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## **CHAPTER 01: NATURE AND SIGNIFICANCE OF MANAGEMENT**

### **QUESTION BANK**

Multiple Choice Questions:

Assertion – Reasoning Based Questions: Read the following statement: Assertion (A) and Reason (R) and Choose one of the correct alternatives given below:

1. Assertion (A): Management is a goal oriented process.

Reason (R): Management unites the efforts of different individuals in the organization towards achieving these goals.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

2. Assertion (A): Management is a universal activity.

Reason (R): Management is followed only in business organisations all over the world.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (iii)

3. Assertion (A): Management emphasizes on effectiveness and Efficiency of work.

Reason (R): The aim of a manager is to reduce costs and increase productivity with minimizing wastage through better planning, organizing, staffing, directing and controlling the activities of organization and help in completing the work on time.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (ii)

4. Assertion (A): Management helps in achieving organisational objectives only  
Reason (R): A manager motivates and leads his team in such a manner that individual members are able to achieve organizational goals. Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (iv)

5. Assertion (A): Management helps in creating dynamic organisation. Reason (R): Management helps people to adopt changes so that the organization is able to maintain its competitive edge.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

6. Assertion (A): Management helps in increasing efficiency.

Reason (R): The aim of a manager is to reduce costs and increase productivity with minimizing wastage through better planning, organizing, staffing, directing and controlling the activities of organization.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

7. Assertion (A): Profit is only main objective of every management. Reason (R): Profit is necessary for the existence of business.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (iv)

8. Assertion (A): Survival is the primary organisational objective of management. Reason (R): Every organisation needs to survive in the competitive market first, only then he strives for profits. Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A). (iii) Assertion (A) is true but Reason (R) is false. (iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

9. Assertion (A): Reward and recognition is one of the organisational objectives of the management. Reason (R): Management has multiple objectives. Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A). (iii) Assertion (A) is true but Reason (R) is false. (iv) Assertion (A) is false but Reason (R) is true.

Ans. (iv)

10. Assertion (A): Management is not full fledged profession.

Reason (R): A manager need not be a member of any professional association.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (ii)

11. Assertion (A): Management is still developing as a profession. Reason (R): Management does not have all the features of a profession. Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

12. Assertion (A): Management is an inexact science.

Reason (R): Management has to deal with human beings and human behavior which is dynamic in nature. So, the results of management principles can't be predicted accurately.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

13. Assertion (A): Top level management includes only chairman and president of organisation.

Reason (R): Management consists of senior most executives of the organization.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (iv)

14. Assertion (A): Planning precedes all functions of management.

Reason (R): Management consists of various functions which include planning, organising, staffing, directing and controlling.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (ii)

15. Assertion (A): Coordination is the essence of management.

Reason (R): Coordination is required at all levels and through all functions of management.

Options: (i) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(ii) Both Assertion (A) and Reason (R) are true and Reason (R) is not correct explanation of Assertion (A).

(iii) Assertion (A) is true but Reason (R) is false.

(iv) Assertion (A) is false but Reason (R) is true.

Ans. (i)

16. "The task of a manager is to give a common direction to the individual efforts in achieving the overall goals of organization". Identify the importance of management

(i) It helps in achieving in group goals

(ii) It increases efficiency

(iii) Management creates dynamic organization

(iv) It helps in achieving personal objectives

Ans. (i)

17. Management required in all types of organization, whatever may be the size or nature (either economic or non-economic organization).

Identify the feature of management

- (i) Goal oriented process
- (ii) All pervasive/ universal activity
- (iii) Management is a dynamic function
- (iv) Intangible force

Ans. (ii)

18. In management planning, organizing, staffing, directing and controlling functions are performed in the same sequence at every level. After controlling, the planning starts again. Identify the feature of management

- (i) Management is multi-dimensional
- (ii) Continuous Process
- (iii) Group Activity
- (iv) Intangible force

Ans. (ii)

19. Various individuals perform their role as per their status and department, and then only management function can be executed. It can't be performed in isolation.

Identify the feature of management

- (i) Goal oriented process
- (ii) Continuous Process
- (iii) Group Activity
- (iv) Intangible force

Ans. (iii)

20. "The objectives which aim at existence, prosperity and growth of an organization". These are core objectives of organisation

- (i) Organisational objectives
- (ii) Social objectives
- (iii) Personnel objectives
- (iv) General objectives

Ans. (i)

21. "Dealing with employees as individuals and as a group of people and take care of their needs." Identify the dimension of management

- (i) Management of work
- (ii) Management of operations
- (iii) Management of People

Ans. (iii)

22. "The aim of a manager is to reduce costs and increase productivity with minimizing wastage." Identify the importance of management

- (i) It increases efficiency
- (ii) Management creates dynamic organization
- (iii) Management helps in development of society
- (iv) Maintaining a sound organizational structure

Ans. (i)

23. On what basis we can say that management is not a profession:

- (i) Restricted entry
- (ii) Professional Association
- (iii) Ethical code of conduct
- (iv) All of Above

Ans. (iv)

24. One of the objectives of management is to generate demand of its products so that at least such revenue can be generated which is sufficient for covering the costs. Identify the organisational objective of management.

- (i) Survival (ii) Profits (iii) Growth (iv) All of Above

Ans. (i)

25. It is the process of synchronizing the activities of different departments and individuals from the stand point of time and sequence of execution for the achievement of common goal.

- (i) Planning (ii) Organising (iii) Coordination (iv) Controlling

Ans. (iii)



26. Economic Expectations, Reward and recognition, Personal growth and development are:

(i) Organisational objectives (ii) Social objectives (iii) Personnel Objectives

Ans. (iii)

27. Occupation which is backed by specialized knowledge and training and to which entry is regulated by a representative body.

(i) Profession (ii) Art (iii) Science (iv) All of Above

Ans. (i)

28. Management is all pervasive (i) true (ii) false.

Ans. (i)

29. To determine the objectives of organizations is a function of

(i) Top level Management (ii) Middle level management (iii) Lower level management (iv) All of Above

Ans. (i)

30. "To maintain quality of output, safety standards and to minimize the wastage of materials" is a work of which level of management.

(i) Top level Management (ii) Middle level management (iii) Lower level management (iv) All of Above

Ans. (iii)

31. It means dividing and grouping the activities and specifying working relationships of the employees in the organizations.

(i) Organizing (ii) Staffing (iii) Directing (iv) Controlling

Ans. (i)

32. The actual work progress is compared with planned work performance to find out deviations, if any, and remove these by taking corrective actions.

(i) Planning (ii) Staffing (iii) Directing (iv) Controlling

Ans. (iv)

33. Coordination unifies the diverse interest of various people in such a manner that the work proceeds without any hindrance towards common goals. Identify the feature of coordination

(i) Coordination integrates group efforts (ii) Coordination ensures unity of action (iii) Coordination is a continuous process (iv) Coordination is deliberate function

Ans. (ii)

34. Which characteristic of the business environment is highlighted when changes are taking place too frequently and it becomes difficult to predict the future?

a). Uncertainty      b). Complexity c). Inter-relatedness d). Relativity

Ans. a) Uncertainty

35. Identify the reason which makes management important in the light of the fact that it is generally seen that individuals in an organization resist change, as a change often means moving from a familiar, secure environment into a newer and a more challenging one.

a. Management helps in achieving group goals. b. Management creates a dynamic organization c. Management increases efficiency d. Management helps in the development of society.

Ans. b) Management creates a dynamic organization

36. Ola a mobility platform is in the process of laying off 400-500 employees in a move aimed at driving cost efficiency. Which objective of management will the firm not be able to achieve by carrying out this process. a) Efficiency b) Social c) Profit d) Survival.

Ans. b) Social

#### Case Study Based MCQ

QUESTION NO.1 TO 4 ARE BASED ON THE PARA GIVEN BELOW. CHOOSE THE CORRECT OPTION GIVEN BELOW FOR EACH QUESTION:

Mayra Ltd. received a new order of 30,000 toys. Mr. Abhilash, the production manager is expected to deliver goods in fifteen days otherwise the contract will be null and void. To retain the customers, Abhilash outsourced the production of 15,000 toys and delivered the order on time. The outsourcing of production resulted in increase in cost by 50%. Mayra Ltd. uses environment friendly methods of

production and disposes off the waste material by either recycling it or using the same for landfill in such a manner that the aquatic life is not disturbed."

1 Which concept of management is being adhered to here by Mr. Abhilash?

(a)Effectiveness (b) Efficiency (c) Both a. and b. (d) None of these

2 Which concept of management is being overlooked by Mr. Abhilash?

(a)Effectiveness (b) Efficiency (c) Both a. and b. (d) None of these

3 At which level of management is Mr. Abhilash working?

(a)Top level (b) Middle level (c) Lower level (d) Shop floor level

4 Which objective of management is fulfilled by Mayra Limited? (a)Organisational

(b) Personal (c) Social (d) None of these

Ans. 1(a), 2(b), 3(b), 4(c)

QUESTION NO.5 TO 7 ARE BASED ON THE PARA GIVEN BELOW. CHOOSE THE CORRECT OPTION GIVEN BELOW FOR EACH QUESTION:

Ankush Ltd is engaged in manufacturing of electrical appliances .Mr Ankush found that the profits had started declining from the last 6 month. Profit has an implementation for the survival of the firm, so he analysed the business environment to find out the reason for the decline. Also the company has been facing problem for the last few years because of the chaos between two departments ie (production department and sales department).Sales department blames Production department for delaying production. Production department blames sales department for poor sales. The force that initiate two department is missing. So Mr Ankush integrates the effort of these departments into a uniform plan of action to active better organisational results. He also gives instructions to his managers so that desired action may be taken to achieve the target on time.Variou incentive are also offered to them for achieving desired target on time.

5 At which level of management is Mr Ankush working?

(A) top level (b) middle level (c) lower level (d) shop floor level

6 Which is the force that is missing in the given paragraph?

(A) cooperation (b) coordination (c) Authority and responsibilities (d) planning

7 Which function of management is highlighted in the lines "He also gives instructions .....Time"?

(A) planning (b) organising (c) staffing (d) directing

Ans 5(a), 6(b) , 7(d)

8. Joshimath Enterprises decides to have a meeting of all the key employees of different departments in the organisation. The main motive is to tell the employees to keep the target of 25% increase in sales as the main objective when they work throughout the year. The meeting is full of ideas regarding the employees and processes involved. Various plans are made to harness the potential of the employees and streamline the processes. However with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations. The company successfully comes out at the end of the year with flying colours.

Read the above paragraph and answer the following questions.

(a) .“The main motive is to tell the employees to keep the target of 25% increase in sales as the main objective when they work throughout the year”. Identify the feature of management highlighted here:

(i) Goal oriented process (ii) Multidimensional (iii) Dynamic (iv) Group Activity

Ans. (i)

(b) . However with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations. Identify the feature of management highlighted here:

(i) Goal oriented process (ii) Multidimensional (iii) Dynamic (iv) Group Activity

Ans. (iii)

**(3-4 MARKS)**

Q.10 Top management plans for the entire organization. According to these plans the organizational structure is developed and staffed. In order to ensure that these plans are executed according to plans, directing is required. Any discrepancies between actual and realized activities are then taken care of at the stage of controlling. Name and explain the process highlighted above which started at the planning stage itself and is implicit and inherent in all the functions of management in an organization.

11. Govinda 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. Gauranga is responsible for the welfare and survival of the organization. He formulates overall organizational goals and strategies for their achievement. MR. Nityanand ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained. Mr. Sanatan assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objectives. At what levels of management are MR. Gauranga, Mr. Nityanand and Mr. Sanatan working in Govinda Ltd.? justify your answer. (3 marks)

12. 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 villages 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. 1. Identify and explain the objectives of management discussed above.

**ANSWERS**

Ans 10. Coordination The process by which a manager synchronizes the activities of different departments is known as coordination. Coordination is the force that binds

all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization.

Ans.11. 1. Mr. Gauranga is working at the top level management.

He is responsible for the welfare and survival of the organization. He formulates overall organizational goals and strategies for their achievement.

2 Mr. Nityanand is working at the lower level management.

He ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained.

3 Mr. Sanatan is working at the middle level management. He assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objectives.

Ans.12. 1. The company is fulfilling the organizational and social objectives of management.

Organizational objectives include survival, profit and growth. □ In order to survive, XYZ Power Ltd. earns enough revenues.

□ Company's profits are sufficient to cover the costs and the risks. □ Since demand for lanterns 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.

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**CHAPTER 02: PRINCIPLES OF MANAGEMENT**  
**QUESTION BANK**

**( 1 MARK)**

Q.1 A worker directly contact to CEO of the company with a complaint regarding working condition in the factory. Which of the following principle is being violated here?

- (a) Unity of command
- (b) Scalar chain
- (c) Unity of direction
- (d) Discipline

Answer-(b) Scalar chain.

2 Loyd company limited manufacturer's motorcycle and cars. It has two separate divisions for both of them. Each division has its own in-charge, plans and execution resources. On the

account of the working of two divisions overlap. Which principle of management violated by the Loyd company limited.

- (a) Unity of command
- (b) Scalar chain
- (c) Unity of direction
- (d) Discipline

Answer-(d) Discipline

3 Nikita and Sunil completed their MBA and started working in multinational companies at the same level. Both are working hard and are happy with their employer. Sunil had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At a time of performance appraisal the performance of Nikita was judged better than Sunil. Even then their boss, Mohan decided to promote Sunil stating that being a female Nikita will not be able to handle the complaints of a higher post. Identify the principle of management which is not followed by the multinational company.

- (a) Unity of command
- (b) Scalar chain
- (c) Principle of Equity

(d) Discipline

Answer-(c) Principle of Equity

4 Sigma limited a large company. manufacturing electric motors. The company has several departments production marketing finance and HRM. Mr. Shashank, CEO of the company set the target sale of Rs.10,00,000 in the month. To increase the sale, the marketing management, Mr. Ishaan, insist on offering 10% discount to the customer. But the finance manager, Mr. Mohak, does not approve such discount as it would means loss of the revenue. Because of dual subordination, the sales manager, Mr. Anshik, could not achieve the sales target. Which principle of management has been overlooked by the company.

(a) Unity of command

(b) Scalar chain

(c) Principle of Equity

(d) Discipline

Answer-(a) Unity of command

5 Mona Ltd. Is leading automobile company in which the various departments are setting up their own objectives without paying any interest to the organisational objectives.

Which principle of management violated by the Mona limited.

(a) Unity of command

(b) Subordination of individual interest to general interest.

(c) Unity of direction

(d) Discipline

Answer- (b) Subordination of individual interest to general interest.

6 The manager of an organisation always undermines the employee's performance because he don't like him.

Identify the principle of management violated by manager (a) Unity of command

(b) Subordination of individual interest to general interest.

(c) Unity of direction

(d) Equity

Answer- (d) Equity



7 She/he keeps machines, materials, tools etc. ready for operations by concerned workers.

Whose work is described by this sentence under functional foremanship.

- (a) Gang Boss
- (b) Repair Boss
- (c) Speed Boss
- (d) Disciplinarian

Answer- (a) Gang Boss

8 Mr. Goyal, HR, manager of a company, select each person scientifically, assigns work to its employees according to his/her physical, mental and intellectual capability, He also gives them to required training so that they may produce more and earn more. This will ensure their prosperity for the both company and the workers.

Identify the principal of management highlighted in the above case.

- (a) Development each and every person to his her greater efficiency and prosperity
- (b) Subordination of individual interest to general interest.
- (c) Produce more and earn more
- (d) Physical, mental and intellectual capability development of workers

Answer- (a) Development each and every person to his her greater efficiency and prosperity.

9 Sitaram, the production manager of Joy limited want to increase the speed of the packing. In order to identify and eliminate unnecessary and unproductive movements of the workers in packaging, he installed CCTV camera in the factory.

Which technique of scientific management adopted by the Sitaram.

- (a) Motion study
- (b).Time Study
- (c) Fatigue study
- (d) Method Study

Answer-.(a) Motion study

10 Pawan is working as a production manager in SMS limited engaged in manufacturing of CFL bulbs. There are no class conflicts between the manager and workers. The working conditions are very good. The company is earning huge profit. As a policy matter, management is sharing the gain with the workers because they believe that the prosperity of the employees and company cannot exist for long time without the prosperity of the company cannot exist for a long term without employees' prosperity.

Identify the principle of management described in the above paragraph.

- (a) Science, not rule of thumb
- (b) Principal of Scientific management
- (c) Principle of Fatigue Study
- (d) Harmony not discard

Answer-.(d) Harmony not discard

#### **ASSERTION – REASON**

11. Assertion (A): Techniques are procedures or methods which involves series of steps to be taken to desired goals.

Reason (R) principles are the guideline to take decisions or action while practicing techniques.

- (a )Both (A) and (R) are true.
- (b)A) is true but (R ) is false.
- (C)(A) is false but (R) is true.

Answer- (a) Both (A) and (R) are true.

12 Assertion (A): Ram is given the responsibility to produce 1000 Covid-19 Test Tubes per day, but he is not given the authority to purchase raw material. In absence of raw material in the store work could not be completed.

Reason (R): Ram cannot be blamed because he was not given the matching authority to complete the work on time.

- (a )Both (A) and (R) are true and (R) is the correct explanation of (A) (b) Both (A) and (R) are true but (R) is not the correct explanation of (A)
- (c)(A ) is true but (R ) is false.

(d)(A) is false but (R) is true. Answer- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)

13 Assertion (A): In unity of direction, one subordinate should receive order from one and should be responsible to only one superior.

Reason (R): Each group of activities having some objective must have one head and one plan.

(a) Both (A) and R true and (R) is the correct explanation of (A)

(b) Both (A) and R true but (R) is not the correct explanation of (A)

(c) (A) is true but (R) is false.

(d) (A) is false but (R) is true.

Answer- (d) (A) is false but (R) is true.

14 statement 1. Mona, an employee in production department is asked by her boss to go slow and maintain the quality as per planning.

Statement 2 : At the same time, the sales manager, orders to go fast as the order have to be completed.

Which statement is valid as per unity of command .

Answer- 1 is valid.

15 Assertion (A): Organization should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.

Reason (R): Gangplank is a shorter route and has been provided so that communication is not delayed in an emergency.

(a) Both (A) and R true and (R) is the correct explanation of (A)

(b) Both (A) and R true but (R) is not the correct explanation of (A)

(c) (A) is true but (R) is false.

(d) (A) is false but (R) is true.

Answer-(a) Both (A) and R true and (R) is the correct explanation of (A)

16 Assertion (A): Equity principal emphasizes kindness and justice in the behaviour of managers towards the workers. There should be no discrimination against anyone on account of religion, language, caste, belief or nation etc.

Reason (R): Good sense and experience are needed to ensure fairness to all the employees who should be treated as fairly as possible.

- (a) Both (A) and R true and (R) is the correct explanation of (A)
- (b) Both (A) and R true but (R) is not the correct explanation of (A)
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

Answer-(a) Both (A) and R true and (R) is the correct explanation of (A)

17 Assertion (A): In Order principle, workers should be encouraged to develop and carry out their plans for improvements, within the prescribed limit of authority.

Reason (R): In In Esprit-de- corps, management should promote a team spirit of unity and harmony among employees.

- (a) Both (A) and R true and (R) is the correct explanation of (A)
- (b) Both (A) and R true but (R) is not the correct explanation of (A)
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

Answer-(d) (A) is false but (R) is true.

### **Short Answer type of questions ( 3-4marks)**

Q.1 Explain “Critical point control” with respect to Analyzing deviations, a step in the process of controlling. Give a suitable example.

Q2.Explain “Management by exception” with respect to Analyzing deviations, a step in the process of controlling. Give a suitable example.

3. Briefly explain the following techniques of Scientific Management as given by F.W. Taylor: a. Method study b. Functional foremanship c. Standardization d. Differential piece wage system.

4. Briefly explain the following principles of management given by Henry Fayol:

a. Unity of command b. Equity c. Remuneration d. Initiative

### **QUESTION NO.5 TO 7 ARE BASED ON THE PARA GIVEN BELOW. CHOOSE THE CORRECT OPTION GIVEN BELOW FOR EACH**

QUESTION: Mr. A works in a bulb manufacturing company. Each bulb which is manufactured is of standard size and quality. Further if there is any unrequired type of bulb manufactured then its production is stopped. Last month when the company came to know that 10 watt bulbs were no more liked by customers, their production was stopped. He works in the purchase department. His job is to purchase the

filaments required to make bulbs. This time when he purchases the filament he gets the instruction from the seller that some special care needs to be taken in the first hour of fixing the filaments inside the bulb. Mr. A knows this information should be given immediately to the production department before the assembling process starts. However he finds that his company's policies only allow him to give the message to his immediate boss who will further pass this message to his boss. The passing of this message will continue till it reaches the desired person in the production department.

5. Which technique of management is followed here?

- (A) Method study (B) Fatigue study (C) Standardisation and simplification (D) Functional foremanship

6. Name the principle of management followed here by the company?

- (A) Order (B) Scalar Chain (C) Stability of tenure of employees (D) Equity

7. Which way is to be chosen now by Mr. A to speed up the work.

- (A) Gang Plank (B) Scalar Chain (C) Direct communication (D) Informal communication

Q 8. Radhika opens a jewelry showroom in Jaipur after completing a course in jewelry 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 towards 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 paragraph.
- c. State any one effect of the violation of the principle of management by Radhika as identified in part (b) of the question.

## **Answers**

Ans 1. Critical point control: It is neither economical nor easy to keep a check on each and every activity in an organization. Control should therefore focus on key result areas which are critical to the success of an organization. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organization suffers. For instance, in a manufacturing organization, an increase of 5% in the labour cost may be more troublesome than a 15% increase in postal charges.

Ans 2. Management by Exception: Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of the management. For instance, if the plans lay down 2% increase in labour cost as an acceptable range of deviation in a manufacturing organization, only an increase in labour cost beyond 2% should be brought to the notice of the management. However, in case of major deviation from the standard (say, 5%), the matter has to receive immediate action of management on a priority basis.

Ans 03: Ans 3. Techniques of Scientific Management given by F.W.Taylor:

**(a) Method Study** : The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study. Ford Motor Company used this concept very successfully. Even now auto companies are using it. The objective of the whole exercise is to minimize the cost of production and maximize the quality and satisfaction of

the customer. For this purpose many techniques like process charts and operations research etc. are used. For designing a car, the assembly line production would entail deciding the sequence of operations, place for men, machines and raw materials etc. All this is part of method study.

**(b) Functional foremanship** is an extension of the principle of division of work and specialization to the shop floor. Each worker will have to take orders from these eight foremen in the related process or function of production. Foremen should have intelligence, education, tact, grit, judgment, special knowledge, manual dexterity, and energy, honesty and good health. Since all these qualities could not be found in a single person, Taylor proposed eight specialists. Each specialist is to be assigned work according to her/his qualities. For example, those with technical mastery, intelligence and grit may be given planning work. Those with energy and good health may be assigned execution work

**( c ) Standardization** refers to the process of setting standards for every business activity; it can be standardization of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. The Objective Of (i) To reduce a given line or product to fixed types, sizes and characteristics. (ii) To establish interchangeability of manufactured parts and products. (iii) To establish standards of excellence and quality in materials. (iv) To establish standards of performance of men and machines

**(d) Taylor was a strong advocate of a piece wage system.** He wanted to differentiate between efficient and inefficient workers. The standard time and other parameters should be determined on the basis of the work- study discussed above. The workers can then be classified as efficient or inefficient on the basis of these standards. He wanted to reward efficient workers. So he introduced different rates of wage payment for those who performed above standard and for those who performed below standard.

Ans 4. Principles of Management given by Henry Fayol:

**(a)Unity of Command:** According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the

same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organization should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated “authority is undermined; discipline is in jeopardy, order disturbed and stability threatened”. The principle resembles military organization. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. Suppose a sales person is asked to clinch a deal with a buyer and is allowed to give a 10% discount by the marketing manager. But the finance department tells her/ him not to offer more than a 5% discount. Now there is no unity of command. This can be avoided if there is coordination between various departments.

**b) Equity:** Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible,” according to Fayol. This principle emphasizes kindness and justice in the behavior of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.

**( c )Remuneration of Employees:** The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure a congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.

**(d) Initiative:** Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an



intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.

Ans 5. ( c) , 6 (b), 7. ( a)

Ans. 8. a. The various principles of management that are being applied by Radhika are listed below:

(i) Principle of Division of work:

“For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialized job.”

(ii) Principle of Centralization and Decentralization:

“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.”

(iii) Principle of Discipline:

“Therefore, after six months when the business was doing well, she awarded a each bonus to each of these employees to honour her commitment.”

b. The principle of management which is being violated by Radhika is Equity.

“However, when it comes to settling the conflicts among her employees, she tends to be more biased towards 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.

.....\*\*\*\*\*.....

**QUESTION BANK**  
**CHAPTER 03: BUSINESS ENVIRONMENT**  
**True or False :**

1. Liberalization means reduced government controls and restrictions. ( T )
2. By developing new ways of doing things the firm can cope up with changing technological environment. ( T )
3. Technological improvement shifts in customer preferences or entry of new competition in the market is an example of uncertainty. ( F )
4. Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors. ( T )
5. Threats refer to the internal environment trends and changes that will hinder a firm's performance. ( F )
6. Demonetization is not a tax administration measure. ( F )
7. Understanding of business environment may assist an enterprise in planning and policy formulation. ( T )
8. Changes in fashion and taste of consumers may not have impact on the demand in the market. ( F )
9. Business environment is uncertain as it is very difficult to predict future. ( T )
10. The future of an enterprise is closely bound up with what is happening in the environment. ( T )
11. New Economic Policy was introduced in India in 1991. ( T )
12. Globalization means integration of Indian Economy with the Economy of America ( F )
13. Disinvestment means investment in different sector ( F )
14. Liberalization was introduced to free Indian Economy from unnecessary control and restrictions ( T )
15. Indian Government is giving freedom of Fixing Price to oil companies is an indication of Liberalized Economy. ( T )
16. Railway is open for private sector participation ( F )
17. After Introduction of N.E.P companies become market oriented ( T )
18. When a company takeover another company and clearly become new owner the called is called Acquisition ( T )
19. When two or more companies join together to share their resources and carry out an economic activity it is known as merger ( T )
20. Impact of N.E.P has been positive on Indian Economy ( T )

**Very Short Answer Questions (1 mark)**

- Q1. Which environment prohibits the advertisement of alcoholic beverages?
- Q2. Banking sector reforms have led to easier credit terms and better services. This is an example of a key component of the —Business Environment" name this component?
- Q3. \_Demand for reservation in jobs for minorities refers to an example of key component of general environment of business. Name this component.
- Q4. —The understanding of business environment enables the firm to identify opportunities. What is meant by opportunities here?
- Q5. In the year 2006, Centre for Science and Environment (CSE) claimed to have found pesticides in Pepsi Co. and Coco Cola soft drink 50 times more than permissible health limit. These companies sales being adversely affected in that year. This is the effect of which environment?

## ANSWERS

Ans. 1. Legal Environment.

Ans:2. Economic Environment.

Ans: 3. Social Environment.

Ans:4. Opportunities here refer to the favorable condition in the organization environment.

Ans.5. This is the effect of Legal environment.

## CASE STUDIES(1, 3 &4 MARKS)

**Q1.:** On 8th November, 2016 the Government of India announced the demonetisation making all Rs.500 and Rs. 1,000 banknotes of the 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% on the day after the announcement. The decision was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised 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 demonetisation the demand for point of sales (POS) or card swipe machines has increased. E-payment options like Paytm has also seen a rise. In context of the above case: Identify & explain the various dimensions of business environment which relate to the above mentioned case.

**Q2.** Bright Services is a taxi service provider. The company is targeting a revenue of 50 crore rupees this year. However with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time. It has a good team of technicians, drivers, software providers, etc. The company has decided to make it adaptable to such continuously changing circumstances. It knows that if it has to expand in new countries it will have to learn the basic differentiating factors like traffic rules, technological aspects, etc. Thus it understands that conditions are different in different countries.

Which features of Business Environment are discussed in the above case? Which force is discussed above?

**Q3.** A company is a component of market. It utilises various raw materials, labour force, human resources, power, water, other sources, etc. When all these resources are utilized output is produced. But before output is produced the input has to go through various operations. These operations convert the raw materials into final products which are then sold in the market.

In the above paragraph which importance of Business Environment is highlighted?

**Q4.** The market is flooded with better quality toys of foreign origin. The result is fall in revenue of the indigenous or local companies as their products are much inferior and are also costlier in less demand in the market.

Which dimension of Business Environment can be seen here affecting the local companies' revenue? 1

**Q5.** The sale of sarees increases in the months of the year when a large number of marriages take place in India. The saree manufacturing companies make special plans of sale for these months.

Which dimension of business environment comes into picture here?

**Q6:** We can expect high sale of sarees in India but we can't expect the same in  
Which feature of business environment is discussed in the previous line?

**Q7.** Advertisements of a protein supplement must inform the potential buyer that the product if taken beyond a given dose can be harmful to the diabetics.

Which dimension of business environment is highlighted here?

**Q 8.** Long Drive Manufacturers is a leading vehicle manufacturing company. It claims that it can create a fuel in its laboratory which can run the newly designed car. The company is ready to provide this fuel to its customers for free for one year provided they buy the car.

Which dimension of business environment is affected here by the company's innovative solution?

**Q 9:**

Identify the various dimensions of business environment:

1. With the election of a new government the sensex drops by 748 points.
2. A particular channel refrains from showing the advertisement of a particular product as it is banned by the government.
3. A software is in high demand among the industrial buyers as it can connect all the branches of a company as a single integrated unit.
4. At the time of holi a large number of manufacturing firms get involved in making colours which are used in the celebration of this colourful festival.
5. It is not advisable to open a luxury car showroom in the middle of an economy where per capita income is very low.

**Q10:** A recent rate 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 Directorate of Education. He was awarded first prize for his invention.

Identify and explain the dimensions of business environment discussed in the above

case.

**Q11:** With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to 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 lot of orders online and earned huge profit by selling chocolates.

Identify and explain the dimensions of business environment discussed in the above case.

## ANSWERS

**Answer:1.** The various dimensions of business environment which relate to the above mentioned case are outlined below:

- (a) Political Environment: Political Environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
- (b) Technological environment: Technological Environment includes forces relating to scientific new methods and techniques of operating a business.
- (c) Legal environment: Legal Environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— centre, state or local. (
- (d) Social environment: Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
- (e) Economic Environment: Economic Environment comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.

**Answer:2** The various features of Business Environment which are discussed above are:

- 1. **Uncertainty.** However with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time.
- 2. **Dynamic nature.** The company has decided to make it adaptable to such continuously changing circumstances.
- 3. **Relativity.** Thus it understands that conditions are different in different countries.  
The type of force which is discussed above is General Force —Legal (Traffic rules), Technological (Technical aspects).

**Answer:3** The importance of business environment which is highlighted above is —  
**Helps in tapping useful resources.**

**Answer:4.** The dimension of Business Environment which is affecting the indigenous companies is **Technological Environment**. Since the products are technologically advanced they are replacing the locally made inferior products.

**Answer:5.** The dimension of business environment which is covered here is the “**Social**” dimension of business environment as marriages come under the social dimension.

**Answer:6.** The feature of business environment which is discussed above is “**Relativity**” as the business environment varies from place to place. The choice of people, their culture and purchasing capacity are different in different areas.

**Answer:7.** The dimension of business environment which is highlighted here is the “**Legal**” environment as it comes under the legal laws to clearly state the necessary information as directed by the government.

**Answer:8.** The dimension of business which is affected here by the company’s innovation is the “**Technological**” environment.

**Answer:9.** The various dimensions of business environment highlighted above are:

1. Political environment.
2. Legal environment.
3. Technological environment.
4. Social environment.
5. Economic environment.

**Answer:10.** Following are the dimensions of business environment discussed in the above para:

1. **Economic Environment.** Economic dimension of business environment includes various economic factors like inflation, interest rates, currency value, income of people, etc. Both short and long term interest rates affect the demand for various goods and services in the economy. Lower interest rates lead to higher demand while higher interest rates lead to less spending by consumers leading to reduced demand.
2. **Technological Environment.** Scientific improvements and innovations are included in the technological dimension of business environment. It provides new ways and methods of producing goods and services. For example, technological developments in the field of computers and

information technology have changed the ways in which companies promote their goods and services.

**Answer:11. Following dimensions of business environment are discussed in the given para:**

1. **Social Environment.** Social Environment consists of attitudes, beliefs, desires, customs and traditions, level of education, composition of working population, culture, religion, values, etc. Values refer to concepts which are held by the society in high esteem and traditions include social practices that have been followed by the society for a long period of time.
2. **Technological Environment.** Scientific improvement and innovations are included in the technological dimension of business environment. It provides new ways and methods of producing goods and services. For example, technological developments in the field of computers and information technology have changed the ways in which companies promote their goods and services.

## **QUESTION BANK : CHAPTER 4 : PLANNING**

### **PLANNING PROCESS(VERY IMPORTANT)TO REMEMBER:**

Planning Process/Steps involved in Planning:-

1. S- Setting Objectives
2. P-Developing Premises
3. I-Identifying alternative courses of Action
4. C-Evaluating alternative Courses
5. S-Selecting an Alternative
6. I-Implementing the Plan
7. F-Follow-up Action

1. The first and foremost step of planning process is ----- objectives.(R)
2. Planning----- means systemic and logical estimate for the future factors affecting planning(U)
3. Planning does not success \_\_\_\_\_(R)
4. The business environment is----- nothing constant , So planning may not work in such a environment.(A&E)
5. When plans are drawn up huge ----- are involved in their formulation(U)
6. The positive and negative aspects of each proposal need to be ----- in the light of the objective to be achieved(U)
7. It is the process of ----- where in we decide in advance what and how to do.(U)
8. The Last step of planning process is follow up -----.(R)
9. Panning is an activity which is done by the ----- level of management.(U)



10. Planning is ----- consuming process and it delays action(R)

Answers 1. SETTING 2. PREMISES 3. GUARANTEE 4. DYNAMIC 5. COST 6. EVALUATED 7. PLANNING 8. ACTION 9. TOP 10. TIME

### TRUE OR FALSE

1. Planning is closely connected with creativity and innovation. T
2. . Objectives does not provide direction for all managerial decisions and actions. F
3. Time factor should not taken into consideration during planning. F
4. Planning is an exclusive function of top management. F
5. Planning provides the basis of all other function. T
6. Planning is regarded as forward looking function. T
7. Planning requires application of the mind involving foresight, intelligent, imagination and sound judgement.T
8. The need for planning doesn't arises when alternatives are available. F
9. The scope for planning are same at all levels. F
10. Planning has no meaning unless it contributes to achievement of predetermined organisational goals.
11. Strategy defines the direction and scope of an organisation in long run. (T)
12. The details statements about a project which gives the outline of objectives are called procedures. (F) Ans: Programmes.
13. Standing plan is used for activities that occur regularly over a period of time.(T)
14. Routine steps to carry out activities are called programs. (F) Ans: Procedure.
15. Statement of expense and income for a specified period is called budget. (T)
16. Organising a workshop on preparation of boutique used in business studies is an example of single use plan. (T)

17. Broad parameters within which a manager functions are defined as strategies. (F) a. Ans: Policies.

18. A comprehensive plan to achieve long-term objectives is called strategy. (T)

19. Objectives provide a general guideline to the managerial action and decision in the implementation of strategy. (F) Ans: Policies

20. Make or Buy decision is an example of Rule in an organisation. (F) Ans: Policy(A)

### **Case Studies(3,4 marks)**

Question 1. Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2015, for the first time company's number one position in the industry has been threatened because other companies started selling rice on credit\* also. But the managers of Super Fine Rice Ltd. continued to rely on it's previously tried and tested successful plans which didn't work because the environment is not static. This led to decline in sales of Super Fine Rice Ltd. The above situation is indicating two limitations of planning which led to decline in it sales. Identify these limitations.

Answer: The two limitations of planning which led to decline in it sales are: \* Planning does not guarantee success. \* Planning may not work in dynamic environment.

Question 2. Suhasini, a home science graduate from a reputed college, has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable prices. She discussed her idea with her teacher (mentor) who encouraged her. After analysing various options for starting her business venture, they short listed the option to sell readymade and 'ready to make' 21 vegetable shakes and satttu milk shakes. Then, they weighed the pros and cons of both the short listed options. 1. Name the function of management being discussed above and give any one of its characteristics. 2. Also briefly discuss any three limitations of the function discussed in the case.

Answer: 1. Planning is the function of management which is being discussed above. Planning involves decision-making: Planning essentially involves application of rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.

2. The limitations of planning are described below: (a) Planning may not work in a dynamic environment: The business environment is dynamic in nature. Every organisation has to constantly adapt itself to changes in its environment in order to survive and grow. However, it is difficult to anticipate all the likely future changes in the environment with utmost accuracy. Hence, even with planning, everything cannot be foreseen.

(b) Planning reduces creativity: The top management undertakes planning of various activities whereas the other members are expected to merely implement these plans.

This restricts the creativity of the middle level managers as they are neither allowed to deviate from plans nor are they permitted to act on their own.

(c) Planning involves huge costs: The process of planning involves huge cost in terms of time and money as detailed planning is based on a series of scientific calculations. Moreover, it may include a number of related costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan. As a result, the expenses on planning may turn out to be much more than benefits derived from it.

Question 3. Two years ago, Madhu completed her degree in food technology. She worked for sometime in a company that manufactured 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 an 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 only organic crops. She also decided to follow the steps required for marketing of the products through her own outlets. She appointed Mohan as the Production Manager who decided the exact manner in which the production activities were 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 area wise sales target for different products for the forthcoming quarter. While working on the production table, a penalty of? 100 per day for not wearing caps, gloves and apron was announced. Quoting lines from the above paragraph identify and explain the different types of plans discussed.

Answer: The different types of plans discussed above are listed below:

(a) Objectives: Objectives are the end results of the activities that-an organisation seeks to achieve through its existence. All other activities within the organisation are directed towards achieving these 22 objectives. —One of her objectives was to earn 10% profit on the amount invested in the first year.¶

(b) Policy: A policy is a set of general guidelines that helps in managerial decision making and action. —It was decided that the raw materials like fruits, vegetables, spices, etc. will be purchased on three months credit from farmers cultivating only organic crops.¶

(c) Procedure: A procedure contains a series of specific steps to be performed in a chronological order to carry out the routine activities. —She also decided to follow the steps required for marketing of the products through her own outlets.¶ —The exact manner in which the production activities are to be carried out.¶

(d) Rule: A rule is a specific statement relating to the general norms in terms of Do's and Don'ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation. —While working on the production table, a penalty of ? 100 per day for not wearing caps, gloves and aprons was announced.¶

(e) Budget: A budget refers to a financial plan that is expressed in numerical terms. —Mohan also prepared a statement showing the number of workers different products for the forthcoming quarter.

### Question Bank: CHAPTER 05: ORGANISING

1. Identify the correct sequence of steps involved in the Organising process.
- A) Departmentalisation, Identification and division of Work, Establishing reporting relationship. , Assignment of duties
  - B) Establishing reporting relationship, Departmentalisation, Identification and division of Work, Assignment of duties
  - C) Identification and division of Work, Departmentalisation, Assignment of duties, Establishing reporting relationship
  - D) Departmentalisation, Identification and division of Work, Assignment of duties, Establishing reporting relationship ( Answer : C)

2. Which organisation resists changes?

A. Formal                  B. Informal                  C. Both (a) and (b)                  D. None of these

(ANS: A)

3. In which situation the divisional structure happens to be appropriate?

A. Where the number of major products is more than one

B. Where the size of the organisation is quite large

C. Both (a) and (b)

D. Where primarily only one product is sold ( ANS: C)

4. Decentralization is an extension of delegation.

A. True                          B. False                          C. Partially True                  D. Partially

False ( ANS: A)

5. Manohar was given a task by his superior to prepare a plan in 20 days. He asked two of his subordinates to work upon two aspects of his task. One of the subordinates met with an accident and could not complete his work. Who is answerable for this task?

A. Manohar is accountable.                  B. Manohar's subordinate is responsible.

C. Manohar's superior is responsible.                  D. None of them is responsible.

(ANS: A)

6. Name the type of organisation which is deliberately design by top management to achieve a common organisational objective.

A. Informal organisation

B. Corporate organisation

C. Formal organization  
(ANS: C)

D. Non-corporate organisation

QUESTION NO.7 TO 10 ARE BASED ON THE PARA GIVEN BELOW.

CHOOSE THE CORRECT OPTION GIVEN BELOW FOR EACH QUESTION:

Leo Cloth Ltd. produces only fabrics. After experiencing great success in the fabric industry, the directors of Leo Cloth Ltd. acquired three new manufacturing (Electronics, Mobile Phones, 58 Cement) units and began selling a variety of products in the market. They decided that each unit would be led by an individual with the ability and competence to handle responsibility. Only female candidates will be considered for the vacant position.

7. State the type of organisational structure, Leo Cloth Ltd, had followed when they were producing only fabric.  
(a) Functional structure (b) Divisional structure (c) Both (a) and (b) (d) None of the above  
(ANS: A)
8. State the organisational structure suitable to Leo Cloth Ltd. after they plan to add more line of products. (a) Functional (b) Divisional (c) Both (a) and (b) (d) None of the above  
(ANS: B)
9. If organizations want their departments or divisions to be self-contained and independent then which structure is suitable?  
(a) Functional structure (b) Divisional structure (c) Both (a) and (b) (d) None of the above  
(ANS: B)
10. Organizations having plans of diversification and expansion, must adapt:  
(a) Functional structure (b) Divisional structure (c) Both (a) and (b) (d) None of the above  
(ANS: B)
11. 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.

12. The production manager asked the foreman to achieve a target production of 200 units per day, but he doesn't give him the authority to requisition tools and materials from the stores department. Can the production manager blame the foremen if he is not able to achieve the desired target? Give Reasons

Ans : No, the production manager cannot blame the foreman because the principle of parity of authority and responsibility is violated here.

This Principle states that authority and responsibility must be equitable. They should go hand in hand otherwise there would be misuse of authority without responsibility and there would be no compliance of tasks without authority. Here the foreman is not given the authority to requisition tools but has only been given responsibility.

13. Explain the importance of Decentralization.

- Ans: 1) Relief to top management  
2) Improved team work  
3) Develop managerial talent for future  
4) Quick Decision making  
5) Develop initiative among subordinates

14. Name the Elements of Delegation of Authority

- Ans: 1) Authority  
2) Responsibility  
3) Accountability

15. Name the Organization in which

- 1) Friendly relationship Exist among the members
- 2) Official Relationship Exist among the members

- Ans: 1) Informal Organization  
2) Formal Organization

## CHAPTER 06: STAFFING : QUESTION BANK

1. Name the two sources of Recruitment.

Ans: 1) Internal Source 2) External Source

2. Explain internal sources of Recruitment.

Ans: Filling up of positions from within the organisation

3. Explain any four external sources of Recruitment.

1) Advertisement 2) Campus Recruitment 3) Web publishing 4) Labour Contractors

4. Define a) On the Job training b) Off the job training

Ans: On the job training: - Training in the workplace

Off the job training: - Training away from workplace

5. Explain the first step in the Staffing Process

Ans: Estimating Manpower requirements

6. A Company gets application on and off even without declaring any vacancy.

However as and when the vacancy arises, the company makes use of such applications. Name the source of recruitment used by the company.

Ans: Casual Callers

7. Name the concept which relate to the following

a) Searching for Prospective candidates

( Ans: Recruitment)

b) Streamlining the attributes of a person required for doing a job

( Ans: Selection)

8. Why is selection considered as negative process?

Ans: It is a process in which a person is selected and the others are rejected.

9. Name the on the job training methods that is used to give training to the electricians.

Ans: Apprenticeship programme

10. 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.

11. 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 supposed to perform?

Ans i). she is supposed to perform following function

- 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.
-



## CH – 7 – Directing

### Case studies and Application based questions

Q1. Mr. Fernandes is the owner of Unibie Enterprises, carrying on the business of manufacturing electrical appliances. There is a lot of discontentment in the organization and targets are not being met. He asked his son, Michel, who has recently completed his MBA, to find out the reason. Michel found that all decision making of the enterprise were in the hands of his father. Moreover, his father did not have confidence in the competency of the employees. Thus the employees were not happy.

(a) Identify any two communication barriers because of which 'Unibie Enterprise' was not able to achieve its target.

(b) State one more barrier each of the types identified in part (a) above (4)

Q2. A.S. Environs Ltd.' is dealing in Environment- Consultancy. To get the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time consuming but also at times forced the female team members to travel alone. As a result, the subordinates were not acting in a desired manner to achieve organizational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future all the members including the leader would travel together and usefully utilize the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.

State the features of the element of the function of management used by the CEO.

Q3. Prateek is working in a multi national company in Noida. He was running temperature for the last many days. When his blood was tested, he was found positive for malaria. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his superior 'Mr. B. Chatterjee'. Mr. B. Chatterjee immediately sent a text message to the employees of the organization requesting them to donate blood for Prateek. When the General Manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings.

(a) From the above para quote lines that indicate formal and informal communication

(b) State any two features of informal communication

(c) Identify any two values that are being communicated to the society in the above case. [5]

Q4. In the organisational context basic salary helps to satisfy the basic physiological needs of hunger, thirst, shelter, sleep etc. How are the remaining needs given by Maslow in his need hierarchy are satisfied? Explain briefly. [4] CBSE, DELHI COMPTT. 2016

Q5. 'Laxmi Ltd. is an IT company having 1,000 employees. All its employees take things easy and are free to approach any one for minor queries and problems. Because of this the operations of the company are disturbed and its revenue has declined. Everyone is seen talking to each other resulting in inefficiency in its offices. It has also resulted in loss of secrecy and confidential information being leaked out. Explain the measures that the manager should adopt to improve communication system of 'Laxmi Ltd'. [4]

Q6. Pramod was a supervisor at 'Annapurna Ata' factory. The factory was producing 200 quintals of aata every day. His job was to make sure that the work goes on smoothly and there was no interruption in production. He was a good leader who would give orders only after consulting his subordinates and work out the policies with the acceptance of the group. Identify and describe the leadership style being adopted by Pramod. [3]

Q7. 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 were neither appreciated nor rewarded by the company. Instead the company outsourced its 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 and State the category of this communication barrier.

(b) Explain any other communication barrier of the same category. [3]

Q8. Neeraj, a sales representative of 'Omida Ltd.' has changed seven jobs in the last one year. He is a hard working person but 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.

(b) State the category of this communication barrier.

(c) Explain any other communication barrier of the same category.

(iii) State any three features of the element identified in (ii) above. [5]

Q9. Anjali had been working with 'Tata Enterprises' for the last ten years. She was famous for her dedication towards the work. When the Manager senior to her retired, all her colleagues thought that now Anjali would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Monika'. Anjali felt demoralised and her performance started declining. She would absent herself often and could not meet her targets. Miss Monika was a good leader who would not only instruct her subordinates, but also guide and inspire them. She noticed Anjali's behaviour and felt that her performance could be improved. She started involving Anjali in decision-making issues related to the organisation and made her a part of a

high-level joint management committee. Anjali was now punctual to office and her performance started improving.

(a) Identify the function of management being performed by Monika

(b) Name the element of the above function of management which helped Monika to improve Anjali's behaviour.

(c) State any three features of the element identified in (b) above. [5]

Q10. Neha was a regional sales manager in 'Good Look Garments Ltd' for ten years. On the retirement of the marketing manager Neha applied for the same post as she was extremely ambitious and had dedicated all her energies to obtain the post of marketing manager. However, the top management of the company decided to fill this post by selecting a better person from outside the company. Because of this Neha was heart-broken and her performance declined. When the new marketing manager joined, one of her major problems was how to motivate and inspire Neha to her former level of performance? Suggest any three non-financial incentives that the new marketing manager may use to motivate Neha. [3]

Q11. Aarav was working as a supervisor with 'Neer Purifier Ltd.' which was producing water purifiers. The target of the company was to produce 200 water purifiers every day. His job was to make sure that work goes on smoothly and there was no interruption in production. To achieve this, he always gives orders and insists that they are obeyed. He believes that reward or punishment both can be given depending upon the performance. Identify and describe the leadership style being adopted by Aarav. [3]

Q12. KPM Ltd.' is manufacturing breads and biscuits for many years. It has approximately 150 employees and most of them are not happy with the working environment. Because of this the labour turnover rate is very high. Therefore the company appoints a new Human Resource Manager, Naveen, to analyse the situation. Naveen finds that there is no free flow of communication, and there is no suggestion box for the employees to voice their suggestions or grievances. The company rarely organises a social or cultural gathering, the employees just come, finish their work and leave the organisation.

(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.

Q13. The functions and performance of the supervisor are vital to an organisation because he is directly related with the workers whereas other managers have no direct touch with bottom level workers.' In the light of this statement, explain any four functions of a supervisor.

Q14. Kavya is working in a company on permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Kavya worked overtime. But even after working for long hours and putting in her best efforts, no recognition was given to her by her boss. Due to overtime she fell ill and had to take

leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

- (i) Identify and explain the needs of Kavya discussed in the above para, by quoting the lines.
- (ii) Also explain two other needs of Kavya followed by the above needs, which still remained to be satisfied.

Q15. 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 treatment. 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.

- (i) By quoting the lines from the above para identify the needs of Rahim that are satisfied by the offer of Cycle Company.
  - (ii) Also, explain two other needs of Rahim followed by above that are still to be satisfied.
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## CH-8 CONTROLLING

### Case studies and indirect questions

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 on 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. The reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in 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.

2. Honda cars India is facing a peculiar situation, forcing the company to halt dispatches to dealers. Half the vehicles manufactured at its Greater Noida factory were detected with spots on its paint & were thus damaged. On analysis it was found that the workers were not at fault. The spots caused were because of paint fumes from the adjoining plant. (i) Identify the function of management discussed above

(ii) State the steps in the process of the function identified above.

(iii) Identify the value shown by the company.

3. A college installs bio metric machine to record the attendance of the teaching faculty after having observed late arrival of its faculty. The same is resisted by the staff. To ensure smooth operation, biometric machines were installed in large numbers, thereby adding to the increased expenditure. Due to constant power failure bio metric attendance failed to serve its purpose. Identify the function of management.

4. Manager at New York City Import Export Company suspected that two employees were robbing it. Experts advised the company to install a software program that could secretly log every single stroke of the suspects computer key's and give the report. Use of this program helped the company in identifying the dishonest employees and checks their fraud practices.

1 Name the management function involved here

2 State and explains its importance which is being highlighted in the above case. 1+2

5. Engineer India Ltd. Is engaged in manufacturing machine components the target production is 300 units per day. The company had been successfully attaining the target 3 months ago. Over the last 3 months it has been observed daily production varies between 220 and 250 per units. Identify the management function to rectify the above situation.

6. You are a manager in a car manufacturing company. It is reported that postal expense has increased by 10% and cost of raw material is increased by 2% which of the two deviations is more critical to you? It is related to which concept of controlling?

7. Aap government wanted to implement odd even number policy from 1stjan 2016 to control pollution level in Delhi state. The state govt knew that they can bring this plan only with the support of Lt. Governor and the support of Delhi traffic police. They wanted to bring the pollution level down (desired result) but they do not know whether they could get the result as expected. Guide the transport minister by explaining the process so that his ministry is able to achieve the desired results.

8. There are two managers Rahim and Pankaj. Rahim is saying that 'controlling is looking' whereas according to Pankaj 'controlling is looking back'. Who is correct? Explain why.

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QUESTION BANK:

MCQ

1. Identify an important principle of management control in which only significant deviations which go beyond the permissible limit should be brought to the notice of the management.  
(a) Management by control; (b) control by exception; (c) Critical point control; (d) (a) & (b)
2. \_\_\_\_\_ serves as benchmark towards which an organization strives to work.  
(a) Planning; (b) Goals; (c) Standards; (d) Objectives
3. In the controlling process, once performance standards are set the next step is \_\_\_\_\_.  
(a) Taking corrective actions  
(b) Measurement of actual performance  
(c) Comparing actual performance with standards  
(d) Analysing deviations
4. The third step in the controlling process involves comparison of actual performance with standard. Such comparison will reveal \_\_\_\_\_.  
(a) Acceptable range of deviations  
(b) The deviation between actual and desired results  
(c) Causes of deviation  
(d) Performance standards
5. Deviation in key areas of business need to be attended as compared to deviations in certain insignificant areas this is known as \_\_\_\_\_.  
(a) Management by exception  
(b) Critical point control  
(c) Both (a) & (b)  
(d) Neither (a) & (b)
6. In organization, \_\_\_\_\_ are set as the critical points. If anything goes wrong at the critical points, the entire organization suffer.  
(a) Performance standards  
(b) Deviations  
(c) Key result areas  
(d) None of these
7. Only significant deviations which go beyond the permissible limit/ acceptable range should be brought to the notice of management. The technique/ principle of management control highlighted above is \_\_\_\_\_.  
(a) Control by exception  
(b) Critical point control  
(c) Both (a) & (b)  
(d) Budgetary control
8. Today almost every business organization has computer monitoring as a part of their control system. Which point of importance of controlling function of management is highlighted.  
(a) Accomplishing organizational goals  
(b) Ensuring order and discipline  
(c) Making efficient use of resources  
(d) Judging accuracy of standard
9. Standard are set in quantitative terms. Identify the type of standards when it is set in terms of 'time to be spent'.  
(a) Quantitative standards  
(b) Qualitative standards

- (c) Both (a) & (b)
  - (d) Neither (a) & (b)
10. Mahima Jain is the senior manager in the advisory service department of Kodes Ltd. She regularly prepares performance reports of her subordinates as a part of appraisal. The step of the controlling process performed by her is \_\_\_\_\_.
- (a) Taking corrective actions
  - (b) Measurement of actual performance
  - (c) Comparing actual performance with standards
  - (d) Analysing deviations

MCQ Answers Key: 1.(b) 2.(c) 3.(b) 4.(b) 5.(b) 6.(c) 7.(a) 8.(b) 9.(a) 10.(b)

Questions: (3-4 marks)

Q.1- Each employee of 'Bhoomika Ltd.' should manufacture 10 tables per day as per terms of employment. All employees met the said target except a few who manufactured between 4-6 tables per day. The management took decision to install CCTV's in factory for monitoring the activities of the employees.

- (a) Identify the management function discussed above.
- (b) Explain the steps in the process of the function identified in (a) above.

Ans.1- (a) Controlling

- (b) Taking corrective action

Q.2- "Controlling is an indispensable function of management. Without controlling, the best plans can go awry". Do you agree? Explain any two reasons in support of your answer.

Ans.2-Yes, I agree with statement. Discuss 'Importance of Controlling'.

Q.3- "Controlling is preceded and succeeded by planning." Do you agree?

Ans.3- Yes, I agree with the given statement.

i-Controlling is preceded by planning as after controlling, one has to plan again to correct the deficiencies. Moreover, new plans are drawn in the light of deviations & modifications highlighted by controlling process.

ii. Controlling is succeeded by planning as planning is the primary functions of management. After performing the function of planning managers proceed to other management functions. So, it is rightly said that controlling is preceded and succeeded by planning.

Q.4- Controlling helps in achieving objectives of the organization and improving employee's moral." Explain this statement, in brief.

Ans.4-Discuss the following points of importance of controlling: 'Accomplishing organizational goals' and 'Improving employee motivation'.

Q.5-Taking corrective/ remedial action is the last step in the process of one of the functions of management. (a) Name the function; (b) Explain the other steps of the above-mentioned function.

Ans.5-(a) Controlling

- (b) Write other steps of controlling process.

Q.6- Mr. Aditya Gupta is a production manager in a big manufacturing company. He found that refreshment expenses have increase by 10% and cost of production has increased by 2%. Out of

the two deviations, which deviation needs immediate attention?

Ans.6-Mr. Aditya Gupta should pay immediate attention towards rising production cost as its 2% increase is more critical to performance of the organization as compared to 10% increase in



refreshment expenses. Discuss 'Critical Point Control' in brief.

Q. 7. Rajeev and Sanjeev are managers in the same organization having different units. While discussing about the function of management, Rajeev says "Planning is looking ahead whereas controlling is looking back." But Sanjeev says, "Planning is looking back whereas controlling is looked ahead." Both are giving reasons in favour of their statements.

Explain the possible reasons given by both and justify who is correct.

Ans. Rajeev who says, "Planning is looking ahead whereas controlling is looking back" must be giving the following reason:

Sanjeev who says, "Planning is looking back where as controlling is looking ahead" must be giving the following reasons.

Conclusion: Planning and controlling are both backward looking and forward looking functions.

Hence, both of them are partially correct.

Q. 8- D & D Ltd. is a large manufacturing unit. Recently, the company has 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. Which function of management is needed to ensure that the actual performance is in accordance with the performance as per 'time' and 'motion' studies? State any three features of this function of management.

Ans. Controlling

Features of controlling:

1. Controlling is a goal-oriented function
2. Controlling is a pervasive function
3. Controlling is a continuous process

Q. 9. Atul and Ajay are good friends. They decide to set up a digital printing press together as both of them are computer wizards. They plan to offer various types of printed products including labels,

manuals, marketing material, memo pads, business order forms, T-shirts, mugs etc. They set standards for every aspect of their work in order to create an efficient working environment. As per the standards, an average person types between 38 and 40 words per minute.

Keeping this in mind, they engage two typists Bitto and Raju and assign them work accordingly. Within two days, they realize the output in terms of typing work done by Raju is too less as compared to the desired output. On inspecting, Atul finds out that Raju's typing speed is between 18 and 20 words per minute only. But Raju exhibits great skills in designing work and

is

a good human being. Hence, Atul and Ajay decide to retain him for doing creative work and appoint a new typist.

In context of the above case:

1. Identify and explain the function of management being discussed here.
2. List the steps involved in the function of management as identified in part (a).

Also, quote the lines from the paragraph relating to each step.

Ans.

1. Controlling is the function of management being discussed here.
2. The steps involved in the process of controlling which are discussed in the above paragraph are:

1. Setting standards of performance:
2. Measurement of actual performance:
3. Comparison of actual performance with the standards:

4. Analyzing deviations:
5. Taking corrective action:

Q. 10- You are the manager of Bharti Chemicals Ltd. it is reported to you that postal expenses have increased by 10% over standard rates and cost of raw materials has increased by 2%. Which of the two deviations will be more critical to you? Explain in brief.

Ans. Increase in cost of raw materials by 2% is more critical. (Critical Point Control), Explain in brief.

Q.11-Explain the meaning of the following:

- (i) Critical point control
- (ii) Control by exception

Ans. (i) Critical point control: Since it is neither easy nor economical to check each and every activity in an organisation, the control should focus on Key Result Area (KRAs) which act as the critical points. The KRAs are very essential for the success of an organization.

(ii) Control by exception: According to this principle of control by exception an attempt to control everything results in controlling nothing. Thus, only the important deviations which exceed the prescribed limit should be brought to notice of the management. For example, if the plans provide for 5% increase in overheads, deviations beyond 5% alone should be brought to the notice of the management.

Q.12- Explain any four points stating the importance of controlling.

Ans- Explain (in brief): Importance of controlling (any four)

1. Achievement of the organisational goal
2. Optimum utilisation of resources
3. Facilitate coordination
4. Employee motivation
5. Ensure order and discipline

Q. 1. Smita had been working as an assistant manager with 'Johnson 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 Smita would be promoted. But to everyone's surprise the vacant post was filled by an outsider, Mrs. Rita. Smita felt demoralized and her performance started declining. She would abstain herself often and could not meet her targets.

Mrs. Rita was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Smita'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 a part of high level joint-management committed. Smita was now punctual in office and her performance started improving.

1. Identify the function of management being performed by Rita.
2. Name the element of the above function of management which helped Rita to improve Smita;s behavior.
3. State any two features of the element identified in (ii) above.

Ans.

1. Directing
2. Motivation
3. Features of motivation:
  1. Motivation is an internal feeling: The urge, desires, aspirations or needs of people, which

are internal, influence human behavior.

2. Motivation produces goal-directed behavior: For example, if the employee is interested in promotion, it helps to produce a behavior to improve performance.

Q. 2. Blue Birds Ltd. Offers to its employees issue of shares at a price which is less than the market price.

(i) Name and explain the type of incentive offered to the employees.

(ii) Explain one more incentive of the same category.

Ans. (i) Co-partnership/Stock option. (Explain in brief)

(ii) Other incentives: (a) Pay and allowance, (b) Bonus.

Q. 3. ABC Ltd. Is not able to achieve its objective on analyzing, they found that employees were not given their best, so he decided to announce an incentive plan, which offers various incentives to employee workers at different level for achieving their target.

(i) Which element of directing is used by manager?

(ii) Suggest incentive suitable for:

1. Employees operating at lower level.

2. Employees operating at higher level.

Ans. (i) Motivation is missing.

(ii) (a) Lower level: offer monetary incentives.

(a) Higher level: non-monetary incentive.

Q. 4. Mr. John faced lot of problems regarding the policy on teaching. He directly consulted the principal about his problem ignoring the Headmistress who is immediate superior of Mr. John as he feels more free to communicate with principal.

(i) Name the pattern of communication followed by Mr. John.

(ii) State any other two patterns.

Ans. (i) Mr. John is following inverted 'V' pattern.

(ii) Other two patterns:

1. Wheel pattern, (b) Chain pattern.

Q. 5. Amit and Mikki are working in the same organization but in different departments. One day at lunch time Mikki informed Amit that due to computerization some people are going to be retrenched from the organization.

Name which type of communication is this. State any two limitations of this type of communication.

Ans. Informal Communication

Limitations:

1. The grapevine/informal communication spreads rapidly and sometimes gets distorted. It is very difficult to detect the source of such communication.
2. It also leads to generate rumors. People's behavior is affected by rumors and informal discussion and sometimes may hamper work environment.

Q. 6. Rakesh is working under his superior Neeraj. He always communicates useful ideas and suggestions to his superior regarding reduction of cost, improvement in the product, etc. Neeraj implements his suggestions and has always found favorable results, but he never appreciates Rakesh for his suggestions. Now Rakesh decided not to communicate any suggestion or idea to Neeraj. Identify the factor which acts as a communication barrier.

Ans. Lack of proper incentives (Personal Barriers to Communication), (Explain in brief)

Q. 7. Rakesh is working under his superior Neeraj. He always communicates useful ideas and suggestions to his superior regarding reduction of cost, improvement in the product, etc. Neeraj implements his suggestions and has always found favorable results, but he never appreciates Rakesh for his suggestions. Now Rakesh decided not to communicate any suggestion or idea to Neeraj. Identify the factor which acts as a communication barrier.

Ans. Lack of proper incentives (Personal Barriers to Communication), (Explain in brief)

Q.8. Ankur is working as a production manager in an organization. His subordinate Saurabh discussed

with him a method of production which will reduce the cost of production. But due to some domestic problems and Ankur's mind being preoccupied he is not in a position to understand the message. Saurabh got disappointed by this. Identify the factor which acts as a communication barrier.

Ans. Lack of attention (Psychological/Emotional Barriers to Communication), (Explain in brief)

Q.9. Rajat a Sales Manager, achieved his sales target one month in advance. This achievement was displayed on the notice board and the CEO of the Company awarded a certificate for the best performance to him. Name the incentive provided to Rajat.

Ans. The incentive provided to Rajat is – 'Recognition'. (Explain in brief)

Q. 10. Huma is working in a company on a permanent basis. As per job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell

ill and had to take leave from her work. No one showed concern and enquired about her health. She realized that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

- (i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfil.
- (ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied.

Ans. 1. 'Huma is working in a company on a permanent basis'.

According to above line Huma is able to fulfil her following needs:

(a) Physiological needs (b) Safety or Security needs

(ii) Needs of Huma which still remained to be satisfied are:

- 1. Affiliation Need: It refers to the need for affection, since to belongingness, acceptance and friendship.
- 2. Esteem Need: It refers to the need for self-respect, autonomy, status, recognition and attention.

Q. 11. A behavior study was done on total of 100 employees of an organization. Group A (of 50 employees) were appreciated by the manager for their work and initiative for new idea. All these employees were given option of flexible working hours and were paid wages at a higher piece rate. On the other hand, Group B (of remaining 50 employees) was criticized for their poor performance. Their increments were stopped and they were paid wages at a lower piece rate.

(a) Identify and explain the feature of motivation highlighted in the above case.

(b) What type of leadership is followed by the manager? Justify your answer.

Ans.

1. Motivation can be either positive or negative. Positive motivation provides positive rewards

like increase in pay, promotion, recognition, etc. Negative motivation uses negative means like punishment, stopping increments, threatening, etc.

2. Autocratic leadership style.

The leader's following is based on the assumption that reward or punishment both can be given depending upon the result.

Q. 12. In a company, Mr. Kshitij always explains management policies to workers and brings workers' problems to the notice of management. At what post does Mr. Kshitij work in this company?

Ans. Mr. Kshitij is supervisor in the company as he acts as a link between workers and management. (Explain in brief)

Q. 13. Prachi is working in an MNC. She has been given an option to buy the shares of the company at an amount less than the market price because of her performance as an incentive. Identify which incentive is being given to her.

Ans. Co-partnership/Stock option, (Explain in brief)

Q.14. Ms. Snigdha, Production Manager and Mr. Sarthak, Marketing manager of an electronics company are not on talking terms with each other. Because of that they do not transfer complete information to each other.

(a) Identify the element of directing which becomes ineffective due to the behavior of the managers.

(b) Also, explain the factor which led to their such behavior.

Ans. (a) Communication

1. Distrust (Psychological barrier) Distrust between sender and receiver causes failure of communication. If they do not believe each other, they cannot understand each other's message in its original sense.

Q. 15. NOTICE A meeting of all supervisors is scheduled on 20th August, 2016 This notice was placed on the notice board in the reception area of XYZ Ltd. But it did not mention clear specification regarding the time of meeting. Which barrier of communication is referred to here? Explain any two other forms of barriers to effective communication under the same category.

Ans. Badly expressed message (Semantic barriers) – Use of wrong words, omission of needed words, inadequate vocabulary, etc.

1. Symbols with different meanings: A word may have several meanings. For example, consider

these three sentences where the word 'value' is used:

- What is the value of this ring?
- I value our friendship.
- What is the value of learning computer skills?

Wrong perception by the receiver leads to communication problems.

1. Faulty translations: Sometimes, the communications originally drafted in one language (say, English) need to be translated to the language understandable to workers (say, Hindi). If the translator is not proficient with both the languages, communication becomes ineffective.

Q. 16. Mr. Sandeep is the marketing manager of a company manufacturing designer clothes. One day, in the morning while leaving home he had a quarrel with a person in his neighborhood on some issue. That person is a criminal who could abuse his family members. Mr. Sandeep, on

that day, is very worried and angry too on the behavior of the neighborhood person. On that day, a meeting was held by a team of marketing and design experts to ensure that whatever is produced is according to market demand and tastes and fashion of the customers. But Mr. Sandeep could not pay attention to the discussion between them.

- (a) Identify the type of barriers to communication mentioned in the above para. Justify your answer.
- (b) Explain any two such barriers to communication.

Ans.

1. Psychological barriers.

These are related to the state of mind of both sender and receiver of communication. For example, a worried person cannot communicate properly and an angry receiver cannot understand the real meaning of message.

‘Mr. Sandeep is very worried and angry on that day. So he could not pay attention to the discussion in the meeting.’

Psychological barriers to communication:

1. Lack of attention: the pre-occupied mind of receiver and the resulting non-listening of message acts as a major psychological barrier.
2. Premature-evaluation: Sometimes people form a judgement before the sender completes his message, which causes failure of communication.

Q. 17. Pramod was a supervisor at a ‘Annapurna Aata’ factory. The factory was producing 200 quintals of Aata every day. His job was to make sure that the work goes on smoothly and there

was no interruption in production. He was a good leader who would give orders only after consulting his subordinates and work out the policies with the acceptance of the group.

Identify and describe the leadership style being adopted by Pramod.

Ans. Democratic style of leadership.

- A democratic leader favours decision making by the group. This improves the attitude of the employees towards their jobs and the organization thereby increasing their morale.
- Using this style is of mutual benefit – it allows them (subordinates) to become part of the team and helps leaders (seniors) to make better decisions.

Q. 18. Mr. Naresh is working as a Production Manager in Vohra Ltd. His subordinates are mostly engineers and qualified technicians. As a manager, he is very strict, does not listen to any suggestions or feedbacks given by his subordinates. He expects them to follow his instructions without any questions and does not allow them to give suggestions.

1. What leadership style does the manager follow?
2. Is such a leadership style beneficial for the company? Explain.
3. State any one value being overlooked by him?

Ans.

1. Autocratic leadership

2. This leadership style is effective in getting productivity in many situations like in a factory where the supervisor is responsible for production on time and has to ensure labour productivity. Quick decision-making is also facilitated.

3. Value overlooked:

- Respect for other’s opinion
- Initiative

## **CHAPTER 09: FINANCIAL MANAGEMENT**

**Marks (unit 9 & unit 10 carries 15 marks)**

### **Important Points**

#### **Clue words in the case study**

- Decision affecting liquidity and profitability of a business- Short term investment decision/ Working capital decisions
- Decision affecting financial risk and profitability of a business- capital structure decisions
- Decisions that relates to fund requirements both in terms of the quantum as well as the timing- financial planning
- Concerned with quantum of finance to be raised from various long term sources-Financing Decisions
- Decisions affecting Growth, Financial risk and profitability of a business- capital budgeting decisions

#### **Points to be remember for solving the case studies**

- Always read the question first what the question want
- Important line and points should be underlined at the time of reading the case
- In this chapter you just remember five major decisions- capital budgeting decisions, financing decision, dividend decision, working capital and fixed capital decisions and concepts-financial planning, trading on equity etc.
- Numerical questions also asked in this chapter

1	<p>The cheapest source of finance is:</p> <ul style="list-style-type: none"> <li>(a) Debenture</li> <li>(b) Equity share capital</li> <li>(c) Preference shares</li> <li>(d) Retained earnings</li> </ul>	1
2	<p>Other things remaining the same, an increase in the tax rate on corporate profits will:</p> <ul style="list-style-type: none"> <li>(a) Make the debt relatively cheaper</li> <li>(b) Make the debt relatively the dearer</li> <li>(c) Have no impact on the cost of debt</li> <li>We can't say</li> </ul>	1
3	<p>Financial leverage is called favourable if :</p> <ul style="list-style-type: none"> <li>(a) Return on investment (ROI) is lower than the cost of debt</li> <li>(b) ROI is higher than the cost of debt</li> <li>(c) Debt is easily available</li> <li>(d) If the degree of existing financial leverage is low</li> </ul>	1
4	<p>Higher debt-equity ratio results in:</p> <ul style="list-style-type: none"> <li>(a) Lower financial risk</li> <li>(b) Higher degree of operating risk</li> <li>(c) Higher degree of financial risk</li> <li>(d) Higher EPS</li> </ul>	1
5	<p>Current assets are those assets which get converted into cash:</p> <ul style="list-style-type: none"> <li>(a) Within six months</li> <li>(b) Within one year</li> <li>(c) Between one and three years</li> <li>Between three and five years</li> </ul>	1
6	<p>Financial planning arrives at :</p> <ul style="list-style-type: none"> <li>(a) Minimising the external borrowing by resorting to equity issues</li> <li>(b) Entering that the firm always have significantly more fund than required so that there is no paucity of funds</li> <li>(c) Ensuring that the firm faces neither a shortage nor a glut of unusable funds.</li> <li>(d) Doing only what is possible with the funds that the firms has at its disposal</li> </ul>	1
7	<p>A fixed asset should be financed through :</p> <ul style="list-style-type: none"> <li>(a) A long-term liability</li> <li>(b) A short-term liability'</li> <li>(c) A mix of long and short-term liabilities</li> </ul>	1
8	<p>Current assets of a business firm should be financed through:</p> <ul style="list-style-type: none"> <li>(a) Current liability only</li> <li>(b) Long-term liability only</li> <li>(c) Both types (i.e. long and short-term liabilities)</li> </ul>	1
9	<p>Long-term investment decisions are also called as</p> <ul style="list-style-type: none"> <li>(a) Working capital decisions</li> <li>(b) Capital budgeting decisions</li> </ul>	1



	(c) Dividend decision (d) Financing decisions	
10	This decision affects the liquidity and short term profits of the company (a) Long term investment decision (b) Working capital investment decision (c) Financing decision All the above	1
11	Financial risk of a company increases because of (a) High operating cost (b) High fixed cost charges (c) High rate of dividends (d) High debt-equity ratio	1
12	Debts financing is better than equity if (a) Company has strong cash flow (b) Company has weak cash flow (c) Cash flow position does not matter (d) None of the above	1
13	The size of assets, the profitability and competitiveness are affected by _____ decision.	1
14	Dividend is that portion of _____ which is distributed among shareholders.	1
15	Short term investment decision is also known as _____ decision.	1
16	_____ decision determines the overall cost of capital.	1
17	_____ techniques of evaluating investment proposals.	1
18	_____ decision taken in financial management which affects the liquidity as well as profitability of business.	1
19	The main objective of financial management is _____.	1
20	Higher amount of debt indicates _____ interest expense in future.	1
21	Investment for long term is called _____ decisions.	1
22	_____ decision taken in financial management related to acquire a new & modern plant and to upgrade an old one.	1
23	Working capital decision is a decision to acquire a new and modern plant to upgrade an old one.(true /false )	1
24	Trading on equity takes place when ROI is more than the rate of interest on debt. .(true /false )	1
25	Debt component of capital structure determines the overall financial risk. .(true /false )	1
26	Long term investment decisions facilitates smooth day to day operations of the business.(true /false )	1
27	Working capital is the excess of current assets over current liabilities. .(true /false	1

	)																	
28	The main objective of financial management is to maximize profit. .(true /false )	1																
29	Financial management is the concept which link the present with the future. .(true /false )	1																
30	Dividend is the portion of retained earnings which is distributed to shareholders.(true /false )	1																
31	<p><b><u>Match the columns</u></b></p> <p><b>1.</b></p> <table><tr><td style="text-align: center;"><b>(A)</b></td><td style="text-align: center;"><b>(B)</b></td></tr><tr><td>1.Decision affecting liquidity and profitability of a business</td><td>(a)</td></tr><tr><td>Financial planning</td><td></td></tr><tr><td>2. Decision affecting financial risk and profitability of a business</td><td>(b) capital budgeting</td></tr><tr><td></td><td></td></tr><tr><td>decisions</td><td></td></tr><tr><td>3.Decisions that relates to fund requirements both in terms of the quantum as well as the timing decisions</td><td>(c) working capital</td></tr><tr><td>4. Decisions affecting Growth, Financial risk and profitability of a business</td><td>(d) Capital structure</td></tr></table>	<b>(A)</b>	<b>(B)</b>	1.Decision affecting liquidity and profitability of a business	(a)	Financial planning		2. Decision affecting financial risk and profitability of a business	(b) capital budgeting			decisions		3.Decisions that relates to fund requirements both in terms of the quantum as well as the timing decisions	(c) working capital	4. Decisions affecting Growth, Financial risk and profitability of a business	(d) Capital structure	1
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### **Case Studies**

S.NO.	QUESTIONS	MARKS
1	In the paint industry, various raw materials are mixed in different proportions with petroleum for manufacturing different kinds of paints. One specific raw material is not readily and regular available to the paint manufacturing companies. Bonler Paints Company is also facing this problem and because of this there is a time lag between	1

	placing the order and the actual receipt of the material. But, once it receives the raw materials, it takes less time in converting it into finished goods. Identify the factor affecting the working capital requirements of this industry.	
2	Aarohan Ltd. An automobile manufacturer was diversifying into manufacturing two-wheelers. They knew that India is on a growth path and a new breed of consumer is eager for a first vehicle. The market responded very well to the new product. The company did not have to allow credit, as it had advance orders from four to six months with deposits paid. Also, due to efficiency in managing their operations as soon as a vehicle was off the assembly line, it was out to the dealers. Give any one reason discussed above which helped the firm in managing its working capital efficiently.	1
3	Ravi, after leaving his job, wanted to start a Private Limited Company with his son. His son was keen that the company may start manufacturing mobile-phones with some unique features. Ravi felt that mobile phones are prone to quick obsolescence and a heavy fixed capital investment would be required regularly in this business. Therefore, he convinced his son to start a furniture business. Identify the factor affecting fixed capital requirements which made Ravi choose the furniture business over mobile phones.	1
4	Amar is doing his transport business in Delhi. His buses are generally used for tourists going to Jaipur and Agra. Identify the working capital requirements of Amar. Give reasons to support your answer.	1
5	A bank may use another's ATM or some of them may jointly establish a particular facility. Name the factor affecting the fixed capital requirements of each bank.	1
6	Shyam wanted to start a business of selling handicrafts by getting in touch with the craftsmen in the rural areas of Bengal. He wants to make a low investment in fixed capital. Advice him in taking suitable decisions regarding the Nature of Business, Scale of operations and Financing Alternatives (in a developed financial market) that he needs to take for the purpose.	3
7	Yogesh, a businessman is engaged in purchasing and selling of Ice-creams. Identify the working capital requirement of Manish giving reasons in support of your answer. Explain any two factors that will affect his fixed capital requirements.	3
8	Pinnacle Ltd. deals in the sale of stationery and office furniture. They source the finished products from reputed brands who gave them four to six months credit. Seeing the demand for electronic items, they are also planning to market these items by opening outlets	3

	<p>throughout India. For this, they have decided to join hands with a Japanese electronic goods manufacturer.</p> <p>Identify and state any two factors that would affect the fixed capital requirement of Pinnacle Ltd. as discussed above.</p>	
9	<p>Saksham Ltd. a firm manufacturing textiles, wished to diversify their business. They were considering two options, either to diversify into manufacturing tooth-paste or switches. They wanted to invest in the purchase of land, to set up a manufacturing unit in the backward areas of Gujarat, which would also lead to the generation of employment opportunities in the area, but only after fulfilling all legal requirements and taking appropriate steps to ensure that the environment was not polluted. The finance manager of the company, Mr. Ramakant was asked by the management to prepare a report on the factors which should be considered while making the above investment decision.</p> <p>(A) State any two factors that Mr. Ramakant would give in his report.</p> <p>(B) Also state any one reason which makes it important for the above decision to be made carefully.</p>	4
10	<p>Somnath Ltd. is engaged in the business of export of garments. In the past, the performance of the company had been upto the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds he is trying to find out alternative sources from outside.</p> <p>Identify the financial concept discussed in the above para. Also state the objectives to be achieved by the use of financial concept, so identified.</p>	4
11	<p>"A business that doesn't grow dies", says Mr. Shah, the owner of Shah Marble Ltd. with glorious 36 months of its grand success having a capital base of Rs.80 crores. Within a short span of time, the company could generate cash flow which not only covered fixed cash payment obligations but also create sufficient buffer. The company is on the growth path and a new breed of consumers is eager to buy the Italian marble sold by Shah Marble Ltd. To meet the increasing demand, Mr. Shah decided to expand his</p>	6

	<p>business by acquiring a mine. This required an investment of Rs.120 crores. To seek advice in this matter, he called his financial advisor Mr. Seth who advised him about the judicious mix of equity(40%) and Debt(60%). Mr. Seth also suggested him to take loan from a financial institution as the cost of raising funds from financial institutions is low. Though this will increase the financial risk but will also raise the return to equity shareholders. He also apprised him that issue of debt will not dilute the control of equity shareholders. At the same time, the interest on loan is a tax deductible expense for computation of tax liability. After due deliberations with Mr. Seth, Mr. Shah decided to raise funds from a financial institution.</p> <p>(a) Identify and explain the concept of financial management as advised by Mr. Seth in the above situation.</p> <p>(b) State the four factors affecting the concept as identified in part (a) above which have been discussed between Mr. Shah &amp; Mr. Seth.</p>	
12	<p>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 great grandmother and was doing reasonably well. However, the fixed operating costs of the business were high and the cash flow position was weak. She wanted to undertake modernization of the existing business to introduce the latest manufacturing processes and diversify into the market of chocolates and candies. She was very enthusiastic and approached a finance consultant, who told her that approximately Rs.50 lakh would be required for undertaking the modernization and expansion programme. He also informed her that the stock market was going through a bullish phase.</p> <p>(a) Keeping the above considerations in mind, name the source of finance Shalini should not choose for financing the modernization and expansion of her food processing business. Give one reason in support of your answer.</p> <p>(b) Explain any two other factors, apart from those stated in the above situation, which Shalini should keep in mind while taking this decision.</p>	6
13	<p>'Sarah Ltd' is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too it has been able to generate enough profit. There is availability of enough cash in the company and good prospect for growth in future. It is a well managed organisation believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from</p>	6

	<p>their investments. It has taken a loan of Rs 40 lakh from IDBI and is bound by certain restrictions on the payment of dividend as per terms of loan agreement.</p> <p>The above discussion about the company leads to various factors which decide how much of the profit should be retained and how much about to be distributed by the company.</p> <p>Quoting the lines from the above discussion Identify and explain any four such factors.</p>	
14	<p>Well being Ltd. is a company engaged in production of organic foods. Presently, it sells its products through indirect channels of distribution. But, considering the sudden surge in the demand for organic products, the company is now inclined to start its online portal for direct marketing. The financial managers of the company are planning to use debt in order to take advantage of trading on equity. In order to finance its expansion plans, it is planning to raise a debt capital of Rs.40 lakhs through a loan @ 19% from an industrial bank. The present capital base of the company comprises of Rs.9 lakh equity shares of Rs.10 each. The rate of tax is 30%.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>What are the two conditions necessary for taking advantage of trading on equity?</li> <li>Assuming the expected rate of return on investment to be same as it was for the current year i.e. 15%, do you think the financial managers will be able to meet their goal. Show your workings clearly.</li> </ol>	6

## **Answers (Marking Key)**

### **Multiple choice questions**

Ans.1 (a)

Ans.2 (a)

Ans.3 (b)

Ans.4 (c)

Ans.5 (b)

Ans.6 (c)

Ans.7 (a)

Ans.8 (c)

Ans.9 (b)

Ans.10 (b)

Ans.11 (d)

Ans.12 (a)

### **Fill in the blanks**

- (i) Capital budgeting
- (ii) Profit
- (iii) Working capital
- (iv) Financing decisions
- (v) Capital budgeting techniques
- (vi) Working capital
- (vii) Maximize shareholder's wealth
- (viii) High
- (ix) Capital budgeting
- (x) Long term investment decision

### **True/False**

- 1. False
- 2. True
- 3. True
- 4. False
- 5. True
- 6. False
- 7. False
- 8. False

### Match

1. 1-(c), 2-(d), 3-(a), 4-(b)
  2. 1-(b), 2-(a), 3-(d), 4-(c)
- 

### Case Studies

Ans. No.	Answers
1	Availability of raw material
2	Credit allowed
3	Technological upgradation
4	Working capital requirements of Amar will be relatively less as he is engaged in providing transport services wherein there is no need to maintain inventory.
5	Level of collaboration
6	<p>Shyam should take into account the following points while taking decisions along the following factors:</p> <p>(a) Nature of Business: it is advisable that shyam starts a trading concern and engages in buying handicrafts from the craftsmen and selling them directly to the prospective buyers. He should not plan to set up a manufacturing unit as he wants to make a low investment in fixed capital.</p> <p>(b) Scale of operations: it is advisable that initially shyam carries out his business on a small scale.</p> <p>(c) Financing alternatives: It is advisable that shyam may opt for procuring fixed assets on lease instead of purchasing them as h wishes to make a low investment in fixed capital. Moreover in a developed financial market leasing facilities are easily available.</p>
7	<p>Working capital will be less as he is engaged in trading business.</p> <p>Factors affecting fixed capital</p> <p>Level of collaboration and financial alternatives available</p>
8	Diversification and level of collaboration
9	<p>(a) A long term investment decision is also called a capital budgeting decision. The factors that should be kept in mind by the company while making the investment decision are as follows:</p> <p>(A) Cash inflows from the project</p> <p>(B) Rate of return</p> <p>(b) Due to the following one reason the above decision is to be made carefully:</p> <p>It affects the overall level of business risk of the organization and its growth and profitability of business in future.</p>
10	<p>Financial Planning</p> <p>Objectives:</p>



	(a) To ensure availability of funds whenever required (b) To see that the firm does not raise resources unnecessarily.																																	
11	(a) Capital structure (b) Factors: (i) Cash flow position (ii) Risk consideration (iii) Tax rate (iv) Control																																	
12	Debt because of high fixed operating cost and weak cash position Other two factors: Risk and flexibility																																	
13	Any five factors: Growth opportunities, Stability of dividend, Legal restrictions, Restrictions in loans agreement, liquidity, stability of earnings etc.																																	
14	(a) The two conditions necessary for taking advantage of trading on equity are: (i) The rate of return on investment should be more than the rate of interest. (ii) The amount of interest paid should be tax deductible. (b) <table><tr><td>Sources</td><td>Situation 1</td><td>Situation 2</td></tr><tr><td>Equity shres</td><td>90,00,000</td><td>90,00,000</td></tr><tr><td>10% Debentures</td><td>NIL</td><td>40,00,000</td></tr><tr><td>Total capital</td><td>90,00,000</td><td>1,30,00,000</td></tr><tr><td>EBIT</td><td>13,50,000</td><td>19,50,000</td></tr><tr><td>Less: Interest</td><td>-----</td><td>(4,00,000)</td></tr><tr><td>EBT</td><td>13,50,000</td><td>15,50,000</td></tr><tr><td>Less: Tax @ 30%</td><td>(4,05,000)</td><td>(4,65,000)</td></tr><tr><td>EAT</td><td>9,45,000</td><td>10,85,000</td></tr><tr><td>No. of shares of Rs.10 each</td><td>9,00,000</td><td>9,00,000</td></tr><tr><td>EPS</td><td>1.05</td><td>1.21</td></tr></table>	Sources	Situation 1	Situation 2	Equity shres	90,00,000	90,00,000	10% Debentures	NIL	40,00,000	Total capital	90,00,000	1,30,00,000	EBIT	13,50,000	19,50,000	Less: Interest	-----	(4,00,000)	EBT	13,50,000	15,50,000	Less: Tax @ 30%	(4,05,000)	(4,65,000)	EAT	9,45,000	10,85,000	No. of shares of Rs.10 each	9,00,000	9,00,000	EPS	1.05	1.21
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## CHAPTER 10- FINANCIAL MARKETS

### QUESTION BANK

Q.1-	<b>VERY SHORT ANSWER TYPE QUESTIONS (VSA) (1 Mark Each)</b> What is financial market ?	
Q.2-	<b>Financial Market:</b> - This market refers to that market where financial securities are exchanged.	
Q.3-	What is Capital Market?  Ans: A kind of financial market where the company or government securities are generated and patronised with the intention of establishing long-term finance to coincide the capital necessary is called Capital Market.	
Q.4-	Give an example of any two financial intermediaries. Ans: Banks and Financial markets.	
Q.5-	Mr. A gifted securities of a large manufacturing company to his wife, Mrs. A. The securities were in physical form. Now, Mrs. A wants to sell the securities and approached a registered broker. Mention one mandatory detail which she has to provide to the broker. Ans. PAN (PERMANENT ACCOUNT NUMBER)	
Q.6-	Mr. P has 500 equity shares. He wants to sell 200 of these shares. Which market should Mr.P approach? Ans: Secondary Market.	
Q.7-	Name the kind of issue in which shares are offered to existing shareholder. Ans. Right Issue.	
<b>A</b>	<b>MCQ (1 Mark Each)</b>	
(i)	In which year the SEBI was established by the Government of India? (a) 1980 (b) 1988 (c) 1992 (d) 1993	
(ii)	Which of the following is not the function of SEBI? (a) Registration of brokers and sub-brokers (b) Undertaking measures to develop financial markets. (c) Prohibition of insider Holding the securities in electronic form trading. (d) Holding the securities in electronic form.	
(iii)	One of the functions of 'financial market is "providing liquidity to financial assets." (a) Capital Market (b) Money Market (c) Primary Market (d) Secondary Market	
(iv)	The document prepared in the process of online trading of securities that is legally enforceable and helps to settle disputes / claims between the investor and the broker:	



	Ans: (ii) a-iv, b-iii, c-ii, d-i.	
<b>C</b>	Fill in the blanks: <b>(1 Mark Each)</b>	
(i)	A ..... is an institution which provides a platform for buying and selling of existing securities.	
(ii)	In India, there are two depositories, namely .....	
(iii)	The process of holding securities in an electronic form is called .....	
(iv)	.....	
(v)	Cash is paid or securities are delivered on .....which is before the T+2 day as the deal has to be settled and finalised on the T+2 day. The depository interacts with the investors through .....	
	Ans: (i) Stock Exchange (ii) NSDL & CDSL (iii) Dematerialisation (iv) Pay-in day (v) Depository Participants (DP)	
	<b>(3 Mark Each)</b>	
Q.1-	“Money Market is essentially a Market for short term funds.” Discuss.	
	Ans: The money market is a market for short term funds which deals in monetary assets whose period of maturity is up to one year. These assets are close substitutes for money. It is a market where low risk, unsecured and short-term debt instruments that are highly liquid are issued and actively traded every day. It enables the raising of short-term funds for earning returns. The major participants in the market are the Reserve Bank of India, Commercial Bank, Non-Banking Finance Companies, State Governments, Large Corporate Houses and Mutual Funds.	
Q.2-	Sika Ltd., a reputed industrial machines manufacturer, needs Rupees twenty crores as additional capital to expand the business. Mr. Amit Joshi, the Chief Executive Officer (CEO) of the company wants to raise funds through equity. The Finance Manager, Mr. Narinder Singh, suggested that the shares may be sold to investing public through intermediaries, as the same will be less expensive.	
Q.3-	Name the method through which the company decided to raise additional capital.	
	Ans: Offer for Sale.	
	State the protective function of the Securities and Exchange Board of India. Any three.	
	Answer: The protective function of the Securities and Exchange Board of India is.	
	• It examines violations such as violation of rules and insider trading,	

	<p>and</p> <ul style="list-style-type: none"> <li>disobey to the companies act.</li> <li>It provides information about the companies needed by the client.</li> <li>It provides guidelines related to the investments in securities.</li> <li>It also provides a code of conduct for business practices</li> </ul>	
Q.1-	<p><b>State any four functions of "Secondary Market". (4 Mark Each)</b></p> <p><b>Ans:</b> The four functions of the secondary market are enlisted below.</p> <ul style="list-style-type: none"> <li><b>Provide liquidity and marketability:</b> The secondary market's primary function is to provide liquidity and marketability to existing financial assets and securities. It provides a ready-to-trade platform for existing securities.</li> <li><b>Valuation of securities:</b> It allows for consistent valuation of securities and aids in the development of demand and supply. It aids in the determination of the price of securities.</li> <li><b>Security:</b> It provides transaction security and fairness. Transactions can be entered into at any time, and the market allows for active trading so that there can be immediate purchase or selling with no fraud.</li> <li><b>Contributes to economic growth:</b> It gives a platform for putting funds to the best possible use. It helps the economy's growth and development in this way.</li> </ul>	
Q.2-	<p>What are the functions of a Stock Exchange? (any four)</p> <p><b>Ans:</b> The efficient functioning of a stock exchange creates a conducive climate for an active and growing primary market following are the important functions of a stock exchange</p> <p><b>(i) Providing Liquidity and Marketability to Existing Securities</b></p> <p>The basic function of a stock exchange is the creation of a continuous market where securities are bought and sold. It gives investors the chance to disinvest and reinvest. This provides both liquidity and easy marketability to the existing securities in the market.</p> <p><b>(ii) Pricing of Securities</b> Share prices on a stock exchange are determined by the forces of demand and supply. A stock exchange is a mechanism of constant valuation through which the prices of securities are determined. Such a valuation provides important instant information to both buyers and sellers in the market.</p> <p><b>(iii) Safety of Transactions</b> The membership of a stock exchange is well-regulated and its dealings are well defined according to the existing legal framework which ensures that the investing public gets a safe and fair deal on the market.</p> <p><b>(iv) Contributes to Economic Growth</b> A stock exchange is a market in which existing securities are resold or traded. This process of disinvestment and reinvestment saving get channelised into productive investment</p>	

	avenues. This leads to capital formation and economic growth.	
Q.3-	<p><b>(v) Spreading of Equity Cult</b> The stock exchange plays vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.</p> <p><b>(vi) Providing Scope for Speculation</b> The stock exchange provides sufficient scope within the provisions of law for speculative activity in a restricted and controlled manner.</p> <p>What are the functions of a Financial Market?  Ans: Financial market plays an important role in the allocation of scarce resources in an economy by performing the following four important functions</p> <p><b>(i) Mobilisation of Savings and Channelising Them into the Most Productive Uses</b>  A financial market facilitates the transfer of savings from savers to investors. It gives choice to the saver of different investments and thus, it helps to channelise surplus funds into the most productive use.</p> <p><b>(ii) Facilitate Price Discovery</b>  In a financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.</p> <p><b>(iii) Provide Liquidity to Financial Assets</b>  Financial markets facilitate easy purchase and sale of financial assets. Holders of assets can readily sell their financial assets through the mechanism of financial market.</p> <p><b>(iv) Reduce the Cost of Transactions</b>  Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to spend to try or otherwise find each other.</p> <p>What are the objectives of the SEBI?  Ans: The overall objective of SEBI is to protect the interest of investors, promote the development and regulate the securities in market. This may be elaborated as follows</p> <p>(i) To regulate stock exchanges and the securities industry to promote their orderly functioning.</p> <p>(ii) To protect the rights and interests of investors, particularly individual investors to guide and educate them.</p> <p>(iii) To prevent trading malpractices and achieve a balance between self-regulation by the securities and its statutory regulation.</p> <p>(iv) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc with a view to making them competitive and professional.</p> <p>“Securities and exchange Board of India (SEBI) is the watchdog of the securities market.” Do you agree ? Give four reasons in support of your</p>	
Q.4-		
Q.5-		

	answer. Ans: Hints:- 1) regulatory functions of SEBI.																															
Q.1-	<p>Differentiate between Money Market and Capital Market on any five grounds. Ans: Difference Between Money Market and Capital Market. <b>(5 Mark Each)</b></p> <table border="1"> <thead> <tr> <th colspan="3">Differences between Money Market and Capital Market</th></tr> <tr> <th></th><th>Money Market</th><th>Capital Market</th></tr> </thead> <tbody> <tr> <td>Definition/meaning</td><td>A random course of financial institutions, bill brokers, money dealers, banks, etc., wherein dealing on short-term financial tools are being settled is referred to as Money Market.</td><td>A kind of financial market where the company or government securities are generated and patronised with the intention of establishing long-term finance to coincide with the capital necessary is called Capital Market.</td></tr> <tr> <td>Market Nature</td><td>Money markets are informal in nature.</td><td>Capital markets are formal in nature.</td></tr> <tr> <td>Instruments involved</td><td>Commercial Papers, Treasury Certificate of Deposit, Bills, Trade Credit, etc.</td><td>Bonds, Debentures, Shares, Asset Secularisation, Retained Earnings, Euro Issues, etc.</td></tr> <tr> <td>Investor Types</td><td>Commercial banks, non-financial institutions, central bank, chit funds, etc</td><td>Stockbrokers, insurance companies, Commercial banks, underwriters, etc.</td></tr> <tr> <td>Market Liquidity</td><td>Money markets are highly liquid.</td><td>Capital markets are comparatively less liquid.</td></tr> <tr> <td>Risk Involved</td><td>Money markets have low risk.</td><td>Capital markets are riskier in comparison to money markets.</td></tr> <tr> <td>Maturity of Instruments</td><td>Instruments mature within a year.</td><td>Instruments take longer time to attain maturity</td></tr> <tr> <td>Functions served</td><td>Increasing liquidity of funds in the economy</td><td>Purpose served Stabilising economy by increase in savings</td></tr> </tbody> </table> <p>Explain the functions and objectives of the Securities and Exchange Board of India (SEBI). <b>Answer:</b> Function of Securities and Exchange Board of India (SEBI) is divided into two parts</p> <ul style="list-style-type: none"> <li>• <b>Regulatory Function.</b> <ul style="list-style-type: none"> <li>○ It helps in the registration of brokers and sub-broker and other associates of the market.</li> </ul> </li> </ul>	Differences between Money Market and Capital Market				Money Market	Capital Market	Definition/meaning	A random course of financial institutions, bill brokers, money dealers, banks, etc., wherein dealing on short-term financial tools are being settled is referred to as Money Market.	A kind of financial market where the company or government securities are generated and patronised with the intention of establishing long-term finance to coincide with the capital necessary is called Capital Market.	Market Nature	Money markets are informal in nature.	Capital markets are formal in nature.	Instruments involved	Commercial Papers, Treasury Certificate of Deposit, Bills, Trade Credit, etc.	Bonds, Debentures, Shares, Asset Secularisation, Retained Earnings, Euro Issues, etc.	Investor Types	Commercial banks, non-financial institutions, central bank, chit funds, etc	Stockbrokers, insurance companies, Commercial banks, underwriters, etc.	Market Liquidity	Money markets are highly liquid.	Capital markets are comparatively less liquid.	Risk Involved	Money markets have low risk.	Capital markets are riskier in comparison to money markets.	Maturity of Instruments	Instruments mature within a year.	Instruments take longer time to attain maturity	Functions served	Increasing liquidity of funds in the economy	Purpose served Stabilising economy by increase in savings	
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Q.3-	<ul style="list-style-type: none"> <li>○ It helps in the registration of collective schemes and mutual funds</li> <li>○ It regulates portfolio exchanges, share bankers, and merchant banker.</li> <li>○ Probation of unfair trade practices and fraud.</li> <li>○ Control insider trade and takeover bids.</li> <li>• <b>Development Function.</b> <ul style="list-style-type: none"> <li>○ Educate investors.</li> <li>○ Training of intermediaries.</li> <li>○ Promotion of Code of Conduct and fair practices.</li> <li>○ Conduct research and public information, useful for market participants.</li> </ul> </li> </ul> <p>Objectives of the Securities and Exchange Board of India (SEBI).</p> <ul style="list-style-type: none"> <li>• Regulate share exchange and securities used to promote orderly function.</li> <li>• Protect interest and right of individual investors, investors, and guide and train them.</li> <li>• To prevent fraud and accomplish a balance between self-regulation by the security industry and its statutory body.</li> </ul> <p>What are the methods of floatation in Primary Market?</p> <p>Ans: The primary market is also known as the new issues market. It deals with new securities being issued for the first time. There are various methods of floating new issues in the primary market</p> <p><b>(i) Offer Through Prospectus</b></p> <p>This involves inviting subscription from the public through issue of prospectus. A prospectus makes a direct appeal to investors to raise capital, through an advertisement in newspapers and magazines. The issues may be underwritten and also required to be listed on at least one stock exchange. The contents of the prospectus have to be in accordance with the provisions of the Companies Act and SEBI disclosure and investor protection guidelines.</p> <p><b>(ii) Offer for Sale</b></p> <p>Under this method securities are not issued directly to the public but offered for sale through intermediaries like issuing houses or stock brokers. In this case, company sells securities enblock at an agreed price to brokers who, in turn, resell them to the investing public.</p> <p><b>(iii) Private Placement</b></p> <p>Private placement is the allotment of securities by a company to institutional investors and some selected individuals. It helps to raise capital more quickly than a public issue. Access to the primary market can be expensive on account of various mandatory and non-mandatory expenses.</p> <p><b>(iv) Rights Issue</b></p> <p>This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company. The shareholder are offered the 'right' to buy new shares in proportion to the</p>	
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Q.4-	<p>number of shares they already possess.</p> <p><b>(v) e-IPOs</b></p> <p>A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange. This is called an Initial Public Offer (IPO). SEBI registered broker's have to be appointed for the purpose of accepting applications and placing orders with the company the issuer company should appoint a registrar to the issue having electronic connectivity with the exchange. The issuer company can apply for listing of its securities on any exchange other than the exchange through which it has offered its securities. The lead manager co-ordinates all the activities amongst intermediaries connected with the issue.</p> <p>Ashish selects a person who is authenticated to buy or sell securities on his behalf. He is registered by SEBI. Then through this person Ashish opens an account with a bank. Then he takes the next step. He gives this person an order in which he specifies the number and types of securities to be bought or sold. The process moves forward. After getting the instructions from Ashish the selected person buys and issues d' paper. The paper contains the name and price of securities, brokerage charges and the name of the parties involved. Then comes the concluding stage of the process. Here, the trading of securities is done by the selected persons on behalf of Ashish.</p> <ol style="list-style-type: none"> <li>1. Identify the process highlighted in the above case.</li> <li>2. Which type of account is being indicated here?</li> <li>3. What is the role of bank here?</li> <li>4. What is the role of the person he has chosen?</li> <li>5. What one condition should be met when giving orders for the purchase of securities?</li> <li>6. What is the name of the paper highlighted above?</li> <li>7. What is the last stage of the process called? Does it have any specific feature?</li> </ol> <p>Answer:</p> <ol style="list-style-type: none"> <li>1. The process highlighted in the above case is 'Trading procedure on a Stock Exchange'.</li> <li>2. The type of account indicated here is 'Demat Account'.</li> <li>3. The bank is the 'Depository Participant'.</li> <li>4. The person chosen here is the 'Broker'.</li> <li>5. The condition which must be met is that the securities traded should be of the listed companies.</li> <li>6. The name of the paper which is highlighted above is 'Contract Note'.</li> <li>7. The last stage of the process is called 'Settlement'. The specific feature is the T+2 rolling settlement feature. It means that the trading of security taking place on a particular day will get settled after two days. For example: trading taking place on Wednesday will be settled by Friday.</li> </ol>	
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Q.1-	<p><b>Case Studies:- (3-4 Mark Each)</b></p> <p><b>Question1.</b></p> <p>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.</p> <p>As no trading is now done in physical form, Supriya want to know the process by adopting which she is in a position to deal with these certificates.</p> <p>(a) Identify and state the process.</p> <p>(b) Also, give two reasons to Supriya why dealing with shares in physical form had been stoooped.</p> <p>Ans: Dematerlisation. (a) It is a process where securities held by the investor in physical form are cancelled and the investor gives an electronic entry or number so that she/he can hold it as an electronic balance in an account.</p>
Q.2-	<p>(b) Problems with dealing in physical form: (any two) (i) Theft (ii) Fake/Forged transfers (iii) Transfer delays (iv) Paper work associated with share certificate or debentures held in physical form.</p> <p><b>Question 2.</b></p> <p>Charu is a chartered accountant in Prakash Ltd. During eh course of meeting with directors she came to know that as against the previous years, this year company is going to declare handsome dividend offer. It is observed that when such new becomes public then the share market jumps up. Considering it, Charu purchase large number of company's share before this news reached the public.</p> <p>1. Identify the type of malpractice used by Charu. 2. Name the authority which regulate such behaviours. Write any three other functions of this authority.</p>
Q.3-	<p>Ans: 1. Insider Trading 2. Authority is Securities and Exchange Board of India (SEBI). Their functions are: (i) Protective functions, (ii) Developmental functions, (iii) Regulatory functions.</p> <p><b>Question 3.</b></p> <p>Identify the markets highlighted in following statements:</p> <p>(i) This market directly contributes to capital market. (ii) This market deals in instrument whose maturity is up to one year. (iii) It deals in medium and long terms securities. (iv) It is also known as Stock Exchange and deals in sale and purchase of previously issued securities. (v) It requires less investment as value of securities is generally low.</p>

	Ans:- (i) Primary (ii) Money Market (iii) Capital Market (iv) Secondary Market (v) Stock Exchange.	

### Short Questions (1 mark each)

**Please select one of the options given below for Question 01-05**

- (a) Both A and R are true. R is the correct explanation of A
- (b) Both A and R are true, but R is not the correct explanation of A
- (c) A is correct, but R is incorrect
- (d) A is incorrect, but R is correct

Question No – 01 Assertion (A) Market is a meeting place of both buyer and seller for exchange of goods and service.

Reason (R) It provides the buyer to choose and procure its desired products from alternative options available at a single place.

Question No – 02 Assertion (A) Marketing is a process of exchange of goods and services in the society by bringing producers to consumers.

Reason (R) It ensures high volume of sales in the market.

Question No – 03 Assertion (A) The concept of Need and Wants uses as the same in the marketing world. Reason (R) Need refers to the basic or fundamental requirements of human beings to live a comfortable life such as Food, Cloth, Water and Shelter etc.

Question No – 04 Assertion (A) Marketing is regarded as a mechanism deals in exchange of goods and services for money or money's worth.

Reason (R) Such exchange is considered as the essence of marketing.

Question No – 05 Assertion (A) Packaging ensures safety of the products.

Reason (R) It helps in promoting the product in the market.

### ANSWER KEY

1. (a) Both A and R are true. R is the correct explanation of A,
2. (c) A is correct, but R is incorrect,
3. (d) A is incorrect, but R is correct,
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## **CHAPTER 11 : MARKETING**

### **QUESTION BANK**

**Please select one of the options given below for Question 01-05**

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### **Case Studies: Question 1.**

Shyam bought a pain-relieving ointment after seeing it being displayed in the chemist 's shop. The ointment tube was packed in cardboard box.

Q1. Identify the different levels of packaging of the pain-relieving medicine when it was purchased by Shyam. Also state the functions of packaging.

Ans: - Different levels of packaging of the pain-relieving medicine are Ointment tube; Primary packaging Cardboard box: Secondary packaging Functions of Packaging (any Three) (i) It helps in product identification.

- (ii) It helps in protection of the product from spoilage, breakage, leakage, damage etc.
- (iii) It facilitates use of the product to the consumers through appropriate sizes and shapes.
- (v) It helps in promotion of the product as a good package attracts the attention of the people at the time of purchase.

### **Question 2. —**

An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the products. In the light of this statement, draw a label for —Teal and highlight the important information to be provided on it.

Ans: Student must give information such as- MRP, Date of manufacturing, Date of expiry, Brand name, Batch no., Contents, etc. on label.

### **Question 3.**

Various tools of communication are used by the marketers to promote their products.

- (i) Why do companies use all tools at the same time?
- (ii) Name and explain the most used non-personal tool of promotion which is paid for by the marketer.
- (iii) Which tool of promotion will primarily be used for the following?
  - (a) To promote or protect a company's image or its individual products.
  - (b) An existing product meant for mass usage by literate people.
  - (c) To introduce a new product to a particular class of people through door-to-door visits.
  - (d) To attract attention of the people by using incentives.

Ans: (i) Synergy in Total Promotion Efforts. (ii) Advertisement. (ii) (a) Public Relation (b) Advertisement (c) Personal Selling (d) Sales Promotion

### **Question 4.**

ITC started its business with Jobaico industry, later on it entered in hotel industry, consumer goods industry, stationery, etc. ITC assured quality to customer and kept company's name as its identity. This helps the customers in product identification and hence ensure quality it also built up their confidence and help in increasing their level of satisfaction.

- (i) Name the element of marketing mix referred in above para.
- (ii) Name the other element of marketing mix.
- (iii) Name the concept which assure quality and help in identification of product.

Ans: (i) Product Mix (ii) Other element: Price mix, Place mix. (iii) Concept which help in identifying the product and assure quality is branding

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## CHAPTER 12: CONSUMER PROTECTION

### QUESTION BANK

Q.no	Questions	Marks
1	Shubhangi purchased a car for Rs. 11 crore and found its engine defective. Despite many complaints, the defect was not rectified. She filed a complaint in National Commission but was not satisfied with its order. Suggest her the appropriate authority where she can appeal. (a) National commission      (b) District Commission (C ) Supreme court of India      (d) None of the above.	1
2	Sonu went to a shopkeeper to buy shampoo. The shopkeeper forced him to buy a particular brand of shampoo out of various available brands, irrespective of the willingness of Sonu.. Which right of Sonu, as a consumer, has been exploited? (a) Right to Information.      (b) Right to choose (c) Right to consumer education.      (d) Right to be heard	1
3	Rita wants to buy a packet of juice. As an aware customer, how can she be sure about the quality of juice she plans to buy? (a) By ISI mark      (b) By FPO mark label (c) By Hall mark      (d) Agmark	1
4	Consumer can make a complaint to the State Commission when the value of goods or services and compensation claimed exceeds rupees	1
5	Vijay purchased a flat for Rs. 150 lacs and found it different from what was agreed. He wants his money back. Suggest him the appropriate authority to file his complaint in the three-tier machinery under the Consumer Protection act, 2019. (a) State commission      (b) District forum (c) National commission      (d) Supreme court	1
6	When was the consumer protection act 1986, modified: (a) 1984      (b)1985 (c) 2019 .      (d) 1987	1
7	Raja Babu purchased a diesel car for Rs. 7 lakhs from an automobile company and found its engine being defective. Despite many complaints the defect was not rectified. Name the highest authority to file his complaint in the three-tier machinery under the Consumer Protection Act. (a) National commission      (b) State commission (c) District Commission      (d) Supreme court	1
8	Harsh asked for a bottle of mineral water from a shopkeeper. The	1

	<p>maximum retail price printed on the bottle was Rs. 20 only whereas the shopkeeper was charging Rs. 35. In spite of many arguments the shopkeeper was not ready to sell the bottle for less than Rs. 35. Harsh was in need of it and had no option except to buy. Identify the 'Right' which Harsh can exercise.</p> <p>(a) Right to choose                      (b) Right to seek redressal (c) Right to heard                      (d) Right to information</p>											
9	<p>Whether following will be treated as a consumer say 'yes' or 'no'</p> <p>(a) Sita purchase a washing machine for her home. (b) Ramesh purchased a DVD Player for resale. (c) Rahul purchase a computer for earning his livelihood by doing DTP work. (d) Kunal use a new mobile connection.</p>	1										
10	<p>Match the following quality mark is a consumer should look for while purchasing the following products.</p> <table><tr><td>Products.</td><td>Quality marks</td></tr><tr><td>(A) electrical goods.</td><td>1. FPO marks</td></tr><tr><td>(B) Agricultural Products.</td><td>2. ISI mark</td></tr><tr><td>(C) jewellery.</td><td>3. Hall mark</td></tr><tr><td>(D) Food products.</td><td>4. Agmark</td></tr></table>	Products.	Quality marks	(A) electrical goods.	1. FPO marks	(B) Agricultural Products.	2. ISI mark	(C) jewellery.	3. Hall mark	(D) Food products.	4. Agmark	1
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(B) Agricultural Products.	2. ISI mark											
(C) jewellery.	3. Hall mark											
(D) Food products.	4. Agmark											
11	<p>Identify the consumer right discussed in the following cases:</p> <p>(A) Many consumer organisations are taking an active part in creating awareness in consumers. (B) According to this right produces have to provide all relevant information about the product.</p>	1										
12	<p>. A consumer is not certain satisfied with State Commission . In how many days we can challenge the same and approach the National Commission?</p> <p>(A) 20 days.                                      (B) 30 days ( C ) 40 days.                                      (D) 50 days</p>	1										
13	<p>Which Redressal Agencies come under Consumer Protection Act?</p> <p>( A ) District forum (B) State commission (C) National commission (D) None of these (E) All of these</p>	1										
14	<p>_____relief is available if the goods are adulterated and the manufacturer is still in practice of selling.</p> <p>(A) cease manufacturing of hazardous goods (B) to complete consumer education. (C) to free choice of goods and service.</p>	1										
15	<p>Full form of VOICE an NGO is:</p> <p>(A) various Organisation in interest of consumer education</p>	1										

	(B) voluntary organisation in interest of consumer education. (C) Voluntry organisation in interest of commodity education.	
16	State whether the following statement is True or False (a) Consumer protection has a moral justification for business. (b) In addition to rights, a consumer also has some responsibilities. (c). A a complaint can be made to a district forum when the value of the goods or service in the question, along with the compensation claimed exceeds Rupees 20 lakh. (d) ISI is the quality certificate mark used in case of food products	1
17	Identify the given statement whether it is Right of consumer or Responsibility of consumer: (A) consumer must refer label carefully. (B) consumer to get relief in case the product or service Falls short of his expectations. (C) to acquire knowledge and to be a well informed consumer throughout life. (D) to take cash memo.	1
18	_____ is set up by the central government. (A) state Commission (B) district Forum (C) National Commission (D) none of these	1
19	Reena purchased some household goods from a 'General store'. After reaching home she found a face cream which she had not billed for. After checking the date of expiry and other details, she started using it. Her face burnt due to the use of the cream. Where should Tanya file a complaint? Justify. Under Consumer Protection Act, 1986 who can file a complaint?	3
20	Seema purchased a book from Harish Book Store. While reading the book, she found that sixteen pages were missing. She approached the seller of the book and complained about the missing pages. The seller promised that if the publisher was ready to change the book he would change the same. After a week, the seller informed Seema that the publisher had refused to change the book. Where can Seema file a complaint against the seller of the book? Give reason in support of your answer. Also explain who is a consumer as per "Consumer Protection Act 1986".	3
21	Raghav moved from Dehradun to Mumbai to work as an artist in television serials. On getting his first salary, he opened an account in a nearby commercial bank and also opted for ATM facility under ATM card. After a few months, he lost his ATM Card and lodged a request with the bank for furnishing duplicate card. Consequently, he was allotted duplicate ATM Card Number but that card was not given to him. After a week, he received a SMS message on his mobile stating that sum of Rs. 10,000/- has been withdrawn from his account. Since the duplicate ATM card was not given to him, he brought the debit entry in the notice of the bank. The	3



	bank assured to repay that amount to him within 15 days after investigating the issue. But, more than a month has passed since then and despite his persistent efforts the bank has not taken any action so far. So, he files a case against the bank in the district forum. The consumer court can issue a notice to the bank after being satisfied with the genuineness of the complaint and directs the bank to repay Rs. 10,000 to Raghav along with the compensation of Rs. 50,000. Name the rights exercised by Raghav in the context of the above case.	
22	<p>In the year 2015, Under section 12(ID) of the Consumer Protection Act, the Consumer Affairs Ministry had filed a suit in National Consumer Disputes Redressal Commission (NCDRC) against Nestle India, the manufacturer of Maggi noodles, seeking about Rs. 640 crore in damages for alleged unfair trade practices, false labeling and misleading advertisements.</p> <p>In context of the above case: 1. Name any two other two parties besides government who can file a case under Consumer Protection Act 1986. 2. Why has the government filed a suit in National Consumer Disputes Redressal Commission (NCDRC) and at no other level of three tier redressal system?</p>	4
23	Rajat purchased an ISI mark electric iron from Bharat Electricals. While using it, he found that it was not working properly. He approached the seller and complained about the same. The manufacturer refused to replace and Bharat Electrical decided to file a complaint in the consumer court. Can Bharat Electricals do this? Why? Also explain who is a consumer as per Consumer Protection Act, 2019.	4
24	<p>On her sister's wedding, Radha decided to gift her gold earrings. When she shared her plan with her husband, he showed her an article in the daily national newspaper under the heading "Jago Grahak Jago." The campaign included details about the various aspects that people must consider before buying any gold jewellery.</p> <p>1. Why do you think campaigns like "Jago Grahak Jago" are inserted in the newspaper? 2. Name the right of consumer being fulfilled through this initiative of the government 3. State any three responsibilities that Radha must discharge as an aware consumer while buying her sister's wedding gift.</p>	5
25	<p>Home Shop 18 is an online and on-air retail and distribution venture of the Network 18 group, India. It is a part of the Network 18 Media and Investments Limited which is owned and operated by Reliance Industries. Currently, Home Shop 18 com comprises of more than 15 categories namely, Mobiles, Health &amp; Beauty, Apparel, Jewellery, Home &amp; Kitchen, Household Appliances etc. to name a few. The company offers a wide variety of goods under each of these categories.</p> <p>1. Identify and explain the relevant consumer right being promoted by the company. 2. Also mention any two values being reflected through this approach adopted by the company.</p>	5

26	<p>Raja Ram bought a bottle of disinfectant spray from the nearby market. It had a knob which was to be opened in a particular way. However, there was no instruction on its package in this regard. Therefore, when he tried to open the knob in a casual way, some of the spray flew in his eyes. This affected his vision.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Name the right of consumer being violated by the company.</li> <li>2. State any two directions which the consumer court can issue to the company after being satisfied with the genuineness of the complaint.</li> </ol>	6
27	<p>Aman a degree holder in Entrepreneurship came to know about Piplantri Village located in Rajasthan, where in 2006 an initiative was started, in which 111 trees are planted every time a girl child is born. To keep termites away from the trees the villagers have planted 2.5 million Aloe Vera plants around the trees. This has turned the village into an oasis, as the planting of trees led to higher water levels. Aman decided to visit the village to start a business unit, for the processing and marketing of Aloe Vera into juices, gels and other products. However, on visiting the village Aman found that the villagers were suffering exploitation at the hands of local merchants who were engaged in unscrupulous, exploitative trade practices like hoarding and black marketing of food products and also selling unsafe, adulterated products to the villagers. After looking at their plight instead of a business organization he decided to set up an organization for the protection and promotion of the consumer interest of the villagers.</p> <p>State the functions that the organization established by Aman will be performing. (any six points)</p>	6
28	<p>Good Health Ltd., a pharmaceuticals company, has introduced mosquito repellent bands under the brand name 'Jaddu' in the wake of outbreak of dengue in various parts of the country. The product attracted many people from all age groups, especially kids. However, the company failed to provide adequate guidance for the users on the label of the product in terms of time period of the effectiveness of the repellent band once its seal is opened. Because of this ambiguity, many buyers faced problems. In context of the above case:</p> <ol style="list-style-type: none"> <li>1. Identify and explain the consumer right which has been overlooked by the company.</li> <li>2. Name and explain any two functions of the important product related aspect ignored by the company.</li> </ol>	6

### Marking scheme

Q.no	Answer	Marks
1	(c) The Supreme Court	1
2	(b) Right to choose.	1
3	(b) By FPO mark label	1

<b>4</b>	1 crore	<b>1</b>
<b>5</b>	(a) State Commission	<b>1</b>
<b>6</b>	(c) 2019	<b>1</b>
<b>7</b>	(a) National Commission	<b>1</b>
<b>8</b>	(c) Right to be Heard	<b>1</b>
<b>9</b>	a, c and d 'yes' b. 'No'	<b>1</b>
<b>10</b>	A. __2 B. ____4 C ____3 D____1	<b>1</b>
<b>11</b>	(a) right to consumer education (b) Right to be informed	<b>1</b>
<b>12</b>	B	<b>1</b>
<b>13</b>	E	<b>1</b>
<b>14</b>	A	<b>1</b>
<b>15</b>	B	<b>1</b>
<b>16</b>	A. True B. True C False D False	<b>1</b>
<b>17</b>	(a) Responsibility (b). Right (C). Right (D) Right	<b>1</b>
<b>18</b>	<b>c</b>	<b>1</b>
<b>19</b>	Reena cannot file a complaint in any consumer court since she does not have the proof of purchase, i.e., cash memo. She did not fulfil her responsibility of an honest consumer. She should have gone back to the general store to get its billing. Under the Consumer Protection act, 1986, any of the following can file a complaint: 1. Any consumer 2. Any registered consumers' association 3. The central Government or any State Government 4. One or more consumers on behalf of many consumers having same interest. 5. A legal representative of a deceased consumer.	<b>3</b>
<b>20</b>	Since, the value of the goods or services in question, along with	<b>3</b>

	<p>the compensation claimed, does not exceed Rs. 20 lakhs she will file a case in the District Forum.</p> <p>1 A 'consumer' is generally understood as a person who uses or consumes goods or avails of any services.</p> <p>2. A person who buys goods for commercial purpose or resale will not be considered to be a consumer.</p>	
<b>21</b>	The two rights exercised by Raghav in the context of the above case are Right to be heard and Right to seek redressal.	<b>3</b>
<b>22</b>	<p>The two other two parties besides government who can file a case under Consumer Protection Act 1986 are any consumer and any registered consumers' association.</p> <p>2. The government filed a suit in National Consumer Disputes Redressal Commission (NCDRC) and at no other level of the three tier redressal system because a complaint has to be made to the National Commission only when the value of the goods or services in question, along with the compensation claimed, exceeds Rs. 1 crore.</p>	<b>3</b>
<b>23</b>	<p>No, Bharat Electricals will not be able to file a complaint under Consumer Protection Act 1986 because according to this act a person is not deemed to be a customer if he buys goods for resale or commercial purpose. Under the Consumer Protection Act 1986, a consumer is defined as:</p> <p>1. Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised or under any scheme of deferred payment. It includes any uses of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.</p> <p>2. Any person who hires or avails of any service, for a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment. It includes any beneficiary of services when such services are avails of such services for any commercial purposes.</p>	<b>4</b>
<b>24</b>	<p>The campaigns like "Jago grahak Jago" are given in the newspaper to make the consumers aware of the various undesirable activities like unscrupulous, unfair trade practices etc which are carried out by the marketers to exploit the buyers.</p> <p>2. Right to Consumer Education is being fulfilled through this initiative of the government. 3. The three responsibilities that Radha must discharge while buying her sister's wedding gift are as follows:</p> <p>1. Buy only standardized goods and check for standardization mark like Hallmark for gold jewellery.</p> <p>2. Assets herself to ensure that she gets a fair deal.</p> <p>3. Ask for a cash memo on purchase of goods or services.</p> <p>Ans. 25</p>	<b>5</b>
<b>25</b>	The Right to Choose is being promoted by the company.	<b>5</b>

	<p>According to the Right to Choose, the consumer has a right to choose from a variety of products at competitive prices. Also, the marketers should offer a wide variety of products to buyers.</p> <p>2. The two values being reflected in this approach adopted by the company are increasing standard of living and technological development</p>	
<b>26</b>	<p>The two rights of consumer being violated in the above case are Right to information and Right to safety.</p> <p>2. The two directions which the consumer court can issue to the company after being satisfied with the genuineness of the complaint are as follows:</p> <ol style="list-style-type: none"> <li>1. Not to offer hazardous goods for sale.</li> <li>2. To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the marketer</li> </ol>	<b>6</b>
<b>27</b>	<p>Functions of an NGO / Consumer organization</p> <ol style="list-style-type: none"> <li>1. Educating the villagers / general public about consumer rights by organizing training programmes, seminars and workshops.</li> <li>2. Publishing periodicals and other publications to impart knowledge about consumer problems, reliefs available and other matters of interest.</li> <li>3. Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.</li> <li>4. Encouraging consumers to strongly protest and take an action against exploitative and unfair trade practices of sellers.</li> <li>5. Providing legal assistance to consumers by way of providing aid, legal advice etc, in seeking legal remedy.</li> <li>6. Filing complaints in consumer courts on behalf of consumers.</li> </ol>	<b>6</b>
<b>28</b>	<p>The Right to information is being overlooked by the company in the above mentioned case. 1. According to the Right to information, a consumer has the right to get complete information about the product he / she intends to buy including its contents, date of manufacture, date of expiry. Price, quality, directions for use etc. Also, as per law, it is mandatory for the marketers to provide complete information about the product / service to the buyers.</p> <p>2. The important aspect related to the marketing of products which has been ignored by the company is Labelling.</p> <p>The two important functions performed by labeling are: 1. Describes the product and specifies its contents: 2. Helps in identification of the product or brand:</p>	<b>6</b>

### **Case Studies – (Chapter - 12) Consumer Protection**

**Q. 1.** Harish purchased a medicine from 'Hari Govind Medical Stores' for his son who had high fever. Even after giving the medicine his son's condition did not improve

and he had to be hospitalized. Doctor informed Harish that the medicine given to his son was spurious. Harish complained about this to 'Hari Govind Medical Stores'. As a result, 'Hari Govind Medical stores' decided to file a complaint against the manufacturer in the consumer court. Can 'Hari Govind Medical Stores' do this? Give reason. (1 mark)

**Ans.** No, 'Hari Govind Medical stores' cannot file a complaint against the manufacturer in the consumer court. The Medical Stores is not a consumer since it buys medicine for re-sale or commercial purpose.

**Q. 2.** Your mother purchased a colour television for Rs. 70,000 without cash-memo from an authorized dealer of the manufacturer with a guarantee that the television will be replaced with a new one if any of its parts becomes defective within three months from the date of purchase. Within 10 days a part of the television was burnt and on complaining the seller refused to replace the television. Name the redressal agency under the Consumer Protection Act where your mother can file the complaint. (1 mark)

**Ans.** No, my mother cannot file a complaint against the dealer or the manufacturer in the consumer court since she does not have cash-memo, which serves as the proof of purchase.

**Q. 3.** Himesh after completing his graduation started working with a multinational company in Delhi. But due to ill health of his parents he had to go back to his village. There he noticed that the villagers were literate but ignorant about their rights. Many vegetable vendors were using stones as weights to sell their vegetables. Some shopkeepers were selling food items without having 'FPO mark'. Villagers did not find anything wrong with these practices. So to create awareness among villagers Himesh decided to publish a weekly Journal 'Jan Jagriti'. State the 'Right' which Himesh has exercised by doing so. (1 mark)

**Ans.** Right to consumer education

**Q. 4.** Bajaj Auto Ltd. purchased a machinery for Rs. 50 crore from Priya Ltd. and found it defective. Despite many complaints the defect was not rectified. Suggest Bajaj Auto Ltd. the appropriate forum to file their complaint in the three-tier machinery under the Consumer Protection Act. (1 mark)

**Ans.** National Commission

**Q. 5.** Rahu Bali purchased a flat for Rs. 150 lacs and found it different from what was agreed. He wants his money back. Suggest him the appropriate authority to file his complaint in the three-tier machinery under the Consumer Protection act, 1986. (1 mark)

**Ans.** State Commission

**Q. 6.** Anurag bought an electric iron from a reputed showroom of a manufacturing company but it caused electric shock to his wife while she was using it. Anurag claimed a compensation of Rs. 15 lakhs. Where can he file his claim? (1 mark)

**Ans.** District Commission

**Q. 7.** Rajiv purchased a diesel car for Rs. 7 lakhs from an automobile company and found its engine being defective. Despite many complaints the defect was not rectified. Name the highest authority to file his complaint in the three-tier machinery under the Consumer Protection Act. (1 mark)

**Ans.** National Commission

**Q. 8.** Mukul purchased a house for Rs. 130 lakhs from a housing company and found it being defective. Despite many complaints, the defect was not rectified. He filed a complaint in state commission but was not satisfied with its order. Where can he appeal and within how many days? (1 mark)

**Ans.** National Commission, within 30 days of the passing of the order of the State Commission.

**Q. 9.** Shubhangi purchased a car for Rs. 11 crore and found its engine defective. Despite many complaints, the defect was not rectified. She filed a complaint in National Commission but was not satisfied with its order. Suggest her the appropriate authority where she can appeal. (1 mark)

**Ans.** The Supreme Court

**Q. 10.** Rita wants to buy a packet of juice. As an aware customer, how can she be sure about the quality of juice she plans to buy? (1 mark)

**Ans.** By FPO mark label

**Q. 11.** Anjana wants to buy a gold ring. As an aware consumer, how can she be sure about the quality of gold ring she is going to buy? (1 mark)

**Ans.** By Hallmark label

**Q. 12.** Pragya bought an iron of a reputed brand for Rs. 1500 but it caused an electric shock while it was being used. Pragya wants to exercise her 'Right'. Identify the 'Right' under which she can be protected. (1 mark)

**Ans.** Right to safety

**Q. 13.** Siddharth went to a shopkeeper to buy soap. The shopkeeper forced him to buy a particular brand of soap out of various available brands, irrespective of the willingness of Siddharth. Which right of Siddharth, as a consumer, has been exploited? (1 mark)

**Ans.** Right to choose.

**Q. 14.** Ahmed wants to buy an iron. As an aware customer, how can he be sure about the quality of iron? (1 mark)

**Ans.** By ISI mark label

**Q. 15.** Tanya purchased some household goods from a 'General store'. After reaching home she found a face cream which she had not billed for. After checking the date of expiry and other details, she started using it. Her face burnt due to the use of the cream. Where should Tanya file a complaint? Justify. Under Consumer Protection Act, 1986 who can file a complaint? (3 mark)

**Ans.** Tanya cannot file a complaint in any consumer court since she does not have the proof of purchase, i.e., cash memo. She did not fulfil her responsibility of an honest consumer. She should have gone back to the general store to get its billing. Under the Consumer Protection act, 1986, any of the following can file a complaint:

1. Any consumer
2. Any registered consumers' association
3. The central Government or any State Government
4. One or more consumers on behalf of many consumers having same interest.
5. A legal representative of a deceased consumer.

**Q. 16.** Akhil, a consumer purchased medicines without noticing the date of expiry. He also did not obtain the cash memo. Do you think he will be able to protect himself by the loss caused due to expired medicine? Give reasons to support your answer. (3 mark)

**Ans.** Akhil will not be able to protect himself by the loss caused due to expired medicine because he did not fulfil his responsibility on the following grounds:

1. He did not read the labels of the packet of medicines. He did not notice the date of



expiry. A consumer should always read labels carefully to have information about prices, net weight, manufacturing and expiry dates, etc.

2. He did not obtain the cash memo from the seller. Cash memo is a proof of purchase and it is a must for filing a complaint in appropriate consumer court.

**Q. 17.** Deepak purchased a book from a book-seller and got the cash memo of Rs. 400 which he paid for the book. Later, he found that the actual price of the books is Rs. 380 but the book-seller has put a sticker of Rs. 400 on the original price. Can Deepak recover the extra money that he paid? What other options are available to him against book-seller? (4 mark)

**Ans.** Deepak is a responsible consumer since he has got the cash memo for the book he purchased. Cash memo is the proof of purchase. A consumer must have the cash memo to file a complaint in a consumer court.

In this case, the book-seller has charged for the book a price in excess of the list price. So, Deepak can recover the extra money he paid (Rs. 20) from the book-seller.

Alternatively, Deepak can file complaint against the book-seller in a consumer court if he does not get back Rs. 20 from the book-seller. If the consumer court is satisfied about the genuineness of the complaint, it can issue the following directions to the bookseller.

1. To refund the price paid for the book (Rs. 400).
2. To pay adequate costs to Mr. Deepak, which he incurred for filing the complaint.
3. To discontinue the unscrupulous, exploitative and unfair trade practices and not to repeat in the future.

**Q. 18.** Dushyant, who was a vegetarian, went to a snack bar for having French fries and later on found out that it has non-vegetarian content. Neither the advertisement nor the packing of the product displayed that the product has non-vegetarian content. Will Dushyant be able to claim compensation? Which right of the consumer is violated?

(1 mark)

**Ans.** Yes, Dushyant will be able to claim the compensation as the seller has violated the “right to information”.

**Q. 19.** Your mother purchased a washing machine for Rs. 10000 from an authorized dealer of the manufacturer with an oral guarantee that the machine will be replaced with a new one if any of its parts becomes defective within 3 months from the date of

purchase. The motor of the machine was burnt within 15 days of its purchase. On complaining, the seller refused to replace the machine. Name the redressal agency under the Consumer Protection Act where your mother can file the complaint. (1 mark)

**Ans.** No, my mother cannot file a complaint against the dealer or the manufacturer in the consumer court since she does not have cash-memo. She had purchased the washing machine with an oral guarantee only.

**Q. 20.** Harsh asked for a bottle of mineral water from a shopkeeper. The maximum retail price printed on the bottle was Rs. 20 only whereas the shopkeeper was charging Rs. 35. In spite of many arguments the shopkeeper was not ready to sell the bottle for less than Rs. 35. Harsh was in need of it and had no option except to buy. Identify the 'Right' which Harsh can exercise. (1 mark)

**Ans.** Right to be Heard

**Q. 21.** Aman a degree holder in Entrepreneurship came to know about Piplantri Village located in Rajasthan, where in 2006 an initiative was started, in which 111 trees are planted every time a girl child is born.

To keep termites away from the trees the villagers have planted 2.5 million Aloe Vera plants around the trees. This has turned the village into an oasis, as the planting of trees led to higher water levels.

Aman decided to visit the village to start a business unit, for the processing and marketing of Aloe Vera into juices, gels and other products.

However, on visiting the village Aman found that the villagers were suffering exploitation at the hands of local merchants who were engaged in unscrupulous, exploitative trade practices like hoarding and black marketing of food products and also selling unsafe, adulterated products to the villagers.

After looking at their plight instead of a business organization he decided to set up an organization for the protection and promotion of the consumer interest of the villagers.

State the functions that the organization established by Aman will be performing. (any six points) (6 mark)

**Ans.** Functions of an NGO / Consumer organization

1. Educating the villagers / general public about consumer rights by organizing training programmes, seminars and workshops.
2. Publishing periodicals and other publications to impart knowledge about consumer

problems, reliefs available and other matters of interest.

3. Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.

4. Encouraging consumers to strongly protest and take an action against exploitative and unfair trade practices of sellers.

5. Providing legal assistance to consumers by way of providing aid, legal advice etc, in seeking legal remedy.

6. Filing complaints in consumer courts on behalf of consumers.

**Q. 22.** On Sonika's birthday her mother gave her a pair of gold earrings. After one month Sonika observed that the earrings are losing their shine. She checked the mark on the ear-rings and found that it was not a proper Hallmark and her mother had been cheated by the shopkeeper. So, she filed a complaint in the district forum which rejected it. Not satisfied by the decision of district forum, she was very much disturbed and after two months decided to appeal further.

Can Sonika appeal against the decision of the district forum? Give reason in support of your answer. (1 mark)

**Ans.** No, Sonika cannot appeal now as the appeal has to be filed within 30 days of passing of the order by the district forum.

**Q. 23.** Manuj bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complained about it to the company.

The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available.

State the consumer right which Manuj exercised. (1 marks)

**Ans.** Right to be heard has been exercised by Manuj.

**Q. 24.** Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box, she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week, the representative of the company visited Suman's residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her.

State the consumer right which Suman exercised. (3 marks)

**Ans.** Right to seek redressal has been exercised by Suman. Explain the right

**Q. 25.** Manvendra always went to a specific shop to buy all consumable and non-consumable goods. In this shop, a variety of products of different brands were displayed nicely and the sales person available also gave good sales presentations if required. But this shop was quite far-off from his residence. His friend Annant always wondered why Manvendra wastes to much time in going to that shop whereas there were many big brand shops situated near his residence having consumable and non-consumable goods. Annant asked Manvendra the reason of going to the particular shop. Manvendra told that he was exercising one of his rights which he could not exercise in nearby big brand shops.

State the consumer's right which Manvendra had exercised. (3 marks)

**Ans.** Right to choose has been exercised by Manvendra.

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