodged in the context of the following:**

**(1) Unfair/Restrictive Trade Practice:** When a consumer is victimized by unfair/restrictive behavior of any businessman then he can lodge a complaint.

**(2) Defective Goods:** A consumer can file a complaint against defective goods. Defect may relate to the quantity, quality, potency or purity of the products or the goods are not in accordance with related Act or Contract. For instance in a packet, if the quantity of material is not the same as originally written on the pack, this is a quantity related defect. In the same manner, if the power/potency of the product is less than its standard potency it is a case of potency related defect.

**(3) Deficiency of Services:** Under this Act, the consumer concerned can file a complaint against defective or underrated services. Some examples of deficiencies in services are:

(i) Unnecessary delay in providing loans by the banks.

(ii) Unnecessary delay in giving final touches to the claiming by the insurance companies.

(iii) Unnecessary delay in supplying goods by the transport companies.

(iv) Wrong billing by electricity and telephones departments.

**(4) Excessive Charging of Price:** Consumer can lodge a complaint against excessive charging of price. Excess charging means overcharging in the following cases:

(i) Price written on the packet of the product.

(ii) Price written on the product.

(iii) Price decided by any Act.

**(III) Three-tier judicial Machinery:-** District forum, state commission and national commission.

#### **(IV) Complaint Disposal Period**

Under this Act, there is a provision for disposal of complaints expeditiously. In normal situation, the maximum time limit for this period is three months. If under some special condition there is a need to test the product then the maximum time limit is five months.

#### **(V) Who can file complaint ?**

Under this Act, a complaint can be filed by the following people:

(a) A consumer,

(b) A Registered Consumer Association (irrespective of the fact that the consumer concerned is a member of the association or not)

(c) One or more consumers (where many consumers have the same interest)

(d) Central Government, and

(e) State Government.

#### **(VI) Against Whom can the complaint be filed ?**

A complaint can be filed against:

**(a) For Defective Goods:** (i) Seller, (ii) Manufacturer.

Meaning of Defective Goods: It refers to quantity, quality, potency or purity of goods are not in accordance with contract.

**(b) For Deficiency of Goods:** Service providers.

Meaning of Deficient Services: It means any imperfection shortcoming, or inadequacy in the quality, nature and manner of performance of services.

**(VII) Complaint Fee**

With every complaint, its fixed fees (if any) is deposited. Although court fees or any other expense are not to be paid.

**(VIII) Relief/Remedies available to consumers**

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.

**(c) Refund of Price:** Orders can be passed to refund the price paid by the complainant for the product.

**(d) Award of Compensation:** If because of the negligence of the seller a consumer suffers physical or any other loss, then compensation for that loss can be demanded for.

**(e) Payment of Adequate Cost:** In the end, there is provision in this Act that the trader should pay adequate cost to the victim concerned.

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