



CEP Phase -2 (2024-25)
Subject : Business Studies
Class : 10+2



Unit 1: Nature and Significance of Management

I. MULTIPLE CHOICE QUESTIONS

- 'Management is the art of getting things done through others' which approach of management is this?**
(a) Modern approach (b) Traditional approach (c) both (a) and (b) (d) None of these.
- Management is :**
(a) An art (b) A science (c) Both a science and an art (d) None of these
- Management is a _____ function.**
(a) Intangible (b) Tangible (c) Fictitious (d) None of these
- Management aims at achieving:**
(a) Effectiveness (b) Efficiency (c) both (a) and (b) (d) None of these.
- Who among the following functions as part of middle level management?**
(a) Finance Manger (b) Foreman (c) Chief Manager (d) C.E.O.

II. FILL IN THE BLANKS

- Management is a process. (dynamic/static)
- level management determines the objectives of the organisation. (Middle/Top)
- The global manager has to adjust his functions according to (new challenges/himself)
- is the first function of management. (Planning/Thinking)
- Co-ordination is known as the of management. (essence/need)

III. ONE MARK QUESTIONS

Q. 1. What is management ?

Ans. Management is the art of getting things done through others.

Q. 2. State the meaning of management as a noun.

Ans. It refers to all those persons who are concerned with getting things done through others.

Q. 3. Give one characteristic of management.

Ans. Management is goal oriented.

Q. 4. State various levels of management.

Ans. Top level management, middle level management and lower level management.

Q. 5. State any one point of importance of management.

Ans. Management helps in achieving business objectives.

TWO MARKS QUESTIONS

Q. 1. Define Management.

Ans. There are two schools of thought defining management *i.e.* traditional concept and modern concept. Traditional concept treats management as a technique or method for completion of assigned task. Harold Koonz and Marry Follett defined management as an art of getting things done from the people working in the organisation. Modern concept stressed that management is a process of getting work done from others effectively and efficiently to achieve organisational goals.

Q. 2. Define management as a traditional concept.

Ans. The traditional concept of management states that it is a technique of getting things done by others. It means that it is the directing of people to undertake business activities. In the words of Harold Koonz, "Management is the art of getting things done through and with the help of people in formally organised group." The traditional concept of management is not appropriate in the present day environment.

Q. 3. Define management as a modern concept.

Ans. Modern concept of management states that it is an activity which is necessary wherever there is a group of people working in an organisation. The aim of all those working in the organisation is to achieve same goals. Management is also considered as a process of getting things done with the aim of achieving goals effectively and efficiently. In the words of Henry Fayol, "To manage is to forecast and plan, to organise, to command, to co-ordinate, and to control."

Q. 4. Discuss management as a discipline.

Ans. Management is sometimes viewed as a body of knowledge, a practice. In this sense it refers to the principles and practices of management as a subject of study. Management is a multidisciplinary approach and develops its principles from the subjects such as Economics, Psychology, Sociology. Management has grown as a separate

discipline of study.

Q. 5. Define management as an activity.

Ans. Management is an activity like any other activity such as playing, studying, teaching, etc. As an activity management consists of all activities which are performed by managers in the process of making systematic use of human and physical resources for achieving business goals.

FOUR MARKS QUESTIONS

Q. 1. Discuss in brief four characteristics/features of management.

Ans. Following are the characteristics of management.

- (i) **Management is a group activity** : Management is an essential part of a group activity. As no individual can satisfy all his desires himself, he unites with his fellow-beings and works in an organised group to achieve what he cannot achieve individually.
- (ii) **Management is goal-oriented** : Management aims to achieve economic and social objectives. It exists to achieve some definite goals. Group efforts in management are always directed towards the achievement of some pre-determined goals. It is concerned with establishment and accomplishment of these objectives.
- (iii) **Management is a factor of production** : Management is not an end in itself but a means to achieve the group objectives. Just as land, labour and capital are factors of production and are essential for the production of goods and services, management is a factor of production that is required to co-ordinate the other factors of production for the accomplishment of pre-determined goals.
- (iv) **Management is universal in character** : Management is applicable in all types of organisations. Wherever there is human activity, there is management. The basic principles of management are of universal application and can be applied in all organisations whether they are business, social, religious, cultural, sports, educational, politics or military.

Q. 2. Explain any four points showing importance of management.

Ans.

- (i) **Proper Utilisation of Resources** : Management enables the best use of various factors of production such as land, labour, capital, machinery. It finds out the ways of making best use of physical resources and motivates employees to give their best to the organisation for achieving common business goals.
- (ii) **Helps in Achieving Business Objectives** : It is the management which makes people realise the objectives of the group and channelises their energies for achieving them. Management brings human and material resources together and mobilises people to help in reaching business goals.
- (iii) **Growth and Development of Business** : Every business aims at growth and development. Management improves the efficiency and performance of people in the organisation and it leads to higher profitability. The resources mobilised through profits help in planning expansion and diversification of activities. So proper planning and control by the management helps a business to grow and develop.
- (iv) **Better Quality Goods** : A good management helps in producing better quality goods at minimum of cost. It exercises various controls on production processes and curbs wastages at different points. Management also creates quality consciousness among people connected with production.

Q. 3. “Management is a process.” Comment.

Ans. Management, when discussed as a process, refers to all that a manager does. A manager undertakes various interrelated functions to make efficient use of resources.

As a process management has the following implications :

- (i) **Social Process** : Management involves interaction among people. There is a need for productive relationship for achieving the organisational objectives. Human factor is the most important aspect of management.
- (ii) **Integrated Process** : Management brings together human and physical resources. Human efforts are integrated for bringing harmony in the organisation.
- (iii) **Interactive Process** : Various managerial functions are contained within each other. When we undertake one function then other functions may also be performed. When planning for goals of the business then standards for control are also laid down.
- (iv) **Continuous Process** : Management is a continuous process. All the functions are undertaken continuously.

Unit 2: Principles of Management

I. MULTIPLE CHOICE QUESTIONS

1. Which principle of management, given by Fayol, promotes specialization in workers:
(a) Division of work (b) Unity of command (c) Equity (d) None of these
2. Which of the following is not a feature of principles of management?
(a) Flexibility (b) Systematic approach (c) Mental change (d) Fixed by nature
3. Principle of division of work is related to:
(a) Specialisation (b) Efficiency (c) Effectiveness (d) Productivity
4. What does fatigue study determine?
(a) Rest pauses (b) Work stoppages (c) Labour cost (d) None of these
5. Scientific management is based on:
(a) Traditional methods of work (b) Flexible operations (c) Strict rules of work (d) None of these

II. FILL IN THE BLANKS

1. Principles of management are in nature. **(static/flexible)**
2. Fayol classified all industrial activities into groups. **(six/eight)**
3. Fayol has given principles of management. **(ten/fourteen)**
4. F.W. Taylor applied methods in the field of management. **(classic/scientific)**
5. not discord is the principle of scientific management. **(Harmony/Co-operation)**
6. Taylor wanted to pay higher wages to workers. **(efficient/fast)**

III. ONE MARK QUESTIONS

Q. 1. Who is known as Father of General Management ?

Ans. Henry Fayol.

Q. 2. How are principles of management described ?

Ans. Principles of management are described through observation and experimental methods.

Q. 3. How many principles of management were given by Henry Fayol ?

Ans. Fourteen principles.

Q. 4. Who is known as the father of scientific management ?

Ans. F.W. Taylor.

Q. 5. State one feature of scientific management.

Ans. It is a systematic and analytical approach for solving industrial problems.

TWO MARKS QUESTIONS

Q. 1. What is meant by principle of management ?

Ans. A principle is a basic statement that provides understanding and guidance to thinking and action. It refers to a fundamental truth that explains relationship between two or more sets of variables under a given situation. A principle predicts the result of certain causes in the specific set of conditions. The principles of management provide guidelines for managerial decision-making and action.

Q. 2. What is the principle of order ?

Ans. Principle of order does not mean command but it refers to orderly arrangement of men and material, there is a fixed place for everything and everyone in the organisation. Fayol was of the opinion that there must be a fixed place to keep every material and other things used in the organisation. Similarly, there should be a fixed place, cabin or seat for every employee in the organisation. This order will ensure that no time is wasted in locating any material or any person.

Q. 3. Discuss the principle of science, not rule of thumbs advocated by F.W. Taylor.

Ans. Taylor wanted to replace old methods of doing work. He insisted that each job in the organisation should be based on scientific enquiry and not on experience, trial and error, intuition etc. There must be thinking before doing which is not the case in rule of thumb.

Q. 4. 'Scientific management focused on the all round development of workers ? Explain.

Ans. The efficiency of an organisation will depend upon the efficiency of workers. The efficiency of workers is linked to their proper selection and training. This principle states that there should be proper selection of workers, based on tests and interviews. The selected workers should be given adequate training to undertake the work properly. The potentialities of workers should be developed to the maximum so that they are ready to take up higher jobs in future.

FOUR MARKS QUESTIONS

Q. 1. Discuss any four features of principles of management.

Ans. The features/nature of management principles is as follows :

- (i) General Statements :** Management principles are stated in the form of general statements. These have been derived out of experience and analysis. Management principles deal with human beings.
- (ii) Based on Situation :** The application of management principles depends upon a specific situation faced by a manager. He has to adjust the principle as demanded by a situation. These principles are neither absolute nor stable for all the times to come.
- (iii) Flexibility :** Management principles are flexible in nature. These can be modified and changed with the change in environment of a business. The principles which are suitable today may be replaced by others because of change in environment of an enterprise.
- (iv) Cause and Effect Relationship :** There is a cause and effect relationship in management principles. The effect of certain decisions can be predicted on the basis of actions. For example, the principle of division of labour leads to specialisation and increase in efficiency. So division of labour is the cause and efficiency is an effect. Similarly, other principles can also establish cause and effect relationship.

Q. 2. State the principles of scientific management.

Ans. Following are the principles of scientific management :

- (i) Science not rule of thumb :** Taylor wanted to replace old methods of doing work. He insisted that each job in the organisation should be based on scientific enquiry and not on experience, trial and error, intuition etc. There must be thinking before doing which is not the case in rule of thumb.
- (ii) Harmony, not discord :** This principle states that there should be complete co-operation between management and workers. Both the sides should develop mutual trust and understanding between themselves. Management and workers should develop positive thinking for each other and work in harmony to achieve organisational objectives.
- (iii) Co-operation, not individualism :** This principle states that every activity in the organisation should be carried out with a spirit of mutual co-operation. Taylor wanted that managers and workers should set the targets through mutual consultation. Management should take workers into confidence while devising policies for them. This co-operation will bring positive response of workers for achieving standard targets.
- (iv) Development of workers :** The efficiency of an organisation will depend upon the efficiency of workers. The efficiency of workers is linked to their proper selection and training. This principle states that there should be proper selection of workers, based on tests and interviews. The selected workers should be given adequate training to undertake the work properly.

Q. 3. Differentiate between Time Study and Motion Study.

Ans. Difference between Time Study and Motion Study :

Basis of Difference	Time Study	Motion Study
1. Nature	It is related to the time taken by a worker to complete the work.	It is related to observing and recording the movement of workers while doing a work.
2. Purpose	Purpose is to increase efficiency and productivity of workers.	Purpose is to avoid unnecessary motions of workers.
3. Recording	A stop watch may be used to record time taken for different activities.	Photography is done while workers are performing the task.
4. Aim	Aim is to fix standard time for different activities.	It aims to reduce the movements while taking up a work, efficiency to improve when movements are reduced.

Unit 3: BUSINESS ENVIRONMENT

I. MULTIPLE CHOICE QUESTIONS

1. Business environment is the sum total of :

- (a) Factors (b) Forces (c) Institutions (d) All of these

2. Which of the following best indicates the importance of business environment?

- (a) Improvement in performance (b) Coping with rapid changes (c) Identifying opportunities (d) All of these

3. Which of the following is an element of business environment?

- (a) Certain (b) Known (c) Uncertain (d) None of these

4. "The nature of political relationship of our country with foreign countries", is a major element of which of the following components of the Business Environment.

- (a) Social environment (b) Legal environment (c) Political environment (d) Economic environment

5. When was the New Economic Policy introduced in India ?

- (a) Feb. 1990 (b) July 1991 (c) Aug. 1992 (d) Jan. 1991

II. FILL IN THE BLANKS

1. Internal environment is under the control of (enterprise/government)
2. External environment is influenced by factors. (internal/outside)
3. is the sum total of all those forces within which an enterprise operates.
(Business environment/Enterprise)
4. Laws of the country are a part of environment. (government/legal)
5. is an important feature of business environment. (uncertainty/certainty)

III. ONE MARK QUESTIONS

Q. 1. What is business environment ?

Ans. It is the sum total of various factors that are outside the control of business enterprises.

Q. 2. State any one feature of business environment.

Ans. Business environment is dynamic and keeps on changing.

Q. 3. How can the business trends be evaluated ?

Ans. By studying business environment.

Q. 4. State the economic dimensions of business environment.

Ans. It refers to all those economic factors and forces which have direct impact on the business activities.

Q. 5. Name any one component of economic environment.

Ans. Rise in disposable income of people.

TWO MARKS QUESTIONS

Q. 1. What is Economic Environment ?

Ans. Economic environment refers to all those factors which have economic impact on the business activities. Economic factors can serve either as an opportunity or as a threat to a business enterprise. A business has to assess the impact of economic policies and take decisions for availing opportunities. The main factors which influence economic environment are : economic policy, economic conditions and economic system.

Q. 2. What is Legal Environment ?

Ans. Businesses have to function within the framework of laws and regulations of the country. Legal environment therefore, exercises a significant influence on business framework. It consists of legislations passed by parliament and state legislatures and rulings given by courts. There are laws relating to licensing system, trade structures, taxation laws, laws relating to foreign trade. A businessman has to keep in mind various laws while establishing and running a business.

Q. 3. What is Social Environment ?

Ans. Socio environment consists of all social and cultural forces within which business operates. It consists of social set up, cultural, moral, ethical values of society, standard of living of people, tastes, preferences, education levels, etc. Social and cultural values exercise a significant influence on business. Population and income levels affect pattern of demand. The festivals in a country create more demand for various goods. Diwali and Christmas create demand for sweets, eatables, durable consumer goods, etc. A business has to plan their manufacturing facilities to meet demands during particular festivities.

Unit 4: PLANNING

I. MULTIPLE CHOICE QUESTIONS

1. thinking before doing.

- (a) Directing (b) Organising (c) Staffing (d) Planning

2. In an organisation plans are formulated by management.

- (a) Top level (b) Middle level (c) Lower level (d) Supervisory level

3. Which of the following is a feature of planning ?

- (a) Continuous process (b) Objective oriented (c) Universal (d) All of these

4. A good plan should be :

- (a) Efficient (b) Economical (c) Flexible (d) All of these

5. The cost of planning is generally :

- (a) High (b) Low (c) No cost (d) None of these

II. FILL IN THE BLANKS

1. Planning is looking. (backward/forward)
2. is primary function of management. (Controlling/Planning)
3. Planning is not useful under conditions. (dynamic/certain)
4. is thinking before doing. (Staffing/Planning)
5. Budgets are plans. (standing/single use)

III. ONE MARK QUESTIONS

Q. 1. What is meant by primacy of planning?

Ans. Planning is the first function and other functions are based on it.

Q. 2. State any one importance of planning.

Ans. Planning reduces the risks of uncertainties.

Q. 3. State any one limitation of planning.

Ans. Planning leads to rigidity.

Q. 4. Name the first step of planning process.

Ans. Identifying opportunities.

Q. 5. Name two main types of plans.

Ans. Single use plans, standing plans.

TWO MARKS QUESTIONS

Q. 1. Define objectives with examples.

Ans. Objectives are the goals established to guide the efforts of the company. These are the standards of performance which are expected to be achieved. Objectives are a pre-requisite for planning. No planning is possible without setting up objectives.

Examples of Objectives : Increase in sales by 10%, Rejection rate to be reduced to 2%

Q. 2. What is meant by policies?

Ans. Policies are the general statements which are formulated by an organisation for the guidance of its personnel. The objectives are first formulated and then policies are planned to achieve them. Policies are a mode of thought and the principles underlying the activities of an organisation or an institution. Policies do not require action, but are intended to guide managers when they do make decisions.

Q. 3. What do you mean by strategies?

Ans. A strategy is a technique of out maneuvering the opponent. A planner should see the plans and policies of his competitors and then modify or readjust his plans so that he may prove the superiority of his product or service. The success of an organisation is linked to its strategies.

Q. 4. What is meant by program?

Ans. A program is a sequence of activities designed to implement policies and accomplish objectives. It is devised to meet a particular situation. Program may be taken as a combination of policies, procedures, rules, budgets, task assignments, etc. developed for the specific purpose of carrying out a particular course of action.

FOUR MARKS QUESTIONS

Q. 1 What is the difference between single use plans and standing plans ?

Ans. Difference between Single Use Plans and Standing Plans

Single Use Plans	Standing Plans
1. A single use plan is formulated to perform such an activity or function which takes place only once.	1. A standing plan is formulated to perform such an activity or function which takes place repeatedly.
2. A single use plan is used to tackle a specific problem.	2. A standing plan is used to ensure efficient working of the organisation.
3. Single use plan ceases to exist after the achievement of the objective.	3. Standing plan exists in the organisation permanently.
4. Single use plan can be used only once.	4. Standing plan can be used repeatedly.

Q. 2. Discuss any four points of importance of objectives.

Ans. Importance of Objectives :

- 1. Legitimacy :** Objectives are in the form of a mission to the organisation. All the efforts of the organisation are centred around objectives.
- 2. Unified Planning :** It is highly important to determine the objectives before the determination of policies, strategies, procedures, rules and methods. Objectives lay the foundation of efficient planning as well.
- 3. Source of Motivation :** Clearly defined objectives are a source of motivation as well because efforts made for the achievement of organisational objectives provide individual satisfaction as well to the employees.
- 4. Basis of Control :** Objectives determine the standards concerning measurement and evaluation of performance. Hence, objectives can be used as a means of control over the performance of employees.

Q. 3. Differentiate methods from rules.

Ans. Difference between Methods and Rules

Basis	Methods	Rules
1. Objective	The objective of methods is to ensure efficiency in operations.	The objective of rules is to ensure discipline in the organisation.
2. Basis	Methods are based on research and analysis.	Rules are based on common sense.
3. Nature	These are logical and rational.	These are official and authoritative.
4. Penalty	There is no penalty for violation of methods.	Penalty is imposed in case of violation of rules.
5. Effect	These determine specific standards for doing any task.	Rules determine 'what should be done' and 'what should not be done.'

Q. 4. What is planning? Explain any four features of planning.

Ans. Meaning and Definitions of Planning : The process of formulating detailed plans regarding various aspects of the efforts to be made to in future to achieve pre-determined specific objectives is known as planning.

According to **Koontz and O'Donnell**, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it".

Features of Planning

- 1. Planning is an Intellectual Process :** Planning is the process of thinking before doing. Thus, planning is an intellectual process.
- 2. Primary Function of Management :** Planning is the first and primary function of management. Planning lays down the foundation for the other functions of management.
- 3. Objective Oriented :** Every organisation has some specific objectives. Planning is done to achieve those objectives.
- 4. Rational Process :** The process of planning is a rational process. Under it, efforts are made to achieve the objectives of the organisation on the basis of rational plans.

Unit 5: Organising

I. MULTIPLE CHOICE QUESTIONS

1. Name the function of management which arranges various factors of production for achieving business goals.

- (a) Organising b) Staffing (c) Planning (d) Directing

2. In which function of management the chain of authority-responsibility is determined ?

- (a) Directing (b) Co-ordinating (c) Organising (d) Staffing

3. Organisation process does not involve :

- (a) Delegation of authority (b) Appraising of subordinates (c) Fixing responsibility (d) Departmentalisation

4. Grouping of activities on the basis of functions is a part of :

- (a) Functional organisation (b) Divisional organisation (c) Decentralised organisation (d) Centralised organisation

5. Which of the following is a form of structure of organisation ?

- (a) Divisional structure (b) Functional structure (c) Both (a) and (b) (d) None of these

II. FILL IN THE BLANKS

1. Divisional organisational structure is not suitable for organizations. (small/large)
2. In organisations subordinates get orders from many bosses. (divisional/functional)
3. organisation is more stable due to well defined structure. (Formal/Informal)
4.organisational structure is based on personal and social preferences. (Formal/Informal)
5. organisation structure is suitable for decentralisation. (Functional/Divisional)

III. ONE MARK QUESTIONS

Q. 1. What is formal organisation ?

Ans. It is the structure of relationship created by management for achieving business goals.

Q. 2. State one feature of formal organisation.

Ans. It is an officially created structure.

Q. 3. What is informal organisation ?

Ans. It refers to the relationship between people in the organisation based on personal relations.

Q. 4. State the first step in the process of organising.

Ans. Identification and division of work.

Q. 5. State any two principles of organising.

Ans. (i) Principle of objective. (ii) Principle of specialisation.

TWO MARKS QUESTIONS

Q. 1. What is meant by functional structure?

Ans. Functional structure is formed by grouping together the entire work to be done into major functional departments. All related work of one type is put together under one co-ordinating head. Each major function of business is organised as a separate department. For example, a manufacturing enterprise has production, finance, marketing, personnel as major functions. A retail organisation has purchase, sales, warehousing as major functions.

Q. 2. What is meant by divisional structure?

Ans. When a business starts producing diversified products or it starts setting branches at different places then functional structure does not serve much purpose. It becomes difficult to create single production, finance or marketing departments for the entire range of products. Divisional structure is the most suitable form of organisational structure. Under divisional structure, enterprise is divided into two or more divisions depending upon the number of products produced. For example an enterprise deals in textile products and electronic goods, then there will be two separate divisions for the products.

Q. 3. Define Delegation.

Ans. Delegation is an administrative process of getting things done by others by giving them responsibility. The decisions may be taken at top level of management but execution is done at lower levels. Those who are executing the decisions are delegated the powers for getting the things done. Delegation takes place when superiors are given the authority to assure the completion of assigned task from their subordinates. The responsibility remains with the person who has been given the task earlier. One can delegate authority but not responsibility.

FOUR MARKS QUESTIONS

Q. 1. Write down four features of organisation.

Ans. Features of Organisation:

- (i) Group of persons:** Every business requires the services of people. When two or more persons come together for undertaking a common work then the organisation comes into existence. So an organisation exists with a number of persons.
- (ii) Common objectives:** There are common objectives to be achieved in an organisation. The individual objectives of different persons and departments also lead to the achievement of common organisational objectives. The working in a common direction is the essence of an organisation.
- (iii) Division of work:** The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. When one person performs the same work repeatedly, he develops specialization in it and his efficiency improves.
- (iv) Co-ordination:** When different persons are assigned different tasks then they try to attain them in their own ways. Individual efforts may not go towards attainment of main business goals. There is a need to co-ordinate the activities of various persons so that their efforts lead to the main goals.

Q. 2. Differentiate between formal organisation and informal organisation.

Ans. Difference between Formal and Informal Organisation

Basis	Formal Organisation	Informal Organisation
(i) Objective	It is created to achieve predetermined objectives.	It has no pre-determined objective.
(ii) Structure	It refers to well defined authority responsibility relationship.	It is based on human emotions and sentiments.
(iii) Formation	Formal relations are well planned and created deliberately.	Informal relations originate automatically.
(iv) Stability	Formal organisation is normally stable.	Informal organisation does not last long.

Q. 3. Discuss in brief four elements of delegation.

Ans. Delegation involves following elements :

- (i) Responsibility :** When power is delegated, the responsibility is assigned to lower staff for performing the work assigned. A subordinate remains accountable to the superior.
- (ii) Authority :** The person delegating the responsibility also delegates the authority to get the assigned work done. Authority should be commensurate with the responsibility, otherwise the subordinates will not be able to carry out the work properly.
- (iii) Accountability :** It is the obligation to perform the duty for which authority has been assigned. Delegation creates an obligation on the subordinates to accomplish the task assigned by the superior.
- (iv) Control System :** While delegating authority, the superior does not absolve himself of the responsibility. He will have to devise a control system to monitor the performance of the subordinates. In case there is a deviation in performance, he should take corrective measures for improving the performance. Though a subordinate is accountable to his superior, but superior is accountable to his boss. So proper control should be exercised to monitor performance of the subordinate.

Q. 4. What is the difference between authority and responsibility ?

Ans. Difference between Authority and Responsibility :

Basis	Authority	Responsibility
(i) Meaning	It is the right of a superior to command the subordinate.	It is the obligation of a subordinate to perform the assigned task.
(ii) Origin	Authority normally arises either from legal provisions and formal contract.	It arises from superior-subordinate relationship.
(iii) Delegation	Authority can be delegated from a superior to a subordinate.	Responsibility cannot be delegated.
(iv) Duration	Authority may continue for a long period.	Responsibility is over when the assigned task is completed.

Unit 6: STAFFING

I. MULTIPLE CHOICE QUESTIONS

1. Staffing is concerned with :

- (a) Setting goals (b) Directing people at work (c) Filling position in the organisation (d) Translating plans into action

2. Staffing is part of :

- (a) Human resource management (b) Organisational set up (c) Directing management (d) None of these

3. State the first step of staffing process :

- (a) Recruitment (b) Selection (c) Training (d) Manpower planning

4. Workforce analysis is part of :

- (a) Selection process (b) Recruitment process (c) Estimating manpower needs (d) Training process

5. Which of the following is not a part of staffing process ?

- (a) Training (b) Development (c) Co-operation (d) Promotions

II. FILL IN THE BLANKS

1. Recruitment is a process. (positive/negative)
2. Selection is known as process. (positive/negative)
3. Training increases of the employee. (knowledge/skills)
4. Promotion is an source of recruitment. (internal/external)
5. Unsolicited applications are source of recruitment. (external/internal)

III. ONE MARK QUESTIONS

Q. 1. Name the first step in the process of staffing.

Ans. Estimating manpower requirements.

Q. 2. Which process of staffing encourages people to apply for job in the organisation ?

Ans. Recruitment.

Q. 3. Name different sources of recruitment.

Ans. Internal sources and external sources.

Q. 4. At what level of management staffing function is undertaken ?

Ans. It is undertaken at all levels of management.

Q. 5. Give one point showing importance of staffing.

Ans. Placing right persons at right jobs.

TWO MARKS QUESTIONS

Q. 1. Define Staffing.

Ans. Staffing is concerned with filling and keeping filled positions in the organisation. It involves finding the right persons for the right jobs having right qualifications. It involves specialised knowledge and approach and allows more emphasis on human resource. In the words of French Wendell, staffing is the recruitment, selection, development, utilisation, compensation and motivation of human resources of the organisation.

Q. 2. What is human resource management ?

Ans. Human resource is very important for strength and aid. Human resource management is concerned with the human beings in an organisation. It reflects a new outlook which views organisation's manpower as its resources and assets. It is the managing of people at workplace and developing them for higher responsibilities.

Q. 3. What is meant by placement and orientation ?

Ans. Placement is the asking of the selected candidates to occupy the positions in the organisation for which they have been selected. The candidates so selected are placed on jobs. Orientation means introducing the new employee to the environment, colleagues, rules, regulations and policies of the organisation. An effort is made to make the new employee feel at home and know the things which are essential in performing his job. This exercise helps him in making personal adjustments so essential in performing his work.

Q. 4. What do you mean by training and development ?

Ans. Training and development is meant to improve the skills and knowledge of employees. Training and development equip new employees with knowledge and skill with reference to their jobs. When a person is finally approved for entry into the concern, he is given some kind of training to equip him to take up the new assignment. A well trained worker improves his efficiency and productivity. Suitable training and development methods should be devised for different categories of employees.

FOUR MARKS QUESTIONS

Q. 1. Discuss briefly the need and importance of staffing.

Ans. Staffing is needed for the following reasons:

- (i) Finding Competent People :** It is helpful in discovering and employing competent employees for various jobs.
- (ii) People at Right Jobs :** It is useful in improving the quantity and quality of output by placing people at right jobs.
- (iii) Reduced Labour Cost :** It reduces the cost of personnel by avoiding wastages of human resources.
- (iv) Expansion and Diversification Facilitated :** The expansion and diversification of the firm is facilitated by developing the talent of employees.

Q. 2. Discuss any four steps of staffing process.

Ans. Following are the staffing in for staffing process :

- (i) Estimating Manpower Requirements :** The first thing in staffing process is to estimate manpower needs. An effort is made to assess manpower needs in advance keeping in view the production schedules, demand forecasts, market schedules etc.
- (ii) Recruitment :** Recruitment is the process of searching prospective employees and persuading them to apply in the organisation. Before starting the recruitment process, the positions which are required to be filled are determined.
- (iii) Selection :** It is the process of selecting suitable persons for different jobs. In this exercise suitable persons are spotted out of those who are interested to get employment in the organisation. All persons who have applied may not be suitable.
- (iv) Placement and Orientation :** Placement is the asking of the selected candidates to occupy the positions in the organisation for which they have been selected. The candidates so selected are placed on jobs. Orientation means introducing the new employee to the environment, colleagues, rules, regulations and policies of the organisation.

Q. 3. Distinguish between internal and external sources of recruitment.

Ans. Difference between Internal and External Sources of Recruitment :

Basis of Difference	Internal Source	External Source
1. Meaning	Recruitment is from within the organisation.	It is the recruitment from outside employees.
2. Bases	It is generally based on seniority cum merit.	It is strictly based on merit and qualifications.
3. Time involved	It is less time consuming.	It is a time consuming exercise.
4. Cost	It is a cheap source of recruitment.	It is an expensive source of recruitment. It involves time, expense and resources.

Q. 4. Distinguish between training and development.

Ans. Difference between Training and Development :

S. No.	Basis	Training	Development
1.	Concept	Training is concerned with increasing knowledge and skills.	It is a process of learning and growth.
2.	Suitability	It is more suitable for technical staff.	It is more suitable for managerial staff.
3.	Nature	Training concentrates on developing skills already possessed by the employees.	Development concentrates on development of hidden qualities of the employees.
4.	Duration	It is a short-term process.	It is a long-term process.

Unit 7: DIRECTING

I. MULTIPLE CHOICE QUESTIONS

1. Directing is that part of management process which ensures :

- (a) Regularity of employees (b) Proper working conditions (c) Efficiency of employees (d) Welfare of employees

2. Directing is essential for:

- (a) Initiating action (b) Employing suitable employees (c) Controlling employees (d) Compensating employees

3. Which of the following is not a principle of directing?

- (a) Unity of command (b) Direct supervision (c) Harmony of objectives (d) Enforcing control

4. Which of the following is an element of directing ?

- (a) Controlling (b) Supervision (c) Co-ordination (d) None of these

5. Which of the following is not an element of directing ?

- (a) Leadership (b) Supervision (c) Decentralisation (d) Communication

II. FILL IN THE BLANKS

1. Directing is used to action. (control/initiate)
2. is the process of instructing employees. (directing/staffing)
3. There are elements of directing. (three/four)
4. Directing flows from (bottom to top, top to bottom)
5. Directing is considered to be the of the management process. (head/heart)

III. ONE MARK QUESTIONS

Q. 1. What is meant by directing ?

Ans. Directing is performed for instructing, guiding, inspiring and motivating employees.

Q. 2. Name two features of directing.

Ans. (i) It initiates action (ii) Directing takes place at every level

Q. 3. State any two principles of directing.

Ans. (i) Harmony of objectives (ii) Unity of command

Q. 4. Name the elements of directing.

Ans. (i) Supervision (ii) Motivation (iii) Leadership (iv) Communication

Q. 5. State any two points of importance of directing.

Ans. (i) It helps to initiate action. (ii) Integrates efforts of employees.

TWO MARKS QUESTIONS

Q. 1. What is supervision ?

Ans. Supervision means overseeing the subordinates at work. It implies the job of an officer who looks over the performance of others over and above performing the task himself. Supervision ensures that subordinates work according to the plans and policies of the organization. Supervision also ensures that the resources are used in the best possible manner.

Q. 2. What do you mean by leadership?

Ans. Leadership is the ability to build up confidence and zeal, among people and to create an urge in them to be led. To be an effective leader, a manager must possess the qualities of foresight, drive, initiating, self confidence and personal integrity. Leadership may also be called a process of influence a group in a particular organization.

Q. 3. Describe the nature of directing.

Ans. Directing is a function which helps in initiating the work and then seeing people work to the best of their ability. The nature of directing may be described as follows :

- (i) It is a continuing function which a manager has to perform regularly.
- (ii) Directing initiates organized and planned action.
- (iii) It provides a necessary link between various managerial functions.

Q. 4. Define Motivation.

Ans. Motivation refers to the process of stimulating and inspiring people at work to accomplish desired goals. Motivations is an important factor which encourages persons to give their best performance. A strong and positive motivation will enable the increased output by employees but a negative motivation will reduce their performance. In the words of W.G. Scott, "Motivation means the process of stimulating people to action to accomplish desired goals".

FOUR MARKS QUESTIONS

Q. 1. Discuss in brief characteristics/features of supervision.

Ans. The main features/characteristics of supervision are:

- (i) It is concerned with initiating action and checking work while it is performed.
- (ii) It consists of the process and techniques involved in directing, instructing, guiding and inspiring the subordinates so as to achieve the desired results.
- (iii) It is an essential part of the directing function of management.
- (iv) It is an universal activity performed at all levels of management.
- (v) It is a continuous process.
- (vi) It is direct and immediate and involves face to face contact between the superior and the subordinates.

Q. 2. Differentiate between Direction and Supervision.

Ans. Difference between Direction and Supervision.

Basis	Direction	Supervision
(i) Scope	Direction is a wider term and includes all functions required to initiate action.	Supervision is a part of directing and is one of its elements.
(ii) Level	Directing is an important function at all levels of management.	Supervision is undertaken at operating level of management.
(iii) Object	It aims to bring efficiency in subordinates.	Aim is to see that activities are done as per plans.
(iv) Nature	It is an executive function.	It is an operative function.

Q. 3. Explain types of motivation.

Ans. Motivation may be positive or negative.

- (i) Positive Motivation.** Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work, etc. The employees are offered the incentives and they try to improve their performance willingly. Positive motivation is achieved by the co-operation of employees and they have a feeling of happiness.
- (ii) Negative Motivation.** Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case they do not act accordingly then they may be punished with demotions or lay-offs. The fear acts as a push mechanism. The employees do not willingly co-operate, rather they want to avoid the punishment. Though employees work upto a level where punishment is avoided but this type of motivation causes anger and frustration. This type of motivation generally becomes a cause of industrial unrest.

Q. 4. Suggest any four measures to overcome barriers of communication.

Ans. Following measures will help in overcoming barriers in communication.

- (i) Communicating According to Needs of Receiver.** A communicator must keep in mind the needs of the receiver of the message. It should be seen that the message or information sent to the receiver should be according to his needs or the information should be of value to him.
- (ii) Clarify the ideas before Communication.** The communicator should be clear about the message which he wants to convey to the receiver. The message should be encoded in such a language that the receiver understands it easily.
- (iii) Use proper Language.** The language, tone and contents of the message should be well thought before it is conveyed. The language or symbols selected for conveying the message must be appropriate to the reference and understanding of the receiver.
- (iv) Communicate for Present as well as for Future.** The communication must meet the present as well as future needs of the organisation. The messages should have consistency for past, present and future.

Unit 8: CONTROLLING

I. MULTIPLE CHOICE QUESTIONS

1. Performance standards may be in the form of :

- (a) Qualitative standards (b) Quantitative standards (c) Both (a) and (b) (d) None of these

2. Critical control point involves :

- (a) Controlling all activities (b) Controlling financial activities (c) Controlling key result areas (d) All of these

3. Name the function of management which ensures performance as per standards set:

- (a) Planning (b) Controlling (c) Directing (d) Co-ordinating

4. Which of the following is a technique of control ?

- (a) Setting standards (b) Finding deviations in performance (c) Budgeting (d) Co-ordinating

5. After undertaking controlling which function comes after completing the cycle of functions ?

- (a) Directing (b) Controlling (c) Staffing (d) Planning

II. FILL IN THE BLANKS

1. Controlling ensures of standards. (coordination/performance)
2. Controlling is oriented. (goal/target)
3. Control not only finds deviations but also finds for it. (causes /faults)
4. Planning is perspective and controlling is (assessment based/evaluative)
5. Employees generally controls. (resist/welcome)

III. ONE MARK QUESTIONS

Q. 1. Which function of management ensures that actual activities conform to planned activities ?

Ans. Controlling

Q. 2. Controlling is dependent on a function of management, identify the function.

Ans. Planning

Q. 3. What is meant by controlling ?

Ans. Controlling is the process of ensuring whether the plans are implemented properly or not.

Q. 4. State one characteristic of controlling.

Ans. Controlling is goal oriented.

Q. 5. Name the first step of controlling process.

Ans. Setting performance standards.

TWO MARKS QUESTIONS

Q. 1. Define controlling.

Ans. Control is the process of checking whether the plans are being adhered to or not, keeping a record of progress and then taking corrective measures if there is any deviation. Control is a continuous process and is exercised at every level of management. Control is one of the managerial functions. These functions start with planning and end at controlling. Control is a tool in the hands of the management for ensuring better utilisation of resources.

Q. 2. What is meant by budgetary control ?

Ans. Budgetary control is the process of determining various budgeted figures for future period and then comparing them with actual figures. This comparison helps in finding out variations, if any. The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method of control too. A budget is a means and budgetary control is the end.

Q. 3. What is Break Even Point ?

Ans. Break even point is the point where revenue and costs are equal, there is neither profit nor loss. Fixed and variable costs are totalled to compare it with the revenue. It helps us in studying the relationship between costs, volume and profit at different levels of sales. The sales beyond breakeven point will give profits and if sales are less than costs, then this will show loss.

Q. 4. What is PERT ?

Ans. PERT stands for Programme Evaluation and Review Technique. It was first developed as a management tool for co-ordination and early completion of Polaris Ballistic Missile Project in USA. PERT is useful at several stages of project management starting from early planning stages when various alternative programmes are being considered. PERT uses 'network' as the basic tool to project management and is helpful in completing a project on schedule by coordinating different jobs involved in its completion.

FOUR MARKS QUESTIONS

Q. 1. Write in brief the importance of controlling.

Ans. Controlling is important for the following reasons :

- (i) Accomplishing Organisational Goals.** All plans of an organisation are prepared to set goals. Controlling function ensures that all the goals are achieved as per the plans. In case there is any slackness in reaching the goals then immediate steps are taken to rectify the things and see that performance goes as per plans.
- (ii) Judging Accuracy of Standards.** An effective control system helps the organisation to verify whether the standards set are accurate and objective. It further helps in reviewing and revising the standards according to the changes in the organisation and the environment.
- (iii) Making Efficient use of Resources.** Controlling checks the working of employees at each and every stage of operation. It aims to ensure that each activity is performed according to pre-determined standards. It results in efficient use of resources.
- (iv) Improving Employee Motivation.** The goals and standards set for the employees for appraisal are communicated to the employees well in advance. This helps the employees to assess their performance regularly and make efforts to further improve it.

Q. 2. Discuss management audit as a technique of control. Also describe the objectives of this technique.

Ans. Management audit is an investigation by an independent organization to find out whether the management is carried out most effectively or not. In case there are drawbacks at any level then recommendations should be given to improve managerial efficiency.

Objectives

- (i) To see whether the work at all levels is undertaken efficiently or not.
- (ii) If the management is not done effectively then suitable recommendations are made to tone it up.
- (iii) Whether the plans and programs are executed properly or not ?
- (iv) Suggesting ways and means of increasing managerial efficiency.
- (v) It also aims to help management at all levels in the effective and efficient discharge of duties and responsibilities.

Q. 3. Discuss four limitations of controlling.

Ans. Some of the limitations of controlling are as follows :

- (i) Little Control on External Factors.** There may be an effective control system but external factors which are not in the ambit of management may have adverse effect on the working. These factors may be government policy, technological changes, change in fashion, etc. The influence of these factors cannot be checked by the control system in the organisation.
- (ii) Control is Expensive.** The control system involves huge expenditure on its exercise. The performance of each and every person in the organisation will have to be measured and reported to higher authorities. This requires a number of persons to be employed for this purpose. The exercise of control requires both time and effort.
- (iii) Lack of Satisfactory Standards.** The performance of certain activities involving human behaviour cannot be fixed in terms of quantities. It is difficult to fix standards for the activities like public relations, management development, human relations, research, etc. The evaluation of work of persons engaged in these activities will be difficult.
- (iv) Resistance from Employees.** The effectiveness of control process will depend upon its acceptability by subordinates. Since control interferes with the individual actions and thinking of subordinates they will oppose it. It may also increase the pressure of work on subordinates because their performance is regularly monitored.

Q. 4. Discuss PERT as a control technique.

Ans. Program evaluation and review technique (PERT) was first developed as a management tool for coordination and early completion of Polaris Ballistic Missile Project in USA resulting in a reduction of 30 per cent time in project execution. A contemporary of PERT is CPM (Critical Path Method) and was developed in connection with maintenance and construction work.

PERT is useful at several stages of project management starting from early planning stages when various alternative programs are being considered to the scheduling phase, when time and resources schedules are laid out, to final stage in operation, when used as control device to measure actual versus planned progress. PERT uses 'network' as the basic tool of project management and is helpful in completing a project on schedule by coordinating different jobs involved in its completion.

Unit 9: CO-ORDINATION

I. MULTIPLE CHOICE QUESTIONS

1. Which function of management synchronizes the activities of the organization?

- (a) Planning (b) Organising (c) Controlling (d) Co-ordinating

2. Which function of management is known as 'essence of management'?

- (a) Directing (b) Staffing (c) Co-ordinating (d) Controlling

3. Good personal relations in the organization are the basis of :

- (a) Planning (b) Organising (c) Co-ordination (d) Controlling

4. The concept of co-ordination is _____ than that of co-operation.

- (a) Narrower (b) Wider (c) Both (a) and (b) (d) None of these

5. Good personal relations in the organization are the basis of :

- (a) Planning (b) Organising (c) Co-ordination (d) Controlling

II. FILL IN THE BLANKS

1. Co-ordination creates among employees. (information/awareness)
2. Co-ordination is function of management. (separate / not a)
3. Co-ordination and co-operation are (same/different)
4. Co-ordination is required at of management. (top/all levels)
5. Co-ordination helps in achieving goals. (organisational/individual)

III. ONE MARK QUESTIONS

Q. 1. Why is co-ordination called a continuous process ?

Ans. Because co-ordination is done continuously at various levels of management.

Q. 2. What is meant by co-operation ?

Ans. It is a voluntary act of individuals to achieve common goals.

Q. 3. Is co-ordination and co-operation the same things ?

Ans. No, these are different concepts.

Q. 4. Who gave the principle of co-ordination ?

Ans. Mary Parker Follett

Q. 5. State two principles of co-ordination.

Ans. (i) Principle of direct contact (ii) Principle of continuity

TWO MARKS QUESTIONS

Q. 1. Define co-ordination.

Ans. Co-ordination is the process of synchronizing activities of various persons in the organization in order to achieve goals. Co-ordination is undertaken at every level of management. The purpose of co-ordination is to create team work and harmony in the enterprise. It is the blending of human efforts in order to achieve better organizational goals. In the words of Henry Fayol, "To co-ordinate is to harmonies all the activities of a person in order to facilitate its working and its success."

Q. 2. Are co-ordination and co-operation the same thing? Comment.

Ans. The term co-operation is entirely different from co-ordination. Co-operation merely indicates willingness of individuals to help each other. Co-ordination, on the other hand, is the synchronization of group efforts for achieving business goals. It is the process of integration of various factors of production in an organization. Co-operation implies collective efforts of people on voluntary basis.

Q. 3. Discuss the nature of co-ordination.

Ans. The nature of co-ordination may be described as follow :

- (i) Co-ordination is not a separate function of management but is inherent in every function. The activities of every function need co-ordination to complete them.
- (ii) Every manager has to synchronize the activities of employees working under him.

Q. 4. Why is co-ordination needed to perform various functions ?

Ans. Managerial functions are performed in a better way with the help of co-ordination.

- (i) Planning needs co-ordination among main plans and sub-plans. The plans of different departments will be coordinated to plan for the business.
- (ii) While performing organizational function, there is a need to have co-ordination between authority, responsibility and accountability at different levels.

Unit 10: BUSINESS FINANCE

I. MULTIPLE CHOICE QUESTIONS

1. Which one of the following is not an objective of financial management ?

- (a) Profit maximization (b) Wealth maximization (c) Liquidity (d) Sales maximization

2. Investment decisions may be classified as :

- (a) Long term investment (b) Short term investment (c) Both (a) and (b) (d) None of these

3. Long-term investment decision is called as :

- (a) Capital gearing (b) Capital budgeting (c) Both (a) and (b) (d) None of these

4. Raising of finance from various long term resources is known as :

- (a) Financing decisions (b) Dividend decisions (c) Working capital decisions (d) None of these

5. Identify which is not an owner's fund?

- (a) Equity (b) Preference capital (c) Retained earnings (d) Public deposits

II. FILL IN THE BLANKS

1. Wealth maximization means maximization of of shares. (price/market price)
2. Funds used to purchase raw materials is a part of (fixed capital/working capital)
3. A decision to invest in fixed assets is known as (capital budgeting/business budgeting)
4. Debentures is an example of (owner's funds/borrowed funds)
5. Allocation of funds among different assets is known asdecision. (investment/financing)

III. ONE MARK QUESTIONS

Q. 1. What is business finance ?

Ans. Business finance refers to an activity which is concerned with acquisition and use of funds.

Q. 2. Give one objective of finance function.

Ans. To maximize earnings of the business.

Q. 3. What is profit maximizing ?

Ans. It is to maximise the profits of the firm.

Q. 4. What is meant by wealth maximization ?

Ans. It is the maximization of shareholders wealth by maximizing the share prices of the company.

Q. 5. What is financial management ?

Ans. Financial management is concerned with planning and controlling of business finances.

TWO MARKS QUESTIONS

Q. 1. What is financial management?

Ans. Financial management is concerned with management of flow of funds and involves decisions relating to procurement of funds, investment of funds and distribution of earnings to the owners. It deals with planning, organising, directing, controlling financial activities of the firm. It ensures the efficient acquisition and usage of finances.

Q. 2. What is Capital Gearing?

Ans. Capital gearing refers to the relationship between equity capital (equity shares plus reserves) and long term debt. In simple words, it means the ratio between various types of securities in the capital structure of the company. A company is said to be in high gear when it has a proportionately higher issue of debentures and preference shares for raising long term resources. It will be in low gearing when equity shares are proportionately large than the long term debt. Capital gearing has a direct bearing on the divisible profits of the company, so capital gearing is essential for the smooth running of a business.

Q. 3. Define fixed capital.

Ans. Fixed capital stands for that amount of capital which is required for long-term to create production facilities through purchase of fixed assets such as plant, machinery, land, building, furniture etc. These assets represent that part of firm's capital which is blocked on a permanent or fixed basis and the business does not intend to dispose of these assets and for this reason fixed capital is also known as 'block capital'.

Q. 4. Explain the meaning of financial planning?

Ans. Financial planning means deciding in advance how much to spend, on what to spend, depending upon the availability of funds. It aims at estimating the capital requirements and determining its composition. A well thought out financial plan is essential for the smooth working of an enterprise.

FOUR MARKS QUESTIONS

Q. 1. Discuss in brief four main objectives of financial management.

Ans. Following are the objectives of financial management.

- (i) **Availability of Sufficient Funds at Reasonable Cost.** A sound financial management system should aim at meeting enterprise needs for funds. The funds should also be raised at reasonable cost. The cost of raising funds from different sources should be evaluated before finalising the source.
- (ii) **Ensure Effective Utilisation of Funds.** The funds should be used effectively so that maximum benefit is achieved from it. The needs for funds for various activities should be evaluated and proper decisions arrived at. The investment decisions should ensure that benefits from investments exceed the cost so that there is an increase in value addition.
- (iii) **Ensuring Safety of Funds.** The investment should be made in such a way that funds remain secure. The speculative transactions may be avoided in order to keep the funds secure.
- (iv) **Avoiding Idle Funds.** All funds should be properly utilised and no funds remain idle at any point of time. The idle funds will add to unnecessary costs and encourage wasteful expenditures.

Q. 2. Differentiate between Fixed Capital and Working Capital.

Ans. **Difference between Fixed Capital and Working Capital**

Basis	Fixed Capital	Working Capital
(i) Purpose	Fixed capital is used to acquire fixed assets like land, building, plant, machinery, vehicles, etc.	Working capital is required to meet day to day expenses, such as wages, salaries, operating expenses, etc.
(ii) Nature	Fixed capital remains in business on permanent basis.	Working capital goes on changing as per requirements and is temporary in nature.
(iii) Sources	Fixed capital is raised by issuing shares, debentures, loans, etc.	It is raised from commercial banks, trade credit, discounting of bills, etc.
(iv) Requirement	It is required for longer periods.	It is used to meet short term needs.

Q. 3. Discuss any four factors affecting capital structure.

Ans. Following factors influence a decision of capital structure :

- (i) **Return on Investment.** Return on investment influences a decision on capital structure. If return on investment is more than the rate of interest on debt then the company will prefer debt for capital structure. In case the rate of return on investment is less than the rate of interest then company should avoid debt financing and rely on equity capital.
- (ii) **Cost of Equity.** Cost of equity also influences a decision on capital structure. The owners of equity shares expect a return on their investment *i.e.* earning per share. When debt increases earning per share then it can be included in capital structure. In case earning per share starts decreasing with the inclusion of debt then equity share capital should be preferred in capital structure.
- (iii) **Cost of Debt.** If the company can raise debts at low rate of interest then it should prefer more debt than equity.
- (iv) **Interest Coverage Ratio.** It refers to the number of times company's earnings before interest and tax (EBIT) cover the interest obligation. Higher the interest coverage ratio the company can have more borrowed funds, lower the interest coverage ratio the preference for borrowed funds will be less.

Q. 4. State various sources of fixed capital.

Ans. Following sources are used to raise fixed capital:

- (i) Issuing of equity shares and preference shares. It is the ownership form of business.
- (ii) Issue of debentures may be the other source which provides long term sources.
- (iii) Fixed capital may also be raised by raising long term loans from financial institutions or commercial banks.
- (iv) Ploughing back of profits may be another source of raising funds for fixed capital. It is retaining of business profits in business and investing them in fixed assets.
- (v) Public deposits may also be raised for long term purpose.

Unit 11: FINANCIAL MARKETS

I. MULTIPLE CHOICE QUESTIONS

1. Name the instrument of money market which is used to obtain finance against credit sales.
(a) Call money (b) Zero coupon (c) Commercial bills (d) Certificates of deposit
2. Commercial papers are issued by:
(a) SBI (b) RBI (c) Creditworthy Companies (d) Commercial Banks
3. Primary market is also called market of:
(a) Securities (b) Corporate Securities (c) New Securities (d) All securities
4. Capital market consists of :
(a) Secondary market (b) Primary market (c) Both (a) and (b) (d) None of these
5. Which of the following is the safest instrument of money market?
(a) Commercial paper (b) Commercial bill (c) Call money (d) Treasury bill

II. FILL IN THE BLANKS

1. Financial market refers to institutional arrangement for dealing in instruments. (financial assets/cash)
2. A financial market acts as a link between the savers and (borrowers/lenders)
3. A stock exchange helps in determining the price of shares. (market/issue)
4. Money market refers to the market for funds. (short term/long term)
5. Capital market deals in term investment. (long term/short term)

III. ONE MARK QUESTIONS

- Q. 1. Define Financial market.
Ans. Financial market refers to the institutional arrangements for dealing in financial assets and credit instruments.
- Q. 2. Name various types of financial markets.
Ans. (i) Money market (ii) Capital market
- Q. 3. What is money market ?
Ans. It is a market which deals in short term financial securities.
- Q. 4. Name any two instruments of money market.
Ans. (i) Commercial paper (ii) Treasury bills
- Q. 5. What is IPO ?
Ans. Initial Public Offer is a method of selling new securities to the general public and institutions.

TWO MARKS QUESTIONS

- Q. 1. What is Financial Market?
Ans. Financial market refers to the institutional arrangement for dealing in financial assets and credit instruments. A financial market acts as a link between the savers and borrowers. Some people have surplus money while others need it for investment. The instrument of surplus money is undertaken through financial markets. The money is transferred from surplus units of savers to deficit units. The funds can be allocated either through banks or through financial markets. Financial markets can be categorized as money market and capital market.
- Q. 2. What is capital market?
Ans. Capital market refers to the institutional arrangements for facilitating borrowing and lending of long term funds. It is the market for purchase and sale of shares, debentures, bonds and government securities. It is a system through which investors take up long term securities directly or through financial intermediaries. Capital market provides the channels through which savings of the people are collected and made available for investment in business, industry, infrastructure, etc.
- Q. 3. Which are the objectives of NSEI?
Ans. (i) Providing nation-wide facility to investors.
(ii) Eliminating transcription facilities of brokers.
(iii) Regulating transactions at stock exchanges.
(iv) Introducing depositors system.
(v) Introducing electronic system for transaction settlement.
- Q. 4. Name the functions performed by a stock exchange.
Ans. (i) It ensures liquidity of capital by providing ready market.
(ii) Provides ready and continuous market for securities.
(iii) Helping investors in evaluating the worth of their securities.
(iv) It helps in mobilizing funds from investors.
(v) It helps in raising capital by enterprises.

FOUR MARKS QUESTIONS

Q. 1. Discuss any four instruments used in money market.

Ans. Instruments of Money Market :

- (i) Treasury Bill (T-Bill) :** A treasury bill is a short term instrument of money market issued by Reserve Bank of India on behalf of Indian Government. Treasury bills are available for a minimum amount of Rs. 25,000 and in multiples thereof. It is highly liquid, has assured return and negligible risk of default.
- (ii) Commercial Paper (CP) :** It is an unsecured instrument issued in the form of a promissory note. CP is issued by only large and credit worthy companies. It has usually a maturity period of 15 days to one year. It is issued to raise short term funds at lower rates of interest than market rate.
- (iii) Call Money :** Call money is short term finance used for inner bank transactions. It has a maturity period varying from 1 day to 15 days. All the commercial banks are required to maintain cash balance with RBI, known as Cash Reserve Ratio (CRR). Call money is used by banks to maintain CRR.
- (iv) Certificate of Deposit :** Certificate of deposit is a short term instrument issued by commercial banks and financial institutions against the deposits kept by companies and institutions.

Q. 2. Briefly describe the procedure of trading at stock exchange.

Ans. The following procedure is followed for dealings at exchanges :

- (i) Selection of a Broker :** The buying and selling of securities can be done only through registered brokers who are members of the stock exchange, so selection of a broker is the first step.
- (ii) Opening Demat Account :** The securities are held in the electronic form by a depository. The opening of a demat account is essential for stock exchange transactions. Demat (Dematerialised) account refers to an account which an Indian citizen must open with the depository participants (banks, stock brokers) to trade in listed securities in electronic form.
- (iii) Placing an Order :** After selecting the broker the client places an order for purchase or sale of securities. If a client is to sell the securities then the broker tells him about the favourable time for sale. The broker is told to purchase shares, their number and price to be paid. The broker will try to make purchases as far as possible to the nearest price offered by the client.
- (iv) Executing the Order :** The price at which the shares are to be purchased or sold is communicated to the broker and the order will be executed electronically. The broker will issue a trade confirmation slip to the investor.
- (v) Issue of Contract Note :** After executing the trade the broker will issue a contract note within 24 hours of the deal. This note will contain the details of shares purchased or sold, the price, number of shares, date of transaction, brokerage charges. A unique order code is assigned to each transaction by the stock exchange and it is printed on the contract note.
- (vi) Delivery of Shares and Making of Payment :** After receiving contract note, the delivery of purchased shares is taken or delivery of sold shares is given. The delivery is done by the broker. The payment is made or received as per the transaction. This is called 'pay in day'.
- (vii) Settlement :** This is the last step in trading procedure. The mode of settlement depends upon the nature of the contract. Equity spot market follows a T + 1 rolling settlement. It means if a trade is done on Monday then the settlement must be done by Tuesday.

Trading on stock exchanges generally takes place from Monday to Friday, between 9.15 AM and 3.30 PM (Indian Standard Time). The delivery of shares is made in dematerialized form. Each exchange has its own clearing house, which assumes all settlement risks.

Q. 3. Discuss the difference between Primary Market and Secondary Market.

Ans. Difference between Primary Market and Secondary Market

	Basis	Primary Market	Secondary Market
(i)	Nature	It channelised savings in long-term investments.	It provides surplus funds for short-term investment avenues.
(ii)	Issues	It deals with new issues of securities.	It deals with securities already in the market.
(iii)	Coverage	It covers securities of corporate sector only.	It help all those who want to make investments in securities.
(iv)	Purpose	It is a link between savers and those needing money for long term investments.	It links buyers and sellers of securities.

Unit 12: MARKETING

I. MULTIPLE CHOICE QUESTIONS

1. Which is the main thrust of marketing philosophy ?
(a) Increasing Sales (b) Increasing Production (c) Customer Satisfaction (d) None of these
2. Marketing and selling are concepts.
(a) same (b) different (c) opposite (d) None of these
3. Name the type of package in which a product is kept.
(a) Primary package (b) Secondary package (c) Transport package (d) None of these
4. Identify, which is not a pricing strategy.
(a) Price Skimming (b) Penetrating Price (c) Government Policy (d) None of these
5. Which promotion mix is involved in face to face conversation with customers?
(a) Sales promotion (b) Publicity (c) Personal selling (d) All of these

II. FILL IN THE BLANKS

1. A is the starting point of all marketing activities. (customer/product)
2. is given legal protection barring other firms from using it. (Trade mark/Brand mark)
3. package is used to protect the product? (Primary/Secondary)
4. means putting identification marks on the package. (Brand/Labelling)]
5. is the exchange value of a product or service. (Cost/Price)

III. ONE MARK QUESTIONS

- Q. 1. Which marketing concept lays emphasis on production?
Ans. Production concept
- Q. 2. In which concept the priority is on customer and not on the product?
Ans. Marketing concept
- Q. 3. Name two advantages of brands.
Ans. (i) Helpful in introducing new product. (ii) Helpful in advertising.
- Q. 4. Define labelling.
Ans. Labelling means putting identification marks on the package.
- Q. 5. What is meant by advertising?
Ans. It is a medium of impersonal sales efforts.

TWO MARKS QUESTIONS

- Q. 1. Define marketing.
Ans. Marketing is an important function of management. It is the process of discovering and translating consumer wants into product and service specifications and then helping the consumers to enjoy them. Marketing is also concerned with transfer of ownership of goods. It is a process of taking goods from producers to consumers. Marketing may be only selling of goods for some persons; it may be an effort for consumer satisfaction for others. The concept of marketing is becoming wider with the passage of time.
- Q. 2. What are durable and non-durable goods ?
Ans. (i) **Durable Products** : The goods which are used for over a longer period of time are called durable goods such as T.V., washing machine, refrigerator, vehicle, furniture. All these goods are usable over a longer period of time.
(ii) **Non-Durable Products** : The products or goods which are consumed over a short period of time are called non-durable products. These goods may include groceries or other such items.
- Q. 3. "Selling is a part of marketing". Comment.
Ans. Marketing and selling are two different terms. Marketing involves all those activities which ensure flow of goods and services from producers to consumers. Selling, on the other hand, is a narrow concept which involves transfer of goods or services from producers to consumers. Marketing is a wider term which emphasizes identifying consumer needs and providing want satisfying products or services. So, it can be said that selling is one aspect of marketing.
- Q. 4. "An advertisement can do anything". Comment.
Ans. Advertisement is essential for the introduction and expansion of the product. The advertisements influence the decisions of the buyers. Advertisement media has become so powerful that it has become essential for selling the products. It is also felt that advertisements can influence the mind of the consumer in a way it wants to do. It is due to this influence that it is said that advertisement can do anything.

FOUR MARKS QUESTIONS

Q. 1. Write any four differences between selling and marketing.

Ans. Distinguish between marketing and selling:

Basis	Marketing	Selling
1. Nature	Marketing is customer oriented.	Selling is product oriented.
2. Time	It starts much before the manufacture of product. It identifies customer needs. It continues even after sales.	It begins when product is manufactured and ends with the sale of goods.
3. Goal	Its main goals are growth and stability through customer satisfaction.	Its goal is to earn more profit by increasing the volume of sales.
4. Scope	It consists of sensing, stimulating, servicing and satisfying customer needs. It includes selling also.	It is concerned with obtaining orders from customers and direct the flow of goods and services from producer to seller. It is a part of marketing.

Q. 2. Briefly state the elements of marketing mix.

Ans. Elements of Marketing Mix

- (i) **Product** : A product means anything offered for value which is offered to the market to satisfy a need or a want. A product mix refers to activities relating to satisfaction of customer needs and includes product plan and after sales services. It also includes branding, packaging, labelling etc.
- (ii) **Price** : Price is the amount of money which the customers have to pay to obtain the product. It is an important element of marketing mix because any change in price can bring or shift the customers to competitors' product. Price mix refers to all important decisions relating to fixing price of a product.
- (iii) **Place** : Place or physical distribution includes activities that make firm's products available to targeted customers. Place mix involves physical movement of goods from producers to consumers and decision regarding channel for distribution.
- (iv) **Promotion** : Promotion refers to all those marketing activities which are aimed to increase sales volumes of products. Promotion mix refers to all decisions or tools which aim at persuading the customers to buy the product.

Q. 3. Describe four qualities and characteristics of a brand.

- Ans.**
- (i) **Simple and Easy** : A brand name should be simple and easily spelt out. The calling out of the brand should be sound friendly. The names such as Sunlight, Lux, Zen, Santro look sound friendly and easy to spell out.
 - (ii) **Eye Catching** : The brand name should be eye catching whenever it appears. Mostly brands are advertised through some media of advertisement and if the name is eye catching then it will be read by more and more consumers.
 - (iii) **Registration** : The brand name should be registered so that it is not used by others later. To make a brand name popular. It requires lot of expenses. Once a brand becomes popular then others may start using it if it is not registered.
 - (iv) **Linked to Product** : The brand name should indicate some important features of the product. For example, Titan means strong, it is a brand name for watches. Lux means illumination, it brings brightness to the face when it is used for bathing etc.

Q. 4. Explain the essential features of good packaging.

Ans. The following are the important features of good packaging:

- (i) It must have the protective strength to protect its contents.
- (ii) It must be economical.
- (iii) It must be attractive.
- (iv) It must be convenient to handle.
- (v) It must act as a tool of advertising and sales promotion.
- (vi) It must not disturb the ecology.

Unit 13: CONSUMER PROTECTION

I. MULTIPLE CHOICE QUESTIONS

- 1. A consumer needs protection against :**
(a) Unfair trading practices (c) Social exploitation (c) Political vendetta (d) Exploitation by middlemen
- 2. Consumer protection is needed because of :**
(a) Trader's exploitation (b) Consumer is Unorganised (b) Govt. apathy (d) Lack of awareness
- 3. The provisions of latest Consumer Protection Act came into force from:**
(a) 1986 (b) 1991 (c) 1995 (d) 2019
- 4. When the value of goods or services is more than ` 1 crore and does not exceed ` 10 crore, then consumer can file the case in:**
(a) District Commission (b) State Commission (c) National Commission (d) Supreme Court
- 5. Best way in consumer protection is :**
(a) Consumer education (b) Legal remedies (c) NGO's (d) Consumer organizations

II. FILL IN THE BLANKS

1. A consumer must insist on while buying goods. (cash memo/warranty)
2. Consumer redressal machinery is at levels. (three/four)
3. A consumer can file a complaint against trade practices. (unfair/not fair)
4. is the quality mark for agriculture products. (AGMARK/BIS)
5. The Competition Act was passed in (2020/2002)

III. ONE MARK QUESTIONS

- Q. 1. State the composition of National Commission.**
Ans. It consists of one President and not less than four members.
- Q. 2. State two responsibilities of consumers.**
Ans. (i) A consumer should exercise his rights. (ii) A consumer must be quality conscious.
- Q. 3 Who is a consumer?**
Ans. A consumer is a person who uses or consumes goods or avails services.
- Q. 4. What should a consumer look for ISI mark on electric goods?**
Ans. It gives assurance to the consumer that the product meets quality certifications.
- Q. 5. Who can file a complaint under Consumer Protection Act? Name two parties.**
Ans. (i) A consumer (ii) Registered Consumers Association.

TWO MARKS QUESTIONS

- Q. 1. Who is a consumer ?**
Ans. Under Consumer Protection Act, a consumer is :
(i) One who buys goods or services for some value, both offline and online.
(ii) Any user of such goods or beneficiary of services with approval of the buyer.
(iii) Any person who uses goods bought or services hired for earning livelihood by self employment.
- Q. 2. What do you mean by consumer protection ?**
Ans. A consumer is exposed to many hazards such as physical, environmental and exploitation due to unfair trade practices. He needs to be protected from the consumption of unsafe products such as adulterated eatables, spurious medicines etc. The economic interests of the consumer should be protected against unfair trade practices, deceptive and false advertisements. The consumer needs to be provided full information about the products so that he can make a proper decision whether to go for a product or not.
- Q. 3. Against whom a complaint can be filed under Consumer Protection Act.**
Ans. A complaint can be filed against :
(a) The seller, manufacturer or dealer of goods which are defective. Defect in goods means any fault, imperfection or shortcoming in the quantity, quality, purity etc.
(b) The provider of services, if they are deficient in any manner. Deficiency in services means any imperfection, short coming or inadequacy in the quality, nature and manner of performance of services.
- Q. 4. Within which time complaint can be filed? As pr CPA 2019**
Ans. The complaint must be filed at the earliest but not later than a period of two years from the date on which the cause of action arose. However, the court may entertain the complaint after a period of two years if the complaint is able to satisfy the court that there was sufficient cause for the delay.

FOUR MARKS QUESTIONS

Q. 1. Explain any four rights available to a consumer under Consumer Protection Act.

Ans. Consumer has the following rights (Any four):

- (i) Right to choose.** The consumer has a right to choose from available goods. This right will be exercised only if a variety of goods are available.
- (ii) Right against exploitation.** Consumers have right against exploitation from mal trade practices, false and misleading advertisements.
- (iii) Right to buy quality goods.** Consumer has a right to get good quality products and right services.
- (iv) Right to information.** Consumer has a right to be informed of the quality, price, operational requirements, adverse side effects, if any, and other relevant facts about the products.

Q. 2. State any four responsibilities of consumer.

Ans. The consumer has been assigned following responsibilities:

- (i) Consumer to Exercise Rights.** A consumer has been given the right to choose, right against exploitation, right to safety etc. It is the responsibility of the consumer to exercise his rights properly. He should enquire properly about the product price, quality, after sale services etc. before purchasing a product.
- (ii) Wise-buying.** A consumer should try to know the terms of sale, quality, warranty etc. before he makes a purchase. He should prefer standardised products because manufacturers have responsibility to sell proper products only.
- (iii) Must be Quality Conscious.** A consumer should be quality conscious when he makes his purchases. There are quality marks prescribed for different products and the consumer should purchase such products only.
- (iv) Get the Genuine Grievance Redressed.** The consumers are not particular about getting their grievances redressed. In case the consumer is supplied wrong or duplicate product, bad quality product etc. he must file a complaint with the grievance redressal authority. This type of consciousness among consumers will deter the sellers from selling unsuitable products.

Q. 3. Discuss the role of consumer organisations and NGOs in protecting the interests of consumers.

Ans. Consumer organizations/NGOs play the following roles in protecting the interests of consumers.

- (i) Consumer Education.** These organisations try to educate consumers about the price, quality etc. of various products so that they are not cheated by businessmen. This education may be in the form of posters, newspapers, pamphlets etc. Sometimes these organizations arrange seminars or discussions for the benefit of consumers.
- (ii) Awakening of Consumers.** The NGO's and other organisations create awareness among consumers about their rights. The consumers are informed about the redressal system to them in case they are cheated or they are not getting their money's worth from the products they have purchased.
- (iii) Attending Consumer Complaints.** Various organisations attend to the complaints of consumers and help them in their redressal. The organisations approach the persons against whom the consumers have complained. They try to get the things settled amicably first and if these efforts do not bring desired results then they tell the consumers to approach the appropriate redressal forum for further action.
- (iv) Legal Support.** Some organisations provide help in filing legal cases on behalf of their members or on behalf of other aggrieved persons. These organisations may provide both legal and financial help in fighting their cases. There are many instances when organisations have fought for humans right of various forms. The government has also started free legal help in certain cases to those who donot have means to take up their cases.

Q. 4. State any four quality marks for products.

Ans. Marks Indicating Quality in Different Products

(i) ISI	Electrical items, consumer durable products
(ii) Agmark	Agriculture commodities and live stock products
(iii) BIS Mark (Hallmark)	Gold jewelry
(iv) Woolmarks	100% pure wool

