

## Answers to RSPL/3

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1. Management cannot be regarded as profession as there is no restriction on anyone to be designated or appointed as a manager in any business organisation.
2. At the time of depression, sales as well as production is smaller, thus working capital requirement is lower. At the time of boom, sales and production is larger, requiring more of the working capital.
3. A legal heir or representative of a deceased consumer can file the complaint.
4. Follow up action
5. Call Money
6. Personality tests as these provide clues to a person's emotions, reactions and maturity.
7. Right to Choose
8. Proper controlling is difficult in this case because quantitative standards are not possible here and it is difficult to set standards in case of qualitative features.
9. (a) **Selling concept** – This concept advocates for the use of promotional techniques such as advertising, personal selling and sales promotion for selling the product.  
(b) **Marketing concept** – It advocates for identifying the needs of its present and prospective buyers and satisfying them in an effective way.  
(c) **Production concept** – It advocates for undertaking production on a large scale, thereby reducing the average cost.
10. (a) Staffing  
(b) Recruitment is the process of identifying the sources for prospective candidates to stimulate them to apply for jobs in the organisation. It includes seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen. A large number of recruitment avenues are available to a firm which can be classified into internal and external recruitment.
11. Shikha Enterprises is engaged in long-term investment decision or capital budgeting decision.  
The factors on which long-term investment or investing decision depends are:  
(a) **Cash flows of the project.** We know investment decision (capital budgeting decision) is related with investment in long-term assets. These assets involve both cash outflows and cash inflows over a series of years. The amount needed for investment is known as cash outflows, on the other hand, returns from the same investment is known as cash inflows. Both of these need to be analysed carefully before finalising the investment.  
(b) **Rate of return.** A project may not be as profitable as compared to other. The criteria to decide the profitability of various projects is their respective rate of returns. The rate of return is calculated on the basis of expected return of the project and risk attached with it. If two projects are of the same risk, the project having higher rate of return will be accepted.

12. Political environment comprises those elements that are related to governmental affairs, *e.g.*, the type of government in existence, governmental attitude towards various industries, lobbying efforts by interest groups, progress towards the passage of laws, platforms of political parties, and the predisposition of candidates running for office. For example, IT companies have found Hyderabad, approvingly nicknamed by the media as Cyberabad, to be the most hospitable location primarily due to the supportive political climate.
13. The principles of management which were being violated in the given case are:
- (a) **Unity of Command.** This principle states that an employee should receive orders from one and only one superior. This enhances his performance and fixing of responsibility also becomes easy.
  - (b) **Discipline.** Discipline in the context of management means obedience, proper conduct of relations with others, and complying with the rules and regulations of the organisations. It is facilitated if there are good supervisors at all levels, rules are clear and penalties are imposed with fairness.
  - (c) **Espirit de Corps.** Management should promote the spirit of teamwork and harmony among employees, as it will enhance coordination amongst them.
14. Scope of delegation of authority is limited as it is confined to a manager and his immediate subordinates in work unit. It refers to entrust the authority by an individual to another. Now, it is clear that if we delegate the authority we multiply it by two, *i.e.*, delegator and his subordinate to whom authority is delegated. It is a process of sharing of task and authority between a manager and his subordinate. Whereas, scope of decentralisation of authority is wider than delegation. It involves systematic delegation of authority at all levels and in all functions of the organisation. It is an extension of delegation to the lowest levels in the organisation. In case of decentralisation, middle and lower level managers are entrusted with authority for taking decisions on tasks assigned to them. So, it is clear that if we decentralise the authority, we multiply it by many.
15. The objectives of management discussed in the given case are:
- (a) **Organisational objectives.** These are the economic objectives of a business. These are survival, profit and growth of business. The management must strive to ensure survival of the organisation. For this, it must earn enough revenue to cover costs. The management has to ensure that it makes a profit, because profit provides a vital incentive for continued operation of the enterprise. Further, the management must exploit fully the growth potential of an organisation to remain in the industry.
  - (b) **Social objectives.** These objectives involves creation of benefits for society. For example, giving employment opportunities to the disadvantaged sections of society, using environmental friendly methods of production, providing basic amenities like schools, hospitals etc. As every organisation is a part of society, these obligations has to be fulfilled.

16. (a) **Objectives.** “declared a sales target of one million units”. Objectives are defined as the final result which the management seeks to achieve by the operations of the company. They define the future activities which the management of an organisation follows to realize the targets.
- (b) **Budget.** “detailed plan with expected cash flow”. A budget is a systematic financial statement of expected results for a specific time period. It can be expressed in time, money or physical units. Budget can be used as an instrument for both planning as well as controlling.
- (c) **Procedure.** “development of routine steps that had to be followed”. Procedure consists of sequential steps to carry out activities within policy framework to attain predetermined objectives.
- (d) **Method.** “the manner in which the activities had to be performed”. A method is defined as a manner of procedure, especially a regular and systematic way of accomplishing objectives. It represents the detailed outline of the activities that have to be performed according to the prescribed procedure.
17. (a) The two factors which forced Shivani to keep lower price for her detergent brand are as follows:
- (i) Her main objective was to survive and obtain market share for her product due to which she kept the lower prices for her product
- (ii) She knew that there is intense competition in the detergent market due to which she wanted to keep her price lower.
- (b) The factor which was ignored by Shivani while determining the price of her premium bathing soap by keeping lower price is:
- (i) As per the statement, the soap was having a higher utility for the consumers due to which its demand would be inelastic and hence the consumers would be able to pay higher price for her product.
- (ii) The level of competition in the market for premium bathing soaps is less and hence she could have charged higher price.
- (iii) The price was just able to cover the cost of production so that it may not be able to cover other overhead expenses related to marketing, advertisement and other factors. (any one)
18. (a) **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.
- (b) **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.

19. The incentives offered by Mr. Rohan are in the form of non-financial incentives.
- (a) **Employee participation.** Mr. Rohan formed a joint management committee including the workers thereby involving them in the decision making process in relation to the problem faced by the hotel as well as employees. It gives them psychological satisfaction that their voice is being heard because employees' participation in management provides for two way communication.
  - (b) **Job security.** By offering loyalty bonus, it not only provided job security to the employees but also ensured stability of future income. If an employee has a feeling of job security and permanence, he will work without any worry in mind and hence his efficiency increases.

Other incentives in this category are:

- (a) Employee recognition programmes
- (b) Employee empowerment
- (c) Career advancement opportunity

The values represented by Mr. Rohan are:

- (a) Social responsibility
- (b) Job security
- (c) Loyalty
- (d) Empathy (any two)

20. (a) Organisational barriers are being overcome in the given case. Organisational barriers are those barriers which are related to organisation structure, authority relationships, rules and regulations etc.
- (b) The types of organisational barriers are:
- (i) **Organisational policy.** Effectiveness of communication may be hampered if organisational policy is not supportive to free flow of communications.
  - (ii) **Status.** A status conscious manager may not allow his subordinates to express their feelings freely.
  - (iii) **Rules and regulations.** Rigid rules and cumbersome procedures may be a hurdle to communication.
  - (iv) **Complexity in organisation structure.** Communication gets delayed and distorted if there are number of managerial levels in an organisation. (any three)

(c) Values highlighted here are:

- motivating the employees
- giving autonomy to employees

21. Principles of Taylor and Fayol are mutually complementary. Taylor, through his principle 'Harmony, not discord', said that management should share the gain, if any, with the workers. In this, he advocated for complete mental revolution. He emphasized on complete harmony between the management and the workers. The

management should share gains of the company with the workers and the workers should work hard and be willing to embrace changes for the good of the company. Fayol, through his principle 'Remuneration of Employees', said that overall pay and compensation should be fair to both the employees and the organisation. The pay should give the employees a reasonable standard of living. At the same time, it should be within the paying capacity of the company. The remuneration should be just and equitable. This will create congenial atmosphere in the organisation which will lead to smooth working in the organisation.

**22. (a) Organising**

(b) Steps in the process of organising are:

(i) **Identification and division of work.** Organising starts with identifying the work as per the plans and dividing it into manageable activities, ensuring that duplication of work is avoided and the burden of work is properly shared among the employees.

(ii) **Departmentalisation.** Once the work has been divided into small and manageable activities, the similar activities are grouped together into departments. This process of departmentalisation can be done on the basis of area, products or any other suitable base.

(iii) **Assignment of duties.** After defining the work of different job positions, work is allocated to various employees, in accordance to their skills and competencies. Effective performance can be achieved through a proper match between the nature of a job and the ability of an individual.

(iv) **Establishing reporting relationships.** After assigning the work, the accountability relationship is made clear. This helps to create a hierarchal structure and helps in better coordination among various departments.

**23. Following are the unsatisfied needs of the workers and the ways to satisfy them are:**

(a) **Esteem needs: Worker A.** People often engage in a profession or hobby to gain recognition. These activities give the person a sense of contribution or value. These needs include the need for self-respect, autonomy status, prestige, recognition and attention.

The manager can give some job title and recognition to A.

(b) **Safety or security needs: Worker B.** These needs include security and protection of individuals from physical and emotional harms. These include two types of security, *i.e.*, physical and financial. Physical security may represent security against injury, illness and other body threats where financial security represents stability of income, secured financial future etc.

The manager can provide job security and some pension plan to B.

(c) **Self-actualisation need: Worker C.** These needs include the need for growth and self-fulfilment. They are concerned with overall development of an individual to his maximum capacity.

Manager can provide challenging jobs to C.

(d) **Psychological or basic needs: Worker D.** These needs are related to the survival and maintenance of human life. Thirst, shelter, hunger are some examples of these needs.

Manager may provide higher salary or incentives to D.

(e) **Social needs: Worker E.** This human need is interpersonal and involves feelings of belongingness. Humans need to feel a sense of belonging and acceptance among their social groups, regardless whether these groups are large or small.

Maslow's need hierarchy theory provides good motivational techniques to the managers. The managers are able to identify the needs of the employees and provide incentives accordingly.

24. (a) Financial planning will help the company in avoiding business shocks and surprises. It will reduce waste and duplication of efforts.

(b) Capital structure refers to the mix between owners funds and borrowed funds. It is calculated as debt-equity ratio, *i.e.*,  $\frac{\text{Debt}}{\text{Equity}}$ .

$$\begin{aligned}\text{Debt} &= \text{Debentures} + \text{Long-term loans from banks} \\ &= 600 + 500 = ₹ 1,100 \text{ crores}\end{aligned}$$

$$\begin{aligned}\text{Equity} &= \text{Share Capital} + \text{Reserves and Surplus} \\ &= 500 + 100 = ₹ 600 \text{ crores}\end{aligned}$$

$$\text{Therefore, Debt-equity ratio} = \frac{1,100}{600} = 1.83 : 1$$

(c) Financing decision

(d) Since, the company has growth opportunities of setting up a new steel plant at Gurugram, it retains ₹ 100 crores out of profits to finance the required investment. So, it likely to pay less dividend. However, since the company makes more debt financing than funding through equity, it implies that cash flow position of the company is strong. Therefore, it can pay higher dividend.

25. The combinations of variables used by Piyush are:

(a) **Product mix.** It includes all the product related decisions such as deciding its features, quality, packaging, labelling, branding etc. Piyush's product mix consists of chips, biscuits, sweets and squashes.

(b) **Price mix.** It refers to decisions related to fixing the price of a product. Piyush charges a comparatively higher price than its competitors as it sells quality products.

(c) **Promotion mix.** It refers to all activities through which a marketer persuade his target consumers to buy the product. Piyush regularly uses different communication tools to increase its sales. It offers regular discounts to its customers and easy credit terms to its retailers.

(d) **Place mix.** It refers to the activities involved in making goods available to the customers at the right place, in the right quantity and at the right time. Piyush sells its products through various grocery shops and also owns five retail shops.