

CASE STUDY QUESTIONS AND ANSWERS

NATURE AND SIGNIFICANCE OF MANAGEMENT

3/4 MARK QUESTIONS

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

- To reduce the labour costs by shifting the manufacturing unit to a backward area where labour was available at a very low rate
- To start manufacturing solar water-heaters and reduce the production of electric water heaters slowly.

This will not only help in covering the risks but also help in meeting other objectives.

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

b) State any two values which the company wanted to communicate to society.

ANSWER: (a) The objectives of management discussed above are:

i. Organizational objectives: An organization strives to achieve multiple organizational objectives in the interest of its stakeholders like owners, employees etc. The main organizational objectives are survival, profit and growth.

ii. Social objectives: It is the obligation of every organization to undertake such activities which will benefit the society at large like using eco-friendly methods, contributing towards weaker sections of the society, generating employment opportunities, promoting literacy etc.

(b) The two values that the company wanted to communicate to the society are:

i. Rural development

ii. Environmental sustainability

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

In order to achieve target production of 50,000 units per month, the Production Manager of Action Shoes Ltd had to operate on double shifts. The workers are paid overtime charges. To earn higher wages workers try to go slow during normal working hours and complete their targets during overtime hours. Though the manager could achieve his target and produced 5000 units but at a higher production cost.

a. In your point of view, what is lacking in management?

b. Identify the values missing in the production manager and the employees of the organization.

ANSWER:

Yes, according to me, Mr. Singhania should send his son to USA for his MBA because management is being recognized as a profession to a great extent because of the following reasons:

a) Well defined body of knowledge: Management is considered to be a well-defined body of knowledge that can be acquired through instructions. As a separate discipline, it contains a set of theories and principles formulated by various management experts. Moreover, it is taught in various schools and colleges all over the world.

b) Ethical code of conduct: Management in practice, like other professions, is bound by a code of conduct which guides the behavior of its members. Therefore, acquiring a degree in management will equip him with the good managerial skills and approach.

c) Service motive: A good management course will provide him an insight into the multiple goals that an organization should pursue. This knowledge will help him to serve both the objectives of profit maximization and social welfare effectively for his company.

3. In order to achieve target production of 50,000 units per month, the Production Manager of Action Shoes Ltd had to operate on double shifts. The workers are paid overtime charges. To earn higher wages workers try to go slow during normal working hours and complete their targets during overtime hours. Though the manager could achieve his target and produced 5000 units but at a higher production cost.

a. In your point of view, what is lacking in management?

b. Identify the values missing in the production manager and the employees of the organization.

ANSWER:

a) Efficiency

b) Values missing in the manager:

i) Optimum utilization of scarce resources.

ii) Sincerity

iii) Leadership

Values missing in the employees:

i) Sincerity

ii) Responsibility towards achieving the target

iii) Self motivation and loyalty

4. XYZ power Ltd . set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks .the demand of lanterns was increasing day by day ,so the company decided to increase production to generate higher sales . For this they decided to employ people from the nearby village as very few job opportunities were available in that area. The company also decided to open schools and crèches for the children of its employees.

i. Identify and explain the objectives of management discussed above.

ii. State and two values which the company wanted to communicate to the society .

ANSWER:

(i) (a) social objectives :

Objectives which are desired to be achieved for the benefits of the society is known as social objectives. As a part of society ,every organization whether its is business or non-business has a social obligation to fulfill. This refers to consistently creating economic value for constituents of society.

for example , using environmental friendly methods of production , giving employment opportunities to the disadvantaged section of society and providing basic amenities like schools and crèches to employees .

(b) Organization objectives :

Growth

A business needs to add to its prospects in the run , for this it is important for the business to grow. Growth of a business can be measured in terms of sales volume increase in the number of employees, the number of products or the increase in capital investment, etc.

(ii)(a) employment opportunities .

(a) educational enlightenment .

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

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

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

ANSWER:

. i. Yes, the appointment of Mr. Khan is valid as it is not essential to be a member of any representative professional association in order to be a manager.

ii. No, it was not necessary for him to do M.B.A or some other course for this job as no degree is required in order to be a manager.

6. Unique Ltd. is engaged in manufacturing electrical appliances. The company has been facing a lot of problems for the last few months because of chaos between two departments' i.e, Production department and Sales department. The sales department blames production department for delayed production. However, the production department blames sales department for poor sales. The force that integrates the two departments is missing.

Identify the missing force in the above case and list its two characteristics.

ANSWER:

The quality which is lacking in the above case is "co-ordination".

Features:

i. It integrates group efforts into purposeful work activity.

ii. It is all pervasive as it is required at all levels of management

7. Kayco Ltd is manufacturing detergents. They decide to launch a new range of herbal products. As they in a hurry, they have tested products on animals only. The necessary information is missing on the package. The management also plan to launch a new factory in a tribal area

where the required products are available for work at low wages in the absence of development opportunities and school

(a) Which value do you disturbing in the above para?

(b) Will the decision to install a new unit in a tribal area help society? Highlight the social values involved in his decision.

ANSWER:

. (a) values found disturbing:

(i) testing on animals is banned.

(ii) No information about the products on package is violation of right to information.

(b) Benefits of decision to society:

(i) Yes, the decision of installing a new plant in tribal area will definitely help in upliftment and development of tribal society

(ii) Social values Involved:

a. Equal opportunity to grow

b. Proper utilization of natural resource

5/6 MARK QUESTIONS

1. ABC handlooms Ltd. Set up a factory for manufacturing jute bags in a remote village as there was no raw materials available. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of bags was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.

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

B) State any two values which the company wanted to communicate to the society.

ANSWER:

(i) The Company is fulfilling the organizational and social objectives of management.

Organisational objectives include survival, profit and growth.

- In order to survive, ABC handlooms Ltd. earns enough revenues.
- Company's profits are sufficient to cover the cost and the risks.
- Since demand for bags was increasing day by day and so the company decided to increase production to generate higher sales, it implies that the company exploits fully its growth potential.

Social objectives involve the creation of benefits for the society.

'The company decided to employ people from the nearby villages as very few job opportunities were available in that area. It also decided to open schools and crèches for the children of its employees' **(ii) Values:**

- Providing employment opportunities in rural areas
- Concern for the environment

- Socially responsible behaviour
 - Community development by opening schools and crèches for children.
2. Anju and Manju are good friends. Considering the fact that the activities involved in managing an enterprise are common to all organisations, after completing their masters in business management, both of them take up a job at managerial level in different organisations as per their individual areas of interest. Anju takes up a marketing job in a retail company and strives to increase sales whereas Manju joins an NGO and works diligently to realize its objective related to providing employment to specially abled persons. Both of them have to perform a series of continuous, composite, but separate functions. On some days, Anju spend more time in planning a future display layout and on another day, she may spend time in sorting out an employee's problem. Both Anju and Manju make conscious efforts to build a feeling of team spirit and coordination among diverse individuals with different needs who work under them. The effect of their management is noticeable in their respective departments as the targets are met according to plans, employees are happy and satisfied, and there is orderliness in its functioning rather than chaos.

In context of the above case:

1. Identify the various features of management highlighted in the above paragraph by quoting lines from it.

ANSWER:

The various features of management highlighted in the above paragraph are stated below:

- a) Management is all pervasive : "Considering the fact thatindividual areas of interest."
 - b) Management is a goal oriented process: "Anju takes up a marketing job.....to specially abled persons."
 - c) Management is a continuous process: " Both of them.....sorting out an employee's problem."
 - d) Management is a group activity: "Both Anju and Manjuwho work under them."
 - e) Management is an intangible force: "The effect of their managementrather than chaos."
3. Kartik joins a garment factory as a plant supervisor in Lucknow. He observes that the output of some workers is very low as compared to the standards set for their performance. On analyzing the reasons for the same, he finds out that a lot of time of the workers is wasted in getting the requisite materials issued from the store. Whereas on asking, the store keeper complaints that there is no harmony in the working of the production department as a whole. Every day the workers approach him at the last

minute to procure different kinds of threads, laces, mirrors, buttons etc. If it is not available in the store then he has to place an order with the purchase officer. As a result, a lot of time of the workers is wasted. So, in order to integrate the various production activities, henceforth, Kartik ensures that the store keeper is informed well three days in advance about the requisite material. Consequently, the store keeper is able to keep the materials ready for the workers every morning in accordance with their requirements.

In context of the above case:

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

ANSWER:

a) Coordination is the quality of management that Kartik has introduced in the working of the production department as a corrective measure to control the output of the workers. Coordination is the process which helps to integrate the efforts of different individuals with diverse needs to secure a unity of action in the pursuit of common goals.

b) The two points highlighting the importance of coordination are stated below:

- i) Growth in the size: With the growth in the size of an organization, there is a proportionate increase in the number of its employees. So there is a greater need to unify the efforts of diverse individuals towards the realization of organizational goals.
- ii) Functional differentiation: As a result of functional differentiation in an organization, its people and activities get divided into small departments on the basis of functions like marketing, finance etc. Since each department tends to formulate its own objectives, policies etc, there is a need to reconcile the goals pursued by each of such departments with the goals of the organization as a whole.

4. . Jayant is working as Head Relationship Manager in the wealth management division of a private sector bank. He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives. A typical day at work in Jayant's life consists of a series of interrelated and continuous functions. He decides the targets for his department which are in line with the objectives of the organization as a whole. The future course of action for his team members is laid out well in advance. The various resources required by the relationship managers like and iPad with GPS system, account opening forms, brochures, details of account holders etc. are made readily available to them. The executives are given sufficient authority to carry out the work assigned to them. Jayant works in close coordination with the Human Resource Manager in order to ensure that he is able to create and maintain a satisfactory and satisfied workforce in his department. Through constant guidance and motivation, Jayant inspires them to realize their full potential. He offers them various types of incentives from time to time keeping in view their diverse

individual needs. Moreover, he keeps a close watch on their individual performance in order to ensure that they are in accordance with the standard set and takes corrective actions whenever needed.

In context of the above case:

a. Identify the concept being referred to in the following line, "He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives."

b. Identify and describe the various functions of the concept as identified in part (a) of the question by quoting lines from the paragraph.

a) The concept of management is being referred to in the following line, "He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives".

b) The various functions of the management concept mentioned in the above paragraph are listed below:

i) Planning: It is the function of determining in advance what is to be done and who is to do it.

"he decides the targets.....well in advance".

ii) Organising : Organising is the process of bringing together human, physical and financial resources and establishing productive relations among them for the purpose of achieving the desired goals efficiently and effectively.

" The various resources.....the work assigned to them."

iii) Staffing: The managerial function of staffing involves manning the organizational structure in order to fill in the roles designed into the structure.

"Jayant workis in close coordination.....in his department."

iv) Directing: Directing involves leading, influencing and motivating employees to perform the tasks assigned to them.

"Through constant guidance.....diverse individual needs."

v) Controlling: Controlling is the management function of ensuring that events conform to plans.

"Moreover, he keeps a close watch on their individual performances in order to ensure that they are in accordance with the standards set and takes corrective actions whenever needed."

5. Ganesh Ltd. is a highly reputed company. Different functions are performed by different individuals in this company, who are bound together in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. Mr. Sagar responsible for the welfare and survival of the organisation. He formulates overall organization goals and

strategies for their achievement. Mr. Bharat ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained. Mr. Nagar assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objects.

At what levels of management are Mr. Sagar, Mr. Bharat and Mr. Nagar working in Ganesh Ltd.? Justify your answer.

ANSWER:

Mr. Sagar is working at the top level management.

- (i) He is responsible for the welfare and survival of the organisation. He formulates overall organizational goals and strategies for their achievement.
- (ii) Mr. Bharat is working at lower level of management.
- (iii) He ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained.
- (iv) Mr. Nagar is working at middle level management
He assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objectives.

CHAPTER : PRINCIPLES OF MANAGEMENT

3/4 MARK QUESTIONS

1. For the last three years, Mahagun Industries is not functioning smoothly and systemically. The relations between management and employees are becoming bitter day by day. After a complete analysis, it was observed that employees are not working effectively and efficiently and management is not fulfilling its commitment of increments and promotions,
2. 1) Which management principle is being ignored in given case?
3. 2) Can the problem be solved if only management becomes in fulfilling its promises? What should be the appropriate course of action to achieve smooth and systematic functioning of Mahagun industries?

ANSWER:

- i) The principles of 'Discipline' are being violated.
 - ii) No, the problem cannot be solved through management efforts only. For smooth and systematic functioning of Mahagun Industries, both employees and management should be disciplined. Employees must be disciplined to work effectively and efficiently and management should meet their commitments increments and promotions.
2. Rahul is a salesman in M/s Unique Industries. He did an aggressive research on a new cost saving advertisement technique and suggests the same to his sales manager. However, the sales manager did not pay attentions to his suggestion. Moreover, he has warned him not to come with any suggestions in future. Which principle of management is being violated by the manager? What should have been the appropriate way of response by the manager?

ANSWER:

The principle of 'initiative' is being violated by the manager. Manager should have carefully listened to the suggestions of Rahul (even though not to be implemented). Manager should have also encouraged him to come with more suggestions in future.

3. Pankaj, a purchase manager of a company, has to purchase 85 tons of raw materials. He purchased the raw material from a firm owned by his relative, at a rate more than market price. Which management principle is being violated? What should have been the appropriate course of action by Pankaj?

ANSWER:

The principle violated is 'Subordination of Individual Interest to general Interest.' Pankaj should have invited bids from various suppliers and should have purchased the raw material from the suppliers quoting the minimum rate.

4. Satish is the sales manager in a detergent company. He is given the responsibility of meeting a sales target of 1500 detergents in a month. To achieve this target, Satish needs 30 sales executives. However, he has just 18 executives under him and he is not given the authority to employ 12 more executives. Satish is able to sell only 900 detergent only. The General Manager of the company blames Satish for not achieving the target results. Do you think Satish can be blamed for this? Why ?

ANSWER:

No, Satish cannot be blamed for achieving the target results as the principle of 'Authority and responsibility' is violated. According to this principle, there should be balance between authority and responsibility. In the given case, Satish is given the responsibility (sales target of 1500 detergents) without necessary authority (no authority to employ 12 more executives).

5. Sanchit, after completing his entrepreneurship course from Sweden returned to India and started a coffee shop 'Aroma coffee can' in a famous mall in New Delhi. The speciality of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same. Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the order. She also realized that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period Sandhya was able to attract the customers. Identify and explain any two techniques of scientific management used by Sandhya to solve the problem.

ANSWER:

The two techniques of scientific management used by Sandhya to solve the problem are: (any two)

- a) Time study: It seeks to determine the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs. By using time measuring

devices for each element of task the standard time is fixed for the whole of the task by taking several readings.

b) Standardisation and Simplification: Simplification aims at eliminating superfluous diversity of products in terms of varieties, sizes and dimensions. It not only helps to reduce inventories but also save cost of labour, machines and tools. Thus it helps to increase turnover by ensuring optimum utilization of resources.

c) Motion study: Motion study refers to the study of movements of limbs of a worker while doing a particular task. It seek to divide all such movements into three categories namely;

- i) Motions which are required
- ii) Motions which are necessary
- iii) Motions which are incidental

6. Pratap works as a head mechanic in M/s Royal Industries (machine assembling industry). He requires a number of tools while assembling the machine. For getting the tools, Pratap has to move frequently to the tool room, which is situated away from the work places. Such frequent movements leads to wastage of lot of time and no steps are taken by the factory manager to eliminate such unnecessary movements of Pratap and his co-workers.

- 1) Which method of Taylor is over looked by the factory manager?
- 2) How can the frequent movements be avoided?
- 3) What kind of benefits will accrue to M/s Royal Industries after avoiding such unnecessary movements?

ANSWER:

Motion Study

- 1) The frequent movement can be avoided either by having workplaces next to tool room or by keeping the necessary tool box at the work place.
- 2) Elimination of unnecessary movements will help to increase the productivity of workers and will also improve the efficiency level.

7. During boom period (summer), Sohan Industries (water cooler industries) decided to reduce the rest interval of workers from 45 minutes to just 10 minutes. However, due to heavy work load and reduction in time of rest interval, efficiency of workers went down and it led to fall in production level, instead of rising.

- 1) Which technique of scientific management should be followed by Sohan Industries? Also describe the technique.
- 2) What should be done by the company to make the technique effective?

ANSWER:

- 1) 'Fatigue Study'. It refers to determining the amount and frequency of rest intervals required in completing a task.
- 2) To make this technique effective, the company should determine the amount and frequency of rest frequency through fatigue studies and not randomly. The workers should be observed while performing job, as so to note down the time, when their efficiency level starts decreasing.

8. D&D Ltd. Co. is a large manufacturing unit. Recently, the company had conducted the 'time' and 'motion' studies and concluded that on an average a worker could produce 120 units per day. However it has been noticed that average daily production of a worker is in the range of 80-90 units. What steps will you suggest to ensure that the actual performance is in accordance with the performance as per unit and motion studies?

ANSWER:

The following steps can be taken:

- 1) Eliminate unnecessary movements in doing a work;
 - 2) Conduct 'fatigue Study' and provide rest intervals to employees so as to enable them to regain lost stamina;
 - 3) Use 'Differential piece wage system' in which efficient and inefficient workers are paid at different rates. It will motivate the workers to put in their maximum efforts
9. Pawan is working as a Production Manager in CFL Ltd which manufactures CFL bulbs. There is no class-conflict between the management and workers. The working conditions are very good. The company is earning huge profits. As a policy, the management shares the profit earned with the workers because they believe in the prosperity of the employees.
- a. State the principle of management described in the above paragraph.
 - b. Identify any two values which the company wants to communicate to the society.

ANSWER:

a) The principle of management described in the above paragraph is 'Harmony not Discord'.

Taylor emphasized that there should be complete harmony between the management and workers instead of a kind of class-conflict, the managers versus workers. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa. He advocated paternalistic style of management should be in practice.

b) The two values that the company wants to communicate to the society are:

- i) Prosperity
- ii) Sharing

5/6 MARK QUESTIONS

1. Radhika opens a jewellery showroom in Jaipur after completing a course in jewellery designing. She has employed eleven persons in her showroom. For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialized job. The sales persons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radhika as the final authority. In the earlier days of starting of the business, five of her employees were asked to put in extra hours of work. In return she had promised to give them a special incentive within a year. Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these

employees to honour her commitment. However, when it comes to settling the conflicts among her employees, she tends to be more biased her female employees.

In context of the above case:

- a. Identify and explain the various principles of management that are being applied by Radhika by quoting lines from the paragraph.
- b. Identify and explain the principle of management which is being violated by Radhika by quoting lines from the above paragraph
- c. State any one effect of the violation of the principle of management by Radhika as identified in part (b) of the question.

ANSWER:

(a) The various principles of management that are being applied by Radhika are listed below:

i) Principle of division of work (with explanation)

“For greater productivity..... His/her specialized jobs”.

ii) Principle of Centralisation and Decentralisation: (explanation)

“The sales persons are allowed.....as the final authority”.

iii) Principle of Discipline: (explanation)

“Therefore after six months.....to honour her commitment.”

(b) The principle of management which is being violated by Radhika is Equity (explanation)

“However, when it comes..... her female employees.”

(c) One effect of the violation of the Principle of Equity is that it may lead to job dissatisfaction among the male workers.

2. Rajvir works as a plant superintendent in a carpet making factory. In order to complete the export orders on time, the production manager asks him to make the workers work over time whereas the finance manager is strictly against this practice because it will increase the cost of production. Moreover, Rajveer feels that since the company is manufacturing handmade carpets as well as machine made carpets there is lot of overlapping of activities. Therefore, ther should be two separate divisions for both of them wherein each division should have its own in charge, plans and execution resources.

In context of the above case:

- a. Identify and explain the principle of management which is being violated.
- b. Also identify the principle of management that Rajveer feels should be implemented in the factory
- c. Give any two differences between the principle of management as identified in part (a) and part (b) respectively.

ANSWER:

The principle of management which is being violated is stated below:

a) Unity of command (with explanation)

b) Unity of direction (with explanation)

(c) The difference between the principle of Unity of Command and Unity of Direction is given below:

S.N	Basis	Unity of Command	Unity of Direction
1.	Meaning	One subordinate should receive orders from and should be responsible to only one superior	Each group of activities having same objective must have one head and one plan
2.	Aim	It prevents dual subordination	It prevents overlapping of activities.
3.	Implications	It affects an individual employee	It affects the entire organisation

3. Davinder is a class 12th commerce student in a reputed school in Punjab. Satinder and his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic "Principles of management". Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles are different from those of pure science.

In context of the above case:

- Outline the concept of principles of management
- Why does Satinder find the principles of management different from those of pure science?
- Why do the principles of management form the core of management in practice? Explain by giving any two points highlighting the importance of principles of management.

ANSWER:

- (a) The principles of management serve as a broad and general guideline for the managerial decision making and action.
 - (b) Satinder finds the principles of management different from those of pure science because the management principles are not as rigid as principles of pure science. This is due to the fact that they deal with the human behaviour and thus, need to be applied creatively in the light of the given situation.
 - (c) The importance of principles of management are described below:
 - Providing managers with useful insights into reality (explanation)
 - Optimum utilization of resources and effective administration (explanation)
4. Swaraj is running an office furniture showroom. Most of his clients are businessmen and they prefer to buy goods on credit. Keeping this in mind, he has given the power to the sales manager, Mr. Bhardwaj, to offer a credit period of only 20 days, while negotiating a deal with a buyer. On a specific day, Mr. Bhardwaj finds that if he can offer a credit period of 30 days as an exception to a prospective buyer, he is likely to finalise a highly profitable deal for the business. So Mr. Bhardwaj requests Swaraj to grant him additional authority for offering a credit period of 30 days in the interest of the business. But Swaraj refuses to extend his authority and as a result, the deal is not finalized.
- Can Bhardwaj be held responsible for loss of the deal? Why or why not? Give a suitable reason in support of your answer.

b. Also, explain the related principle.

ANSWER:

(a) No, Mr. Bharadwaj cannot be held responsible for the loss of the deal in the above case as he was not given the necessary authority to carry out his responsibility. There is an imbalance in authority and responsibility

(b) The name of the related principle is Authority and Responsibility (with explanation)

5. Hritik is desirous of setting up a small factory to manufacture different kinds of eco-friendly packing materials. He proposes to adopt a logical approach to his business rather than hit and trial method as he knows that this can result in tremendous saving of human energy as well as wastage of time and materials. He plans to adopt paternalistic style of management in practice in order to avoid any kind of class-conflict that may emerge between him and the workers. Moreover, he plans to seek the opinion of his workers before taking any important decisions and also offers incentives to them for providing valuable suggestions for the business.

a. Identify and explain the various principle of scientific management that Hritik plans to apply in his business.

b. List any two values that he wants to communicate to the society by offering eco-friendly packaging material.

ANSWER:

(a)The various principles of scientific management that Hritik plans to apply in his business are described below:

(i) Science, not Rule of Thumb

(ii) Harmony, Not Discord

(iii) Cooperation, Not Individualism

(with explanation)

(b) The two values that Hritik wants to communicate to the society by offering eco-friendly packaging material are:

(i) Concern for environment

(ii) Sense of responsibility

CHAPTER: BUSINESS ENVIRONMENT

1. With changes in the consumption habits of people, Neelesh, who was running a sweet shop, has shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got a lot of orders and earned huge profits by selling the chocolate. Identify and explain dimensions of business environment discussed in the above case.

ANSWER:

The various dimensions of business environment being referred to in the above case are as follows:

a) Social environment

b) Technological environment (with explanations)

2. A recent cut in the interest on loans announced by the banks encouraged Amit, a science student of Progressive School, to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organized by the Directorate of Education. He was awarded the first prize for this invention. Identify and explain the dimensions of business environment discussed in the above case.

ANSWER:

The various dimensions referred to in the above case are:

- i) Economic environment
- ii) Technological environment (with explanations)

3. 'Accent Electronics Ltd' was operating its business in Malaysia. The company started exporting its products to India when the Prime Minister announced relaxation in import duties on electronic items. The company appointed retailers in India who had direct online links with the suppliers to replenish stocks when needed.

Identify and explain the dimensions of business environment discussed here.

ANSWER:

The various dimensions referred to in the above case are:

- i) Political environment
- ii) Technological environment (with explanations)

4. Post demonetization in a further push to cashless economy, the Central cabinet has recently approved the ordinance for paying wages via electronic means. Accordingly, the government approved to Amended Section 6 of the Payment of Wages Act 1936, to allow employers of certain industries to make payment through the electronics modes and cheques. The new ordinance will be applicable to the public sector. Identify the various dimensions of business environment which relate to the above mentioned case.

ANSWER:

The various dimensions of business environment which relate to the above mentioned case stated below:

- a) Political environment
- b) Legal environment
- c) Technology environment

5. Eco-friendly products are gaining power as the consumers' awareness about environmental issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now

more conscious about the carbon emission and climate change effects, and want themselves to be 'seen' as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have to not only meet the needs of the consumers but also ensure that their products are safe and environmental friendly. As a result, there is growing need for better and advanced technologies to work as a catalyst in this regard.

a. Identify the relevant features of business environment being discussed above.

b. Describe briefly any three points which highlight the importance of business environment and its understanding by managers.

ANSWER:

a) Inter-relatedness is the relevant feature of business environment which is being discussed above.

b) The three points which highlight the importance of business environment and its understanding by managers are described below:

i) It enables the firm to identify opportunities and getting the first mover advantage.

ii) It helps the firm to identify threats and early warning signals

iii) It helps in tapping useful resources. (With explanations)

6. In the year 2016, the State Government of Kerala had made it mandatory for anganwadis hostels and canteens in educational institutions to secure the Food Safety and Standards Authority of India (FSSAI) license to ensure food safety. As the educational institutions also get categorized as food business operators in the event of the annual turnover of the hostels, they run exceeding Rs. 12 lakh per annum.

a. Identify and explain the various dimensions of the business environment being referred to here.

b. List any two values which the State Government of Kerala wants to convey through this initiative.

ANSWER:

a) The various dimensions of the business environment being referred to in the above case are as follows:

i) Political Environment

ii) Legal Environment (with explanation)

b) Values are

i) High quality standards

ii) Good health

7. Postage stamps have been unveiled to commemorate 140 years of existence of the country's first stock exchange Bombay Stock Exchange (BSE). The setting up of BSE is considered to be the greatest revolution that took place in the financial markets in India as it acts as a key driver for economic growth of a country. This is due to the fact that there exists a strong correlation between economic growth and capital accumulation.

- a. Identify the dimension of business environment of India being referred here.
- b. State any three factors which broadly affect the dimension of business environment of India as identified in part (a) of the question.

ANSWER:

- a) Economic environment is the dimension of the business environment of India being referred here
- b) The three factors which broadly affect the economic environment of India are stated below:
 - i. Stage of economic development of the country.
 - ii. The economic structure in the form of mixed economy which recognizes the role of both public and private sectors.
 - iii) Economic planning, including five year plans, annual budgets and so on.

5/6 MARK QUESTIONS

1. After completing his education, Arun joins his father in their family business of manufacturing cookware. As a businessman, his father is rigid in his approach and has fixed ideas about various issues. He tends to maintain a distance from the factory workers. However, Arun is more receptive to the needs of the workers and doesn't seem to believe in any class-differences. He believes that the prosperity of their business greatly depends upon the prosperity of their workers and vice-versa. At the same time, he has a good understanding of the business environment. Therefore, he introduces new range of green pans that provide a healthy cooking surface, as they are manufactured with all ceramic or silicon coating and are considered safer than the traditional petroleum based non-stick surfaces which may contain toxic substances. Although, the new cookware range is highly priced, he expects a ready market for it as both the purchasing power of people and their preference for better quality products has increased over the years.

- a) Identify the nature of management which is being reflected in the different styles of management in practice adopted by Arun and his father.
- b) Name and explain the related principle of scientific management
- c) State the related dimensions of business environment.

ANSWER:

a) The different styles of management in practice adopted by Arun and his father reflect that management is an art.

(b) 'Harmony , Not Discord' is the related principle of scientific management (with explanation)

(c) The related dimensions of the business environment are:

i. Economic environment

ii. Social environment

iii. Technological environment (with explanation)

2. On 8th November 2016, the Government of India announced the demonetization making all 500 and 1000 rupee bank notes of Mahatma Gandhi Series invalid past midnight. The Government claimed that the action would curtail the use of illicit and counterfeit cash to fund illegal activity and terrorism. The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on that day after the announcement. The decision was heavily criticized by members of the opposition parties, leading to debates in both houses of Parliament and triggering organized protests against the government in several places across India. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. After demonetization, the demand for point of sales (POS) or card swipe machines has increased. E-payment options like PayTM has also seen a rise:

a) Identify and explain the various dimensions of business environment which relate to the above mentioned case.

b) List any through two values that the government seeks to promote through demonetization.

ANSWER:

(a) The various dimensions of business environment which relate to the above mentioned case are outlined below:

i) Political environment

ii) Technological environment

iii) Legal environment

iv) Social environment

v) Economic environment

(With explanation)

(b) The values are

i) Transparency in dealings

ii) Promote well being of people

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

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

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

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

ANSWER:

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

4. Lately many companies have planned for significant investment in organized retailing in India. Several factors have prompted their decision in this regard. Customers income is rising .people have developed the taste for better quality products. The government is liberalized to economic policies in this regards and has permitted even 100% FDI in some sectors of retailing.

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

ANSWER:

Dimensions of business environment:

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

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

ANSWER:

Importance of business environment:

1. Identify opportunities and get first mover advantage: Early identification of opportunities help the firm to be the first to exploit them instead of losing them to competitors.
 2. Identify threats and early warning signals: Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.
 3. Tap useful resources: A business firm assembles various resources called inputs like finance, machines, raw materials, power and water, labour, etc. from its environment.
 4. Assist in planning and policy formulation: Since business environment provides both opportunities and threats for the firm, its understanding and analysis can be the basis for planning and policy formulation.
 5. Helps in coping with rapid changes: Managers must understand and examine the environment and develop suitable courses of action to cope with rapid change in business environment.
6. Karodimal Ltd. manufactures fashionable and designer clothes. Recently it finds that the demand for its product been declining. After market research it was discovered that fashion and tastes of the consumers is changing a pace. Consumers demand is increasing. New competitors have entered the market with new design. It is difficult for the company to predict future happening. Also it is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on decrease in demand of its product in the market. A meeting was held in which managers from different functional level heading production, marketing, financial etc. for example, chief operating officer, chief finance officer, vice president (marketing) were present to discuss how to deal with the situation. After a long discussion, it was decided that they would study and analyze the market first to identify customers taste and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising, after sale service, etc. Identify any two features a business environment by quoting the lines from the above case.
- (a) At which level of management the meeting of managers in Karodimal Ltd. was held.
 - (b) Identify any two impacts of government policy changes on business, quoting lines from the above case.

- (c) State the importance of understanding of environment by business managers in the light of the above para.

ANSWER:

(a) Features of business environment :-

- (1) Dynamic nature – Fashion and taste of the consumer is changing at a fast pace.
- (2) Uncertainty- It is very difficult for the company to predict future happening.
- (3) Complexity – It is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factor on decreasing in demand of its products in the market.

(b) Top level management

(c) Impact of government policy change in business

- (1) Increasing competition – New competitors have entered the market with new design.
- (2) More demanding customer- Customer demand is increasing.
- (3) Market orientation – It was decided that they would study and analyse the market first to identify customer taste and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising after sale service etc.

(d) Business environment helps the manger in coping with rapid changes.

7. Ultra paint co. which is manufacturing paints had been enjoying a prominent market position as it is manufacturing best quality paints made timely payment of taxes to government. It assembled various inputs like finance, machines, raw materials, etc. form its environment but since last year it has been dumping its untreated poisonous waste on the river bank which has created many health problems for the people. As a result, the court passed an order to seal the manufacturing unit of the company. State the importance of business environment highlighted quoting the line form the above case. Identify any two dimension of business environment mentioned in above case by quoting line from it. State any two values which have been overlooked by the company?

ANSWER:

(a) business environment helps in tapping useful resources.

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

(b) (1) Social environment: ‘...it has been dumping its untreated poisonous waste on the river bank which created many health problems for the people’.

(2)Legal environment'....the court passed an order to seal the manufacturing unit of the company'.

(c) Values overlooked:

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

CHAPTER: PLANNING

1. Two years ago, Madhu completed her degree in food technology. She worked for some time in a company manufacturing *chutneys*, pickles and *murabbas*. She was not happy in the company and decided to have her own organic food processing unit for the same. She set the objectives and the targets and formulated action plan to achieve the same.

One of her objectives was to earn 10% profit on the amount invested in the first year. It was decided that raw materials like fruits, vegetables, spices etc. will be purchased on three months credit from farmers cultivating organic crops only. She also decided to follow the steps required for marketing of the products through her own outlets. She appointed Mohan as a Production Manager who decided the exact manner in which the production activities are to be carried out. Mohan also prepared a statement showing the number of workers that will be required in the factory throughout the year. Madhu informed Mohan about her sales target for different products, area wise for the forthcoming quarter. While working on the production table, a penalty of Rs. 100 per day for not wearing the caps, gloves and apron was announced.

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

Ans. Following are the different plans discussed in the given case:

a. **Objective:** *"One of her.....the first year".*

Objectives are the ends which the management wants to achieve through its operations. After seeing up of objectives, all other managerial activities are planned.

b. **Policy:** *"It was decided.....crops only."*

These are general statements that guide managerial action and decisions in implementation of a strategy. They prescribe the mode and manner in which objectives can be achieved.

c. **Procedure:** *"She appointed Mohan.....carried out."*

It is a stipulated sequence of a course of action for handling activities. It is the detailed description of how a work is to be performed.

d. **Budget:** *'Mohan also prepared.....forthcoming quarter.'*

It is the statement of expected results expressed in numerical terms. It is a plan which converts all future facts and figures in quantitative terms.

e. **Rules:** *"While working on the product..... announced."*

Rules are specific statements that specify clearly what is to be done and what should not be. These do not allow any flexibility.

2. Suhasini a home science graduate from a reputed a college has recently done a cookery course. She wished to start her own venture with a goal to provide 'healthy food' at reasonable price . She discussed her idea with her teacher [mentor] who encouraged her . After analyzing various options for starting her business venture, they shortlisted options Readymade and to make vegetable shakes sattu milk shakes .Then they both weighed the pros and cons of both the shortlisted options.

[a] Name the function of management being discussed above and give any one of its characteristics .

[b] Also briefly discuss ant three limitations of the function discussed in the case.

Ans. [a] Suhasini is engaged in planning function of management. One characteristic of this function is that planning is pervasive. It is not an exclusive function of top management but is required at all the levels of management and in all the departments of the organisation.

[b] The limitations of planning are:

- i. Leads to rigidity. Once a plan is drawn, the managers are abide by it and in case, the circumstances change, they fail to bring the required modification.
 - ii. May not work in dynamic environment. The organisation has to continuously adapt itself to the changing environment. Any unforeseen change in the business environment upsets the whole planning.
 - iii. Reduces creativity. Planning is done majorly by the top management. The rest of the members are given the task to implement the plans. This leads to loss of initiativeand creativity among the staff.
3. An electronic company is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower price models for mass consumers who are price sensitive. For quality conscious consumers company is introducing new model with added features and new technological advancements.

1} Prepare a model business plan for this company. Specify which type of plan you are preparing.

Ans. The type of plan needed to be prepared under this situation is strategy and the steps involved in preparing this plan are:

- I. *Setting up of objective.* The company may set up a long term objective of capturing more and more quality conscious consumers or becoming a leader in quality or trend setter in market by one year time.
- II. *Adopting a particular course of action:* The company must import latest technology to make their goods superior than competitor's goods.
- III. *Allocating resources for achieving the objectives:* Company must take permission for importing technology and must allocate extra funds to their R and D section and appoint people with latest knowledge to innovate new technology .

2} Identify the limitations of such plans.

Ans. The common limitations of these plans are:

- I. It may involve huge cost.
- II. It is a time – consuming process.
- III. There is no guarantee of success.
- IV. It may not fit in dynamic environment.

4. Human Care Ltd. Deals in medical equipment business. They import goods from Korea and sell in domestic market. Recently the Korean company increased prices making goods expensive. India being price sensitive market will not accept the increased price. The Director of the company is thinking of options of importing goods from other countries like Thailand and China. He is also thinking of purchasing goods from the existing supplier in Korea but without packing so that it is cheaper. He will save freight charges. All this will reduce the total cost and will enable him to make profits as before.

- a) Identify the concept of management involved in the above case.
- b) State what is the director of Human Care planning to do?
- c) Mention what steps must be followed by Human Care to make sure that their objective of profit maximization is achieved.

Ans. a] Concept of management is "Planning."

b] Director of Human Care must evaluate all the possible options of importing goods from Korea, China and Thailand before taking the final decision.

c] Human Care Director must follow basic steps of planning process like:

- I. Setting the objective. He must decide if he wishes to continue with same supplier or he can afford to change the supplier and introduce a new brand all over again.
- II. Developing premises. He must make specific assumptions and basis for evaluation.
- III. Identify the alternative courses of action or alternative options for purchasing: Prices from different suppliers from all three countries; various options of purchasing like packed product or without packing; credit period offered; quality of product etc.
- IV. Evaluate each option with proper calculations in terms of how much each option will cost and what will be the comparative savings. He must also check the quality of products and their acceptance in the domestic market.
- V. Select the best alternative and go ahead with placing the order.

5. The sales manager of Sell Well Ltd. Visited a hospital to sell his company's products. The purchase manager of the hospital was keen to purchase the products in fact for all the branches of his hospital across India but he asked the sales manager to give 30% discount. Though the manager knew it was a big order and company would be able to make profits even after offering 30% discount but he could not offer prices better than the price he had been given by the sales director. He tried to contact the director but he was unavailable. As a result the order could not be finalized.

Identify and explain the limitations of planning the sales manager had to face while discussing order with the prospective customer.

Ans. 1] **Rigidity.** The prices were fixed and there was no scope or authority given to the sales manager to finalise the order.

2] **Does not guarantee success.** The prices were decided but with no scope of negotiations. In the changing business environment, there is possibility of competitors offering lesser prices. In such cases if prices are non- negotiable there is possibility of losing orders to competitors.

3] **Reduces creativity and motivation to do things differently.** The sales manager has no scope of offering products to match customer's needs or requirements. In the present scenario he will simply visit customers and give prices, if the prices are acceptable to the customer the order will be finalized otherwise the sales manager may not put in extra effort to convince or attract customer to buy his products.

CHAPTER:ORGANISING

1. A company, which manufactures a popular brand of toys, has been enjoying good market reputation. It has a functional organisational structure with separate departments for Production, Marketing, Finance, Human Resources and Research and Development. Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of new range of electronic toys for which a new market is emerging.

a] Prepare a report regarding organisation structure giving concrete reasons with regard to benefits the company will derive from the steps it should take.

Ans. The company should change its organisational structure from Functional to Divisional.

The main reason for the change is that company is diversifying and is planning to add new products to its existing product line. This will mean that the organisation will increase its scale of operations, will have larger number of employees leading to increase in levels of management. It will be better for company to create divisions for each product for effective control on quality and production. The benefits of adopting divisional structure of organisation are:

- i. It will lead to product specialization.
 - ii. It will provide growth opportunities for employees.
 - iii. It will define accountability and responsibility for the performance of each division.
 - iv. Independent functioning will promote flexibility and employee initiative.
 - v. New divisions provide growth and expansion opportunities for the organisation.
2. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisational culture in totality. It is facing lot of problems in delays in decision making. As the result it is not able to adapt to changing business environment. The workforce is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and business environment.

a] You are to advise the company with regard to change it should bring about its organisation structure to overcome the problems faced by it.

b] Give reasons in terms of benefits it will derive from the changes suggested by you.

c] In which sectors can the company diversify keeping in mind the declining market for the product the company is manufacturing?

Ans a] The company should try and encourage the formation of informal organisational structure within the formal structure of the organisation.

b] Benefits the organisation will enjoy with the formation of Informal organisation are as follows:

- i. *Quick communication and faster feedback.* The information transmitted without following formal channels will spread faster and it will also receive quick response from the receiver.
- ii. *Fulfills social needs.* The informal structure has groups of like-minded people. Therefore, it allows them to satisfy their social needs, gives them sense of belongingness and motivates them to perform better.
- iii. *Makes up for inadequacies of formal organisation.* Informal organisation provides feedback on organisational policies, procedures or decisions taken by top management. It facilitates formal organisation to incorporate the positive suggestions and adapt to the changes for the better.

c] The company can diversify or add new products in their existing line of products. For example, they may introduce embroidery machines, handy sewing machines, automatic or

computerized embroidery or buttoning machines, interlocking machines etc. They may also introduce sewing machines for differently-abled people.

3. A company X limited manufacturing cosmetics, which has enjoyed a pre-eminent position in business, has grown in size. Its business was very good till 1991. But after that, new liberalised environment has seen entry of many MNC'S in the sector. With the result the market share of X limited has declined. The company had followed a much centralised business model with Directors and divisional heads making even minor decisions. Before 1991 this business model had served the company very well as consumers had no choice. But now the company is under pressure to reform.

a) What organisation structure changes should the company bring about in order to retain its market share?

b) How will the changes suggested by you help the firm? Keep in mind the sector in which the company is FMCG.

Ans. a) Company should introduce certain degree of decentralization in the organisation. Top management should delegate authority and responsibility to middle and supervisory levels so that they can concentrate on taking strategic decisions to improve company's market share.

b) A company working in the FMCG sector requires quick decisions and that too at the point of action. Therefore, if decentralisation is introduced the company will be greatly benefitted. The various benefits company may enjoy are:

- i. It will develop initiative among subordinates to take decisions and find more effective ways of fulfilling responsibilities.
- ii. It will build confidence and give experience to existing employees thus developing managerial talent for the future.
- iii. It will facilitate quick decision making leading to faster actions with lesser confusions.
- iv. It will give relief to the top management from day to day decision making and thus allow them to focus on more crucial issues.
- v. Effective management will help business to use opportunities for expansion and growth.
- vi. It will be easier to fix accountability leading to better control and meaningful performance evaluations.

4. Bhuvan and Co. are running a shoe manufacturing company successfully. So they planned to expand their business activities by adding more line of products, i.e, leather bags, belts, and garments. Which type of structure would you recommend after expansion and why?

Ans. Presently, Bhuvan and Co. are manufacturing only one product so the most suitable organisation structure is functional but on expansion if they are adding more line of products then the suitable organisation structure will be divisional structure as it is a perfect structure for multiproduct manufacturing company due to following reasons:

- 1) Product specialisation. All the activities related to one type of product are grouped under one department only which brings integration and co-ordination in the activities.
- 2) Fast decision making. The decisions are taken much faster in divisional structure because there is no dependence on other departments for taking decisions.
- 3) Accountability. In this type of structure, the performance of individual departments can easily be assessed and you can hold the department accountable for non-accomplishment of objectives.
- 4) Flexibility. Fast decision making leads to flexibility.
- 5) Expansion and growth. New departments can be added without disturbing existing departments.

CHAPTER: STAFFING

1. In a company all recruiting, screening and training process for data entry, etc. are done by one officer only. Their competitor was attracting most qualified employees. As a result this company had to choose from candidates who have soft skills and less qualifications. On the basis of above case answer the following questions
 - i) What problem do you see company is facing?
 - ii) How can this problem be solved?

Ans. i) This company has failed to recognise the human relation approach. This approach considers human resources as most important factor. They are dependent on personnel officer for all the activities whereas they have failed to recognise the importance of human resource management.

ii) This problem can be solved by setting up a human resource management department which performs following functions:

- a) Human Resource Planning. It means determining the number and type of personnel required to fill the vacant job positions of an organisation.
 - b) Employing people, i.e., recruitment, selection and placement of personnel.
 - c) Career growth, i.e., training and development of employees
 - d) Performance appraisal including feedback.
 - e) Motivation by offering financial and non-financial incentives.
 - f) Compensation or remuneration of employees keeping in mind their qualifications and other factors.
 - g) Providing social security and welfare of people.
 - h) Review and audit of personnel profit and procedure.
2. A company X Ltd. Is setting up a new plant in India for manufacturing auto components? India is highly competitive and cost effective production base in this sector, X Ltd. Is planning to capture about 40% of the market share in India and also export to the tune of at least \$5 million in about 2 years of its planned operations. To achieve these targets it requires a highly trained and motivated work force. You have been retained by the company to advise it in this matter.
 - i. Outline the process of staffing the company should follow.
 - ii. Which sources of recruitment should the company rely upon? Give reasons for your recommendation.
 - iii. Outline the process of selection the company should follow with reasons.
 - iv. Which methods of training and development should company initiate? Explain giving reasons.

Ans. i) the steps involved in the staffing process which company should follow are:

- a) Estimating manpower requirement.
 - b) Recruitment
 - c) Selection
 - d) Placement and Orientation
 - e) Training and Development.
- ii) Company should rely upon external source of recruitment as companies require to set up a new plant and large number of manpower with latest technology.

Reasons for relying on external sources are:

- a) Fresh Talent. With external recruitment fresh and new talent come to the organisation.
- b) Wider Choice. Through external recruitment the organisation gets wider choice.
- c) Qualified Personnel. By using external recruitment the management can get qualified and trained persons.

- d) Latest Technological Knowledge. Through campus placement organisation can get employees with latest technological knowledge.
 - e) Competitive Spirit. Through external recruitment when outsiders join the organisation, this develops a competitive spirit in existing employees of organisation.
- iii) The steps in the process of selection company should follow are:
- a) Preliminary screening
 - b) Selection test
 - c) Interview
 - d) References
 - e) Medical examination
 - g) Job offer
 - h) Contract of employment.
- iv) Company should prefer following methods of training and development:
- a) Apprenticeship programme,
 - b) Vestibule school,
 - c) Internship training

Q5) MS. Jayashree completed her postgraduate diploma in Human Resource Management. A large company manufacturing steel appointed her as Human Resource Manager. As of now company employs 800 persons and has an expansion plan in hand which may require another 200 persons, for various types of additional requirements. Ms. Jayashree has been given complete charge of Human Resource Department.

- i) Point out what function does she suppose to perform?
- ii) What problems do you foresee in her job?
- iii) What steps is she going to take to perform her job efficiently?

Ans i).she is supposed to perform following functions.

- a) Human Resource Planning
 - b) Employing people
 - c) Career growth
 - d) Performance appraisal
 - e) Motivate employees
 - f) Fixing compensation
 - g) Providing social security
 - h) Review and Audit personal policies and procedures.
- ii) The common problems she must be facing are:

- a) Finding out basic skill necessary to perform job.
- b) Recruiting and selecting right person at right job.
- c) Preparing written document explaining the job, job description.
- d) Selecting right training method.
- e) Fixing adequate compensation for employees.
- f) Selecting incentives to motivate employees.

iii) The steps she must take to carry on her job well are:

- a) Prior to staffing Deciding who will perform the job.
- b) Staffing plan:
 - i) Estimating current requirement of human resources.
 - ii) Anticipating future requirement.
- c) Job specification. Deciding qualification necessary for performing job.
- d) Developing assessment test.

- e) Locating potential applicants.
- f) Advertising the job.
- g) Selection test/ interview.
- h) Final selection.

CHAPTER: DIRECTING

1. Sarang Gupta is the MD of Dunlop Ltd .The Company had established a good name for it and had been doing well. It was known for timely completion of orders. The production manager, Ms Kiran was efficiently handling the processing of order and had a team of fourteen motivated employees working under her. Unfortunately Ms Kiran met with an accident. Sarang Gupta knew that in the absence of Ms Kiran, the company may not be able to meet the deadlines and it will lead to customer dissatisfaction, business loss and goodwill. So he had meeting with the employees in which accurate and speedy processing or orders was planned. Everybody agreed to work as team because the behavior of Sarang Gupta was positive towards the employees of the organisation. Hence everyone put extra effort and the targets were met time.

Not only this, Sarang visited Ms.Kiran and advised her to take sufficient rest.

- a) Identify and explain the leadership style of Sarang Gupta.
- b) State any two values highlighted by the behavior of Sarang Gupta. (4)

ANSWER:

Democratic Style of leadership is being adopted by Sarang Gupta.

1. Under democratic style of leadership People are motivated and suggestions and opinions are invited from the employees.
2. He favours decision making by the group
3. This style of leadership gives mutual benefit.

Two values: Responsibility and participation.

2. Neeraj a sales representative of Omida L Ltd has changed seven jobs in the last one year. He is a hardworking person but he is not able to finalise deals with the customers due to his inadequate vocabulary and omission of needed words. Sometimes he uses wrong words because of which intended meaning is not conveyed. All this created a misunderstanding between him and his clients.

A) Identify the communication barrier discussed above. State the category of this communication barrier

B) Explain other communication barriers of the same category Symbols with different meaning, wrong perception etc. (3)

ANSWER:

A) Semantic barrier and category of this communication barrier is badly expressed message

B) Symbols with different meaning, wrong perception etc.

3. Prateek is working in a multinational company in Noida. He was running a temperature for the last many days. When his blood was tested, he was found to be positive for Malaria and admitted in a hospital and blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent text message to his superior Mr. B Chatterjee. Mr. Chatterjee sent text message to the employees to donate blood for the Prateek. When the company's General Manager knew about it, he ordered for fumigation in the company premises and cleaning the surroundings.

A) From the above paragraph, quote the lines that indicate formal and informal communications.

B) State any two features of Informal communication.

C) Identify any two values that are being communicated to the society in the above case.(4)

ANSWER:

A) Formal communication: When the company's General Manager knew about it, he ordered for fumigation in the company premises and cleaning the surroundings.

Informal communication: One of his colleagues sent text message to his superior Mr. B Chatterjee. Mr. Chatterjee sent text message to the employees to donate blood for the Prateek.

B) The features of informal communication are as follows:

1) It spread very Fast and sometimes get distorted.

2) It is very difficult to detect the source of such communication

- C) The two values are being communicated to the society are:
- 1) Humanity
 - 2) Cleanliness
4. Rahim was working in an enterprise on daily wages basis. It was difficult for him to fulfill the basic needs of his family. His daughter fell ill. He had no money for his daughter's retirement. To meet the expenses of 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.
- A) By quoting the lines from the above para identify the needs of Rahim that are satisfied by the offer of Cycle Company.
- B) Also explain all other needs of Rahim followed by above that are still to be satisfied.

ANSWER:

- A) To meet the expenses of 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.
- B) Affiliation belongingness/ esteem needs: These are the needs still to be satisfied by Rahim. Eg. Love, affection, sociability etc.
5. Jaideep recently joined as the managing director of Tivori Ltd., an apparel designing Company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestions which neither appreciated nor rewarded by the company. Instead the company outsourced the services to some renowned fashion designers and paid them a good compensation for their services. Because of this, the employees felt disheartened and stopped giving useful suggestions.
- a) Identify the communication barrier discussed above.
 - b) State the category of this communication barrier.
 - c) Explain any other communication barrier of the same category.

(6)

ANSWER:

- a) The communication barrier discussed in the above paragraph is Lack of proper incentives
- b) It is a type of Personal barrier
- c) Other communication barriers of the same category are:
- 1) Fear of challenge to authority: - If a superior may withhold or suppress the communication which he perceives is likely to adversely affect his authority.
 - 2) Lack of confidence of superior on his subordinates: A superior may not seek the advice or opinions of their subordinates if they do not have confidence on their competency.

6. Smita had been working as an assistant manager with Jhonson Enterprises for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards the work. When the manager senior to her retired, all her colleagues thought that now smitha would be promoted. But everyone's surprise, the vacant post was filled by an outsider, Mrs Rita. Smita felt demoralized and her performance started declining.

She would absent herself often and could not meet her targets. Mrs Rita was a good leader, who not only instruct her subordinates but also guide and inspire them. She noticed smitha's behavior and felt that her performance could be improved. She started involving smita in decision making issues related to the organization and made her part of high level of joint management committee. Smita was now punctual in office and her performance started improving.

- a) Identify the function of management being performed by Rita.
- b) Name the element of the above function of management which helped Rita to improve Smita's behaviour.
- c) State any two features of the element identified in (b) above.

ANSWER:

- a) Directing
- b) Motivation
- c) Features of motivation are :-
 - 1) Motivation is an internal feeling: An urge, drives, or needs of human being which are internal, but are likely to influence the human behavior.
 - 2) Motivation produces goal directed behavior
 - 3) Motivation can be either positive or negative: Positive motivation includes Increase in pay, Promotion recognition etc. Negative motivation involves the use of punishment, stopping increments, threatening etc.

CHAPTER: CONTROLLING

1. A. S Ltd is a large company engaged in assembly of air conditioners. Recently the company had conducted the time and Motion study and concluded that an average a worker can assemble ten air conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through CCTV that some of the workers were gossiping.
- A) Identify the function of management discussed above.

- B) State those steps in the process of the function identified which are discussed in the above paragraph. (6)

ANSWER:

- A) The function of management discussed above is controlling
- B) The steps involved in the process of controlling are:
- 1) Setting standards of performance: “concluded that on an average a worker can assemble ten air- conditioners in a day.” The target volume of a company in a day is assembling of 1,000 units of air conditioners.”
 - 2) Measurement of actual performance: “Even then the assembling of air conditioners per day is 800 units only.
 - 3) Comparison of actual performance with the standards: To find out the reason, the company compared the actual performance of each worker and observed through CCTV that some of the workers were busy in gossiping.
2. Mr. Anil has been appointed by suntech Ltd to ensure that the performance of employees is going as per the plans made. In the report which he submitted to the management, he mentioned that carriage charges had risen by 8 % however labour absenteeism had increased from the previous year from 5 % to 15 %. He felt that this increase in absenteeism required immediate action of management on priority basis.
- a) Identify the step of one of the management functions referred above.
- b) Identify the principle due to which increase in absenteeism required immediate action of management.

(3)

ANSWER:

- a) Analysis of deviations: Deviations are the difference between actual and standard performance. Deviations may be positive or negative. In the above paragraph negative deviation is noticed by Mr. Anil as the absenteeism increased from 5% to 15%.
- b) The Principle which requires immediate action of management is ‘Management by Exception’.
3. Trilok Ltd was established with a total capitalisation of Rs 25.20 crores. The company maintained a good balance between debt equity by having a debt equity ratio of almost 2:1. It was established with a mission of generating employment and producing quality goods with fair prices. It hired qualified and experienced staff even then, it organised training programmes to improve the skill level of employees. Managers at different levels were of the opinion that everything was organised very well, so subordinates can

do everything, at their own level. So they decentralised the authority till lowest level and restricted themselves to policy making. At the end of the financial year, results were shocking. Annual target of production of 5, 00,000 units could not be achieved.

- a) Name the functions of management practiced by managers
 - b) Which management function was totally ignored by the managers at different levels?
 - c) What would be the benefits, Trilok Ltd could get, by adopting this missed Function.
- (6)

ANSWER:

- a) The function of management practiced by the managers are:
 - 1) Financial management by maintaining good debt equity ratio
 - 2) Organizing function by decentralization of authority and responsibility to the lowest level so that everything the employees can do at their own level
 - 3) Staffing by hiring qualified and experienced staff.
 - b) Directing function was missed by the management at all levels.
 - c) Directing is the function which initiates action. The management would have achieved the desired target if they have done proper motivation, guidance, supervision and communication with all the levels of management.
4. Michal John is a Sole proprietorship in Nicobar. He has started trade after getting M.B. A degree. He is fully familiar with all the functions of management. He starts his business with planning function of management. He desires that all his activities should conform to planning. To this effect he has adopted a system that keeps a constant watch on all activities of business. Consequently there is zero possibility of adverse results. It can therefore be said that this method is directly related to the results. Mr John also believes that this method applies not only to any one level of management but to all the levels as well.
- 1) Identify the function of management referred in the above paragraph controlling
 - 2) Describe any two features of the functions of management as identified under point (a) above. (5)

ANSWER

- 1) Controlling is the management function identified from the above paragraph
- 2) Two features of controlling are:-
 - 1) Accomplishment of organizational goals: Controlling helps in achieving the goals of the organization by ensuring regular supply of factors of production and quality goods at reasonable price.

- 2) Co ordination of activities: Control facilitates co- ordination of activities of various departments of the enterprise. It provides unity of direction to all the departments.
5. Visesh works as as an interior designer. He gets a contract to redesign a play school. He employs three painters on the site assuming that an average painter will be able to paint 10 desks in a day. At the end of the first day of their work, Visesh finds that the painter A, B and C has painted 12, 14, 15 desks respectively. On comparing the actual performance with the planned performance, he realises that the standard set by him is too low. Consequently he decides to review and revise the standard and raise it. In the context of the above case;
- 1) Identify the function of management being performed by Vishesh.
 - 2) “Planning and controlling are both backward looking as well as forward looking functions”. Explain the statement with reference to the above paragraph. (6)

ANSWER

- 1) Controlling is the management function identified from the above paragraph
- 2) It is appropriate to say that Planning and Controlling both are backward looking as well as forward looking function as evident from the above case:
 - Planning is considered as forward looking function as plans are made for future- assuming that an average painter will be able to paint 10 desks in a day.
 - Planning may considered as backward looking function because the quality of planning can be improved with the help of valuable information received from controlling. - While comparing the actual with standard he understood that the standard set by him is too low.
 - Controlling is considered as backward looking function as it is like the postmortem of the past activities to ascertain the deviations if any- At the end of first day of their work Vishesh found that the painters painted 12,13,14 desks respectively.
 - Controlling is considered as forward looking as it helps to improve the future performance by providing guidance for taking corrective action. – Consequently he decides to review and revise the standard and raise it.

CHAPTER: FINANCIAL MANAGEMENT

1. Shalini after acquiring a degree in Hotel Management and business Administration took over her family food processing company of manufacturing pickles, jams and squashes. The business had been established by her grandmother and was doing reasonably well but the fixed operating cost was very high and the cash flow position was weak. She wants to modernise and diversify it. She approached a financial consultant, who told her that approximately Rs 50 Lakh would be required for modernisation and expansion

programme. He also informed her that the stock market was going through a bullish phase.

- 1) After considering the above discussion, Name the source of finance Shalini should not choose for financing the modernisation and expansion of her food processing business. Give one reason in support of your answer.
- 2) Explain two other factors she should keep in mind while taking this decision.

ANSWER:

- 1) Shalini should not choose debt capital for financing the modernisation and expansion of her food processing business because the fixed operating cost of the company is high. It cannot take the additional burden of fixed commitments in terms of payment of interest and capital by issuing debt.
 - 2) The other two factors that shalini must keep in mind which taking this decision are stated below:-
 - 1) Risk: - financial risk refers to a situation when a company is unable to meet its fixed financial charges. Financial risk increases with the higher use of debt.
 - 2) Flexibility:- too much dependence on debt reduces the debt raising capacity of the firm. So to keep flexibility the company should not use debt in its full potential.
2. Mr. Vaibhav Garg holds the designation of finance manager in "Jai shree Limited". Last year performance of his department was as per expectation. Currently, he is preparing financial blue print of the next five years. To Begin with he tried to forecast the sales in the next five years. It is so because it is the sales on which depends the need for the fixed and working capital. Thus an estimate was made with regard to both these items. Similarly he collected data in respect of possible profits in the coming years. In this way one can know how much of capital will be available from within the business. The rest of the funds will be arranged from outside the business. He is also thinking about the sources of finance to be adopted outside the business.
- 1) Identify the concept referred to in the above paragraph. Write any two points of importance of the financial concept, so identified. (3)

ANSWER:

- 1) Financial planning is the concept referred in the above paragraph.
 - 2) Importance of financial planning are:-
 - 1) It ensures availability of funds at right time
 - 2) It helps to avoid sudden shocks and surprises in the business.
3. Arif and Mohammed were twin brothers. Both were MBA students in a renowned institute. They got selection in a multinational company in the last year. Both of them are

interested in social activities also. They decided to set up a job in such a way to give employment opportunities to the villagers and they left the job in the MNC. Arif set up a factory in which he produced flour, oil and cotton and could give employment to 80 people. On the other hand, Mohammed opened a show room in nearby town. He engaged himself in trading the goods produced by Arif. The salient features of the business were that he used to sell 100 % pure products at minimum possible price. Efforts of both the brothers were resulted in full support to the development of their area.

- 1) Identify the two factors affecting the fixed capital have been concerning Arif business.
- 2) Identify any two values being provided to the society. (3)

ANSWER:

- 1) The two factors affecting the fixed capital have been concerning Arif business are
 - 1) Nature of business
 - 2) Diversification
- 2). Two values are: - **providing** employment and Health concern.
4. Saraha Ltd is a company manufacturing cotton yarn. It has been consistently earning good profit for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospectus for growth in future. It is a well managed organization and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of Rs 40 Lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement. The above discussions about the company lead to various factors which decide how much of the profits should be retained and how much has to be distributed by the company.

Quoting lines from the above discussion identify and explain any four such factors. (5)

ANSWER:

The above paragraph is discussing about the Dividend decision of the company. Dividend decision is the most important financial decision in which the manger has to decide how much portion for the profit should be distributed and how much to be retained in the business. The various factors affecting such decision of this company are as follows:

- 1) Earnings:- This year too, it has been able to generate enough profits
- 2) Stability of earnings : - It has been consistently earning good profit for many years

- 3) Growth opportunities:- It is a well managed organization and believes in quality, equal employment opportunities
 - 4) Cash flow position.-: There is availability of enough cash in the company
 - 5) Shareholders preference:- It has many shareholders who prefer to receive a regular income from their investments
5. Radhika Ltd manufactures blankets. Company's history has been satisfactory, but for the past sometime its cash flow position in a bad shape. That is why the company has not been able to pay sufficient dividend to its equity shareholders. When Mrs Rakhi Khetarpal the finance manager, tried to find out the causes of poor financial situation of the company, she observed that the control of the company was in the hands of several persons who are unable to take any concrete decision. To come out of this financial crisis, Mrs Khetarpal has been deliberating on the source of finance that needs to be tapped to arrange funds. She wants to make use of such a source as does not prove to be a fixed burden on the company. She has also keep in mind that company has got its premises on rent and the rent in exorbitant. Similarly it has to bear the burden of fixed salaries. She is also worried about the fact that in future control of the company should not be in the hands of too many persons.
- 1) Identify the two sources of finance discussed in the above para.
 - 2) Identify and explain the advantages of both source by quoting lines from the above paragraph. (6)

ANSWER:-

- 1) The two sources of finance discussed in the above paragraph is Equity shares and Debentures.
 - 2) **A) Lines Favours the issue of equity shares:** Company's history has been satisfactory, but for the past sometime its cash flow position in a bad shape
Cash flow Position: These lines tell bad cash flow position of the company. In such situation company should avoid fixed financial costs like interest and debentures. Thus in this situation it would be helpful for the company to issue equity shares.
- B) She has also keep in mind that company has got its premises on rent and the rent in exorbitant. Similarly it has to bear the burden of fixed salaries
Level of fixed operating costs: - The Company has high fixed operating costs. In the present situation it would be advantage for the company to keep the fixed charges at minimum.
- C) **Lines favouring debentures:** - 1) she wants to make use of such a source as does not prove to be a fixed burden on the company.
- Flexibility:** It means when required by the business amount of capital could be enhanced or reduced easily. Company can get this facility by issuing debentures.

She observed that the control of the company was in the hands of several persons who are unable to take any concrete decision.

Control consideration: It says that too many people should not participate in the management of the company. Equity shareholders have final control over the company. Thus issuing debentures can prevent the dilution of control.

CHAPTER: FINANCIAL MARKET

1. Incorporated in 1990, Raju diary Ltd is one of the leading manufacturers and marketers of diary-based branded foods in India. In the initial years, its operation were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of diary based products including fresh milk, flavoured yogurt, ice creams, butter milk, cheese, ghee etc. In order to raise the capital finance its expansion plans, Raju diary Ltd. has decided to approach capital market through a mix of offer for sale of 4 crore shares and a public issue of 2 crores shares.

In context of the above case:

- (A) Name and explain the segment of capital being approached by the company
- (B) Identify the methods of floatation used by the company to raise the required capital. Give one difference between them.

ANS. Primary market is the segment.

- a. The two methods of floatation is –issue through prospectus and offer for sale.
 - b. In case of issue through prospectus, the company approaches the members directly by issuing a prospectus whereas in offer for sale through intermediaries.
2. The SEBI has imposed a penalty of 7269.5 crore on pearls Agrotech Corporation Limited (PACL) and its four directors- tarlochan singh, sukudev singh , gurmeet singh, and Subrata Bhattacharya who had mobilized funds from the general public through illegal collective investments schemes in the name of purchase and development of agriculture land. While imposing the penalty, the biggest in its history, securities and exchange boards of India said the company deserved maximum penalty for duping the common man. Its prevention of Fraudulent and Unfair Trade Practices Regulations provides for severe to severe penalties for dealing with such violation. As per SEBI norms, it can impose penalty of 25 crore or three times of the profit made by indulging in Fraudulent and unfair trade practices of the illicit gains.

In the context of the above case:

- (a) State the objectives of setting up SEBI
- (b) Identify the type of function performed by SEBI by quoting lines from the paragraph

- a. ANS. The objective of setting up SEBI is
 - i. To prevent malpractices in securities market.
 - ii. To protect rights and interests of investors,.
 - iii. To regulate and develop code of conduct between brokers.
 - iv. To regulate stock market to promote their orderly functioning.
- b. Protective function is performed by SEBI

3. Ragu works as a waiter in a five star hotel in Mumbai . while serving the customer he overhears him at the table saying that the he has made profits higher than expected by investing in securities market. So, ragu also decides to make a nominal investments from his saving in the stock market in pursuit of higher gains:

In context of the above case:

As a financial consultant, apprise him of the steps involved in the working of a de mat system.

ANS. Ragu have to initiate the following steps.

- i. Open a De mat account with a depository participant who may either be a bank, broker or financial services company.
- ii. If he plans to buy shares through public offer he will have to give details .on allotment of shares the shares will be credited.
- iii. If he wants to buy shares otherwise, he will have to instruct his broker about the company ,no of shares etc.
- iv. On contrary, whenever he wants to sell shares, he will have to instruct his broker the details like name of company, no of share s,at what price etc.

4. The stock market regulator, securities and exchange board of India (SEBI), has initiated a certification programme for all market intermediates. Under this programme, people associated with stock markets in any way, will have to obtain a qualifying certificate from the regulator. The national institute of securities market (NISM), a trust formed by SEBI, is tasked with the certification programme.

In the context of above case

(a) Identify the type of functions performed by SEBI

(b) Outline any two reasons for setting up SEBI

- a. ANS. Developmental function is being carried out SEBI by starting a certification programme for all market intermediates.
- b. SEBI was set up as a regulatory body by the government for the following reasons-
 1. To curb malpractices in the financial market.
 2. To enhance the confidence of the investors by ensuring fair, efficient and transparent dealings.

5. After doing a course in online trading, arsh stared an online portal for stock trading under the name investment guru. He met his school friend Ajay after a long in a bank where Ajay had open a D-Mat account. Arsh urged Ajay to invest in the forthcoming IPC of a blue chip companies whereas Ajay was inclined to buy existing securities of the other companies to build his investment portfolio.

In the context above case:

- (a) Identify the two different types of capital market being referred to by quoting lines from the para.
- (b) State any four differences between the two types of capital markets as identified in part (a)
 - a. ANS. The two different types of capital market being referred to are-
 - 1. Primary market: Arsh urged Ajay to invest in the forthcoming IPO of a blue chip company.
 - 2. Secondary market: Ajay was inclined to buy existing securities of the other companies to build his investment portfolio.
 - b. Differences between primary market and secondary market.

6. Supriya's grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificates inside. Her grandmother told her that they had been left behind by her late grandfather.

As no trading is now trading is done on physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates.

- (a) Identify and state the process
- (b) Also, give two reasons to Supriya why dealing with shares in physical form has been stopped.

ANS.

- a. Dematerialization refers to the process of holding securities in electronic form.
- b. The two problems of holding shares in physical form are as follows:
 - i. There is a danger of loss or theft.
 - ii. There is risk of forgery, as the buyer may be delivered fake certificates.

7. Ganesh Steel Ltd. is a large and creditworthy company that manufactures steel for the Indian market. It now wants to cater the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge flotation cost. To meet the expenses of flotation cost, the company decides to tap the money market.

- (A) Name and explain the money market instrument that the company can use for the above purpose.
- (B) What is the duration for which the company can get funds through this investment?
- (C) State any other purpose for which this instrument can be used.

Ans.

- a. Commercial papers can be used for bridge financing by Ganesh Steel Ltd. as they are issued by Ganesh Steel Ltd. as they are issued by large and creditworthy companies. The instrument is in the form of unsecured promissory note and is freely transferable by endorsement. It is sold at discount and redeemed at par.
- b. Its maturity period may range from a fortnight to a year.
- c. It is also used to meet the term, seasonal and working capital requirements of a business enterprise.

8. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed most. To

give strength to the economy, SEBI is undertaking measures to develop the capital market in which unsecured and short-term debt instruments are actively traded every day . these markets together help the savers and investors in directing the available funds into their most productive investment opportunity.

- a. Name the function being performed by the market in the above case.
- b. Also, explain briefly three other functions performed by this market.

Ans.

- a) mobilization of funds is the function being performed by the financial market.
- b) The other functions being performed are outlined below.
 - i. Price determination.
 - ii. Liquidity to financial assets

It provides common platform for exchange of securities

CHAPTER: MARKETING

1. Nisha a school bag manufacturer decided to improve the product for profit maximization and thus added a water bottle holder to existing design
 - (a) Identify the marketing management philosophy adopted by nisha and
 - (b) Explain this philosophy on the basis of:
 - (1) Main focus and
 - (2) Means and ends

Ans:

- a. Nisha has adopted product concept. This concept assumes that the consumers favour those

Products that offer best quality

- b. main focus of this philosophy is on features of a product or enhancing the quality of a product Means are product improvement and ends are profit through product quality.

2. Mansi , a shoe manufacturer for school students , decided to maximize her profits by producing and distributing at large scale and thereby reducing the average cost of production.
 - (A) Identify the marketing management philosophy adopted by manasi and
 - (B) Explain the philosophy on the basis
 - (1) Main focus and
 - (2) means and ends

Ans: a. Mansi has adopted 'Production Concept' of marketing. This concept assumes that the customers favour those products which are widely available at affordable prices.

- b. Main focus on producing goods on large scale,i.e., quantity of the product. . Means are availability and affordability of the product and ends are profit maximization is achieved through volume of production.

3. Jasdeep, a dealer in school uniforms, decided to maximize his profit by using different aggressive promotional efforts.
 - (a) Identify the market management philosophy adopted by Jasdeep
 - (b) Explain this philosophy on the basis of
 - (1) Main focus
 - (2) means and ends

Ans:

- a. Jasdeep adopted selling concept
- b. The main focus on pushing the sale of a product through aggressive selling techniques. The means are to persuade, lure or coax the buyer to buy the product and ends are profit maximization through higher sales volume.

4. Sunita took her niece, Aishwarya for shopping to Benetton to buy her a dress on the occasion of her birthday. She was delighted when on payment for the dress she got a discount voucher to get 20% off for a meal of Rs.500 or above at a famous eating joint.

Identify the technique of sales promotion used by the company in the above situation.

Ans.. Usable benefits are the technique of sales promotion.

5. Good living Ltd. manufactures mosquito repellent tablets tables. These tablets are packed in strips of 12 tablets each. Each of these strips is packed in a cardboard box, 48 such boxes are then placed in a big corrugated box and delivered to various retailers for sale. State the purpose of packaging the tablets in a corrugated box.

Ans: . The purpose of packaging the tablets in a corrugated box is to facilitate their transportation, warehousing and easy identification

5/6 MARK QUESTIONS

1. Explain the following sales promotion activities:
 - (a) Discount
 - (b) Product combination
 - (c) Financing]
 - (d) Lucky draw
2. What are the characteristics of a good brand name? Explain?
3. Identify and explain the promotional tool of marketing –mix which plays a persuasive, service and informative role and thereby link a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.

Ans. Personal selling.

Flexible tool, effective promotional tool , lasting relationship, minimize wastage

4. Name the element of marketing mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element.

3. Ans: Channels of distribution

- i. Sorting
- ii. Accumulation

- iii. Assorting
- iv. Product combination
- v. Negotiation

5. Generally consumers prefer to buy goods directly from the producers but it is not always possible. Give reasons, why is it so by explaining four different factors responsible for this?

6. Bending the customer according to product and developing the product according to customer needs are two important concepts of marketing management. Identify the concepts and differentiate between the two.

Ans: 7. bending the customer according to product is selling concept and developing product according to customer is marketing. Any four differences