

Subject Code : 29 T BUST
विषय कोड : 29 T BUST

Question Paper Set Code :
प्रश्न पत्र सेट कोड :

2019 BUSINESS STUDIES

Time : 3 Hours

Full Marks 100

Instructions for the Candidates :

1. All Questions are Compulsory .
2. Marks Distribution to the Questions is as under :

Q. No. 1	1 Mark each	$1 \times 8 = 08$
Q. Nos. 2 – 6	2 Marks each	$2 \times 5 = 10$
Q. Nos. 7 – 11	3 Marks each	$3 \times 5 = 15$
Q. Nos. 12 – 18	5 Marks each	$5 \times 7 = 35$
Q. Nos. 19 – 22	8 Marks each	$8 \times 4 = 32$

Total = 100



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Q 1.

[1 x 8 = 8 Marks]

(a) Who is known as the Father of Scientific Management .

Ans. Fredrick Winslow Taylor is known as the Father of Scientific Management .

(b) In which year Indian Economy was opened up ?

Ans. Indian Economy was opened up on July , 1991 .

(c) Budget is Quantitative Expression. (Write True or False)

Ans. TRUE . Because it is a statement of expected results expressed in numerical terms .

(d) Name of the Organization which regulates the Working of Banks in India .

Ans. Reserve Bank of India (RBI) is the Organization that regulates the working of Banks in India.

(e) Name ONE Method of On-the-Job Training .

Ans. Internship Training is one of the Method of On-the-Job Training and A Trainee undergoing Internship Training is known as an "Intern" .

(f) Give the Full Form of SEBI.

Ans. Securities Exchange Board of India .

(g) Name ONE Feature of a Good Control System .

Ans. A Good Control System is regarded as a Pervasive Function , as it is required in all types and sizes of organization .

(h) Name ONE External Source of Recruitment .

Ans. Placement Agencies provide Nationwide Service of matching the Demand and Supply of Work Force .

Q 2. What is Ratio Analysis ? **[2 Marks]**

Ans. Ratio Analysis is quantitative analysis of information contained in company's financial statement . It is used to evaluate company's operational and financial performance such as :

Efficiency , Liquidity , Profitability and Solvency .

Q 3. State TWO Objectives of NSE . **[2 Marks]**

Ans. Following are the Objectives of NSE :

- (i) NSE determines the price of securities through its marketability . .
- (ii) NSE creates markets , where the securities are bought and sold .

Q 4. Write TWO differences between Advertising and Personal Selling . **[2 Marks]**

Ans.

S. No.	Basis	Advertising	Personal Selling
1.	Meaning	Advertising is considered to be an impersonal form of communication .	Personal Selling is considered to be a personal form of communication .
2.	Form	It allows only one way communication from seller to the prospective customers .	It allows two way communication between the seller and the prospective customers .

Q 5. Give TWO Differences between Capital Market and Money Market . **[2 Marks]**

Ans.

S. No.	Basis	Capital Market	Money Market
1.	Meaning	The term Capital Market refers to facilities and institutional arrangements through which long term funds , both debt and equity are raised and invested ,	The Money Market constitutes the market for short term funds which deals in monetary assets , whose period of maturity is up to one year .
2.	Participants	The main participants in capital market are Banks , Financial Institutions , Corporate Bodies , Foreign Investors and Retail Investors .	The main participants in money market are Institutional Investors like RBI , Financial Institutions , Banks and Finance Companies . Although the individual investors are allowed trade in secondary money market , However they do not generally do so .

Q 6. Explain TWO Rights given to Consumers under the Consumer Protection Act, 1986 . **[2 Marks]**

Ans. The Consumer Protection Act , 1986 confers six rights to the consumers . The Consumer Protection Councils have been setup under the Act as to promote and protect these consumer rights . Following TWO Rights discussed here are :

- (i) Right to Safety
- (ii) Right to Information
- (iii) Right to Choose
- (iv) Right to be Heard
- (v) Right to Seek Redressal
- (vi) Right to Consumer Education

Q 7. Explain the Concept of Taylor's Differential Piece Rate System . **[3 Marks]**

Ans. Differential Piece Rate System is an incentive bonus plan suggested by Taylor . Under this plan , the piece wage rate paid to efficient workers is higher than the normal piece wage rate .

Purpose : According to Taylor, the wages of efficient and inefficient workers should be distinguished on the basis of level of output. This approach helps to stimulate less efficient workers to improve their performance and provide them higher job satisfaction . Thus the efficient workers get motivated as they are paid at a higher rate than those who perform below standard .

Q 8. (a) Define Organization as a Group Activity. **[3 Marks]**

OR

(b) Discuss the Types of Organization Structure . **[3 Marks]**

Ans.

- (a) Organizing is the process of identifying and grouping of the work to be performed , Defining and Delegating Responsibility and Authority and Establishing Relationships for the purpose of evaluating people to work more effectively together in accomplishing their objectives . Thus we can say that **“Organization is a group of people , who are co-operating under the direction of leadership for the accomplishment of common end”** .

OR

- (b) The Organizational Structures can be classified into TWO types which are :
- (i) **Functional Structure** : When activities within an organization are grouped on the basis of major functions , like Production, Finance , Marketing and Human Resource and Separate Departments are created for each of these Functions , a functional structure is Said to be Created .
 - (ii) **Divisional Structure** : In a Divisional Structure , separate divisions are created within an Organization on the basis of product lines and supported by functions . Divisional Structure is suitable for a company manufacturing multiple products .

Q 9. (a) Discuss the Objectives of Financial Planning . [3 Marks]

OR

(b) Define Current Assets . Give TWO Examples of Current Assets . [2 + 0.5 + 0.5 = 3 Marks]

Ans.

- (a) Like any other type of Planning , Financial Planning is also considered to be a purposeful activity . The Twin objectives of Financial Planning are :
- (i) **To Ensure Availability of Funds , whenever these are required** : Finance is a scare, but is an essential resource to carry out the activities of a business enterprise . Sound Financial Planning helps in timely and adequate availability of funds which is important for smooth running of a business enterprise .
 - (ii) **To See that the Firm Does Not Raise Resources Unnecessarily** : Each source of finance has a cost attached to it . Therefore , excess funding is likely to have an adverse effect on the Cost Benefit Ratio . The idle funds do not create any benefits , unless Utilized in the best possible manner . Thus , effective financial planning helps to estimate and utilize funds appropriately .

OR

- (b) Current Assets are the assets which are likely to be converted into cash or cash equivalents within 12 months from the date of balance sheet or within the period of operating cycle .
Two examples of current assets are :
- (i) Current Investments .
 - (ii) Short term loans in advance .

Q 10. (a) Who can File a complaint before a Consumer Court ? **[3 Marks]**

OR

(b) Briefly Discuss THREE important features of Entrepreneurship . **[3 Marks]**

Ans.

(a) A Complaint before the appropriate Consumer Forum / Court can be made by :

- (i)** Any Consumer .
- (ii)** Any Registered Consumers' Association .
- (iii)** The Central Government or Any State Government .
- (iv)** One or more consumers on behalf of numerous consumers having the same interest .
- (v)** A Legal Heir or Representative of a Deceased Consumer .

OR

(b) Entrepreneurship is defined as the process of making money , Earning profits and increasing the wealth while posing characteristics such as Risk taking Management , Leadership and Innovation . The concept of Entrepreneurship was first established in the 1700s .

The key elements of Entrepreneurship are :

- (i)** Innovation
- (ii)** Risk Taking
- (iii)** Vision
- (iv)** Organizing Skills .

Q 11. (a) Explain any THREE factors , affecting Pricing of a Product . **[3 Marks]**

OR

(b) Write any THREE Merits of Internal Recruitment . **[3 Marks]**

Ans.

(a) Pricing Refers to the process of deciding the price of a product . The price of a product represents the sum total of the values that a buyer expects to derive from owning or using a particular Product. Factors affecting the pricing of a product are :

- **Product Cost** : The first consideration in fixing of the price of a product is its Cost of Production , Distribution and Selling the Product . These are broadly those types of costs viz. Fixed Costs , Variable Costs and Semi Variable Costs .
- **Extent of Competition in the Market** : If the level of competition is high , the firm is likely to fix the prices of its products on the lower limit . Whereas , if the level of competition is low , the price of the product is likely to reach the upper level .
- **Government and Legal Regulations** : In order to safeguard the interest of the consumer against unfair trade practices in the area of pricing , the government may intervene and regulate the price of the product .

OR

(b) The Internal Sources of Recruitment offer the following advantages :

- **Motivates Employees** : When an organization uses internal sources of recruitment , it provides a psychological benefit and helps to maintain peace within the organization . This is because the employees feel motivated . As they tend to develop faith in the organization . This positive change in their attitude results in an increase in their productivity .
- **Simple Process** : The process of internal recruitment is relatively simple and more reliable . This is because the employees are already known to the organization .
- **Promotes Training** : A systematic transfer policy can be used as an effective tool to foster the knowledge and skill of the employees about different jobs . This would contribute effectively , will enable them to take up higher level jobs in future . .

Q 12. Define Management and Discuss its Objectives .

[2 + 3 = 5 Marks]

Ans. Management is the act of getting things done through others and with formally organized groups .

Objectives of Management :

- (i) Organizational Objectives** : An organization strives to achieve multiple organization objectives . Mainly :
- **Survival** : A business should be able to earn adequate revenues to cover costs in order to ensure its existence .
 - **Growth** : The progress of a business over the years can be assessed through various parameters like expansion of its capital base , increase in the number of employees , surge in production

- (ii) **Personal Objectives** : These objectives relate to the needs of the employees of the organization which must be given due consideration in order to get their constant support and loyalty . E.g. The employees of a company are happy and satisfied only when they get fair remuneration , good working conditions , unbiased promotion policy etc.
- (iii) **Social Objectives** : It is expected that every organization should undertake certain initiatives for the welfare of the society at large .

Q 13. Explain the impact of economic reforms on business and industry . **[5 Marks]**

Ans. On 24th July, 1991 , Government of India announced its New Industrial Policy . The broad features of this new industrial policy were :

- The number of industries under compulsory licensing were reduced to 6 by the Government .
- Many public sector industrial enterprises were subject to disinvestment .
- In order to encourage Foreign Direct Investment (FDI) the policy towards foreign capital was liberalized and 100 % FDI was permitted in many segments .
- In order to facilitate technological development , the process of automatic permission for technological agreements with foreign companies was put into practice .
- The Foreign Investment Promotion Board (FIPB) was established with a purpose of promoting and channelizing foreign investments in India .

This policy primarily aimed at realizing these goals :

- First , to liberate the Indian industries from the restraints of licensing system .
– **Liberalization**
- Second , to reduce the role of public sector in the economy .
– **Privatization**
- Third , to promote Foreign Private Participation in industrial development of the economy .
– **Globalization** .

Q 14. (a) Discuss the elements of Delegation . **[5 Marks]**

OR

(b) Distinguish between Delegation of Authority and Decentralization of Authority . **[5 Marks]**

Ans.

(a) Delegation means conferring authority from one executive or organizational unit to another in order to accomplish particular assignment . The three elements of Delegation of Authority are :

- **Concept of Authority** : Authority in simple words means , the right to take certain decisions and actions that lie within the jurisdiction of one's position in the organization .
- **Concept of Responsibility** : Responsibility refers to the obligation of a subordinate to carry one assigned task to the best of ones ability and skill .
- **Concept of Accountability** : Accountability refers to the answerability of an employee with respect to the work for which He has been made responsible and delegated authority .

OR

(b)

Difference Between Delegation of Authority and Decentralization of Authority .

S. No.	Basis	Delegation of Authority	Decentralization of Authority
1.	Nature	Delegation of Authority is absolutely essential , as no single person can carry out All the organizational work himself or herself .	Decentralization of Authority is optional and may be implemented within an organization as a policy secision of a Top Level Management .
2.	Freedom of Action	The subordinates are expected to work under close supervision of the superior . As a result , they do not have much freedom to take independent decisions and actions	The Subordinates are granted greater authority , so as to enable them to take independent decisions and actions, which lie within their scope of jurisdiction .
3.	Status	The process of delegation is undertaken with the purpose of sharing the work and authority of a superior with his subordinate .,	Decentralization is a policy decision which can be implemented only with the consent of Top Level Management .
4.	Scope	The scope of delegation is narrow as this involves only two persons, A superior and his immediate subordinate .	Decentralization is much wider in scope, as it involves systematic dispersal authority to lowest level of management .
5.	Purpose	Delegation of Authority seeks to provide relief to the Manager from carrying routine work and reduce the burden .	Decentralization seeks to enhance the role of the subordinates by granting them greater authority .

Q 15. Discuss the features of Liberalization .

[5 Marks]

Ans. Liberalization : These economic reforms signaled the end of the License / Permit Quota Raj and were aimed at liberalizing the Indian business and industry from all unnecessary channels and restrictions . Key features of the Government towards Liberalization are :

- Abolishing licensing requirement in most of the industries , except a short list .
- Freedom in deciding the scale of business activities .
- Removal of restrictions on the movement of goods and services .
- Freedom in fixing the prices of goods and services .
- Reduction in tax rates and lifting of unnecessary controls over the economy .
- Simplifying procedures for imports and exports .
- Making it easier to attract foreign capital and technology in India .

Q 16. Analysis the steps involved in the Staffing process of an Organization .

[5 Marks]

Ans. Selection is the process of choosing the best candidate from the pool of applications . The process of selection varies from organization to organization . Moreover , different methods of selection may be adopted for different positions in same organization . The process of selection involves :

- (i) **Preliminary Screening** : Preliminary screening is undertaken with the objective of eliminating all those applicants who do not fulfill the minimum requirements .
- (ii) **Selection Tests** : Different types of selection test may be carried out in order to evaluate a candidate of different parameters . Important tests used in selection process are :
 - **Intelligence Tests** : These includes important psychological tests which are useful in measuring the intelligence quotient of an individual . .
 - **Aptitude Tests** : These tests seek to evaluate the potential of a candidate in acquiring new skills and development . Thus the future success rate of a candidate can be anticipated .
 - **Personality Tests** : These tests seek to provide an insight into a person's emotions , reactions , maturity and value systems etc.
 - **Trade Tests** : These tests seek to measure the knowledge , skills and proficiency that a candidate possess with regard to a particular job position .
 - **Interest Tests** : These tests are used to define the interests of the candidates , Activities that appeal Him / Her the most and determine the inclinations of a person towards certain career choices .

- (iii) **Employment Interview** : An Interview involves a face to face interaction between the prospective candidate and the interviewer(s) . .
- (iv) **Reference and Background Checking** : In the job application form , the applicant is asked to give two to three references of the people in the same profession .
- (v) **Selection Decision** : Once the genuineness of the candidate has been ascertained , the organization has to take the final decision about hiring the candidate(s) .
- (vi) **Medical Examination** : A medical examination is advise in order to ascertain that the candidate does not suffer from any serious ailments which is likely to affect His / Her job performance .
- (vii) **Contract of Employment** : If selected candidates accepts the job offer , He / She is issued a Letter of Appointment which is the document that contains important details about the job like Job Title , Duties / Responsibilities , Date of Joining , Pay and Allowance etc.

Q 17.

- (a) What do you mean by Responsibility Centers ? Discuss any THREE types of Responsibility Centers. [2 + 3 = 5 Marks]

OR

- (b) Discuss the Traditional Techniques of Management Control . [5 Marks]

Ans.

- (a) A Responsibility Centre is a segment of an organization for which a particular Executive is responsible . There are THREE types of Responsibility Centre :
- **Expense / Cost Centre** : Expense / Cost centre is a responsibility centre in which inputs or expenses are measured in monetary terms , whereas outputs are measured in monetary terms .
 - **Profit Centre** : A Profit Centre is a part of a business which is expected to make an identifiable contribution to organization's profits .
 - **Investment Centre** : An Investment Centre is a business unit that can utilize capital to contribute directly to a company's profitability . Companies evaluate the performance of investment centre according to the revenue it brings in through investment in capital assets compared to the overall expenses .

OR

(b) Despite of newer techniques of Planning and Control , some of the traditional techniques are still very popular because of their special significance and continuing utility .

- **Budgetary Control** : Budget as a plan that represents a statement of anticipated inflows and expected outflows , expressed numerically, exercising control over day-to-day operations of the enterprise for the purpose of executing budgets is known Budgetary Control .
- **Standard Costing** : Expenses / Costs associated with every activity are recorded and classified and then compared with the standard or budgeted costs . The concerned Manager takes corrective action if any deviation is found . This technique helps in finding out which activity is profitable and which is not .
- **Financial Ratio Analysis** : All business organization prepare Profit and Loss Account and Balance Sheet . When a comparative study of these financial statements are made, trends of changes in Profits , Assets , Liabilities , Turnover etc. can be assessed.
- **Internal Audit** : It is another effective and widely used tool of managerial control . Internal Auditing signifies regular and independent appraisal of the accounting and financial and other operations of a business by a staff of internal Auditors .
- **Break Even Analysis** : Break Even Analysis is a point of “No Profit – No Loss” . For instance when a firm is able to sell 24,000 bags , it would Break-Even. It indicates that a sale below this level will cause a Loss and any sale above this level will earn Profits .
- **Statistical Control** : In order to find out the causes for the deviations , comparison of various Ratios, Averages, Percentages of Statistical Data are undertaken . Statistical Reports compiled after the analysis are presented in the form of charts or graphs which helps in visualizing the trends and weaknesses in the respective areas of operation, and necessary remedial steps are suggested . Charts and Diagrams are used by the Production , Sales , Purchase, and Personnel and even more frequently by the Executive Heads of Companies .

Q 18. (a) Explain the main elements of Marketing Mix. [5 Marks]

OR

(b) Discuss the factors Influencing Pricing . [5 Marks]

Ans.

(a) Marketing Mix is the set of controllable variables that the firm can use to influence the Buyer's Mix . The main elements of marketing mix are :

- **Product** : A Product refers to an item that satisfies the consumer's needs or wants . From the customer's point of view , a product is perceived as a bundle of utilities i.e. Functional Benefits , Psychological Benefits and Social Benefits .

- **Price** : Price refers to the value of a product in monetary terms . Price is the only variable that has its affect on the revenue .
- **Place** : Place or Physical Distribution are all those activities that ensures the availability of the product at the right place , at the right time and the right position to the target customer .
- **Promotion** : Promotion includes the set of activities that are undertaken by the prospective buyers .

OR

(b) Pricing refers to the process of deciding the price of a product . Factors affecting the price determination of a product are :

- **Product Cost** : The cost sets the lower limit or the floor price at which the product can be sold . Ideally the price of a product should cover its cost and include a reasonable margin of profit over and about it .
- **The Utility and Demand** : Utility of a product refers to the benefit that the consumer is likely to derive through the use of a product . The buyer will generally be inclined to pay the price of a product which is atleast equivalent to the utility demand of the product .
- **Extent of Competition in the Market** : The price of a product is also influenced to a great extent by the nature and degree of competition that a firm faces in the market . If the level of competition is high , the firm is likely to fix the prices of its product on the lower limit . Where as, if the level of competition is low , price of the product is likely to reach the upper limit .
- **Government and Legal Regulations** : In order to safeguard the interest of the consumer against unfair trade practices in the area of pricing , the Government may intervene and regulate the price of the product . Furthermore , if required the Government can declare a commodity as an essential commodity and regulate its prices . This is generally done in case of Life Saving Drugs .
- **Pricing Objectives** : The pricing objectives that a firm seeks to realize in its target markets have an important bearing on the pricing decisions . In case a firm decides to maximize profits in the short run , it is likely to set the price at the upper limit . On contrary to this , if a firm decides to maximize profits in the long run , it is likely to fix the prices on the lower limit , as it would enable the firm to maximize sales and capture a larger market share .

Q 19. (a) Discuss the contributions of Taylor and Fayol in the Context of Management . **[8 Marks]**

OR

(b) Discuss the significance of the Principles of Management . **[8 Marks]**

Ans.

(a) Fredrick Winslow Taylor : F. W. Taylor was an American Mechanical Engineer who wanted to improve industrial efficiency by adopting scientific methods of production . Taylor formulated the Theory of Scientific Management . He proposed that a logical and rational approach should be applied to every element of a job , so as to devise one best method for each activity . Taylor was also known as the “Father of Scientific Management” because of his valuable contribution in the field of management . Scientific Management means , knowing exactly what you want a person to do and seeing that they do it in the best and cheapest way .

Taylor has propounded various principles and techniques which provided the basis for scientific management in practice . It is important to mention that , the Bethlehem Steel Company where Taylor himself worked , was able to bring about a three fold increase in productivity by application of Scientific Management Principles .

Contributions by Taylor :

- Taylor pioneered a new and efficient system in order to increase production .
- His contributions are well acknowledged in reshaping and making the factory system of production .
- He is known for coinage of the term “Scientific Management” in his article “The Principles of Scientific Management” which was published in the year 1911 .
- He wrote a popular book named , “Shop Floor” after being fired from Bethlehem Steel Company .

Henri Fayol : Henri Fayol was a French Management Theorist , whose theories relating to scientific organization of labour were far and wide prominent in the beginning of 12th century. He started working at the mining company , “Compagnie de Commentary .. He eventually served as its Managing Director from the year 1888 to 1918 .

Contributions by Fayol :

- Henri Fayol is also known as the “Father of General Management” .
- Fayol’s administrative theory focuses on managerial efficiency by controlling the production costs .
- He was the first person to identify four functions of Management – Planning , Organizing , Directing and Controlling .

- He emphasized on specific activities that the Managers should carry out namely – Plan , Organize , Command , Co-ordinate and Control .
- He suggested that all the activities of an industrial enterprise should be possibly divided into various sections , namely – Technical , Commercial , Financial , Security , Accounting and Managerial .
- The principles suggested by him were evolved on the basis of his personal experiences .

OR

(b) Significance of Principles of Management can be described through the following points :

- **Providing Managers with Useful Insights into Reality** : The Principles of Management provide the Managers with the useful Insights into real work situations and promote managerial efficiency .
- **Optimum Utilization of Resources and Effective Administration** : The understanding of Principles of Management enables the Managers to be equipped with the necessary competence ,so as to make all their decisions and actions cost effective .
- **Scientific Decisions** : The knowledge of Principles of Management enables an objective assessment of the managerial situation or problems in hand . As a result , it enables the Managers to undertake scientific decisions , based on logic , rather than wishful thinking or guess work .
- **Meeting Changing Environment Requirements** : The Business Environment is dynamic in nature and the utility of the Principles of Management is derived from the fact that they exist in the form of general guidelines . At the same time they are also flexible in nature .
- **Fulfilling Social Responsibility** : The knowledge of Principles Management seeks to develop a sense of responsiveness among them towards various kinds of social responsibilities and interest groups , be it Customers , Employees etc.
- **Management Training , Education and Research** : The Principles of Management are the fundamental to management theory and practice . Also , the various research initiatives undertaken in the field of management are also based on these principles .

Q 20. (a) Define Co-ordination . discuss the importance of Co-ordination . **[2 + 6 = 8 Marks]**

OR

(b) “Management is considered to be both an Art and Science” . Explain . **[8 Marks]**

Ans.

- (a)** Co-ordinating Function is the orderly arrangement of individual and group efforts to provide unity of action in the pursuit of a common goal . Co-ordination is balancing and keeping together the team by ensuring suitable allocations of tasks to the various members and seeing that the tasks are performed with the harmony among the members themselves .

Importance of Co-ordination :

(i) Growth in the Size

- With the growth in the size of an organization , there is a proportionate increase in the number of its employees .
- As such there is a greater need to satisfy the efforts of diverse individuals towards the realization of organizational goals .

(ii) Functional Differentiation

- As a result of functional differentiation in an organization its people and activities get divided into Sections / Departments on the basis of functions like Marketing , Finance etc.
- Therefore, there is need to reconcile the goals pursued by each of such department with the goals of the organization as a whole .

(iii) Specialization

- More number of specialists are deployed in the present day organizations , Keeping in mind the need for specialization , due to greater complexity and diversity in its way of functioning .
- In order to integrate the different approaches , interests or opinion of the specialists and to resolve conflicts between them , Co-ordination is essential .

OR

- (b) Art is the skillful and personal application of existing knowledge to achieve desired results .
Whereas , Science is a systematized body of knowledge that explains certain general truths .

Management as Both a Science and an Art .

It goes without saying that management in practice is a judicious blend of both art and science .
To understand this concept , we need to understand what makes a person a successful Manager .
Is a Qualification / Degree of an Institute of Repute enough to develop the competences of a
Manager ? Why are experienced Managers given more importance ?

Thus , The Prerequisite to becoming a Successful Manager is that :

Firstly , One should only possess the core knowledge of various theories and Principles of
Management . **(Management as a Science)**

Secondly , He / She should have the skill to apply such knowledge in the light of given situation in
order to accomplish the desired goals . **(Management as an Art)**

- Q 21. (a)** Why Planning is considered to be a Primary Function of Management ?
Explain the concepts of Policy and Rule . **[3 + 5 = 8 Marks]**

OR

- (b) What is meant by Planning ? Discuss the steps involved in the Planning Process .
[8 Marks]

Ans.

- (a) Planning is considered to be a primary function of management for following reasons :
- Planning precedes all functions of management i.e. Organizing , Staffing , Directing and Controlling .
 - Effective Planning provides the framework within which various managerial functions are performed .
 - This feature is also known as the Primary of Planning , as the very nature of planning is to offer the basis of all other functions .

Example : Think of a situation where you have been asked to organize a meeting for the staff members . Is it possible for you to make the necessary arrangements , unless the day of meeting is decided ? This simple example highlights , how Planning lays down the foundation for all other functions .

Concept of Policy : A Policy is verbal , written or implied , an overall guide for setting up boundaries that supply general limits and directions in which managerial actions takes place

- Policies serve as a guideline for implementing a strategy .
- They are expressed in the form of general statements that guides managerial decision making and action .
- They lay down the broad parameters within which the Managers are expected to function .
- Well defined policies simplify the work of the business Managers and enables them to deal with the problems or solutions in an appropriate manner .
- The application of a policy requires a Manager to exercise His / Her discretion to interpret in a particular manner .

Concept of Rule : A rule is a type of plan that requires a specific and definite action with respect to a situation .

- Rules are the simplest form of plans which specifies the action that must or must not be Taken i.e. The Do's and Don'ts that Guide the behaviour of People .
- They are expressed in specific terms .
- There is no scope of flexibility or discretion in the application of the rules .
- Since , rules are essential for discipline and smooth operations of the business , a penalty is generally imposed on violation of a rule .
- Rules may be changed only when there is a change in the policy .

Example : "NO SMOKING" is a Rule , Followed in a Factory .

OR

(b) Planning : Planning is deciding in advance , What to Do , How to Do and Who is to Do it . Planning bridges the gap as , where we are and where we want to go . It makes it possible for things to happen . Steps involved in the planning process are :

(i) Setting Objectives :

- The first step in the planning process involves laying down clear , specific and measurable objectives for the organization as a whole and also with respect to each department or unit , within the organization .

(ii) Developing Premises :

- Planning cannot be done without anticipating future events .
- As future is uncertain , the Managers are required to make certain assumptions about the future in terms of customer preferences , competition , interest rates , state of economy , government policy and so on . These assumptions are known as Planning Premises .
- The Premises so developed set the limits within which the planning should be carried out . Thus , accurate forecasting is the essence of successful planning .

(iii) Identifying Alternative Course of Actions :

- The next logical step that follows after stating the objectives and developing premises is identifying all the alternative courses of action , which are available for consideration

(iv) Evaluating Alternative Courses :

- After listing the various possible alternatives , it is important to analyze the relative Pros and Cons of each alternative in light of their viability and significances .
- This is a very important step in Planning , as accurate analysis of various alternatives is imperative for correct decision making .

Q 22. (a) Define Financial Management . What are the Objectives of Financial Management ?

[2 + 6 = 8 Marks]

OR

(b) What is Capital Structure ? Mention few factors that influence Capital Structure.

[2 + 6 = 8 Marks]

Ans.

- (a)** Financial Management relates to the efficient and effective management of funds , Used in business in terms of its Planning , Obtaining , Controlling and Administration . Financial Management is concerned with optimal procurement as well as usage of finance .

It basically involves Two Aspects .

- (i)** Optimal Procurement of Funds .
- (ii)** Optimal Utilization of Funds .

Thus Financial Management is deemed to be a barometer of financial health of an enterprise which is reflected through various financial statements such as Balance Sheet and Profit and Loss Statements .

Objectives of Financial Management :

- The prime objective of Financial Management is to maximize shareholder's wealth by maximizing the market price of a company's share . All the financial activities within an organization are focused at realizing the objective of wealth maximization . This can be achieved by ensuring that all the financial decisions are cost effective .

- Besides the objective of wealth maximization , sound financial management also seeks to attain the following objectives :
 - To acquire adequate funds for the organization in time , In order to ensure smooth operations of the business .
 - To ensure effective utilization of funds so as to curb wastage or embezzlement of funds .
 - To ensure safety of funds by minimizing risks .
- **Profit Maximization as an Objective of Financial Management :** More , we cannot consider profit maximization to be the prime objective of Financial Management , as it merely focuses on maximizing dividend per share .

OR

- (b) **Capital Structure :** Capital Structure refers to the mix between the owners and borrowed funds . It refers to the Debt to Equity Ratio . It is computed as :

$$\frac{\text{Debt}}{\text{Equity}}$$

Capital Structure of a business affects both the Profitability and the Financial Risk .

A capital structure will be said to be optimal when the ratio of debt and equity is such that it leads to an increase in the value of the equity share , thereby increasing the wealth of the shareholders .

Factors Affecting the choice of Capital Structure :

- **Cash Flow Positions :** If the cash flow position of the business is good , it may use debt . As against this , If the cash flow position of the business is bad , it may use equity .
- **Return on Investment (RoI) :** If the return on investment is high , the business may use Debt. On the other hand , if the interest coverage ratio is low , the business may use Equity .
- **Cost of Debt :** If cost of Debt is low , more Debt can be employed . As against it , If the cost of Debt is high , more of Equity may be used .

Disclaimer Clause :

These Solutions are prepared by the Expert Faculty Team of RESONANCE .

Views and Answers provided may differ from ASSAM BOARD due to difference in assumptions taken in support of the answers .

In such case answers as provided by "ASSAM BOARD" will be deemed as final .