

Answers to RSPL/2

1. The workers have a high morale due to conducive organisational climate. This non-financial incentive is the reason behind it.
2. Interest payable on debentures is a tax deductible expense which lowers its cost.
3. The households are able to earn higher return on their savings due to well performed allocative function of financial market.
4. One positive impact of authority and responsibility principle of management is that it helps in the smooth running of operations in an organisation.
5. The concept referred to here is span of management. Span of management determines the levels of management in the structure.
6. A market offering refers to a complete offer made by a marketer for a product or service viz. its size, quality, price, location, etc.
7. Feedback refers to all the actions of the receiver indicating that he has received and understood the message of sender.
8. Yes, an idea can be marketed. For example, the government of India is promoting the idea of 'Swacchh Bharat Abhiyan' through various messages.
9. The two management objectives ignored by Mahesh Mining Industry are:
 - (a) **Personal Objectives.** It refers to the objectives to be determined with respect to the employees of the organisation. The employees happen to be prudent and sensitive resource for the company. It is, therefore, highly important to take care of the feelings of the employees. It is an undoubted fact that the satisfaction of the employees means rapid progress for the concern.
 - (b) **Social Objectives.** It involves the creation of benefit or value to the society. The organisation should use environmental friendly techniques of production, providing good working conditions and providing basic amenities to the employees.
10. Ms. Nidhi Gupta is following autocratic or authoritarian leadership style. In this style of leadership, an autocratic leader gives orders and insists that they are obeyed. He determines the policies for the group without consulting them. He does not give information about future plans but simply tells the group what immediate steps they must take. All decision making power is centralized with the leader. He does not give any freedom to the subordinates to influence his decisions.
11. Ms. Jyoti can claim the following remedies if her claim is admitted by the court:
 - (a) Removal of defect from the goods
 - (b) Replacement of goods
 - (c) Refund of the price paid
 - (d) Amount as compensation for loss or injury suffered
 - (e) Removal of deficiency in services
 - (f) Discontinuance of unfair trade practices
 - (g) Stopping the sale of hazardous goods
 - (h) Withdrawal of hazardous goods from being offered for sale
 - (i) Payment of adequate costs to parties.

(any six)

12. Somesh will issue securities in the capital market and will issue commercial paper to fund floatation cost through bridge financing in the money market. Following is the comparison between money market and capital market.

(a) **Liquidity.** The instruments of capital market are liquid if they are actively traded in the capital market whereas instruments of money market are more liquid as the Discount Finance House of India provide a ready market for money market instruments.

(b) **Expected return.** Capital market instruments yield higher return to investors than money market instruments.

13. Yes, Management is regarded as science because it fulfils the features of science. Science is characterised by four main features:

(a) Existence of systematised body of knowledge

(b) Use of scientific methods of observation.

(c) Principle based on experiments

(d) Universal validity of principles

On examination we find that, while management has some of these features, it does not have others. For instance, management has a systematised body of knowledge. Also principles of management are evolved on the basis of observation and repeated experimentation in various types of organisations. But the methods of observation followed by management are not cent per cent objective because the subject is human beings whose behaviour cannot be predicted with absolute accuracy. The management principles are flexible and can be used in different situations with modification. So these principles do not have universal applicability. Thus, Management may be called an inexact science as is the case with other social sciences.

14. (a) Types of plans:

(i) **Strategy.** “Product differentiation”

A strategy is a comprehensive plan for accomplishing an organisation objectives which includes determination of long-term objectives and adopting a particular course of action.

(ii) **Policy.** “Company cell phones and tablet computers are sold to multinational retailers or cell phone service operating companies”

Policies are guidelines which facilitate the achievement of predetermined objectives.

(iii) **Method.** “Standardise its production techniques”

Method refers to the standard way of performing routine and repetitive jobs.

(b) **Values:** Respect towards employees, Harmony, Care about environment

15. (a) Brikshit Ltd. is engaged in planning function of management. It is performing the following step:
Setting objectives. The first and foremost step in planning is setting up of objectives. Objectives are set for the entire organisation and for each department of the organisation. These are the goals that an organisation wants to achieve. Objectives must be clearly stated. Management must contribute ideas and participate in the objective setting process. If the end result is clear, it becomes easier to work towards the goal.
- (b) The last step of planning process is:
Follow up action. In this step, the plans are monitored to ensure that objectives are achieved. It sees that plans are being implemented and activities are performed according to schedule of the planning process.
16. The steps involved in controlling are:
- (a) **Setting up of (target) standards.** A standard means target or the yardstick against which the actual performance is measured. The standards become basis for comparisons and the manager insists on following of standards.
- (b) **Measuring of performance.** After setting up of standards, the performance of the employees is measured by evaluating the actual work done by them. When the performance can be measured numerically, then it is very convenient to measure the performance.
- (c) **Compare performance against standards.** After measuring the performance the manager compares the actual performance with the planned performance and standard. But if there is mismatch or deviation, then the manager tries to find out the extent of deviation. If the deviation is minor, then it should be ignored. But if the deviation is more, then timely actions must be taken.
- (d) **Analysing deviations.** If performance falls short of standards, managers must find out the causes of deviations.
- (e) **Taking corrective action.** The purpose of control is not only to detect errors and defects in performance of work but also to adopt remedial measures. Corrective actions are initiated on the basis of factors causing deviations between standards and actual results.
17. The different dimensions of business environment discussed in the given case are:
- (a) **Economic environment.** It consists of the economic factors that affect business practices in an enterprise.
Quote: “It has increased the disposable income in the hands of the villagers.”
- (b) **Social environment.** It includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.
Quote: “As the female workers mostly accompany their children to the production unit, the company set up a day care for their children there.”
- (c) **Technological environment.** It includes the improvement and innovation in the technology that takes place from time to time.
Quote: “The design and specifications were sent to her through internet who in turn give regular feedback about the work done.”

(d) **Legal environment.** It includes various laws passed by government at centre, state or local level.

Quote: “The wages were paid by the company as per the Minimum Wages Act.”

18. Prince Food Ltd failed in physical handling and movement of goods from the place of production to the place of distribution. This is place mix, which comprises of following components:

- (a) **Order processing.** A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications.
- (b) **Transportation.** Transportation is the means of carrying goods and raw materials from the point of production to the point of sale. It is important because unless the goods are physically made available, the sale cannot be completed.
- (c) **Warehousing.** The basic purpose of warehousing activities is to arrange placement of goods and provide facilities to store them. Generally, larger the number of warehouses a firm has, lesser would be the time taken in serving customers at different locations but greater would be the cost of warehousing and vice versa.
- (d) **Inventory.** Inventories need to be maintained because they ensure product availability as and when consumer 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.

19. Depository provides services of keeping the securities of an investor safe in electronic form. It opens a security account in which shares are deposited and can be withdrawn/sold at any time on the instruction of the investor. It is a technological driven electronic storage system settles all the transactions of investors with great speed and efficiency. In India, there are two depositories on national level. The first and largest depository presently operational in India is National Securities Depositories Limited (NSDL). It was promoted by IDBI, UTI and the National Stock Exchange. The second depository is Central Depository Service Limited (CDSL) which is promoted by Bombay Stock Exchange and The Bank of India.

Both these depositories operate through intermediaries who are electronically connected to the depository and serve as a contact points with the investors. These are called depository participants. Financial institutions, Banks, Clearing corporations, Stock brokers and non-banking finance corporation can become a depository participant and maintain accounts of the investors in dematerialised form. In case, an investor buys or sells the securities through a broker, bank or non-banking finance corporation, it acts as a depository participant for the investor and completes all the formalities.

20. Contract of Employment is a written document containing the terms and conditions of employment contract. All the details such as job title, duties and responsibilities, date when continuous employment starts and basis of calculating service, pay and allowance, leave rules, grievance procedure, etc. are given. This contract is signed by the selected candidate on acceptance of job offer and compliance of other formalities. The purpose of this contract is to make the terms clear to the new appointed person. Raghav is asked for the fitness certificate so that the employer can be sure that the candidate is of sound physical health to handle the job offered.

The references are asked for the purpose of verifying the information and gaining additional information of the applicant.

The values highlighted here are:

(a) conservation environment (b) Abiding by rules and regulation.

21. The concept of delegation of authority is highlighted here. The importance of delegation of authority may be outlined as follows:

(a) **Reduces workload of managers.** Delegation of authority permits a manager to share his workload with his subordinates. By passing on some of his own work to the subordinates, the manager is able to concentrate on more important aspects of his work. Delegation of authority takes place at all levels of the managers in a systematic manner.

(b) **Basis of superior-subordinate relations.** In delegation process, only superior and subordinates are involved. If superiors shares or pass on their responsibilities and authorities to their subordinates, it indicates a good relationship between superiors and subordinates because superiors will transfer their responsibilities and authorities only when they have trust on their subordinates.

(c) **Effective management/Improves managerial effectiveness.** The manager who delegates authority can perform much more than the one who does not. This is because the manager who delegates can get some work done by his subordinates and is able to concentrate on important matters which need his attention, take appropriate decisions and act accordingly. The manager increases his own effectiveness and that of his work unit by enlisting the co-operation and skills of his subordinates.

(d) **Better coordination.** In delegation, authority and responsibility are divided systematically. This systematic division of work give clear picture of work to everybody so that there is no duplication of work. Thus, clarity in duties assigned and reporting relationship bring effective coordination in the organisation.

(e) **Basis of Management Hierarchy.** Delegation establishes superior-subordinate relationship which is the base for hierarchy of managers. The extent of power delegated to subordinates decides who will report to whom, and the power at each job position forms the management hierarchy.

- (f) **Motivation of employees.** In delegation, when the manager shares his responsibilities and authority with his subordinates, it motivates them as they develop the feeling of belongingness and trust shown by their superiors in them. Employees can be motivated by both financial and non-financial incentives.

(any four)

22. The following characteristics of management principles:

- (a) **Formed by practice and experimentation.** It means principles are developed on the basis of organised quantitative facts or from the collective experiences of the leaders and scholars of management thoughts.
- (b) **General guidelines.** The principles are guidelines to action but do not provide readymade strait jacket solutions to all managerial problems.
- (c) **Contingent.** They have to be applied keeping in view the prevailing situations at a particular point of time.
- (d) **Flexible.** In current scenario, the environment is everchanging and dynamic and no principle will be equally effective in all situations. Therefore, these principles need to be modified and adjusted as per the given situation.
This makes these principles dynamic in nature.
- (e) **Universal applicability.** These principles are universally applicable to all types of organisations irrespective of the type, size or nature of the organisation. These principles help in solving different problems related to different organisations whether it is a business enterprise or a government organisation.
- (f) **Mainly behavioural/Influencing human behaviour.** These management principles are aimed at influencing human behaviour in an organisation. They help in motivating and inspiring the human beings working in an organisation. This results in extraction of maximum output and efficiency out of the human resources.
- (g) **Cause and effect relationship.** These principles indicate cause and effect relationship. It means each principle is applied and directed towards the attainment of a specific aim or objective. Once that objective is achieved, it is a clear indication of the successful implementation of specific principle. (any five)

23. (a) Factors that should be considered by Rajesh:

- (i) **Cash flow position.** "Income varies every year"

Mr. Rajesh should consider the cash flow position of the farm before taking the financing decision. The cash flows must not only cover fixed cash payment obligations but they should also cover the cash requirements for normal business operations. Since, the income of the business varies greatly he should not consider loan or borrowings as financing option.

(ii) **Rate of return.** “The farm is giving a good return”

Financing through debt should be undertaken only if the rate of return on investment is greater than the rate of interest to be paid on borrowings otherwise it will lead to losses. Since, the rate of return on investment in the farm business is low, borrowings should not be considered as a financing option.

(iii) **Level of fixed operating cost.** “He has bought a tractor on hire purchase basis ”

If the fixed operating cost of the business is higher, then increasing the debt component will lead to higher fixed expenses in the form of interest payments which in turn increase the financial risk of the business.

(b) Other factors that should be considered are:

(i) **Cost of raising funds.** The cost of raising funds through different sources is different. Financing decision should consider the cost of raising funds and funds should be raised from the source which is the cheapest.

(ii) **Control considerations.** Sale of shares after forming the company may lead to decrease in management’s control over the business. If the management does not want to dilute control over the business, then it should prefer debt over equity.

(iii) **State of capital market.** Shareholders or investors are ready to invest in the shares of the company during the boom period in which value of shares is rising. However, during recession, it becomes difficult for the company to raise funds through selling of shares.

24. Mr. Pranav performed the function of controlling. The following are the steps taken by him:

(a) **Comparison of actual performance with standards.** Comparison of actual performance with the planned target or standard.

(b) **Analysing Deviations.** It is important to analyse the causes of deviations. Acceptable range of deviations should be determined. If performance matches the standards, managers may assume that everything is under control. If performance falls short of standards, managers must find out the extent of deviation. Generally, minor deviations do not require managerial attention. To save time, managers concentrate on major deviations only.

(c) **Taking corrective action.** Corrective actions are initiated on the basis of factors causing deviations between standards and actual results. For example, actual performance may fall short of standards due to outdated machines or absence of adequate incentives to workmen. This can be rectified by installing up-to-date machinery or offering suitable incentives to workers for better performance. Thus, a corrective action may involve a change in methods, machinery, rules or procedure.

25. The product related decisions referred to here are packaging and labelling.

The advantage of packaging are:

- (a) Packaging facilitates the use of product. 'It was more durable ... than previous one' shows this.
- (b) Packaging helps the consumer to identify the product. 'Saw that the ... packaging' shows this.
- (c) Packaging protects the product from spoilage, breakage and damage etc. 'It was more durable ... than previous one' shows this.

Labelling is another product related decision, referred to here. The advantages are:

- (a) It helps in grading of product 'help in differentiating brown and white... respectively' shows this.
- (b) It helps in promotion of the product, 'The pack mentioned 20% ' shows this.