

CH- – DIRECTING

Q.1	<p>Five students of BBA took part in a discussion. The subject for their discussion was, "Why do people get motivated to do anything" The main points of discussion are as under – The first student said, "People work because they want to deposit wealth enough to, protect themselves from diseases and to be relieved of the tension of old age". The second student said "People work because they want to arrange food, cloth and shelter for themselves at any rate."</p> <p>The third student said, "People work because they want to reach the top of the field in which they are. They, therefore, put in untiring efforts."</p> <p>The fourth student said, "People work, so that when they have money, people will become friendly with them and they will stand by them through thick and thin." The fifth student said, "People work, so that they may get respect in the society and that they may be recognised as exceptional persons."</p> <p>A. The discussion given above relates to which function of management? B. The five friends spoke about the different needs of people as the basis of their doing work. Identify these needs</p>				
Ans	<p>Motivation First friend – Safety needs Second friend - . Physiological needs Third friend - Self – actualization need. Fourth friend - Social needs Fifth friend – Esteem needs</p>				
Q.2	<p>Kartika is posted at a lower level of Management at "Ram Pvt. Ltd" the daily sale of the company is about Rs. 50 lac only. The company has given her the responsibility that the production work of the company should continue uninterrupted. The Managing Director has asked her to focus her attention especially on the speed and quality of production. She is doing her job efficiently. Her reputation is that of a successful leader. She takes every decision after discussion with all the concerned persons. Her subordinates are very happy with her. Identify the leadership style adopted by Kartika</p>				
Ans	<p>Democratic Leadership Style</p>				
Q.3	<p>Explain, in brief, the term directing as a function of management.</p>				
Ans	<p>Directing is a function of management concerned with instructing, guiding and inspiring people in the organization to achieve its objectives. It involves overseeing people at work, making provision for necessary facilities and creating a work environment whereby employees may perform to the best of their abilities. This process of direction includes four elements....</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">1. Supervision</td> <td style="width: 50%;">2. Motivation</td> </tr> <tr> <td>3. Leadership and</td> <td>4. Communications</td> </tr> </table>	1. Supervision	2. Motivation	3. Leadership and	4. Communications
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Q.4	<p>Two friends, Nancy and Poonam are working as managers in the different departments of the "Libra Ltd.". They often talk about the performance level in their respective departments. Both of them are not satisfied with their subordinates. They tried to – ascertain when the employees got their full salaries. What problem they had working honestly. After investigating for some days, they arrived at the conclusion that there was a lack of motivation in their company. Both held a meeting together in order to find out the solution of the problem. Nancy suggested participation of the employees in the company's profits, which she thought would create in the employees the feeling of belongingness to the company. Such a feeling, she was of the view, would have a direct influence on their performance level.</p> <p>Poonam on the basis of her experience said that if the feeling of job security was aroused in the employees, there could be improvement in their performance level. Both of them contacted their chief – executive officer – CEO with their suggestion. All three of them deliberated over this issue. The CEO listened to them very attentively. He said, "Both of you are right, but I too have a suggestion. If the employees are made participants in taking decisions, they will feel good and their performance level will improve" Ultimately the Company implemented the suggestion of all three of them.</p> <p>In the above paragraph, three different methods have been spoken about. Identify all these methods</p>				
Ans	<p>Nancy gave the suggestion about profit sharing.</p>				

	<p>Poonam gave the suggestion of Job – Security. CEO be the suggestion of employee participation – employees get encourage to notice their participation in managerial works. Therefore , they offer their fulfill cooperation in making successful the policies prepared with their help.</p>
Q.5	<p>Mr. Ekant Muglani, after completing his studies of BBA is working in the production department of “Jai Camicals LTD”. There are fifty persons working in different posts in his Department. He tries hard to keep a watch over the routine activities of all the employees. He observed one of the employees, Bhola Ram and afew other working on machines. They were running the machines in a wrong manner. The machines were very sophisticated. Mr. Muglani at once explains the right method of working to them. He wanted to solve this problem of the employees for good. He called a meeting of his subordinates. He took this decisions that the company will have to organize training of the employees immediately. They also decided that all the employees will drop a suggestion each in the suggestion – box daily, so that the different activities of the department may be improved speedily. It was announced that the employees giving valuable suggestions shall be rewarded On the basis above paragraph answer the following questions: -</p> <ol style="list-style-type: none"> Which function of the management is being discharged by Mr. Muglani by Keeping a watch over the routine activities? Which method of training of the employees will be suitable to be adopted here? Explain. Which style of leadership is being followed by Mr.Muglani? Which method of motivation will be decided to be adopted in the meeting of employees?
Ans	<ol style="list-style-type: none"> supervision Here the vestibule training method will be suitable to be adopted. For this training method a separate training center is set up. In this center factory like atmosphere and circumstance is/are created and the employees are trained to work on sophisticated machines. Democratic Leadership Style Employee recognition programme
Q.6	<p>One of the Newspapers had an article printed under the title “Business successmantra - Motivation”. Some portion of the article are as under:- “If an employee has a sense of fear or insecurity in his mind, that he can be removed from his job any tome, he will never work wholeheartedly and this worrycontinues troubling him. On the other hand if he has a feeling that his job is secureand permanent and he cannot be removed from his job easily, he will work’ without any worry and with an easy mind. Consequently, his efficiency increases. This is thereason why people prefer a permanent job with less salary to a temporary job withmore salary” Which concept of motivation has been described in the above portion of the article? Identify.</p>
Ans	<p>In it the “Job security method” has been described which comes under ‘non – monetary incentives’</p>
Q.7	<p>“It is through motivation that managers can inspire their subordinate to give their best to the organization”. In the light of this statement, explain in brief the importance of motivation.</p>
Ans	<p>Motivation is an importance function of management –</p> <ol style="list-style-type: none"> High performance level Better industrial relation Low employee turnoverand absenteeism Acceptance of organizational changes Better organizational image
Q.8	<p>What is the need of incentives? State the main form of incentives</p>
Ans	<p>Individual have different type of needs. These needs work as driving force. The management tries to govern the behavior of employees in satisfying their needs. Theobjects which satisfy their needs are called incentives. Such incentives may take twoforms; - Financial Incentives Non – financial Incentives</p>
Q.9	<p>Kumari Khyati Mavani is working as the personal manager In Dwarka Pvt. Ltd. The specialty of her company is that the financial position of its employees is good. The CEO of Kumari Khyati asked her to suggest a method of motivation .He said that the method</p>

	<p>should be such as should be happily acceptable to all the employees. Khyati spoke to several employees in this connection. The thoughts of some employees gave the feeling that they give more importance Individual Autonomy. One group of the company stressed that good performance should be rewarded. Another group of employees pleaded for recognising the importance of the employees in the company. On the basis of this investigation Khyati suggested to the CEO a very good method of motivation, which made him very happy. This method was immediately implemented. Consequently, within a few days the company's growth rate appeared to have become fast.</p> <ol style="list-style-type: none"> Identify the sub – function of management describe in the paragraph above. Which motivation method, in your view, might have been suggested by the personnel manager? Explain this motivation method.
Ans	<p>Directing function - motivation In my view , The personnel manager might have suggested the motivating method of organizational climate Organizational climate – organizational climate means the working system within the organization. This includes individual freedom, receipts of awards, the importance of employees etc. Motivating the employees</p>
Q.10	<p>Usually we see that on the occasion of Diwali people buy large number of gifts. “Dharma Electronics Ltd.’ wants to take advantage of this habit of people. It decided to prepare a big range of attractive gifts. All the employees of the company Co – operated fully to implement this decision. One day some of the employees were caty together in the canteen. One of them, Mr. Raj deep had secret and enjoyable information about one of his colleagues. He was telling them all as he stood amidst them. All of them were enjoying themselves the information he shared with them.</p> <ol style="list-style-type: none"> Identify this factor of Business Environment. In which method of communication comes the chatting going on in the canteen. which main type of communication belongs the method referred to in point “b”?
Ans	<ol style="list-style-type: none"> Social environment Gossip chain – explain Informal communication

Q.3	Explain, in brief, the term directing as a function of management.
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CH-8 – CONTROLLING

Q.1	What do you mean by controlling? Explain any three features of it.
Ans	<p>The controlling functions finds out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same.</p> <ol style="list-style-type: none"> 1) Controlling is a goal oriented function: Controlling focuses on how far actual performance deviates from the goal of organization. So it is completely a goal oriented function. 2) Controlling is an all pervasive function: Controlling is a function which is applicable to all types of organizations and at all levels-top, middle and lower level. 3) Controlling is a continuous function: It is a dynamic process that involves constant analysis of actual and planned performance, correction of deviations, if any.
Q.2	Explain any four points of importance of ‘controlling’ function of management.
Ans	<ol style="list-style-type: none"> 1) Controlling helps in achieving organizational goals: The controlling function measures progress towards the organizational goals and brings to light/indicates corrective action. 2) For Evaluating/Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate or not by careful check on the changes taking place in the organizational environment. 3) Making efficient use of resources: By the process of control, a manager seeks to reduce wastage of resources. 4) Improves employee’s motivation: A good control system ensures that employees know well in advance what they are expected to do & also the standard of performance. It thus motivates & helps them to give better performance.
Q.3	The last step in the process of controlling is ‘taking corrective actions’. Briefly explain the steps in chronological order that are taken in the process of controlling before this step.
Ans	<ol style="list-style-type: none"> 1) Setting Performance Standards: Standards are the criteria against which actual performance would be measured. 2) Measurement of Actual Performance: Performance should be measured in same terms in which standards have been established, this will facilitate comparison. 3) Comparing Actual Performance with Standard: This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired performance. 4) Analysing Deviations: The deviations from the standards are assessed and analysed to identify the causes of deviations.
Q.4	State the relationship between ‘planning’ and ‘controlling’ functions of management.
Ans	<ol style="list-style-type: none"> 1) Planning is pre-requisite for controlling- Plans provide the standard for controlling. Thus, without planning, controlling is blind. 2) Planning is meaningless without controlling- It is fruitful when control is exercised. It discovers deviations and initiates corrective measures. 3) Effectiveness of planning can be measured with the help of controlling 4) Planning is looking ahead (future) and controlling is looking back (past)
Q.5	<p>Whirlwind Enterprises was a renowned name for manufacturing quality washing machines since 1965. When the profit of the last year declined, Mr. Ahmed, the owner of Whirlwind Enterprises, asked the General Manager to prepare a profitability report of the company including Gross Profit Ratio, Net Profit Ratio, etc. besides using other techniques to assess the company’s performance.</p> <p>Identify and explain the step taken by Mr. Ahmed which is related to one of the functions of management</p>
Ans	<p>Measurement of Actual Performance: Actual performance should be measured in same terms in which standards have been established, this will facilitate comparison.</p>

Q.6	<p>'A.S. Ltd.' is a large company engaged in assembly of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping.</p> <p>(a) Identify the function of management discussed above. (b) State those steps in the process of the function identified which are discussed in the above paragraph</p>
Ans	<p>(a) Controlling. (b) Steps discussed in the above paragraph are: (i) Setting performance standards 'Recently the company had conducted the 'Time'can assemble ten air-conditioners in a day'. OR 'The target volume of the company in a day is assembling of 1,000 units of air-conditioners'. Setting performance standards which are the criteria against which the actual performance would be measured. (ii) Measurement of actual performance 'Even then the assembly of air-conditioners per day is 800 units only'. Measurement of actual performance with the standards in an objective and reliable manner. (iii) Comparing actual performance with the standards '... the company compared actual performance of each worker' Comparing actual performance with the standards to find out the deviation, if any. (iv) Analysing deviations observed through C.C.T.V. that some of the workers were busy in gossiping. Analysing deviations for their causes.</p>
Q.7	<p>ABC Ltd. is a large manufacturing unit. Recently, the company has conducted the 'time' and 'motion' studies and concluded that on an average a worker could produce 120 units per day. However, it has been noticed that average daily production of a worker is in the range of 80-90 units. Which function of management is needed to ensure that the actual performance is in accordance with the performance as per 'time' and 'motion' studies? State four features of this function of management</p>
Ans	<p>Controlling Features of controlling: a) Controlling is a goal-oriented function b) Controlling is a pervasive function c) Controlling is a continuous process d) Controlling is both a backward looking as well as forward looking function.</p>
Q.8	<p>Mr. Nath, a recently appointed production manager of Suntech Ltd. has decided to produce jute bags instead of plastic bags as these are banned by the government. He set a target of producing 1000 jute bags a day. It was reported that the employees were not able to achieve the target. Mr. Nath's behaviour is good towards the employees. His attitude is always positive. So he announced various incentive schemes for the employees like.</p> <ul style="list-style-type: none"> - installing award or certificate for best performance. - Rewarding an employee for giving valuable suggestions. - Congratulating the employees for good performance. <p>(a) Identify the functions of management highlighted in the above paragraph. (b) State the 'incentive' under which the employees are motivated. (c) State any two values which the production manager wants to communicate to the society by his work and behavior.</p>
Ans	<p>Controlling and Directing</p>

	<p>b) Employee recognition programme (non-monetary incentive)</p> <p>c) Values:</p> <ul style="list-style-type: none"> ☑ Sensitivity to environment ☑ Good behavior towards employees ☑ Team work with employees
Q.9	<p>Raj and Sanjay are managers in the same organization having different units. While discussing about the function of management, Raj says “Planning is looking ahead whereas controlling is looking back.” But Sanjay says, “Planning is looking back whereas controlling is looked ahead.” Both are giving reasons in favour of their statements. Explain the possible reasons given by both and justify who is correct.</p>
Ans	<p>Raj who says, “Planning is looking ahead whereas controlling is looking back” must be giving the following reason: Sanjay who says, “Planning is looking back where as controlling is looking ahead” must be giving the following reasons. Conclusion: Planning and controlling are both backward looking and forward looking functions. Hence, both of them are partially correct.</p>
Q.10	<p>XYZ Ltd. is engaged in manufacturing machine components. The target production is 250 units per day per worker. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 200-210 units per worker.</p> <ol style="list-style-type: none"> 1. Name the function of management and identify the step in the process of this function which helped in finding out that the actual production of a worker is less than the set target. 2. To complete the process of the function identified in (a) and to ensure the performance as per set targets, explain what further steps a manager has to take.
Ans	<ol style="list-style-type: none"> 1. The management function is controlling. “Comparing actual performance with standards” is the step involved in the process of controlling which helped in finding out that the actual production of a worker is less than the set target. 2. A manager has to take the following two further steps to complete the process of controlling: <ol style="list-style-type: none"> a) Analysing deviations b) Taking corrective action

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Q.9	Raj and Sanjay are managers in the same organization having different units. While discussing about the function of management, Raj says “Planning is looking ahead whereas controlling is looking back.”

ANSWER KEY

1. [Financial Management](#) is all about planning, organizing, directing and controlling the financial pursuits such as acquisition and utilization of capital of the firm. To put it in other words, it is applying general management standards to the financial resources of the firm.
2. Financing Decision- This decision is about choosing the cheapest source from the amount of finance proposed from various short and long term sources.

Investment Decision- This is about choosing the cheapest proposal from all the available alternative proposal, which gets the highest possible return for the investors.

Dividend Decision- This decision is to choose between whether the the earnings should be distributed to a stockholder as a dividend or to retain the earnings to finance the long-term plans of the company.

3. The factors included in the capital structure of a company are.
Interest Coverage Ratio (ICR)

Cash Flow Situation

Debt Service Coverage Ratio (DSCR)

Regulatory Framework

Return on Investment (ROI)

Tax rate

4. Financial planning is essentially preparation of a financial blueprint of an organization's future operations.
The process of estimating the fund requirement of a business and specifying the sources of funds is called financial planning.
The objective of financial planning is to ensure that enough funds are available at right time.
5. Stability of earnings- Stability of earnings of a business unit affects the dividend decision. Stability of Earnings is when the company is able to earn reasonable amount of profits every year. A company having stable earnings can declare a higher dividend whereas a company having unstable earnings is likely to pay smaller dividend.
Growth opportunity- Companies which are intended to grow and diversify its operations in new lines of business, generally pay fewer dividends and retain more money out of profits to invest in profitable projects. On the contrary, companies which are not intended to grow and continue with the same line of business having enough earnings and cash can pay higher dividends.

Cash Flow position- Dividend involves an outflow of cash. Availability of enough cash is necessary for payment of declaration of dividends. If the cash flow position is strong dividends can be paid. If cash flow position is weak it is difficult to pay dividends.

6. The primary objective of financial management is to maximize shareholders' wealth. This means maximization of the market value of equity shares. Increase in market value of shares depends on the financial decisions taken by the firm. Market price of the shares is the index of the capital invested. If the market price of the shares increases, it can be said that capital invested by the shareholders has been appreciating. On the contrary, fall in the market price of the shares has an adverse effect on their wealth.

KENDRIYA VIDYALAYA SANGATHAN AHMEDABAD REGION

WORK SHEET

BUSINESS STUDIES

CLASS XII

FINANCIAL MANAGEMENT

Q1. What do you mean by Financial Management?

Q2. While performing the financial function every manager takes three decisions. Explain those decisions

Q3. The board of director asked you to design the capital structure of a company. What are the factors you would consider to add?

Q4. What is meant by financial planning?

