

Answers

(1) National Commission

(2) She can be sure about the mark of FPO - Food Product Organisation on the packet of juice which ensures its quality.

(3) In service sector: The services - health, shipping, banking etc. easily convert into cash. No more time is required.

In manufacturing sector: ^{raw-material} Paper manufacturing etc, product changes into stock which then turns into cash, thus more time is involved.

(4) Investment Decision

(5) Organising

(6) Management is intangible - can't be seen.

(7) Management

(8) Controlling

(9) These are the fundamental statements of truth providing a guide to thought and action.

(10) Motion Study: It is the concept (given by Taylor) deals with close observation of the movements of employees when they are on job to eliminate the unnecessary movements.

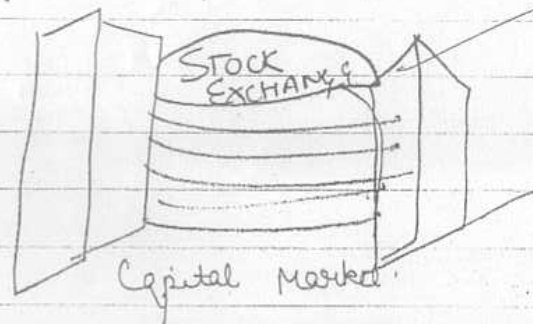
(11) Capital Market: It is that market where long-term financial assets having maturity period of more than one year are sold and purchased.

Features

(i) Assets: The assets = financial instruments like - equity shares, debentures, etc. are traded in this market having their maturity period of more than one year.

(ii) Moderate liquidity: In capital market, different companies enter and trade their securities. Only the securities of active working companies are highly liquid, those companies which are not actively working, their securities are less liquid.

traded is small — Rs 10, 20, 100, 1000 etc. Example
Share of 'M' Ltd is of Rs. 10 only.



(12) Planning : It is a function that defines what to do? how to do? when to do? By whom to do? This primary function of management facilitates.

Decision Making : By defining in advance all the things, the employees as well as the managers have clear idea about the objectives, policies, procedures and techniques. They can easily take any decision if the need arises.

within their prescribed limits. Decisions regarding

- (i) Adopting a new method of doing job.
- (ii) Adopting new way of handling tools and machinery.
- (iii) Decision regarding making purchases of small resources — grease oil etc.

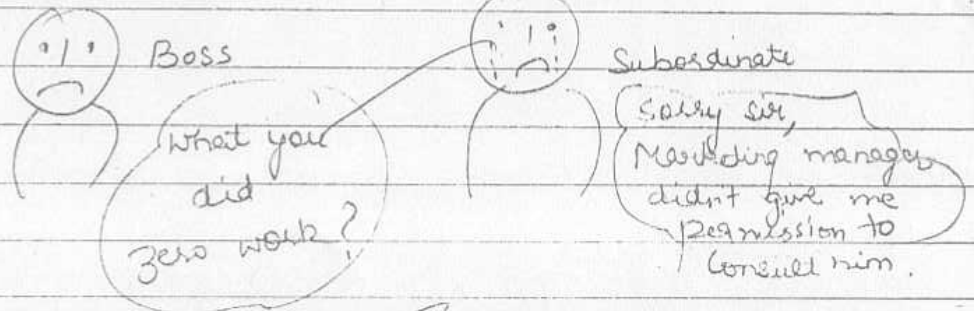
Example : Mr. X knows that the company has an objective of achieving sales of Rs. 25 Lakh. He will decide to purchase such machines which can give more no. of units in less time than previous one.

(13) Formal Organisation : That organisational structure where rules, regulations, work, working relationships etc. are preplanned and pre-decided by top management. There is clarity in objectives and working procedure.

Limitations

the communication flows through scalar chain, so proper channels are to be follow, in case any important decision is to be taken, it is not possible.

Example: The salesman has an order of 5000 packets of providing juice immediately. The marketing manager is there but he can't approach him, because he has to consult sales manager only, if he will go to him, Manager to his superior. Thus delay in work.

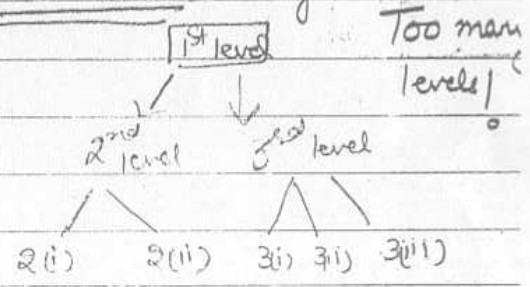


(2) Lack of Human Touch: Human beings need time to chat, relax and talk freely but in formal organization, they are not allowed to do so.

(14) Barrier: Anything that becomes a hurdle or not allow the smooth flow of the communication in the organisation

Barriers concerned with Organisational rules and structure

(a) If there are so many levels in the organisation, then the flow of the communication will be slow moreover in between the path, may be the actual content may get distorted



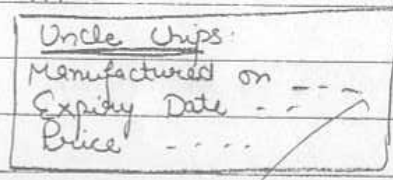
Too many levels!

(b) There may be any rule in the organisation that the salesman can't approach his boss (sales manager) without the consent of marketing manager which leads to delay in communication

which leads to delay

(c) There may be rule to not use the telephone in the organisation - this may lead to delay in conveying

(15) Labelling : It is an act of designing a label for the product which discloses all the necessary information about that.



functions

(i) Discloses the product features: The first function of label is that it discloses each and every necessary detail required to make the final purchase by the customer.

- (a) Quality
- (b) Quantity
- (c) Brand
- (e) Price etc.

(ii) Grading : Manufacturers can easily categorise their products on the basis of labels given.

Example : Red label Tea - superior quality


Green label — Medium quality Tea

Yellow label — Low quality Tea.

Thus, they can easily make stocks of their goods

(ii) Fulfills statutory requirement: Govt. has made it compulsory to have a label on some delicate food and other items, in order to ensure the safety of customer.

Example:  on food products

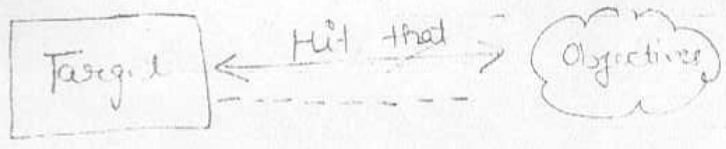
 on electrical products

(16) Objective: These are the end-points for the attainment of which, the management is working whole-heartedly.

(i) Objectives are clearly defined

- (iii) These give direction to the efforts of whole organisation
- (iv) These are measurable and comparable

Example : Mr. Chilly has set-up a new company 'Rec'. Its objective is to grab the market share of 20% in the field of providing best quality packed food.



Policy : Policies are those general statements that help the employees to solve their recurring problems easily and guide their behaviour.

- (i) Policies are determined by top-level management
- (ii) These are flexible

Example : The company has a retirement policy that the employee who has completed its job for 30

in the organisation will retire afterwards

Q17 The consumer today is the king of market, for his protection, the government and all other organisations are involved. He is given certain rights

(i) Right To Safety : It is the right of the consumer that before making deal, he should be sold only those products which are safe. He should be saved against poor quality products and those equipments which are injurious to his health, life and property.

- FPO - food products
- Hallmark - Jewellery

(ii) Right To consumer Education: It is the right of the consumer that he should be educated and made aware about his rights, responsibilities and any kind of special relief he can get in case of non-justified acts of seller.

(a) He should be made aware of the ways by which the seller can cheat him.

(b) How he can approach the nearby court.

(c) How he can get his grievances redressed.



Consumer is thus the king of market

Conclusion: It is due to the above mentioned rights that every seller and manufacturer has realised that

$$\boxed{\text{Market} - \text{Consumer} = \text{Zero}}$$

Therefore, his interest is being taken care of

Q18 Internal Sources of Recruitment:

When the vacant posts in the organisation are filled by promoting or transferring the existing employees from one branch, department to another - called internal recruitment.

Limitations

(1) Stops Infusion of New Blood: When the old employees are shifted from one rank, position or department to another, the chances of getting new persons in the organisation vanishes. Same employees with same old ideas - lacks in creativity.

(2) Hampers Competitive Spirit: The people in the organisation become competitive employees when they find chances of competition. When new employees will not be there no competition will be there. So, the

efficiency of workers remains same.

(3) Chances of wrong recruitment : Sometimes, the employees transferred within the organisation are not capable of doing new work with that efficiency with which they were earlier performing, thus decline company's profit

(4) less production : Frequent transfers and promotions hampers the productivity and production level in the company. Thus, it is not easy for it to fulfil the orders on time.



Conclusion : External and internal sources of recruitment, though, are both important, but limitations of internal recruitment forces the firm to go for external selection.

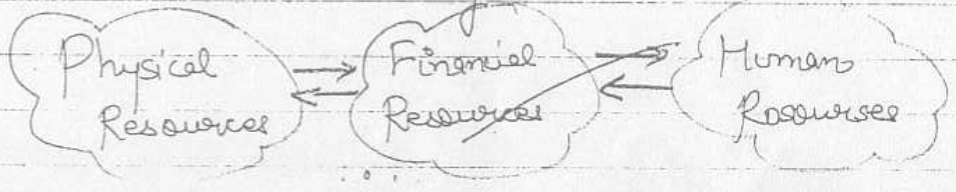
Q 19 Motivation: It is process of stimulating the people to action to accomplish the desired goals.

Importance

(a) Effective & Efficient performance:

Motivated people with full energy and enthusiasm are willing to perform better, more better and at last best. This leads to completion of targets in less time and in a cost-effective manner.

(b) Optimum Utilization of Resources: when employees are willing and energetic, they give their best. There is no lethargic approach on their part. Thus, a complete harmonious balance among



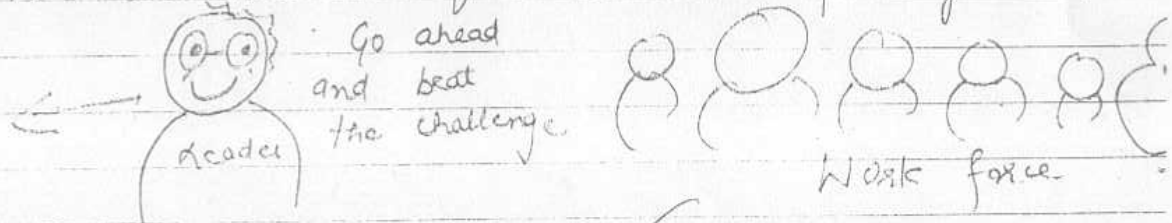
(C) Sweet Management Labour Relations

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When employees perform honestly and diligently, then it is natural for the company to come-up with new profits. Ultimately new bonus schemes for employees. Thus, leads to good relationship among all.

(D) Adaptation To Change :

Motivated employees will understand the organisational set. Their mind-set is ready to accept the new challenges and beat them. Thus, there is no problem for the organisation to introduce new techniques and methods of doing work.



Conclusion : Motivation is the tonic to fulfill the internal needs. It is both beneficial for employees and company.

Q20 Financial Planning : It is a concept that is concerned with identifying the needs of finance of business as well specifying the sources from where it can be raised in a cost-effective manner.

Importance

(i) Timely Availability of Funds In Appropriate Amount

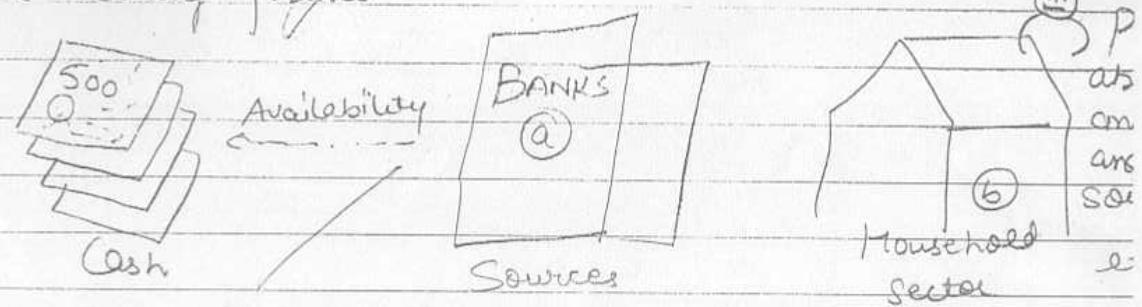
The financial planning ensures the timely availability of the funds in the business as well as the amount of funds. Neither the funds should be in shortage nor in excess amount.

(ii) Ensures Continuity In production :

It ensures that the gaps in production process - due to shortage of funds can be easily filled up. Otherwise these uncertainties can upset the whole work-cycle.

targets at time

(iii) Absorb Business Shocks: changes in government policies, techniques of work, natural calamities etc. all these risks are reduced to minimum. As it is pre-hand decided or ensured that in case of need, which sources are available for raising finance.



Conclusion: Financial Planning is that concept which well informs that

Business - Financial Planning = Failure.

Thus, every finance manager understands its importance

Difference
Basis

NSEI

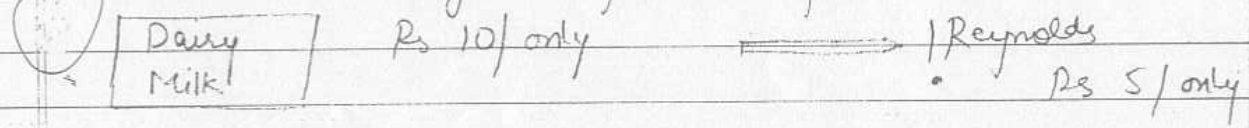
OTCEI

Q2

(i) Year of establishment	National Stock Exchange of India was established in 1992 and was recognised as stock exchange in 1993.	Over the Counter Exchange of India was established in 1990 under the Indian Companies Act 1956.
(ii) Paid up Capital	To be listed ^{here} Companies require minimum paid up capital - 3 crore Rs.	To be listed on OTCEI, Companies require minimum paid up capital of 30 lakhs and above.
(iii) Securities Traded	Equity, Preference Shares, Bonds issued by Govt, Debentures etc.	(iii) Securities Traded are - Equity Shares, preference shares, Debentures etc.

Basis	NSEI	OTCEI
(iv) Duration of Settlement	The transactions are to be settled within 15 days.	The transactions are to be settled within 7 days.
(v) Objective	To provide such a computerised system for trading nationwide where every kind of security is traded	To provide the listing facility to medium and small scale companies.

Q22 Price of the product : It is the amount paid by consumers to buy a product from the seller.



Factors Influencing Pricing

(a) Cost of production : The company which produces the product has the primary objective of covering the cost, it has incurred on production of the product. Two kind of costs are there (generally)

(a) Fixed costs : Rent of the factory, premium etc.

(b) Variable costs : Raw material costs, labourer wages etc.
If the firm is not able to cover fixed cost, it must cover variable cost.

(2) Demand of the product

The second factor to be kept in mind is about the demand by the consumers.

(i) If the demand is high → High price is fixed

(ii) If the demand is less → Less price is fixed.



Boss
no customer of



Then
fix Rs. 5/only.

competitors in the market:

If the number of competitors of the same product in a market are more, then less price is charged to boost the sales. If the no. of opponents are less then high price is charged.

(4) Objective of the business:

If the business has a prior objective of more and more profit then high price per unit is charged (In case of: Cold-^{like}

If the business is engaged in providing social service (providing goods to poorers at fair price shops) then low price is charged.

(5) Channels of Distribution Used:

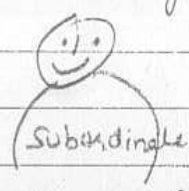
If the number of channels of distribution (middlemen) is more (in case of consumer goods) then less price is charged because these middlemen have also to add the

cost (profit of margin) otherwise high-price is charged

up



less
Competitors



Raise the
price → By 50

Conclusion: Thus, above mentioned five factors deeply influence the pricing policy of the business. These should be analysed deeply.

Q23

Middle-level Management

Functions of the Middle level Management are:

(a) Framing Organisational Structure

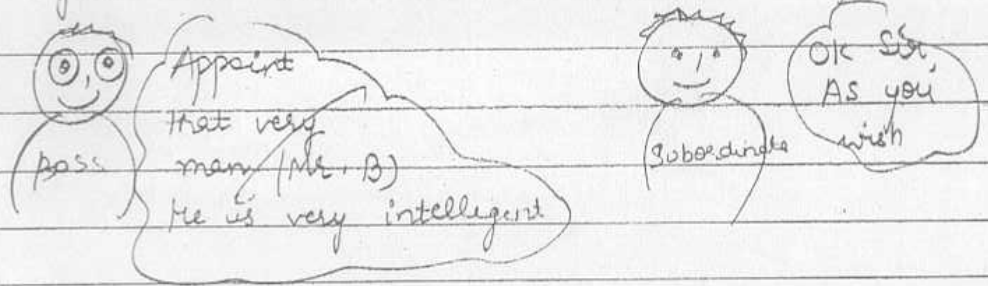
The first and prior-most work of middle-level managers is to set-up the organisational structure

- (i) How many departments will be there?
- (ii) Which type of activities are to be included in one head?

(iii) How many departments - how many sub departments will be

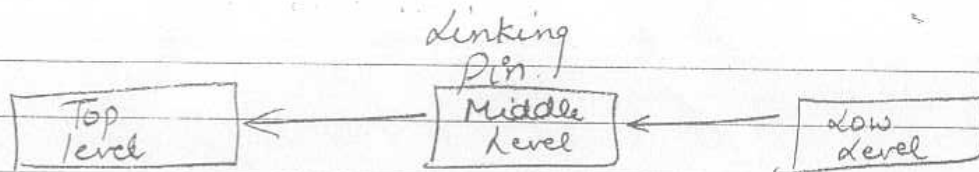
(b) Appointing Employees:

The next function of middle-level managers is to appoint the employees to fill up the organisational vacant posts. They have to recruit, select and train the employees with hawk-eyes, so that best selection can take place.



(c) Submitting Suggestions:

The next function of middle-level managers is to submit the suggestions given the lower-level managers to review.
Example: The salesman told that he is not able to increase the sales due to 'non-credit' sales policy. So, it should be passed on to top-level to rethink and redecide. This work is done by middle-level managers.



ds Motivating Employees: The next most important function of middle-level is to motivate the work force to act and perform with full tempo and energy. They realize that it is the motivation that makes

2 + 2 \Rightarrow 5 possible
Through motivation

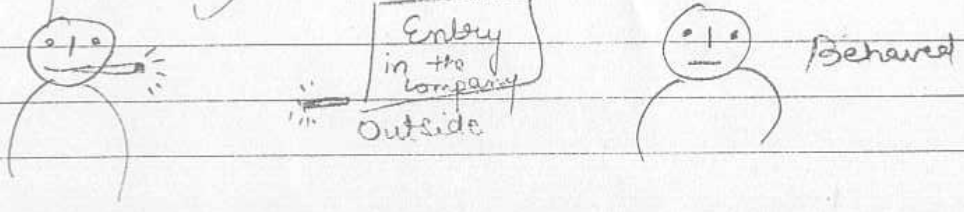
Conclusion: Thus, the functions performed by middle level management are equally important. Neither this level of management can be avoided nor their importance.

Q24 "The principles of management are those fundamental truths that provide a guide to the thought and action of the managers."

(a) Discipline : This principle was given by Henri Fayol
According to this principle

- (i) There should be obedience and respect towards organisational rules and regulations by the employees as well as top authorities.
- (ii) It ensures smooth working without any chaos and hustle-bustle.
- (iii) It provides stability in the organisation making employees more responsible and good-behaved.
- (iv) Reward and punishments should be given in case an employee is found always disciplined and if found misbehaved should be given punishment.

Example : There is 'no smoking' rule, every employee must follow it.



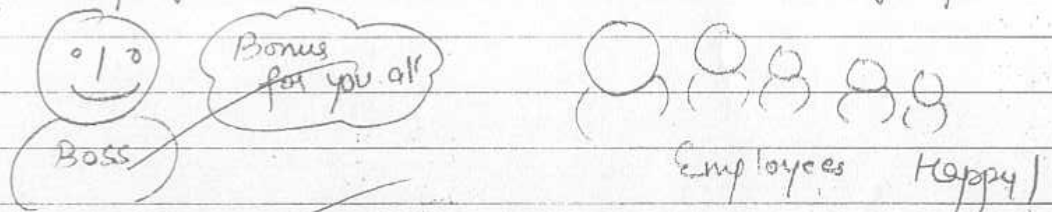
(b) Harmony Not Discord: This principle was given by "Frederick Winslow Taylor" that

(i) Both the employees and management should work with harmony, team spirit and positive attitude. There should be no disputes among them.

(ii) Both must realise that they are working for the same objective — Objective of the company.

(iii) Both should change their mind-set for each-other.

(iv) Management should share profits with employees and employees must work with zeal and loyalty.



Conclusion: Thus, these principles provide managers and employees the directions to behave.

Q.25 Non-financial Incentives: The benefits, advantages or rewards given to employees to fulfil their social and psychological needs are called non-financial incentives.

Example: Job security; job enrichment, status etc.



(i) Job Enrichment: When the importance of job is increased. The job is made more challenging, interesting and full of authority and responsibility that requires high skills. When this kind of job is given to the employees, job itself become a source of pleasure for them.

(ii) Job security: When the employees are assured that their jobs are permanent and they are not likely to lose their jobs, then the employees are not tensed about the future and income security. Thus, it motivates them to work with full efficiency.

(iii) Status : When the employees are given a high rank, position or status in the organisation, they feel that they are an important part of the company. A

- Separate cabin
- Furniture
- peon / car etc.

4 High rank, peon, !!!

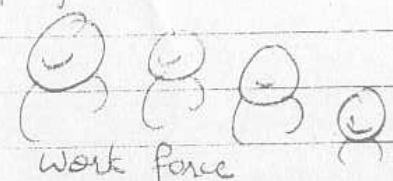
which motivates them psychologically

(iv) Employee participation programmes

When the management gives chance to the employee to come ahead and participate in the decision making process, the employees feel that they have a say in the company and are considered an important part of it. Thus, motivates the employee to perform better



Come with your suggestions



Work force motivated

BS-20

Conclusion : Thus, these non-monetary incentives work as a tonic to fulfil their social needs and motivates the employees.

Q26 Basis

Advertisement

Personal Selling

(1) Personal Contact

Advertisement is an impersonal form of presenting the ideas, product and service. So no personal contact with consumers.

Personal Selling involves personal and direct contact with the employees. The salesman himself approaches the customers.

(2) Flexibility

Advertisement is inflexible. These ads cannot be changed easily. These can't be modified according to the consumer's need.

Personal selling is flexible. If the customer is not able to understand, the salesmen can use another language or words.

Basics

Advertisement

Personal Selling

(3) Coverage

Advertisements cover a wide area - local, national as well as international territory

Personal selling covers only a limited area in limited time.

(4) Feedback

It is not possible to know about the reactions or ideas of the customers

It is very easy to know, see and understand the choice of customers.

(5) Usage

It is required for already existing product as well as new product to boost-up the sales

It is required in the case of launching new products generally

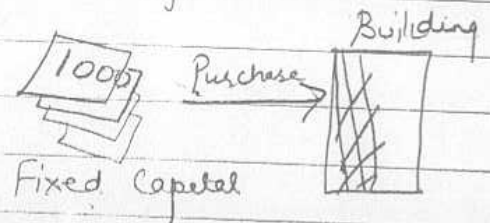
(6) Products

Advertisements are beneficial in case of consumer goods - chocolates, food, milk etc.

Beneficial for industrial product as customers are to be told about techniques to use

Q2] Fixed Capital : It refers to the financial requirement of the company to invest the money in the fixed assets and long term projects

- Purchasing new machinery
- Purchasing land etc.



Factors influencing fixed capital requirements:

(a) Nature of the business : If the firm is 'manufacturing firm' it requires high fixed capital as compared to 'trading firm' because it has to purchase the machinery for

- production
- converting raw material into finished stock.
- converting finished stock into cash

If the firm is trading it purchases the already manufactured goods and sell these, then there is requirement of less fixed capital as less machinery is required

(b) Scale of the operations :

If the business firm is dealing on a large scale, the functions performed by it are many and are complex, then the requirement for fixed capital increases but if the firm is dealing on a small scale and has to cover ~~less~~ geographical area, the requirement of fixed capital decreases.

(c) Growth Prospects :

If the ~~business~~ is deciding about dealing in new products, at new areas and at large scale, then the need of fixed capital increases.

But if the management has no new plans of setting business at ~~new place~~ and to grow the business

(Concerned With)

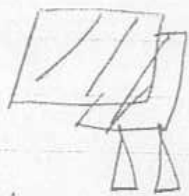
- Increase in number of employees
- Increase in product lines.

- Increase in Capital Investment
 - opening new branches at new places etc.
- Then the need for fixed capital declines.

(b) Technique Upgradation : If the business is in that field where the technique of production changes frequently, then it requires high (more) fixed capital to invest in new machines

- In case of fashion Industry
- In case of garment Industry

Otherwise, if the business is in that field, where technology remains constant, then it requires less fixed capital



old technique



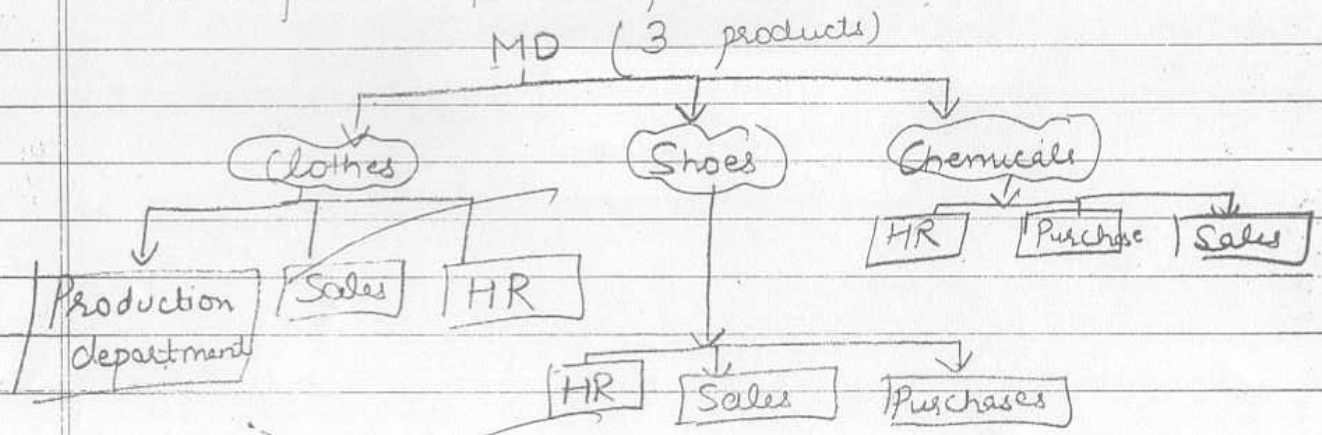
new technique



other technique

Conclusion : Thus, the above mentioned factors deeply influence the ~~working~~ fixed capital requirement of the business.

Q28 Divisional Structure : It is that organisational structure in which the business dealing in number of products is divided into different business units, each unit responsible for one product.



Advantages :

- (i) Product Specialisation : The most advantageous thing is that when each business unit deals in one product, it is specialised in its production and management. Thus the business enjoys the benefits of large scale.

profits

(2) Easy & Effective Administration


Each department is under one head. One person is responsible for the performance of whole business unit. Thus, he can pass orders and commands effectively and with more control can exercise his powers. Thus, administration becomes solely

Disadvantages (limitations)

(1) Regular Conflicts : The resources are divided in different business units as per their needs. It leads to conflicts sometimes because, the different business heads think that their department is given less importance at the (name) issue of needs

(2) Costly : Since each department is involved in similar functions to be performed, that increases the cost.

Example : Shoes department is involved in marketing and sales. Similarly the other ^{business units} departments. But the advertisement for shoes is separately required and for garments separately. It increases the cost.

Very Costly !!! 

Conclusion : Thus, where there are advantages of divisional structure, there are disadvantages too. The management must careful analyse all these.

Q29

External Source of Recruitment

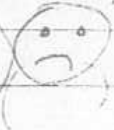
When the vacant job positions in the organisation are filled from inviting persons from outside the organisation is called external recruitment source.

Advantages :

(a) Infusion of new spirit : When new people are introduced, in the firm, they give new ideas, opinions and suggestions. The firm with new ideas and something different definitely gets the attention of public.

(b) Competitive Spirit : New people come with a wish to move at more heights. Thus a healthy competition prevails in the organisation. Every employee in order to be more high in the eyes of management work with full efficiency. Thus, is profitable for business.

Let me show him!



new worker

Hello!



new worker.

(c) Increases Wider Choice :

The firm gets a chance to choose from a no. of candidates

Thus, it can choose 'the best'. The best one selected tries to give his full with full energy so that can show to the management that their decision to select him was right.

Limitations

(a) Dissatisfaction among existing employees

The old and previous employees get dissatisfied with this decision and approach of the managers. Thus, it decreases their confidence and efficiency level. They may adopt a negative attitude towards the management.

(b) Costly and lengthy process:

The process of choosing and selecting and placing (manpower to trained also) is very lengthy and costly process. Thus managers have to rethink about their decisions.

Criteria against which the actual performance of the employee will be measured. It facilitates effective control. Example

— 10 units are to be produced in 1 hour. etc.

(b) Measuring Actual Performance:

The next ^{step in the} process is to measure the actual work done by the employee. It is directly and only related to the work performance of the employee.

— 8 units are produced by Mr. Chilly
— 10 units are produced by Mr. Good etc.

(c) Comparing Actual Performance With Standards set up.

The next step is to compare the work done by the employee with the planned/desired work done. With the help of this step, the deviations are found out easily.

} Standard production	10 units
	8 units
	2 units (10-8)
} Work done	
} Deviation	

(d) Analysing the Deviations : The next step is to find the reasons for this performance whether less or more. It leads to control effectively.

(e) Taking Corrective Action : The next and the last step is to take the corrective action required to bring the actual and desired production closer together. This is as follows:
 — If raw material is of poor quality
 change the quality etc.

Conclusion : Thus, controlling is concerned with taking and performing a no. of steps with make control function a process which ensures success.