

# Answers to RSPL/1

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1. The principles of management are flexible because they are guidelines to action and can be modified, adapted and tailor made to fit the needs and requirement of the situation.
2. Pradeep is performing controlling function of management. He has taken corrective action to correct deviation.
3. Sona Ltd. will enjoy trading on equity as it has debt component in its capital and has return on investment more than cost of debt.
4. The plan indicated here is a rule which are specific statements that lays down what is to be done and what should not be.
5. Two techniques for measurement of performance are performance report and personal observation.
6. Capital budgeting decision.
7. 'Product combination' is the sales promotion tool used here.
8. Yes, Rohit can file a complaint against the manufacturer/Dealer, as he is a consumer as per the act.
9. Nikhil is following ' Societal marketing philosophy'. The main focus of this concept is customer needs and society's well being. It is achieved through integrated marketing. The end to be achieved is profit through customer satisfaction and social welfare.
10. (a) The company can raise the funds to meet floating through the issue of commercial papers.  
(b) The funds required to meet expenses such as floatation cost is known as bridge financing.  
(c) Commercial paper is a short-term unsecured promissory note, negotiable and transferable by endorsement. These are a money market instrument to raise short-term funds at a lower rates of interest than market rates. These provide funds for seasonal and working capital needs.
11. No, 'an ideal control system is not that checks every bit of performance.' A manager has his own limitations, in terms of time and capability. An attempt to control everything will result in controlling nothing. To have an effective control, attention must be focused on factors critical to the performance of the organisation. The concept of critical point control says that the key result areas which are critical to the success of an organisation should be focussed. Further, Management by exception says that significant deviation which goes beyond the permissible limits should be brought to the notice of management, to receive immediate action on a priority basis.

12. Technological environment is related to the given situation. It includes new approaches to producing goods and services, new procedures as well as new equipment. For example, the contemporary trend towards exploiting robots to improve productivity is closely monitored by many managers. Increasing use of robots in the next decade should vastly improve the efficiency of Indian industry.

13. The technique of functional foremanship by F.W. Taylor is the extension of principle of division of work by Henry Fayol. This technique of scientific management aims at extension of principle of division of work or specialisation to the shop floor. Taylor identified a list of qualities of a supervisor/foreman and as a single person cannot fit them all, he suggested functional foremanship through eight persons.

According to this technique, the planning and production functions should be separated, *i.e.*, under the factory manager, there should be one planning incharge and one production incharge. Each incharge should have four personnel under him/her.

The following are the four persons who work under the planning incharge:

- (a) **Instruction Card Clerk:** To give instructions to the workers
- (b) **Route Clerk:** To show the route of production
- (c) **Time and Cost Clerk:** To take care of the time and costs
- (d) **Disciplinarian:** To ensure that discipline is being maintained

The following are the four persons who work under the production incharge:

- (a) **Speed Boss:** To ensure timely completion of tasks
- (b) **Gang Boss:** To keep the machines and tools ready for the workers
- (c) **Repair Boss:** To ensure proper working of the machines
- (d) **Inspector:** To control the quality of work done

14. (a) Divisional structure will enable Sahai Industries to cope up with the emerging complexity, as

- (i) New divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line.
- (ii) Divisional heads are accountable for profits, as revenues and costs related to different divisions can be easily identified and assigned to them. (*any one*)

(b) The two limitations of this structure are:

- (i) It is costly and leads to duplication of activities across different products.
- (ii) Each divisional head focuses on his own division rather than on the organisational interest.

15. The points highlighting the significance of understanding business environment are:

- (a) **Helps in identification of threats.** The knowledge of the business environment helps the firms to perceive the future possible threats, giving timely intimation for better preparation and policy formulation to counter it. The lines 'He saw ... frequent' points towards this significance.

- (b) **Enables the identification of opportunities and getting the first mover advantage.** The better understanding of the environment helps an organisation to capture the benefit of being the pioneer in a new venture. The lines 'Side by side ... LED lights' highlight this.
- (c) **Helps in planning and policy formulation.** Environmental analysis helps in the survival of business organisation. It serve as a basis for deciding the future course of action and training guidelines for policy making. The lines 'Mr. Kamal has planned ... LED lights' indicate this.
- (d) **Helps in improving performance.** Continuous monitoring the business environment and adopt business practices accordingly improve the performance of an organisation. The lines 'Also, continuous ... produce' indicate this.

*(any three)*

The values highlighted in the given case are:

- (a) Conservation of resources
- (b) Effective use of resources

**16.** Pavnee shampoos performed the important task of marketing goods by designing the label to be put on the package.

The functions performed by a label are:

- (a) **Providing information as required by law.** Information statutorily required to be provided with the product is given to the customers along with the label. For example, statutory warning on the package of cigarette and pan masala, ingredients on processed food etc. Precautions/hazardous nature of poisonous/inflammable goods can be put on the label.
- (b) **Describes a product and specify its contents.** Information about the product along with its ingredients can be provided on the product. Information about its usage and benefits can also be specified.
- (c) **Helps in product promotion.** A carefully designed label can attract the attention of the customers and gives them a reason to buy. Various promotional messages such as 'for soft and silky hairs' on shampoo labels can be seen. Further, any type of sales promotion scheme can also be shown on the label of a product.
- (d) **Identification of product/brand.** The name of the product/brand along with important informations are printed on the label. Clear instructions to the consumers about the proper usage of the product, precautions and contents are given through the label of a product.

- (e) **Grading of the product.** The manufacturer can grade its product according to feature/quality through label. For example, a tea brand is sold with yellow, red and green label. (any three)

17. The methods of issuing securities in the primary market are:

- (a) **Offer through prospectus.** A company can directly appeal to the investors to raise capital, through a prospectus. The issue may be underwritten and is required to be listed on at least one stock exchange. The content of the prospectus has to be in accordance with the provisions of the companies Act, SEBI disclosure and investor protection guidelines.
- (b) **Offer for sale.** In this case, the securities are offered to public for sale through intermediaries like issuing houses or stock brokers. In this method, companies sell their securities en bloc at an agreed price to brokers, who, in turn, resell them to the investing public.
- (c) **Private placement.** When the allotment of securities is done to institutional investors and some selected individuals, it is known as private placement. It is a cheaper and faster way of raising capital than a public issue.
- (d) **Rights issue.** When the new shares are offered by a company to its existing shareholders in proportion to the number of shares already possessed by them, it is known as a rights issue. It is a privilege given to the existing shareholders according to the terms and conditions of the company.
- (e) **e-IPOs.** A company may raise capital from the public through the on-line system of the stock exchange. For this, SEBI registered brokers are appointed for the purpose of accepting applications and placing orders with the company. The company appoints a registrar to the issue having electronic connectivity with the exchange. It is also called an Initial Public Offer (IPO). (any four)

18. Human resource management performs the following specialised activities and duties:

- (a) Recruitment, that is, search for qualified people for the job. The line 'Infosys attracted ... process' shows this.
- (b) Improving performance and helping in career growth of employees through training and development programmes. The line 'All these ... year' shows this.
- (c) Maintaining labour and union management relations. The line 'The Company followed ... Company' shows this.
- (d) Providing adequate social security and welfare of employees. The line 'Infosys ... employees' shows this.

19. The concept used by Manish to steer his firm to greater heights is decentralisation.

The points which highlight the importance of decentralisation are:

- (a) **Develops initiative among subordinates.** Decentralisation enables sharing of decision-making authority among all the levels of management. This promotes self-reliance and confidence amongst the subordinates. They get the freedom to take their own decisions and develop solutions for their problems.
- (b) **Develops managerial talent.** Decentralisation gives the subordinates a chance to prove their abilities and create a reservoir of qualified manpower who can fill up more challenging positions through promotion. They gain experience by handling assignments independently.
- (c) **Quick decision-making.** Decentralisation means pushing the decision-making powers near to the point of action. This facilitates quick decision-making. There is no requirement for approval from many levels and chances of information getting distorted are minimised as it does not have to go through long channels.

20. (a) Ashok, Om's manager, talked about the company's policy in case of any accident/mishappening happen in any employees' family.

Dheer, the assistant manager, pointed towards the rule framed.

**Policy.** Policies are guidelines to managerial decisions and actions in the process of implementation of a strategy. They prescribe the mode and manner in which objectives can be achieved. Major policies are formulated by the top level management and are known to all whereas minor policies are for the insiders in which minute details of information, vital for employees, are given. They define the parameters within which a manager may function.

**Rule.** Rules are specific statements that specify clearly what is to be done and what should not be done. They do not allow for any flexibility or discretion. They reflect a managerial decision that a certain action must or must not be taken. A rule is usually the simplest type of plan because there is no compromise or change unless a policy decision is taken.

(b) The values displayed by Ashok:

- Transparency.
- Care and concern for subordinates.

21. (a) The two features of the business environment are:

- (i) **Uncertainty.** The changes in the business environment are so rapid and frequent that it is difficult to predict. The environment changes are very frequent, especially, due to the technological upgradation. The line "It is difficult for the ... happening" shows this.

(ii) **Complexity.** Since the forces of business environment are dynamic and inter-related, it becomes difficult to comprehend it in totality. It is easy to scan the environment and its parts but difficult to comprehend its influence on the market. The line “It is difficult to know the extend ... in the market.” shows this.

(b) Two impacts of government policy changes are:

(i) **Increasing competition.** As the licensing and quota rules were abolished and entry of foreign firms was allowed, the competition for Indian firms has increased, especially in the service industry such as banking, telecommunication, airlines, insurance etc. The line “New competitor...new design.” shows this.

(ii) **More demanding customers.** Due to many competitors in the market, the consumers get a wide choice in purchasing better quality products. The consumers are well informed about different choices and hence, are more demanding now-a-days. The line “fashion and tastes of consumer ... pace” shows this.

(iii) **Rapidly changing technological environment.** With the changes in the government policy, the Indian firms stood in competition with each other and MNCs. To survive and grow in the market, the firms have to develop new ways of producing or supplying the products to the market. This resulted in rapidly changing technological environment and the firms have adapted to it to ensure their survival and growth. The line “It was also decided ... services, etc.” shows this.

**22.** A supervisor can train the employees through Vestibule Training to handle their work independently.

Benefits of training to the employees are:

- (a) Better career can be achieved through improved skills and knowledge.
- (b) The earning increases due to higher productivity.
- (c) Efficiency in handling the machines reduces the chances of accidents.
- (d) Increases job satisfaction and motivates the employees. (any two)

The advantages of training to the organisation are:

- (a) It helps to reduce wastage of efforts and money.
- (b) It enhances the quality and quantity of productivity of the employees.
- (c) It increases the morale of the employees, thus reduces absenteeism and employees turnover.
- (d) It helps in obtaining effective response to the fast changing environment. (any two)



23. (a) The company should rely on placement agencies and management consultants, as it help to recruit technical and professional personnel.
- (b) Selection process are as follows:
- (i) **Preliminary screening/interview.** A brief screening/interview is conducted as the first step in the selection process by large organisations. If the applicant is successful in the screening/interview, he/she will be asked to fill the application blank.
  - (ii) **Blank application form.** The candidates selected in the preliminary interview are given printed standardised application forms to fill. The application may also accompany a photograph of the applicant.
  - (iii) **Selection Tests.** Each candidate then appears for employment test such as intelligence test, aptitude test, personality test, trade test, interest tests etc. Through this process, the validity of the assets scores is also checked in so far as it is reflected in the verbal and conceptual of the candidates.
  - (iv) **Employment/Selection interview.** Interview is a phase of testing on the basis of face-to-face interaction between the interviewer(s) and the applicant(s) with a view to find the suitability of a person(s) keeping in view the job requirements. It tends to assess seeking jobs against the background of the organisation and job requirements.
  - (v) **Reference and background checking.** The next step is to gather more information about the candidates from indirect personal sources. This investigation is based on references supplied by the candidate.
  - (vi) **Selection decision.** After the candidate passes the tests and interviews, final decision for selection is made after considering the views of concerned manager.
  - (vii) **Medical test.** The selection process is not complete without the medical or physical test.
  - (viii) **Job offer.** Letter of appointment mentioning the date by which a candidate has to report on duty is handed over to the appointee who has cleared all hurdles.
  - (ix) **Contract of employment.** It includes various details such as pay, allowances, leave rules, work rules, hours of work, disciplinary procedure, etc. It is prepared after the acceptance of job offer by candidate and attestation form attested by him.

24. (a) Mr Gupta is analysing different factors to take financing decision. This decision involves deciding the quantum of finance to be raised from various long-term sources. A firm decides the proportion of fund to be raised from either sources, on the basis of their basic characteristics.
- (b) Following are the factors which can effect the financing decision are:
- (i) **Cost.** The cost of raising the funds from different sources is compared and the one which is cheapest is opted for.
  - (ii) **Cash flow position of the business.** A strong cash flow position of the company makes debt financing better than funding through equity because it can generate enough cash inflows to pay interest on debt. On the contrary, it would be quite risky to use more debt if cash inflows are unstable.
  - (iii) **Control consideration.** Shares carry the voting right and thus may lead to dilution of management's control over the business. If the company is afraid of takeover bid, it would prefer debt to equity.
  - (iv) **State of capital markets.** When the market is bullish, the company can easily raise funds through equity shares. But in case, the phase is bearish, raising funds through debentures is easier. (any four)
25. Physical distribution involves physical handling and movement of goods from place of production to the place of consumption to create time and place utility.
- There are four major activities involved in physical distribution of goods. These activities constitute four important decision areas in the development and management of physical distribution which are:
- (a) **Order processing.** The order cycle involves steps like order placement to the salesperson, order entry in the company system, customer credit check, inventory and production scheduling, order and invoice shipment and receiving order payment. There is a direct connection between the processed and the customer satisfaction levels. Longer it takes in the order processed, the more discomfort a customer is put to. This may in turn influence a buyer's performance negatively in the market he operates. Therefore, companies are now investing in information technology based systems so that order processing becomes faster and customer service is enhanced.
  - (b) **Transportation.** It is concerned with the movement of goods. It adds value to the goods by moving them to the place where they are required. There are a variety of modes of transportation available to the marketeer. These include rail, water, air, pipelines, trucks, etc. The choice of transportation mode must be evaluated against the criteria like speed, frequency, dependability, capability, availability and cost. For instance, for perishable goods, faster mode of transportation would be preferred.



- (c) **Warehousing.** In factories, production takes place on a continuous basis and often what is produced is not sold off immediately. Therefore, every company needs to store finished goods until they are sold in the market place. For instance, woollen companies need to store their stocks until winter comes. Similarly, crops follow a cycle. When the demand cycle does not coincide with the supply cycle, the need for warehousing or storing is felt. Hence, the marketeer needs to take decisions about warehousing.
- (d) **Inventory.** Inventories need to be maintained because they ensure product availability as and when customer demand arises. It prevents out of stock situations. Marketing people like salesmen, always urge for maintaining adequate stocks so that customers are not turned away or lost to competitors. But inventory involves costs. In this situation of conflict, it is necessary to weigh benefits maintaining inventory against the cost and accordingly optimum level should be arrived at. *(Any two)*