

HNDIT 2303 – Principles of Management and Applied Economics

Model Answers

1. (Total 25 marks)

- i. Define the term Manager. (03 marks)
- *The people responsible for directing the efforts aimed at helping organizations achieve their goals. (Stoner, Freeman and Gilbert, 2008)*
 - *Someone who coordinates and oversees the work of other people so that organisational goals can be accomplished. (Robbins and Coulter, 2012)*
 - *Someone whose primary responsibility is to carry out the management process. (Griffin, 2012)*
- ii. Briefly describe three decision roles played by managers. (06 marks)
- a. **Entrepreneur role:** *decide and initiate projects; identify new ideas, delegate idea responsibility to others.*
 - b. **Disturbance handler role:** *assume responsibility for handling an unexpected event or crisis.*
 - c. **Resource allocator role:** *assign resources between functions and divisions, set budgets of lower managers.*
 - d. **Negotiator role:** *seeks to negotiate solutions between other managers, unions, customers, or shareholders.*
- (Named 3 decision roles (1x3 Marks), with description (2x3 marks))
- iii. “The ultimate aim of management is to enhance the organizational productivity and performance.” Do you agree with this statement? Briefly explain your answer? (08 marks)

Yes. Managers work,

- *To maximize the utilization of scarce resources*
- *To face the increasing competition for inputs and outputs*

- *To enhance the quality of the products and services*
- *To adopt/plan for the changes in the business environment*

Which in turn enhance the organizational productivity and performance.

(Yes (2marks) explanation 3 point (2x3 marks)

- iv. List main two classification areas of an organizations' external environment and briefly explain each giving two examples. (08 marks)

1. The **macro/general** environment is the outer layer that is widely dispersed and affects organizations indirectly.

Eg: Economic, social, technological, political and legal and natural environments.

2. The **micro/task** environment is closer to the organisation and includes individuals, groups and institutions directly influencing organization's basic operations and performance.

Eg: Competitors, suppliers, customers, labor market, financial institutions.

(Named 2 category (1x2 Marks), with description (1x2 marks), Examples (2x2 marks))

2. (Total 25 marks)

- i. What are the barriers of planning? (04 marks)

- a. *Uncertainties in the environment*
- b. *Lack of environmental sensitivity*
- c. *Lack of knowledge and skills in planning*
- d. *Lack of experienced personnel*
- e. *Lack of creativity and imagination*
- f. *Lack of cooperation*
- g. *Lack of top management commitment*
- h. *Lack of leadership*
- i. *Lack of facilities and resources*
- j. *Negative attitude towards planning*

(1x4 marks)

ii. Differentiate goals from objectives.

(06 marks)

	<i>Goal</i>	<i>Objective</i>
<i>Scope</i>	<i>Goals are general intentions and are not specific enough to be measured.</i>	<i>Objectives are narrow and are set for certain tasks in particular.</i>
<i>Specificity</i>	<i>Goals are just general intentions towards the attainment of something.</i>	<i>Objectives are precise actions for accomplishment of a specific task.</i>
<i>Time Frame</i>	<i>Goals usually have a longer time-frame than objectives.</i>	<i>Objectives are usually precise targets set for a short term.</i>
<i>Measure</i>	<i>Goals may not be strictly measurable.</i>	<i>Must be measurable.</i>

(Differentiate 3 (2x3 marks))

iii. “In almost every organizations the process of planning starts at the very top level and trickles down to middle and lower levels in a very sequential manner.”

a. List the three different types of plans in different organizational levels.

(06 marks)

- *Corporate Level - Corporate Plan*
- *Tactical Level - Tactical/Functional Plan*
- *Operational Level - Operational Plan*

(2x3 marks)

b. Briefly explain them considering focused area, focused time duration and main contents.

(09 marks)

<i>Type of Plan</i>	<i>Focused area</i>	<i>Focused time duration</i>	<i>Main contents</i>
<i>Corporate</i>	<i>Prepared for the</i>	<i>3-5 years.</i>	<i>Corporate Vision, Mission</i>

Plan	<i>entire organization.</i>		<i>Corporate Strategies, Corporate Policies.</i>
Tactical/ Functional Plan	<i>Prepared for each Functional level Departments</i>	<i>For 6 months to 1 year</i>	<i>Functional objectives, Functional strategies, Functional policies</i>
Operational Plan	<i>Prepared for each Operational level Units</i>	<i>For 1 month to 3 months</i>	<i>Programmes, procedures, activities, schedules, budgets, rules, regulations, work instructions.</i>

(1x9 marks)

3.

(Total 25 marks)

- i. What is job specialization? (03 marks)

The degree to which the overall task of the organisation is broken down and divided into smaller component parts.

- ii. “Over specialization in a job causes to decrease the productivity.” Do you agree with this statement? Explain your answer. (06 marks)

Yes. over specialization in a job creates,

- a. Monotony and boredom*
- b. Fatigue and job stress*
- c. Job dissatisfaction*
- d. Higher levels of absenteeism and turnover*
- e. Vocational diseases*

which causes to reduce the productivity in a organization.

(1 Marks for Yes, Explains 5 Marks)

- iii. Differentiate a leader from manager considering four (04) criterias. (08 marks)

Criteria	Manager	Leader
Members known as	subordinates	Followers
Position lies at	Formal Structure	Formal Structure /Informal Structure
Sources of power	Positional	Personal
Attitude towards Change	Status-quo	Innovative
Respect	Expect	Receive
Type of decision making	Rational, Logical, Analytical	Emotional, Charismatic
Primary Goal	Company Goal	Followers Goal

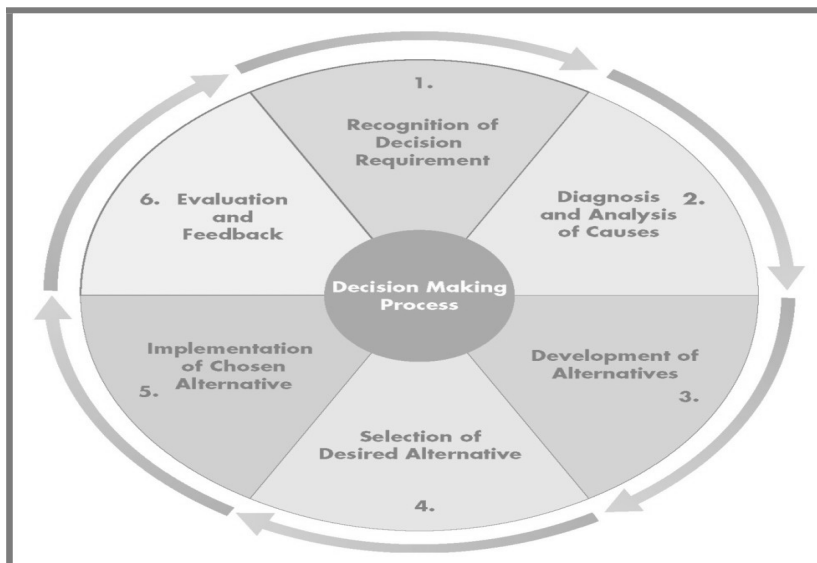
(4X2Marks)

- iv. What is mean by decision making? Briefly explain decision making process.

(08 marks)

Decision Making

The act of choosing an alternative from a set of alternatives. (2 marks)



(6 Marks)

4.

(Total 25 marks)

- i. List five (05) characteristics of an effective controlling system.

(05 marks)

- a. *Flexibility*
 - b. *Accuracy*
 - c. *Timeliness*
 - d. *Economic*
 - e. *Integration with planning*
 - f. *The wholehearted support of top management*
 - g. *Participation of all managers in the control process*
 - h. *A complementary relationship to manager's authority* (5 x 1mark)
- ii. Briefly explain the three methods of calculating national income. (06 marks)
- a. *Income Method*
 - b. *output method*
 - c. *expenditure method* (3x 2marks)
- iii. What is Frictional unemployment? (04 marks)
- Unemployment resulting from people transitioning between jobs.*
Occurs when wages are flexible and enough jobs to go around.
- iv. Briefly explain the costs of unemployment on the basis of individuals and society. (04 marks)

For Individual

- *Unemployed individuals are unable to earn money to meet financial needs.*
- *Failure to pay installments or to pay rent may lead to homelessness through eviction.*
- *Unemployment increases chances of malnutrition, illness, mental stress, and loss of self-esteem, leading to depression.*

For Society

- *An economy with high unemployment is not using all of the resources, i.e. labor available to it.*
- *Since it is operating below its production capability, it could have higher output if more people are usefully employed.*
- *However, there is a difference between economic efficiency and unemployment*

- v. “By reducing unemployment rate always economic efficiency can’t be increased.”
Do you agree with this statement? Explain your answer providing a valid reason.

(6 marks)

Yes. (02 marks)

If the frictionally unemployed accepted the first job they were offered, they would be likely to be operating at below their skill level, reducing the economy's efficiency.

(04 marks)

****Any valid reason.*

5. (Total 25 marks)

- i. Suppose the demand and supply curve of a commodity is given by the following two equations. $Q_d = 105 - 4P$ and $Q_s = -39 + 8P$.

- a. What is market equilibrium? (04 marks)

- *The operation of the market depends on the interaction between buyers and sellers.*
- *An **equilibrium** is the condition that exists when quantity supplied and quantity demanded are equal.*

- b. Calculate the equilibrium price and the equilibrium quantity of the above commodity. (06 marks)

$$105 - 4P = -39 + 8P \quad (02 \text{ marks})$$

$$12P = 144$$

$$P = 12 \quad (02 \text{ marks})$$

$$Q = 57 \quad (02 \text{ marks})$$

- ii. Differentiate followings providing examples. (08 marks)

a. Normal Goods and Inferior Goods

- **Normal Goods** are goods for which demand goes up when income is higher and for which demand goes down when income is lower.
- **Inferior Goods** are goods for which demand falls when income rises.

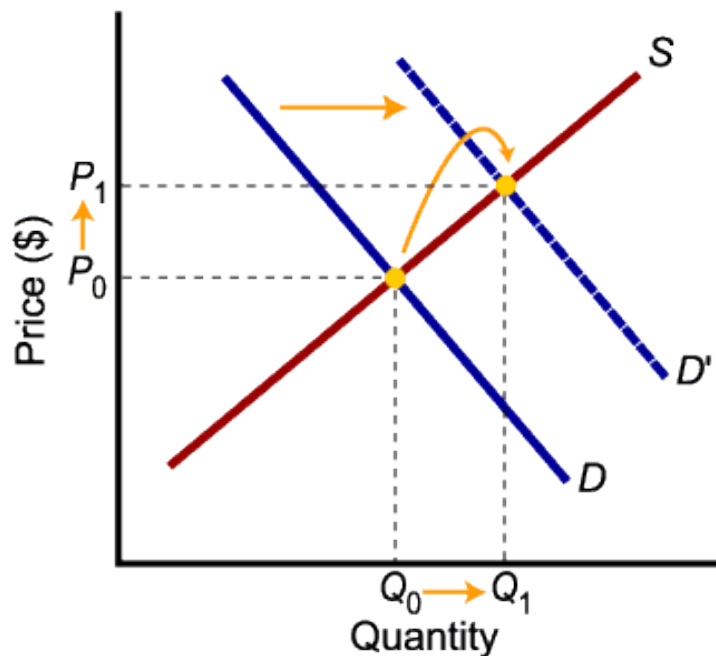
(04 marks)

b. Substitutes and Complements

- **Substitutes** are goods that can serve as replacements for one another; when the price of one increases, demand for the other goes up. **Perfect substitutes** are identical products.
- **Complements** are goods that “go together”; a decrease in the price of one results in an increase in demand for the other, and vice versa.

(04 marks)

- iii. “Higher demand leads to higher equilibrium price and higher equilibrium quantity.” Justify this statement using a graph. (07 marks)



*** 02 marks – for identifying x axis (Quantity) Y axis (Price)

02 marks – Marking demand, Supply curve (D,S)

01 mark - Showing the increase of demand using a curve (D')

02 marks – showing higher equilibrium price and higher equilibrium quantity
in the graph or explanation.