

Ques 25- The other steps which Nisha has to perform to complete the process of selection are - Staffing are -

i- Selection - Selection refers to the process of discovering and choosing the most suitable and promising candidate to fill the vacant posts and rejecting the unsuitable ones. Selection is a negative process because at every stage many people are eliminated from the process and a few move on to the next stage until the right type of person is found.

ii- Placement and Orientation - The selected employees have to be placed at the right jobs. Placement refers to occupying of position by the employees for which they had been selected. Orientation refers to the process of introducing the selected employees to other employees and familiarising them with the rules and policies of the organisation.

### iii- Train Training and Development-

Training is the process by which aptitudes, skills and knowledge of employees to perform specific jobs are improved. The management has to organise training programmes for employees for the purpose of enrichment of skills required to perform the job. Training can be organised through in-house training centres or forged alliances with foreign institutes to ensure continuing learning of employees.

Development is the process by which employees acquire skills and competencies to handle higher jobs in future. The organisation should put in considerable efforts to organise training and development programmes for the staff.

#### iv- Placement and Orientation-

iv- Performance Appraisal - The next step is to evaluate employee's performance through Performance appraisal. Performance appraisal means evaluating an employee's current and past performances ~~as~~ as against certain pre predetermined standards. It involves defining the job, appraising performance and providing feedback. Every organisation has some formal and informal means of evaluating their employee's performance.

v- Job Promotion & Career Planning - The next step is related with career planning which includes all activities related to promotion and transfer of employees based on their performance so as to improve their skills and satisfy their esteem needs and basic physiological needs.

vi - Compensation - The last step is to fix up the compensation of an employee to match his contribution to the organisation with his remuneration. Compensation includes all forms of pay and rewards given to employees. It may be in the form of direct financial payments like wages, salaries, bonus or indirect payments like employer's paid insurance and paid-leaves.

Ans. 2

(6)

(i)

(ii)

(ii)

Ans. 24 - (a) - The concept of management which helped the company to diversify it into many areas and branches abroad is DECENTRALISATION.

(b) - The five importance of DECENTRALISATION are -

(i) - Develops initiative among subordinates - Decentralisation, being an optional policy-decision, develops initiative among subordinates by promoting self-reliance and confidence in them. This is so because when lower managerial levels are given freedom to take their decisions, they learn to depend on their own judgement.

(ii) - Develops managerial talent for future - Decentralisation develops managerial talent for future by creating a reservoir of qualified manpower to fill up vacant positions in new ventures and giving subordinates a chance to prove their abilities.

iv- It also helps in identifying those who may not be successful in assuming greater responsibility. It thus provides a basis of management education and serves as an opportunity to qualified manpower to show their talents in job performance.

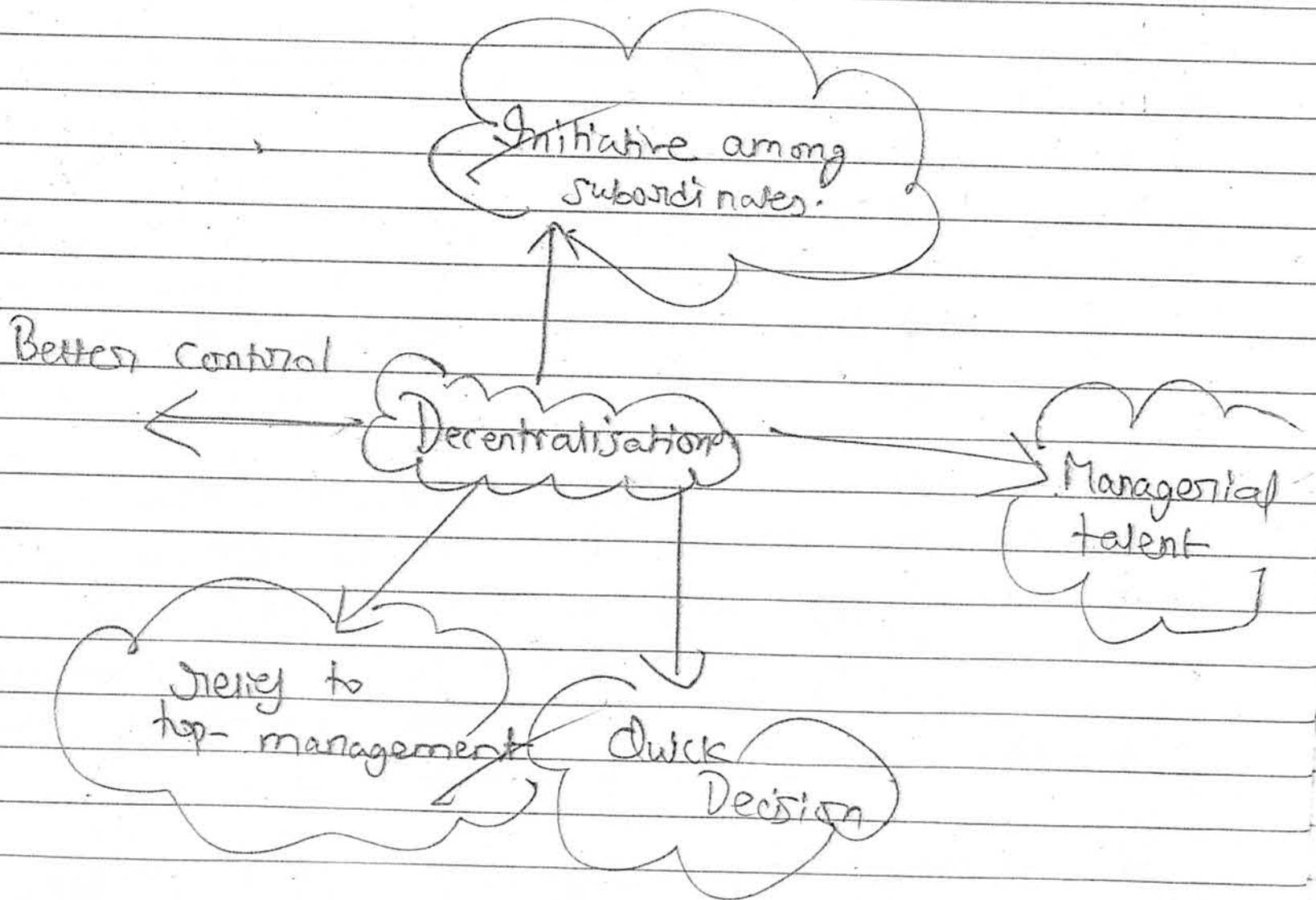
iii- Quick decision making - Decentralisation facilitates quicker decision making as there is no requirement to take approval from many levels in order to take a decision. Also, the decisions are taken by the areas which are nearest to the point of execution. The burden of managerial decision does not lie in the hands of few individuals but gets divided among various levels which helps them to take better and quick decisions.

iv- Relief to top management - Decentralisation gives much needed relief to the top management as by passing the routine decision making power to lower managerial levels, & top-level managers get more time to concentrate on strategic areas of importance and formulating policies for future growth and development of the organisation.

v- Better Control - Decentralisation enables better control over all the activities of organisation by evaluating performance at each level and by making the departments and various managerial levels individually accountable for their outcome.

DECENTRALISATION IMPLIES DELEGATION OF AUTHORITY TO THE LOWEST LEVEL OF MANAGEMENT !!!

(a)



Am. 23 - (OR) -

(a) Division of Work -

- It is a general principle of management given by Henri Fayol.
- According to this principle, work should be divided into small tasks, jobs and each task should be performed by trained specialist which releases h greater efficiency, job specialisation, increased productivity and minimal wastage of resources and duplication of efforts.
- The main objective of this principle is to produce more and better work with the same effort.
- This principle is applied to all kinds of activities - technical as well as managerial.



MANAGER.

We have created separate departments for our organisation - Production, Marketing, Finance, HR - each having specialised persons who can collectively achieve production and sales targets of the company.

## USE OF DIVISION OF WORK

### (b) Authority and Responsibility -

- This is a general principle of management given by Henri Fayol.
- Authority refers to the right to command others and take action within the scope of one's position.

- Responsibility means obligation to complete the assigned task on time.
- This principle advocates that there should be a balance between authority and responsibility in all job positions in an organisation.
- Mere responsibility without giving authority makes an executive less interested in performing his duties.
- Similarly, giving authority without assigning responsibility makes him arrogant and there is a fear of misuse of power.
- The organisation should build safeguard against abuse of managerial power.
- At the same time, the manager must be given necessary authority to carry out his responsibility.

- The manager should be given the right to punish a subordinate but only after sufficient opportunity has been given to him for presenting his case.

(c)



BOSS:

I'm giving you the responsibility  
of increasing sales by 10%.  
for this month.



But sir, I've no authority either to increase sales expense or act appoint a new SALES PERSON. Salesman: How can I achieve the target ??

Principle of Authority & Responsibility is violated here!!

### (c)- Discipline -

- This is a general principle of management given by Henri Fayol.
- Discipline is the obedience of organisation rules and employment agreement by both the management and employees which is necessary for proper working of the organisation.
- It requires good superiors at all levels, clear and fair agreements and judicious application of penalties.
- Both management and workers should honour their commitments towards one-another without any prejudice.
- It promotes efficient working of the organisation.

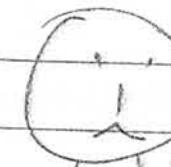
Without any chaos and hustle-bustle.

- It results in stability in the organisation by making the employees responsible and well-behaved.
- Rewards should be given to those employees who are always found disciplined and punishment to those who are found misbehaved.

Ex -



Cigarette  
smoking



Manager

> You are not  
permitted to enter  
the organisation.  
Cigarette smoking  
is strictly  
Prohibited!!

VIOLATION OF DISCIPLINE ON PART OF WORKER.

No promotion for this year.



MANAGER

Boss is not giving us promotions and transfers as per contract of employment.



WORKER 1.

> Yes, he is not honouring his commitment towards us.

WORKER 2.

VIOLATION OF DISCIPLINE ON PART OF MANAGER.

Ans 22-

The decision that 'Pushpa Jali Ltd' should take so that its customers are able to identify its products in the market is BRANDING.

Q

BRANDING refers to the process of giving a name, a sign, or a symbol to a product which helps in identifying and distinguishing it from the competitor's products.

BRANDING is the process that is used by a producer when he wants to market his product by a name other than its generic name.

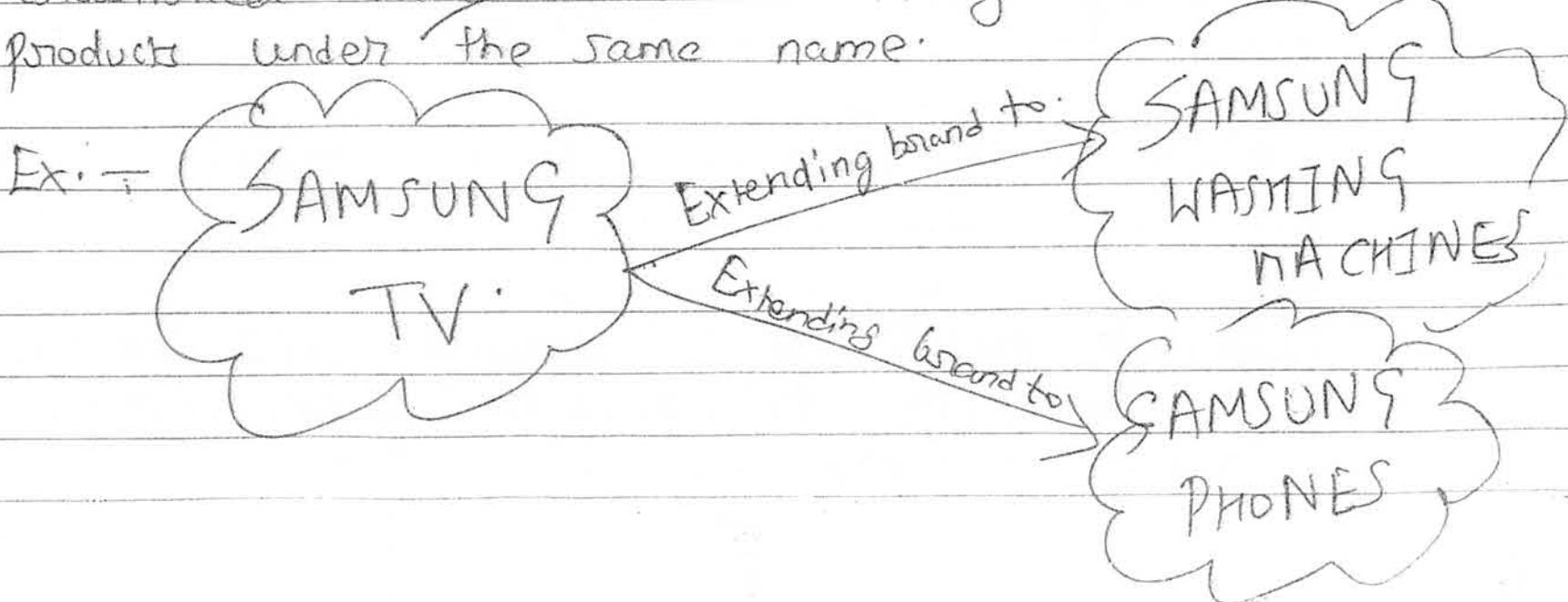
Generic name refers to the name of whole class of the product.

Ex - Pen - Generic Name.

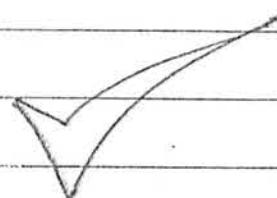
Cello Butterflow Pen - Brand Name.

## Benefits of Branding to 'Pushpanjali Ltd' -

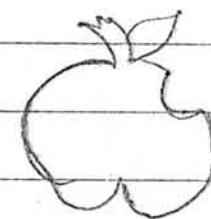
- Product differentiation - Branding helps a producer in differentiating his products from that of its competitors. This helps in securing a market for the producer by the producer for his products.
- In-Ease in Introduction of New Products - Branding helps in introducing new products under the same brand name. Many companies having a established brand name usually introduce new products under the same name.



→ Differential Pricing - Branding enables a producer to charge higher price for his products than its competitors. Because if customers like a particular brand and become habitual of it, they do not mind paying a little higher price for it.



NIKE



APPLE

[BRANDS]

Benefits of Branding to Customers -

→ Product identification - Branding helps the customers in identifying the products from various other products available in the market.

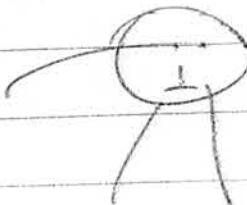
- Ensures quality - Branding ensures a particular level of quality of the product. If there is any deviation, customers can make a complaint to manufacturer or seller.
- Status symbol - Certain brands have become status symbols because of their quality. Customers feel proud of using them and this adds to the level of their satisfaction.

Ex - Mont Blanc, Parker, Nike, Woodland,



Customer.

> Hoo-hoo! The quality of Parker pens are amazing. They glide and slide always!!



> Wow!! I'll also purchase it!!

Ans 21-

(a) - The function of management highlighted is -  
Controlling.

(b) - Accomplishment of Goals -

Controlling helps the organisation in accomplishment of goals by bringing to light, deviations, if any and suggesting corrective action. So that the deviations do not occur again and standards are accomplished.

• Improves Employee Motivation -

Controlling helps in improving employee motivation as the employees know well in advance the standards of performance on the basis of which they will be appraised and promoted.

- Judging Accuracy of Standards -

Controlling helps in judging accuracy of standards in the light of changes taking place in the business and in the environment. Controlling keeps a close check on all activities going in and out of the organisation and help in reviewing standards and revising them in the light of such changes.

- Ensured Coordination in Action -

Controlling ensures coordination in action as all the employees and departments in the organisation are guided by pre-determined standards which are well coordinated with one another.

Ques 20 - The five characteristics of Co-ordination given are - →

→ Integrates group efforts -

○ Coordination integrates group efforts by ~~diverse~~ unifying diverse interests into purposeful work activity; thereby ensuring that all people work in one direction to achieve organisation goals according to plans. →

→ Ensures Unity of Action -

Co-ordination ensures unity of action by acting as a binding force between departments so that all actions are aimed at achieving the goals of the organisation. →

→ Coordination is Pervasive -

Coordination is universal in nature as it is required in all organisations; at all levels and in all departments. It is not an exclusive function of any department or organisation.

→ Coordination is Continuous -

Coordination is continuous as it starts at the planning stage and continues till controlling.

It is required to be performed in all the functions of management till the organisation continues its operations.

→ Coordination is a Deliberate Function -

Coordination is a deliberate function as every manager

has to coordinate the efforts of different individuals in a conscious and deliberate manner.

Even when there is cooperation, coordination gives direction to that willing spirit.

Coordination without cooperation leads to dissatisfaction among employees.

Coordination without

Cooperation without coordination leads to wasted efforts.

Ans 19 - (a) -

Particulars	I ₹	II ₹	III ₹
Capital Structure →			
Equity	40,00,000	30,00,000	10,00,000
Debt	0	10,00,000	30,00,000
Total Capital	40,00,000	40,00,000	40,00,000

Earning Before Interest & Tax (EBIT)

Less: Interest on Debt @ 9%.

Earning Before Tax.

Less: Tax @ 30%.

Earning After Tax.

8,00,000	8,00,000	8,00,000
-	(90,000)	(2,70,000)
8,00,000	7,10,000	5,30,000
(2,40,000)	(2,13,000)	(1,59,000)
5,60,000	4,97,000	3,71,000

Earning Per Share (EPS).

= Earning After Tax

No. of Equity Shares:

14. 16.56. 37.1

The company will be able to take advantage of Trading on Equity in Alternative (III) because in this case, EPS (Earning Per Share) of the equity shareholders is maximum, i.e., ₹37.1 approx.

- (b) No, Earning Per Share not always rise with increase in debt. It will rise only when the Return on Investment of the Company is greater than Rate of Interest payable on Debt.

$ROI > Cost \text{ of } Debt \Rightarrow$  Trading on Equity favourable.

If In case, the ~~earning~~  $ROI < Cost \text{ of } Debt$ , then Earning Per share of shareholders will decline with further ~~employment~~ of debt in the capital structure. Trading on Equity is strictly unallowed here.

Q. Ans:- The four factors affecting fixation of price of a product are -



## ⇒ Product Cost -

- Product Cost determines the minimum level (floor price) at which a product can be sold
- Product Cost is the cost of manufacturing, distributing and selling the products.
- It is essential that the price of product must cover the cost of product in the long run, along with a margin of profit over and above the cost.
- There are three types of cost -
  - Fixed Cost - do not vary with level of activity
  - Variable Cost - vary in direct proportion with level of activity.
  - Semi-Variable Cost - vary in indirect proportion with the level of activity.

Product Cost = Fixed Cost + Variable Cost +  
Semi-Variable Cost.

⇒ Utility and Demand - Utility given by the Product and the intensity of demand of the Product sets the upper limit of price at which the product can be sold.

- A consumer buys a product when the utility derived from it higher than or equal to its price.
- Elasticity of Demand also affects fixation of price.
- When demand for a product is inelastic, then more changes in price would lead to less changes in demand.
- When demand for a product is elastic; then less changes in price would lead to higher changes in demand.



Worker:

Less competition



Manager:

What are you  
waiting for??  
Raise the  
price by £500.

⇒ Extent of Competition in the Market -

If the firm faces no or little competition in the market, it can enjoy the freedom of fixing any price for its product.

However, if the extent of competition is very high, then price must be fixed at lower level to boost sales and attain larger share in the market.

⇒ Government and Legal Regulations -

In order to protect the interest of consumers from trading malpractices, the government fixes the price of some essential products. If the firm fixes higher price, then it may invite government intervention.

If there is a monopoly in a particular product and also there is a demand for the product

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then, the seller may charge unreasonable high prices.  
To curb this, the government has categorised certain  
goods as essential goods whose price can't  
reach beyond a certain point.

Qn 17 - The eight reliefs available to the consumer, if the court is satisfied about the genuineness of the complaint are -

- C) - To remove the defect in product or deficiency in service.
- To replace the defective product with a new one, free from any defect.
- To refund the price paid for the product or

charges paid for the service.

- To pay a reasonable amount of compensation in case of any loss or injury suffered by the customer due to the negligence of the opposite party.
- To stop unscrupulous trading practices and not to repeat it in future.
- To issue corrective advertisement to neutralise the effect of a misleading advertisement.
- To pay punitive damages in appropriate circumstances.
- To pay adequate costs of to the appropriate party.

Ans 16 - (a) - The instrument that the company can use for meeting flotation cost on issue of 9% debentures is COMMERCIAL PAPER.

- Commercial Paper is a short-term, negotiable promissory note, negotiable and transferable by endorsement, having a fixed maturity period.
- It is a short-term money market instrument.
- It is issued by large and ~~for~~ creditworthy companies to raise funds for short ~~shor~~ period at lower rates of interest than the market rates.
- It is an alternative to bank financing.
- It is also used to ~~raise~~ <sup>furnish</sup> short term seasonal & working capital requirements.
- Time period - 15 days to 1 year.
- They are issued at ~~part~~ discount and redeemable at par.
- They are very usual means of raising funds from for Bridge Financing. (Meeting floating costs).

(b) - Commercial Paper is traded in Money market. These instrument are quite safe in this market as they have assured yield and negligible risk of default.

All the instruments in money market are invested for a short duration of upto 1 year whose yield is assured and risk of default on account of return is minimal.

Ans 15 - (a) - The other three assumptions of Abraham Maslow's Need Hierarchy Theory are -

- Human Needs are in hierarchical order, ranging from basic needs to other higher level needs.
- A satisfied need can no longer motivate a person. Only the next higher level need can motivate him.

→ An individual moves up/above in the need hierarchy only if the lower need is satisfied, otherwise not.

(b) - The need of Kunal which are being satisfied through promotion are -

i - Esteem Needs -

Identification - 'He had status and prestige and was well-respected by all in the company'.

Esteem Needs relate to factors such as recognition, attention, status etc. The organisation satisfies these needs by giving job-titles, recognition, status to employees.

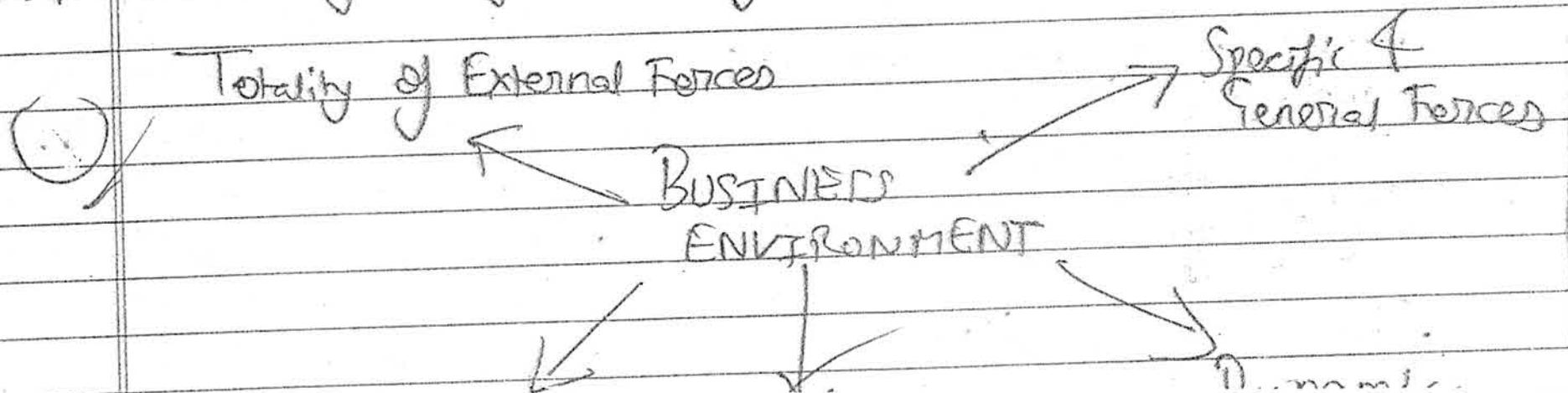
ii - Self-Actualisation Needs -

Identification - Kunal was very happy on his promotion

as now he had become what he was capable of becoming!

It is the highest level of need in the hierarchy. It refers to the drive to become what one is capable of becoming. It includes growth, self-fulfillment and achievement of goals. The organisation satisfies these needs by allowing the employees to take initiative to become what one is capable of becoming.

Ans 14 - The four features of business environment are -



- Totality of External Forces - Business environment  
Consists of all those things that are ~~as~~ external to business firm and as such aggregate in nature.
- Specific and General Forces - Business Environment  
Includes both, specific and general forces. Specific forces (~~as~~ competitors, customers, investors, suppliers) affect individual firms directly in their day to day activities. General forces (social, political, technical, legal environment conditions) affect business firms indirectly.
- Dynamic - Business Environment is ~~an~~ dynamic which keeps on changing with time whether in terms of technological improvements, shift in consumer preferences or entry of a new competitor in the market.

→ Uncertain - Business Environment is uncertain as it is difficult to predict future environmental changes and their impact with full accuracy.

### SECTION - B

#### Am-B-(a) - Investment Decision

(b) - The three factors affecting the decision are -

(i) Cash-flows of the project - The series of cash-receipts and cash payments should be analysed for each proposal before selecting a particular proposal.

	I	II	III
Net Cash Flows	10,00,000	9,00,000	5,00,000
Investment Period.	10 yrs.	10 yrs.	10 yrs.

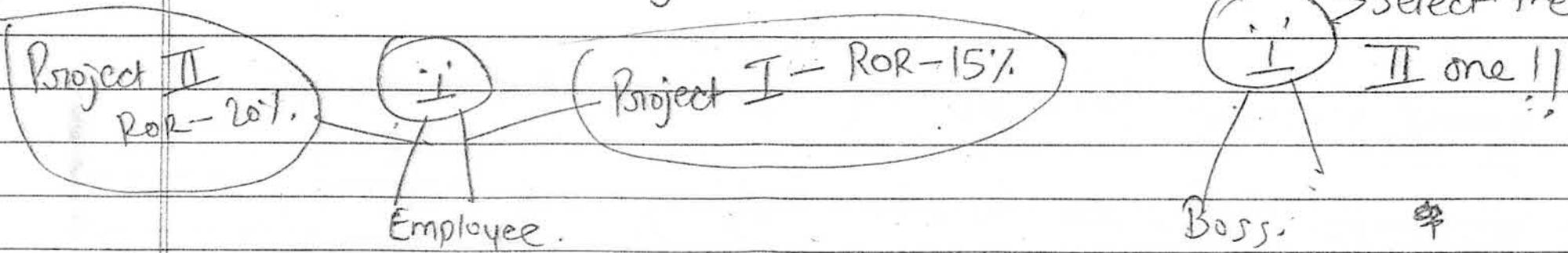
Here, undoubtedly, proposal (I) should be selected since series of projected cash flows is maximum.

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(ii)- Rate of Return of the Project - A company  
should / select that investment proposal that  
offers a higher rate of return with the  
same amount of risk.



(ii)- Investment Criteria Involved - The decision to invest  
in a particular project involves a no. of calculations  
regarding investment amount, cash flows, interest  
interest rate, return on investment. There are  
several techniques to evaluate investment proposals  
known as Capital budgeting techniques which should  
be applied while deciding a particular proposal.

Qn. 12 - The category to which the stated function belongs is Protective Function.

(C)

The two other functions of the same category are -

- Prohibition of fraudulent and unfair trade practices like price rigging, making misleading advertisements etc.
- Controlling insider trading and imposing penalties for such practices.

Protective Function - is the function of SEBI which it performs in order to regulate and protect the interest of investors and to provide safety of transactions in the securities market.

Am. II - Veritible Training - "Veritible training" is a job training method which is conducted away from the actual workplace by creating similar environment using similar equipment. It is based on the principle of LEARNING BEFORE DOING!

- It is imparted with the help of equipments and machines & identical to those at the place of work.
- It enables the trainee to acquire the know-how to handle sophisticated machinery and equipments.
- The training place is referred to as Veritible School.

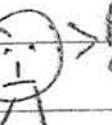
Ex - Sophisticated machinery!!  
You need Veritible  
Training.

i > Sure Sir !!

13

Apprenticeship Training - : Apprenticeship training is on-the-job training method which is conducted with the help of equipments in which a trainee is kept under the guidance of a master worker or an experienced

- guide for a prescribed time period (2 to 5 yrs).
- It is based on principle of "Learning Before Doing".
- It is given to acquire higher level of skills.
- It is used to give training to those who seek to enter in highly-skilled jobs of plumbers, electricians etc.
- During training, the trainee is paid less than a fully qualified worker. When the trainee becomes expert in the concerned job, he gets full charge of his position.

Ex -  Aspire to become plumber!!.  
 Go for apprenticeship training.

Manager.

 OK Sir!!  
 Worker.

Any 10 Basic

Formal Organisation

Informal Organisation

(a) Origin.

Formal organisation originates as a result of company's rules and policies.

Informal organisation originates as a result of social interaction among employees.

(b) - Authority

Authority arises on the basis of position in the management.

Authority arises on the basis of personal qualities of the person.

(c) -

Leadership.

Managers ~~undoubtedly~~  
-ately → Managers, undoubtedly, are leaders.

Leaders, may or may not be managers. They are chosen by the group.

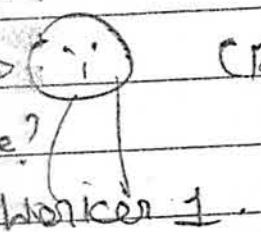
Ans:- The three limitations of planning function of management are-

i- Planning may not work in a dynamic environment.  
This is so because the environment in which a business operates keeps on changing and planning may not foresee everything. Changes in social, political, technical and legal conditions take place so rapidly that

planning premises of managers may turn wrong and their plans may fail.

ii- Planning reduces creativity - Planning is generally done by the top management. Lower hierarchy managers (middle management and other decision makers) only implement the plan. They have no right either to deviate from plans or take action on their own. Thus, much of the creativity and talent inherent in them gets lost.

Ex- She already produced 100 pens, the target  
Should I produce more?



CREATIVITY  
REDUCED!!



Are you mad??  
Why to exceed  
target??

Worker 1.

Worker 2.

iii- Planning does not guarantee success - This is so because managers have a tendency to rely on previously tried and tested successful plans which may create a false sense of security and leads to failure because it is not sure that a plan which has worked before will work effectively again.

Ans 8- Discount / Rebate (both can be there as assumption is not clear).

Ans 7- Customer Support Service.

Ans 6- The market is Financial Market.

C The function, being referred to is - 'Reducing the cost of Transactions'.

Ans 5- The types of barrier to effective communication is -

C Uncalibrated Assumptions (under Semantic Barrier).

Badly Expressed Message (under Semantic Barrier).

(both can be there as assumption is not clear).

Ans 4- Management by Exception means identifying only significant deviations in controlling process which go beyond permissible limit and bringing them to the notice of management.

C It is based on the belief that an attempt to control everything results in controlling nothing.

Ans 3 - Organising is the process of identifying and grouping the tasks to be performed; defining and delegating authority and responsibility and establishing accountability relationships for the purpose of accomplishing objectives.

Ans 2 - Authority flows from downwards through the corporate level, i.e., from superior to subordinate.

Whereas Responsibility flows upwards from a subordinate to a superior.

Ans 1 - As middle level managers, they have to cooperate with other departments for smooth functioning of the organisation.