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- Half yearly Exam - December 2024-25 Question Paper is given with answers.



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PREFACE

The woods are lovely, dark and deep.
But I have promises to keep, and
miles to go before I sleep

- Robert Frost

Respected Principals, Correspondents, Headmasters/ Headmistresses, Teachers,

From the bottom of our heart, we at SURA Publications sincerely thank you for the support and patronage that you have extended to us for more than a decade.

It is in our sincerest effort we take the pride of releasing **SURA'S Commerce** for +2 Standard. This guide has been authored and edited by qualified teachers having teaching experience for over a decade in their respective subject fields. This Guide has been reviewed by reputed Professors who are currently serving as Head of the Department in esteemed Universities and Colleges.

With due respect to Teachers, I would like to mention that this guide will serve as a teaching companion to qualified teachers. Also, this guide will be an excellent learning companion to students with exhaustive exercises and in-text questions in addition to precise answers for textual questions.

In complete cognizance of the dedicated role of Teachers, I completely believe that our students will learn the subject effectively with this guide and prove their excellence in Board Examinations.

I once again sincerely thank the Teachers, Parents and Students for supporting and valuing our efforts.

God Bless all.

Subash Raj, B.E., M.S.

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All the Best

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UNIT I

CHAPTER

1

MANAGEMENT PROCESS

PRINCIPLES OF MANAGEMENT

CHAPTER SNAPSHOT

- 1.1 Concept of Management
- 1.2 Definitions of Management
- 1.3 Management is differ from Administration
- 1.4 Management Process
- 1.5 Principles of Scientific Management
- 1.6 Principles of Modern Management
- 1.7 Span of Management

EXERCISE

I. CHOOSE THE CORRECT ANSWERS.

1. Management is what a _____ does?
[PTA-1; QY-'19; May-'22]
(a) Manager (b) Subordinate
(c) Supervisor (d) Superior
[Ans. (a) Manager]
2. Management is an _____
[Govt. MQP-'19; PTA-1; Aug-'21; July-'22; Mar-'23]
(a) Art (b) Science
(c) Art and Science (d) Art or Science
[Ans. (c) Art and Science]
3. Scientific management is developed by [PTA-2;
QY-'19, '24 & '24; Aug-'21; FRT-'22; June-'23]
(a) Fayol (b) Taylor
(c) Mayo (d) Jacob
[Ans. (b) Taylor]

4. Dividing the work into small tasks is known as:
[Sep-2020; FRT-'22; May-'22; HY-'23]
(a) Discipline (b) Unity [July-'24]
(c) Division of work (d) Equity
[Ans. (c) Division of work]
5. With a wider span, there will be _____
hierarchical levels. [PTA-6; FRT-'22]
(a) More (b) Less
(c) Multiple (d) Additional
[Ans. (b) Less]

II. VERY SHORT ANSWER QUESTIONS.

1. What is Management? [PTA-1; QY-'19; May-'22]
Ans. Management is the process of giving direction and controlling the various activities of the people to achieve the objectives of an organisation.

2. List out the management tools.

[HY-'19; Mar-2020 & '23; FRT-'22; QY-'23]

Ans. Tools of managements have been developed such as accounting, business law, psychology, statistics, econometrics, data processing, etc.

3. State the meaning of Authority.

[Sep-2020; July-'22 & '24; June-'23]

Ans. Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

4. What do you mean by Span of management?

[PTA-2; HY-'23]

Ans. (i) The span of management refers to the number of subordinates who can be managed efficiently by a superior.

(ii) Simply, the manager having the group of subordinates who report him directly is called as the span of management.

III. SHORT ANSWER QUESTIONS.**1. Define the term management.**

[PTA-1; Aug-'21; FRT & July-'22; June-'23; Mar-'24]

Ans. According to Koontz and Weihrich, "Management is the process of designing and maintaining of an environment in which individuals working together in groups efficiently accomplish selected aims".

2. Differentiate management from Administration. (any 3)

[Govt. MQP-'19; PTA-2; HY-'19; May-'22]

Ans. [QY-'24]

	Basis	Management	Administration
1.	Meaning	An organised way of managing people and things of a business organisation is called management	The process of administering an organisation by a group of people is known as the administration
2.	Authority	Middle and lower level	Top level
3.	Concerned with	Policy implementation	Policy formulation
4.	Role	Executive	Decisive
5.	Area of operation	It works under administration	It has full control over the activities of the organisation.

3. What are the principles of Taylor?

[QY-'19; Sep-2020; Mar-'23; July-'24]

Ans. Taylor propounded the principles of scientific management. They are :

- (i) Science, Not Rule of Thumb
- (ii) Harmony, Not Discord
- (iii) Mental Revolution
- (iv) Co-operation, Not individualism
- (v) Development of each and every person to his or her greatest efficiency and prosperity.

4. What determines the span of management?

[FRT-'22]

Ans. (i) The Span of Management has two implications:

- 1. Influences the complexities of the individual manager's job
- 2. Determine the shape or configuration of the Organization

(ii) The span of management is related to the horizontal levels of the organization structure. There is a wide and a narrow span of management.

(iii) With the wider span, there will be less hierarchical levels, and thus, the organizational structure would be flatter.

(iv) Whereas, with the narrow span, the hierarchical levels increases, hence the organizational structure would be tall.



IV. LONG ANSWER QUESTIONS.

1. Explain the concept of management. (any 5)

[FRT-'22; June-'23; QY. & July-'24]

Ans. The management concept can be understood from its profound characteristic features as follows:

- (i) **Body of Knowledge :** Management has now developed into a specialised body of management theory and philosophy. Management literature is growing in all countries.
- (ii) **Management Tools :** Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc.
- (iii) **Separate Discipline :** Management studies in many universities and institutions of higher learning are recognised as a separate discipline.
- (iv) **Specialisation :** There is a growing tendency to select and appoint highly qualified, trained and experienced persons to manage the business in each functional areas of management.
- (v) **Code of Conduct :** Enlightened businessmen have recognised that business management is a social institution and it has social responsibilities to be fulfilled – towards customers, employees, and the public or community.

2. Explain the principles of modern management. (any 5) [PTA-2; Govt. MQP & QY-'19 & '23; Aug-'21; FRT, May & July-'22; Mar-'23]

Ans. Henry Fayol is the father of modern management. The following are the major principles of modern management are,

- (i) **Division of work :** According to this principle the whole work is divided into small tasks. The specialization of the workforce according to the skills of a person, creating specific personal and professional development within the labour force and therefore increasing productivity.
- (ii) **Authority and Responsibility :** Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.
- (iii) **Discipline :** It is obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organisations.
- (iv) **Unity of command :** This principle states that each subordinate should receive orders and be accountable to one and only one superior.
- (v) **Unity of direction :** All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager.

PTA QUESTIONS AND ANSWERS

I. SHORT ANSWER QUESTIONS.

3 MARKS

1. Is management an Art or Science?

[PTA-2; FRT-'22]

Ans. Is Management a Science :

Management is an in-exact science, because in pure science, the principles are put into test in a laboratory and they are either proved or disproved exactly and precisely.

Is Management an Art:

- (i) Everyone believes that management is an art.
- (ii) Because, the concept of art denotes the learning of skills and practicing them in

the day to day life like a mason or carpenter or mechanic or a musician being able to perform their respective art they learnt by way of skill display before anybody under any circumstances.

Management is both - Science and an art:

To conclude, Management is neither a science nor an art, but a combination of both requiring people holding managerial positions to apply the scientific management principles and displaying popular managerial skills to accomplish the organizational goals as efficiently and as quickly as possible so as to be competitive in the globalised environment of business.

II. LONG ANSWER QUESTIONS.**5 MARKS**

1. Describe the principles of scientific management. [PTA-1]

Ans. Principles of scientific management propounded by Taylor are explained in brief as follows :

Science, Not Rule of Thumb :

- (i) Rule of Thumb means decisions taken by manager as per their personal judgements.
- (ii) A small production activity like loading iron sheets into box cars can be scientifically planned.
- (iii) Decision should be based on scientific enquire with cause and effect relationships.

2. Harmony, Not Discord :

- (i) Taylor emphasized that there should be complete harmony between the workers and the management since if there is any conflict between the two.
- (ii) It will not be beneficial either for the workers or the management.
- (iii) Both the management and the workers should realise the importance of each other.

3. Mental Revolution :

- (i) The technique of mental revolution involves a change in the attitude of workers and management towards each other.
- (ii) Thus, mental revolution requires a complete change in the outlook of both management and workers.

4. Co-operation, Not Individualism :

- (i) This principle is an extension of principle of '**Harmony – not discord**'.
- (ii) Co-operation, mutual confidence, sense of goodwill should prevail among both, managers, as well as workers.

5. Development of each and every person to his or her greatest efficiency and prosperity:

- (i) Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent.
- (ii) Employees should be scientifically selected.
- (iii) This ultimately helps to attain efficiency and prosperity for both organisation and the employees.

GOVERNMENT EXAM QUESTIONS AND ANSWERS**I. CHOOSE THE CORRECT ANSWERS. 1 MARK**

1. Who is the 'Father of Modern Management'? [HY-'19]

- (a) Mr. F.W. Taylor
- (b) Mr. Henry Fayol
- (c) Mr. Peter F. Drucker
- (d) Mr. Louis A. Allen

[Ans. (b) Mr. Henry Fayol]

2. "Management is a multipurpose organ that manages a business and manages Manager, and manages worker and work." Who said these words? [Mar-2020]

- (a) George Odiorne
- (b) Henry Fayol
- (c) Peter F. Drucker
- (d) F.W. Taylor

[Ans. (C) Peter F. Drucker]

3. Assertion (A) : Management knowledge is the best passport to enter into the world of employment.

Reason (R) : Management literature is growing in all countries. [Sep-2020]

- (a) (A) and (R) are correct and (R) is the correct explanation of (A).
- (b) (A) and (R) are correct and (R) is the incorrect explanation of (A).
- (c) (A) is incorrect but (R) is correct.
- (d) (A) is correct but (R) is incorrect.

[Ans. (b) (A) and (R) are correct and (R) is the incorrect explanation of (A)]

4. Which of the following was/are the principles of Taylor? [FRT-'22]

- (a) Science, Not Rule of Thumb
- (b) Harmony, not Discord
- (c) Cooperation, not Individualism
- (d) All the above

[Ans. (d) All the above]

**III. SHORT ANSWER QUESTIONS. 3 MARKS**

1. Define the term management according to Peter F. Drucker. [HY-'19]

Ans. According to Peter F. Drucker, "Management is a multipurpose organ that manages a business and manages manager, and manages worker and work".

IV. LONG ANSWER QUESTIONS. 5 MARKS

1. Write about the contribution of Drucker to management. [QY-'19]

Ans. "Management is a multipurpose organ that manages a business and manages manager, and manages worker and work." - Peter F. Drucker. Drucker stresses three jobs of management :

- (i) Managing a business
- (ii) Managing manager; and
- (iii) Managing workers and work.

Even if one is omitted, it would not have management anymore and it also would not have a business enterprise or an industrial society. According to P. Drucker, the manager has to balance and integrate three major jobs of a business enterprise as mentioned above.

Hence, a manager is a dynamic and life-giving element in every business. Without efficient management it cannot be possible to secure the best allocation and utilisation of human, material and financial resources.

ADDITIONAL QUESTIONS AND ANSWERS**I. CHOOSE THE CORRECT ANSWERS. 1 MARK****I. CHOOSE THE CORRECT OPTION.**

1. The observation of people at work that would reveal the one best way to do a task is known as

- (a) scientific management
- (b) creative management
- (c) human resource management
- (d) classical management

[Ans. (a) scientific management]

2. The founder of scientific management was

- (a) Peter F. Drucker
- (b) Frederick Taylor
- (c) Henry Fayol
- (d) Elton

[Ans. (b) Frederick Taylor]

3. The first management principles were developed by

- (a) Victor Meldrew
- (b) Charles
- (c) Henry Fayol
- (d) Taylor

[Ans. (c) Henry Fayol]

4. Studying the future and arranging the means for dealing with it is part of the process of

- (a) Organising
- (b) Controlling
- (c) Coordinating
- (d) Planning

[Ans. (d) Planning]

5. "Division of work, authority and responsibility, unity of command" were proposed as part of the fourteen principles of management by

- (a) Fayol
- (b) Meldrew
- (c) Taylor
- (d) Charles

[Ans. (a) Fayol]

6. Principles of management are not

- (a) Absolute
- (b) Flexible
- (c) Behavioural
- (d) Universal

[Ans. (a) Absolute]

7. Henri Fayol was a

- (a) Social scientist
- (b) Accountant
- (c) Production engineer
- (d) Mining engineer

[Ans. (d) Mining engineer]

8. How are principles of management formed?

- (a) In a laboratory
- (b) By experience of managers
- (c) By experience of customers
- (d) By experience of producers

[Ans. (b) By experience of managers]

9. The principles of management are significant because of

- (a) changing technology
- (b) utilisation of resources
- (c) increase in efficiency
- (d) initiative

[Ans. (c) increase in efficiency]

10. Which of the following is not a principle of management given by Taylor?

- (a) Functional foremanship
- (b) Science, not rule of the thumb
- (c) Maximum, not restricted output
- (d) Harmony, not discord

[Ans. (a) Functional foremanship]



11. A reporting relationship in which an employee receives order from, and reports to only one supervisor is known as

(a) Unity of direction
(b) Unity of command
(c) Centralization (d) Planning

[Ans. (b) Unity of command]

12. Find the odd one out.

(a) board of directors (b) chief executive
(c) foremen (d) shareholders

[Ans. (c) foremen]

13. Management should find 'one best way' to perform a task. Which technique of scientific management is defined in this sentence.

(a) Time study (b) Motion study
(c) Fatigue study (d) Method study

[Ans. (d) Method study]

14. Observe the following management principles and pick the odd one out. Justify your answer.

(a) unity of command (b) unity of direction
(c) maximum output (d) equity

[Ans. (c) maximum output]

15. Which of the following is not true?

(a) Management is universal
(b) Management is an art
(c) Management is a social process
(d) Management is always bureaucratic

[Ans. (d) Management is always bureaucratic]

16. Modern managers are :

(a) Action oriented
(b) Able to build a sense of shared values
(c) Able to manage changes efficiently
(d) All of the above [Ans. (d) All of the above]

II. MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

1.	List I		List II
i)	Body of knowledge	1)	Training programmes
ii)	Management Tools	2)	Professionals
iii)	Separate Discipline	3)	Data processing
iv)	Specialisation	4)	Theory and philosophy

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	3	4	2	1
(d)	2	3	1	4

[Ans. (b) (i)-4; (ii)-3; (iii)-1; (iv)-2]

2.	List I		List II
i)	Code of conduct	1)	Directing and controlling
ii)	Professional Association	2)	Human resources
iii)	Functional School	3)	Managerial profession
iv)	Behavioural School	4)	Social responsibilities

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	3	4	2	1
(c)	4	3	1	2
(d)	2	3	1	4

[Ans. (c) (i)-4; (ii)-3; (iii)-1; (iv)-2]

3.	List I		List II
i)	Management	1)	Managerial functions
ii)	Administration	2)	Planned goals
iii)	Co-ordination	3)	Top level
iv)	Cyclical process	4)	Lower level

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	4	3	1	2
(b)	1	2	3	4
(c)	2	3	1	4
(d)	3	4	2	1

[Ans. (a) (i)-4; (ii)-3; (iii)-1; (iv)-2]

4.	List I		List II
i)	Rule of Thumb	1)	Mutual trust
ii)	Mental Revolution	2)	Extension of principle
iii)	Group action	3)	Attitude of workers
iv)	Cooperation	4)	Personal judgments

**Codes :**

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	3	4	2	1
(d)	2	3	1	4

[Ans. (b) (i)-4; (ii)-3; (iii)-1; (iv)-2]

5.	List I		List II
i)	Division of work	1)	Obligation for performance
ii)	Authority	2)	Smooth functioning of an organisation
iii)	Responsibility	3)	Right of a superior
iv)	Discipline	4)	Increasing productivity

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	1	4
(d)	3	4	2	1

[Ans. (b) (i)-4; (ii)-3; (iii)-1; (iv)-2]

III. CHOOSE AND FILL IN THE BLANKS.

1. Management has now developed into a specialised body of _____ and _____.

- (a) management theory, philosophy
(b) art, science
(c) science, psychology
(d) none of these

[Ans. (a) management theory, philosophy]

2. _____ studies in many universities and institutions of higher learning are recognised as a separate discipline.

- (a) Science (b) Psychology
(c) Management (d) Philosophy

[Ans. (c) Management]

3. _____ have approach concentrates on the entire organisation.

- (a) Systems (b) Contingency
(c) Man Power (d) None of these

[Ans. (a) Systems]

4. _____ approach emphasises dynamic nature of management process in an ever-changing business environment.

- (a) Systems (b) Man power
(c) Contingency (d) Management

[Ans. (c) Contingency]

5. The art of management is fully reflected in the _____ capacity of a manager.

- (a) professional association
(b) separate discipline
(c) decision-making
(d) co-ordination

[Ans. (c) decision-making]

6. _____ is all about plans and actions.

- (a) Management (b) Accountant
(c) Administration (d) Specialisation

[Ans. (a) Management]

7. _____ means decisions taken by manager as per their personal judgements.

- (a) Mental revolution (b) Cooperation
(c) Rule of thumb (d) None of these

[Ans. (c) Rule of Thumb]

8. _____ requires a complete change in the outlook of both management and workers.

- (a) Group discussion (b) Rule of Thumb
(c) Cooperation
(d) Mental revolution

[Ans. (d) Mental revolution]

9. _____ implies the concentration of decision making authority at the top management.

- (a) Centralization (b) Remuneration
(c) Scalar chain (d) Equity

[Ans. (a) Centralization]

10. _____ refer to the chain of superiors ranging from top management to the lowest rank.

- (a) Authority (b) Responsibility
(c) Line of authority (d) Remuneration

[Ans. (c) Line of authority]

11. _____ is the study of how to create an organizational structure that leads to high efficiency and effectiveness.

- (a) Scientific management
(b) Planning
(c) Allocation management
(d) None of these

[Ans. (c) Allocation management]



12. _____ is part and parcel of our day to day life.

- (a) Management (b) Industry
(c) Commerce (d) Economics

[Ans. (a) Management]

13. _____ is growing in all countries.

- (a) Knowledge
(b) Management literature
(c) Both (d) None of these

[Ans. (b) Management literature]

14. _____ is the decision making body of an organizations.

- (a) Administration
(b) Functional organisation
(c) Leadership
(d) Decentralisation [Ans. (a) Administration]

15. Authority refers to _____.

- (a) getting work done
(b) scalar chain
(c) right to get work done
(d) being in a managerial position

[Ans. (c) right to get work done]

16. _____ helps to finish to task on time.

- (a) Planning (b) Motivation
(c) Team spirit (d) Remuneration

[Ans. (c) Team spirit]

17. _____ ensures the fluid operation of a company through authoritative procedure.

- (a) Social order (b) Material order
(c) Human order (d) None of these

[Ans. (a) Social order]

18. _____ is essential for the smooth functioning of all organizations.

- (a) unity of command (b) unity of direction
(c) Discipline (d) Remuneration

[Ans. (c) Discipline]

IV. PICK THE ODD ONE OUT.

1. (a) Separate Discipline
(b) Management Tools
(c) Body of knowledge
(d) Mental Revolution

[Ans. (d) Mental Revolution]

Reason : The techniques of mental revolution involves a change in the attitude of workers and management towards each other. Other three are characteristics of management.

2. (a) Rule of Thumb
(b) Purposive process
(c) Social process
(d) Cyclical process [Ans. (a) Rule of Thumb]

Reason : Rule of Thumb means decisions taken by manager as per their personal judgements. Other three are parts of management.

3. (a) Division of work
(b) Unity of command
(c) Taylor
(d) Unity of direction [Ans. (c) Taylor]

Reason : Scientific management is developed by Taylor. Other three are principles of modern management.

4. (a) Remuneration (b) Equity
(c) Team spirit (d) Administration [Ans. (d) Administration]

Reason : Administration is concerned with framing policies and setting objectives. Other three are principles of model management.

V. WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

1. (a) Management Tools - Statistics
(b) Separate Discipline - Seminars
(c) Body of knowledge - Management literature
(d) Specialisation - Social institution
- [Ans. (d) Specialisation - Social institution]
2. (a) System approach - Inputs process
(b) Contingency - Business environment
(c) Behavioural school - Social resources
(d) Functional School - Process of planning

[Ans. (c) Behavioural school - Social resources]

3. (a) Division of work - Small tasks
(b) Discipline - Respect of authority
(c) Initiative - Strength and new ideas
(d) Unity of direction - Mutual trust
- [Ans. (d) Unity of direction - Mutual trust]



VI. WHICH ONE OF THE FOLLOWING IS CORRECTLY MATCHED?

1. (a) Unity of command - Create confusion and conflict
- (b) Unity of direction - Goals of the organisation
- (c) Remuneration - Social justice
- (d) Centralisation - Top management

[Ans. (a) Unity of command – Create confusion and conflict]

2. (a) Social order - Stability
- (b) Material order - Safety and efficiency
- (c) Equity - Rewarding of effort
- (d) Initiative - Fluid operation

[Ans. (b) Material order – Safety and efficiency]

VII. CONSIDER THE FOLLOWING STATEMENT.

1. **Assertion (A) :** Management has now developed into a specialised body of management theory and philosophy.

Reason (R) : Management studies in many universities and institutions of higher learning are recognised as a separate discipline.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. **Assertion (A) :** The art of management is fully reflected in the decision making capacity of a manager.

Reason (R) : Management focuses on managing people and their work.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

3. **Assertion (A) :** Rule of Thumb means decisions taken by manager as per their personal judgements.

Reason (R) : Decisions should be based on scientific enquiry with cause and effect relationships.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

4. **Assertion (A) :** Group action with mutual trust and understanding should be perfect understanding the focus of working.

Reason (R) : This principle requires that there should be perfect understanding between the management and workers.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

5. **Assertion (A) :** Material order ensures safety and efficiency in the workplace.

Reason (R) : Team spirit helps develop an atmosphere of mutual trust and understanding.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

VIII. CHOOSE THE CORRECT STATEMENT.

1. (i) Management literature is growing in all countries.
- (ii) Corporations have now social conscience and awareness.
- (iii) Consumer oriented marketing concept is the reflection of a corporate code of conduct.



- (a) (i) is correct (b) (ii) is correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

2. (i) Behavioural school sees management as a process of planning, organising, directing and controlling.
(ii) Quantitative school wants to improve the quality of decision making.
(iii) Systems approach concentrates on the entire organisation, i.e., inputs and outputs process.
(a) (i) is correct
(b) (ii) is correct
(c) (ii) and (iii) are correct
(d) (i) and (iii) are correct

[Ans. (c) (ii) and (iii) are correct]

3. (i) The art of management is fully reflected in the decision making capacity of manager.
(ii) Judgement and imagination are essential even in computerised economy.
(iii) A computer can replace a manager in decision making.
(a) (i) is correct
(b) (i) and (ii) are correct
(c) (i) and (iii) are correct
(d) (i), (ii) and (iii) are correct

[Ans. (b) (i) and (ii) are correct]

4. (i) Management as well as the workers should aim to increase the profits of the organisation.
(ii) Mental revolution requires a complete change in the outlook of both management and workers.
(iii) Workers should be considered as part of management and should be allowed to take part in decision making process of the management.
(a) (i) is correct
(b) (ii) and (iii) are correct
(c) (i) and (ii) are correct
(d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

5. (i) Authority means the right of a superior to give the order to his subordinates.
(ii) Discipline is essential for the smooth functioning of all organisations.
(iii) Centralization implies the concentration of decision making authority at the top management.

- (a) (i) is correct
(b) (i) and (ii) are correct
(c) (ii) and (iii) are correct
(d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

II. VERY SHORT ANSWER QUESTIONS. 2 MARKS

1. What is responsibility?

Ans. Responsibility means obligation for performance. It is the amount of work expected from a man by his superior.

2. What is unity of direction?

Ans. All related activities should be put under one group, there should be one plan of action for them and they should be under the control of one manager.

3. What are the functional area of management?

Ans. The functional area of management are : export management, personnel management, general management, production management, marketing management and financial management.

4. What are 4 M's?

Ans. Men, Machine, Money and Materials are called 4 M's.

5. What is scientific management?

Ans. Scientific management refers to the use of scientific methods to management problems.

6. What is unity of command?

Ans. This principle states that each sub-ordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict.

7. What is meant by Esprit De Corps?

Ans. Esprit de corps means "union is strength". In an organisation, employees should be harmony and unit. It improves the employee morale.

8. What are the three jobs of management?

Ans. According to peter Drucker three jobs of management are:

- (i) Managing a business
- (ii) Managing a manager
- (iii) Managing workers and work.

9. What is meant by Management process?

Ans. Management is regarded as a social process because it is directly concerned with management of human resources in order to secure co-operation and team work from the people in their performance.

**10. What are the twin purposes of the management process?**

Ans. There are twin purposes of the management process: They are

- (i) Maximum productivity or profitability; and
- (ii) Maximum human welfare and satisfaction.

11. Who is a manager?

Ans. A person responsible for controlling or administering an organization or group of staff. Manager is a salaried employee in the entity set up for carrying on the venture.

III. SHORT ANSWER QUESTIONS. 3 MARKS**1. Why management is regarded as a social process?**

Ans. (i) The substance of management should be identified as a process.

(ii) A process is something that what a person does in the context of his individual duties and responsibilities assigned by his or her immediate higher authority.

(iii) A process also implies on going and unceasing cyclical operations.

(iv) In management, we have planning – action – control cycle.

(v) A process indicates the dynamic nature of management.

(vi) It also implies that change is a constant reality of organisational life and management is the management of change.

2. Explain Management Vs Administration.

Ans. The two terms 'management' and 'administration' are used interchangeably.

(i) While management is more executive in nature. But the concept of administration denotes the art of decision – making.

(ii) Management is all about plans, actions, but the administration is concerned with framing policies and setting objectives.

(iii) The manager looks after the management of the organisation, whereas administration is responsible for the administration of the organisation.

3. Write a short notes on a. Equity b. Initiative

Ans. (a) Equity :

- (i) Employees must be treated kindly and justice must be enacted to ensure a just workplace.

- (ii) Managers should be fair and impartial when dealing with employees, giving equal attention towards all employees.

(b) Initiative :

- (i) Using the initiative of employees can add strength and new ideas to an organization.

- (ii) Initiative on the part of employees is a source of strength for organization because it provides new and better ideas.

- (iii) Employees are likely to take greater interest in the functioning of the organization.

4. Discuss the differences between the contributions of Taylor and Fayol.

Ans.

	Basis	Henry Fayol	F.W. Taylor
1.	Perspective	Top level of management	Shop floor level of a factory
2.	Basis of formation	Personal experience	Observations and experimentation
3.	Focus	Improving overall administration	Increasing productivity
4.	Personality	Practitioner	Scientist

5. Distinguish between unity of command and unity of direction.

Ans.

	Basis	Unity of command	Unity of direction
1.	Meaning	One subordinate should receive orders from one boss only	Each group of activities should have one head and one plan
2.	Aim	It avoids dual subordination	It avoids overlapping of activities
3.	Implication	It affects individual employee	It affects the entire organisation

IV. LONG ANSWER QUESTIONS. 5 MARKS

1. Discuss the implications of span of management.

- Ans. (i)** The span of Management refers to the number of subordinates who can be managed efficiently by a superior.
- (ii)** The manager having the group of subordinates who report him directly is called as span of management.

The Span of Management has two implications:

- (i)** Influences the complexities of the individual manager's job
- (ii)** Determine the shape or configuration of the Organization

The span of management is related to the horizontal levels of the organization structure. Whereas, with the narrow span, the hierarchical levels increases, hence the organizational structure would be tall.

- (iii)** Both these organizational structures have their advantages and the disadvantages. But however the tall organizational structure imposes more challenges.
- (iv)** Since the span is narrow, which means less number of subordinates under one superior, requires more managers to be employed in the organization. Thus, it would be very expensive in terms of the salaries to be paid to each senior.
- (v)** With more levels in the hierarchy, the communication suffers drastically. It takes a lot of time to reach the appropriate points, and hence the actions get delayed.
- (vi)** Lack of coordination and control because the operating staff is far away from the top management.

2. Explain the management process in detail.

Ans. The substance of management should be identified as a process. A process is something that what a person does in the context of his individual duties and responsibilities assigned by his or her immediate higher authority.

There are twin purposes of the management process :

- (i) Maximum productivity of profitability**
(ii) Maximum human welfare and satisfaction.

There are five parts of management as a process :

(i) Management is Co-ordination :

The manager of an enterprise must effectively co-ordinate all activities and resources of the organisation, namely men, machines, materials and money, the four M's of the management.

(ii) Management is a process :

The manager achieves proper co-ordination of resources by means of the managerial functions of planning, organising, staffing, directing and controlling.

(iii) Management is a purposive process :

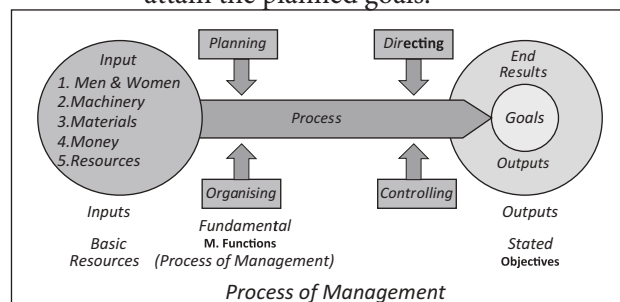
It is directed towards the achievement of predetermined goals or objectives. Without an objective, we have no destination to reach or a path to follow to arrive at our destination i.e. a goal, both management and organisation must be purposive or goal - oriented.

(iv) Management is a social process :

It is the art of getting things done through other people.

(v) Management is a cyclical process :

It represents planning – action – control – re-planing cycle i.e. an ongoing process to attain the planned goals.



CHAPTER

2

FUNCTIONS OF MANAGEMENT

CHAPTER SNAPSHOT

- 2.1 Main Functions
- 2.2 Subsidiary Functions

EXERCISE

I. CHOOSE THE CORRECT ANSWERS.

1. Which is the primary function of management?

[PTA-3; Mar.2020; June-'23]

- (a) Innovating
- (b) Controlling
- (c) Planning
- (d) Decision-making

[Ans. (c) Planning]

2. Which of the following is not a main function?

[QY-'19; May-'22; HY-'23]

- (a) Decision-making
- (b) Planning
- (c) Organising
- (d) Staffing

[Ans. (a) Decision-making]

3. _____ is included in every managerial function.

[Aug-'21; Mar-'24]

- (a) Co-ordinating
- (b) Controlling
- (c) Staffing
- (d) Organising

[Ans. (a) Co-ordinating]

4. Which of the following is verification function?

[Govt. MQP & HY-'19; PTA-4; FRT & July-'22; QY-'24]

- (a) Planning
- (b) Organising
- (c) Staffing
- (d) Controlling

[Ans. (d) Controlling]

5. The goals are achieved with the help of _____

[Mar-'23; July-'24]

- (a) Motivation
- (b) Controlling
- (c) Planning
- (d) Staffing

[Ans. (a) Motivation]

II. VERY SHORT ANSWER QUESTIONS.

1. Write a short note about Planning.

[PTA-3; QY-'19; FRT-'22; June-'23]

Ans. Planning refers to deciding in advance. Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

2. What is meant by Motivation?

[QY-'24]

Ans. The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing a willingness on the part of the workers.

3. List the subsidiary functions of management.

Ans. (i) Innovation [Mar-'24]

(ii) Representation

(iii) Decision - making

(iv) Communication

4. What is the Traditional Proverb used in planning?

Ans. Think Before you Act' or 'Look Before you Leap' are some of the usual traditional proverbs; which provide a basis or logic for planning.

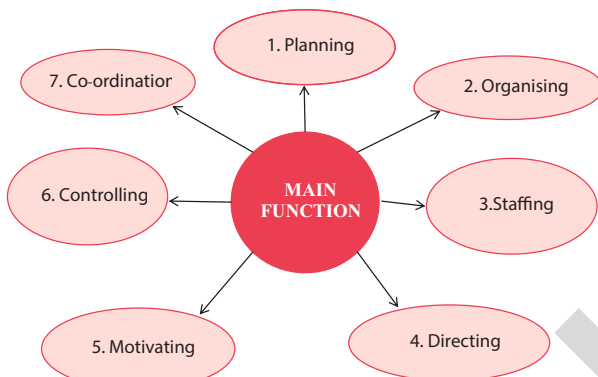
III. SHORT ANSWER QUESTIONS.

1. List out the main functions of management.

[QY-'19; FRT-'22; Mar-'23]

Ans. The main functions of management are :

- (i) Planning
- (ii) Organising
- (iii) Staffing
- (iv) Directing
- (v) Motivating
- (vi) Controlling
- (vii) Co-ordination



2. State the importance of staffing. [HY-'23]

Ans. (i) Staffing function comprises the activities of selection and placement of competent personnel.

(ii) In other words, Staffing refers to placement of right persons in the right jobs.

(iii) Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel.

(iv) The success of any enterprise depends upon the successful performance of staffing function.

3. How the employees are informed about important matters in a company? [QY-'24]

Ans. Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc., in order to enable the employees to accomplish the organizational goals.

IV. LONG ANSWER QUESTIONS.

1. Explain the various functions of management. (any 5) [PTA-4; Sep.2020; Aug-'21; May-'22;

June-'23; July-'24]

Ans. Functions of management can be classified into two categories.

A. Main functions; and B. Subsidiary functions.

A. Main functions :

(i) Planning :

(a) Planning is the primary function of management.

(b) Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

(c) E.g. Writing a book starts with planning.

(ii) Organising :

(a) Organising is the process of establishing harmonious relationship among the members of an organisation.

(b) Organising function work is assigned to employees who are given authority to carry out the work assigned and made accountable for it.

(iii) Staffing :

(a) Staffing function comprises the activities of selection and placement of competent personnel.

(b) Staffing refers to placement of right persons in the right jobs.

(iv) Directing : [QY-'19]

(a) Directing denotes motivating, leading, guiding and communicating with sub-ordinates.

(b) Employees are kept informed of all necessary matters by circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism, etc.

B. Subsidiary functions :

(i) Innovation :

(a) Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.

(b) Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

**(ii) Representation :**

- (a) A manager has to act as representative of a company.
- (b) Manager has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions, etc.
- (c) It is the duty of every manager to have good relation with others.

(iii) Decision – making :

- (a) Every employee of an organisation has to take a number of decisions every day.

- (b) Decision – making helps in the smooth functioning of an organisation.

(iv) Communication :

- (a) Communication is the transmission of human thoughts, views or opinions from one person to another person.
- (b) Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done.

PTA QUESTIONS AND ANSWERS**I. VERY SHORT ANSWER QUESTIONS.****2 MARKS****1. What is meant by Controlling? [PTA-4]**

Ans. Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions. It is the control function which facilitates synchronization of actual performance with predetermined standards.

II. SHORT ANSWER QUESTIONS.**3 MARKS****1. What are the main duties of a manager? [PTA-4]**

- Ans. (i)** A manager has to act as representative of a company.
- (ii)** Manager has dealings with customers suppliers, government officials, banks, financial institutions, trade unions, etc.
- (iii)** It is the duty of every manager to have good relations with others.

GOVERNMENT EXAM QUESTIONS AND ANSWERS**I. CHOOSE THE CORRECT ANSWERS.****1 MARK****1. Which one is non correct? [QY-'19]**

- (a) The process of placing the right man on the right job is called placement.
- (b) A manager has to act as representative of a company.
- (c) The goals are achieved with the help of motivation.
- (d) Can do anything without planning

[Ans. (d) Can do anything without planning]

2. Subsidiary function of management are:**[FRT-'22]**

- (a) Innovation
- (b) Representation
- (c) Decision making
- (d) All the above

[Ans. (d) All the above]

II. LONG ANSWER QUESTIONS.**5 MARKS****1. Explain (i) Planning (ii) Co-ordination****[FRT-'22]****(i) Planning :**

- (a) Planning is the primary function of management. Nothing can be performed without planning. (For eg., Writing a book starts with planning).
- (b) Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.
- (c) Planning should take place before doing; most individual or group efforts are made by determining before any operative action takes place, what shall be done, where, how and who shall do it.

**(ii) Co-ordination:**

- (a) Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives.
- (b) Co-ordination is included in every managerial function;

Eg: (i) Planning and co-ordination,

(ii) Organising and co-ordination,

(iii) Staffing and co-ordination,

(iv) Directing and co-ordination,

(v) Motivation and co-ordination and

(vi) Controlling and co-ordination.

(c) The difficulty of co-ordination depends upon the size of organisation.

(d) The difficulty of co-ordination is increased with the increasing size of the organisation.

ADDITIONAL QUESTIONS AND ANSWERS

I. CHOOSE THE CORRECT ANSWERS.

1 MARK

I. CHOOSE THE CORRECT OPTION.

1. Management functions are called as

- (a) Managerial Process
(b) Cyclical Process
(c) Psychological Process
(d) Accounting Process

[Ans. (a) Managerial Process]

2. Nothing can be performed without

- (a) Organising (b) Staffing
(c) Planning (d) Controlling

[Ans. (c) Planning]

3. Consumers are satisfied through

- (a) coordination (b) motivation
(c) innovation (d) representation

[Ans. (c) innovation]

4. Which of the following is not a function of management?

- (a) Budgeting (b) Profit earning
(c) Staffing (d) Planning

[Ans. (b) Profit earning]

5. Which among the following is not a subsidiary function of management?

- (a) Communication (b) Innovation
(c) Motivation (d) Decision-making

[Ans. (c) Motivation]

6. Co-ordination means

- (a) Organising activities
(b) Directing activities
(c) Synchronizing activities
(d) All of these

[Ans. (c) Synchronizing activities]

7. Planning, organizing, directing and controlling are the

- (a) Functions of management
(b) Goals of management
(c) Results of management
(d) All of the above

[Ans. (a) Functions of management]

8. Empowerment is related to

- (a) Planning (b) Organizing
(c) Directing (d) Controlling

[Ans. (c) Directing]

9. Coordinating people and human resources to accomplish organizational goals is the process of

- (a) Planning (b) Directing
(c) Management (d) Leadership

[Ans. (d) Leadership]

10. Which of the following would be included in the "Controlling function"?

- (a) Measuring results against corporate objectives
(b) Explaining routines
(c) Setting standards
(d) Giving assignments

[Ans. (a) Measuring results against corporate objectives]

11. Specific, short term statements detailing how to achieve an organization's goals is known as its

- (a) Vision
(b) Mission Statement
(c) Objectives
(d) Operational planning

[Ans. (c) Objectives]

12. An outline of the fundamental purpose of an organisation is called its

- (a) Mission statement (b) Objectives
(c) Policy (d) All of the above

[Ans. (a) Mission statement]

13. Strategic planning is done by

- (a) Top managers of the firm
(b) Middle managers
(c) Supervisory managers
(d) Non supervisory employees

[Ans. (a) Top managers of the firm]



14. Supervisory management spends most of his/her time

- (a) Planning and Controlling
- (b) Directing and Controlling
- (c) Planning and Organizing
- (d) Organizing and Controlling

[Ans. (b) Directing and Controlling]

II. MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

1.	List I		List II
i)	Planning	1)	Right persons
ii)	Organising	2)	Organisation goals
iii)	Staffing	3)	Creation of network
iv)	Directing	4)	Deciding in advance

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	1	4
(d)	3	4	2	1

[Ans. (b) (i)-4; (ii)-3; (iii)-1; (iv)-2]

2.	List I		List II
i)	Controlling	1)	Resourceful leader
ii)	Co-ordination	2)	Pre-set goals
iii)	Motivating	3)	Unification of integration
iv)	Directing	4)	Predetermined Standards

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	4	3	1	2
(b)	1	2	3	4
(c)	3	4	2	1
(d)	2	3	1	4

[Ans. (a) (i)-4; (ii)-3; (iii)-1; (iv)-2]

III. CHOOSE AND FILL IN THE BLANKS.

1. Functions of management can be classified into _____ categories.

- (a) two
- (b) three
- (c) four
- (d) five

[Ans. (a) two]

2. _____ is the process of establishing harmonious relationship among the members of an organisation

- (a) Planning
- (b) Organising
- (c) Staffing
- (d) Controlling

[Ans. (b) Organising]

3. _____ refers to placement of right persons in the right jobs.

- (a) Directing
- (b) Planning
- (c) Controlling
- (d) Staffing

[Ans. (d) Staffing]

4. _____ is included in every managerial functions.

- (a) Co-ordination
- (b) Motivation
- (c) Staffing
- (d) Planning

[Ans. (a) Co-ordination]

5. The goals are achieved with the help of _____.

- (a) Motivation
- (b) Innovation
- (c) Representation
- (d) Communication

[Ans. (a) Motivation]

6. _____ helps in the smooth functioning of an organisation.

- (a) Communication
- (b) Decision-making
- (c) Planning
- (d) Controlling

[Ans. (b) Decision-making]

7. _____ is the transmission of human thoughts, views or opinions from one person to another person.

- (a) Communication
- (b) Innovation
- (c) Representation
- (d) Motivation

[Ans. (a) Communication]

8. _____ helps the regulation of job and co-ordinates the activities.

- (a) Innovation
- (b) Communication
- (c) Representation
- (d) Motivation

[Ans. (b) Communication]

IV. PICK THE ODD ONE OUT.

1. (a) Planning (b) Organising
(c) Authority (d) Staffing

[Ans. (c) Authority]

Reason : Authority means the right of a superior to give the order to his subordinates. Other three are main functions of management.

2. (a) Innovation (b) Representation
(c) Communication (d) Rule of Thumb

[Ans. (d) Rule of Thumb]

Reason : Rule of Thumb means decisions taken by manager as per their personal judgments. Other three are the subsidiary functions of management.

V. WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

1. (a) Planning - Look before you leap
(b) Organising - Creation of network
(c) Staffing - Placement of right persons
(d) Directing - Size of organisation

[Ans. (d) Directing - Size of organisation]

2. (a) Co-ordination - Groupwise or sectionwise
 (b) Motivation - Monetary or non-monetary incentive
 (c) Innovation - Government officials
 (d) Decision-making - Smooth functioning of an organisation

[Ans. (c) Innovation – Government officials]

VI. CONSIDER THE FOLLOWING STATEMENT.

1. **Assertion (A)** : Managerial functions are time specific, institution specific and country specific.
Reason (R) : Management functions are called as managerial process.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 (c) (A) is true, but (R) is false.
 (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. **Assertion (A)** : Planning is the primary function of management.

Reason (R) : Planning is a constructive reviewing of future needs so that present actions can be adjusted in view of the established goal.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 (c) (A) is true, but (R) is false.
 (d) (A) is false, but (R) is true.

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

3. **Assertion (A)** : The success of any enterprise depends upon the successful performance of staffing function.

Reason (R) : The goals are achieved with the help of co-ordination.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 (c) (A) is true, but (R) is false.
 (d) (A) is false, but (R) is true.

[Ans. (c) (A) is true, but (R) is false]

4. **Assertion (A)** : A manager has to act as representative of a company.

Reason (R) : Manager has dealings with customers, suppliers, government officials and financial institutions etc.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
 (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
 (c) (A) is true, but (R) is false.
 (d) (A) is false, but (R) is true.

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

VII. CHOOSE THE CORRECT STATEMENT.

1. (i) Staffing function comprises the activities of selection and placement of competent personnel.
 (ii) Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions.
 (iii) All the activities are divided groupwise, or sectionwise under organising function.

- (a) (i) is correct
 (b) (i) and (ii) are correct
 (c) (ii) and (iii) are correct
 (d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

2. (i) The difficulty of co-ordination depends upon the size of organisation.
 (ii) Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.
 (iii) Consumers are satisfied through motivation.

- (a) (i) is correct
 (b) (i) and (ii) are correct
 (c) (ii) and (iii) are correct
 (d) (i), (ii) and (iii) are correct

[Ans. (b) (i) and (ii) are correct]

3. (i) Every employee of an organisation has to take a number of decisions everyday.
 (ii) Communication helps the regulation of job and co-ordinate the activities.
 (iii) Planning is not a main function.

- (a) (i) is correct (b) (ii) is correct
 (c) (i) and (ii) are correct
 (d) (iii) is correct

[Ans. (c) (i) and (ii) are correct]



II. VERY SHORT ANSWER QUESTIONS. 2 MARKS

1. How can you classify the managerial functions?

Ans. Managerial functions are :

- (i) Time specific
- (ii) Institutional specific ; and
- (iii) Country specific.

2. What are the managerial functions included in co-ordination?

- Ans. (i) Planning and co-ordination
 (ii) Organising and co-ordination
 (iii) Staffing and co-ordination
 (iv) Directing and co-ordination
 (v) Motivation and co-ordination ; and
 (vi) Controlling and co-ordination.

3. 'Planning is done for achieving the organisational goals'. Do you agree? Give one reason in support your answer.

Ans. Yes, planning involves setting of objectives and determining the most economical and viable alternative to achieve the goals.

4. Is directing necessary at planning stage? Give reason in support of your answer.

Ans. No, directing is not necessary at planning stage, it is necessary at execution / operational stage.

III. SHORT ANSWER QUESTIONS. 3 MARKS

1. 'Selection is a negative Process'. Do you agree?

Ans. (i) Yes, as selection is choosing from among the candidates the ones, who best meet a position's requirements and eliminating the ones who are not suitable.

(ii) To achieve this target, candidates are required to take a series of tests and interviews in different stages.

(iii) At each stage, many candidates are eliminated and only a few candidates move to the next stage.

(iv) The process of elimination continues till the right ones are finalised.

(v) The above scenario clearly establishes the fact that selection is the process, through which unsuitable candidates are rejected and suitable ones are chosen.

(vi) Therefore, it is regarded as negative process.

2. 'Controlling is Systematic Process involving a series of steps'. Do you agree? Discuss it briefly.

Ans. Yes, controlling is a systematic process which involves following steps.

- (i) Setting performance standards.
- (ii) Measurement of actual performance
- (iii) Comparing actual performance with standards.
- (iv) Analysing deviations
- (v) Taking corrective action

3. State the importance of Motivation.

Ans. (i) The goals are achieved with the help of motivation.

(ii) Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.

(iii) This is done by a resourceful leader.

(iv) The workers expect favourable climate conditions to work, fair treatment, monetary or non-monetary incentive effective communication and gentlemen approach.

4. What is meant by Innovation?

Ans. (i) Innovation refers to the preparation of personnel and organisation to face the changes made in the business world.

(ii) Continuous changes are being made in the business.

(iii) Consumers are satisfied through innovation.

(iv) Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.

5. What is meant by Co-ordination?

Ans. (i) Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives.

(ii) Co-ordination is included in every managerial function;

Eg (i) Planning and co-ordination, (ii) Organising and co-ordination, (iii) Staffing and co-ordination, (iv) Directing and co-ordination, (v) Motivation and co-ordination and (vi) Controlling and co-ordination.

(iii) The difficulty of co-ordination depends upon the size of organisation.

(iv) The difficulty of co-ordination is increased with the increasing size of the organisation.



CHAPTER

3

MANAGEMENT BY OBJECTIVES
(MBO) MANAGEMENT BY
EXCEPTION (MBE)

CHAPTER SNAPSHOT

- 3.1 Meaning and Definition of MBO
- 3.2 Objectives of MBO
- 3.3 Features of MBO
- 3.4 Process of MBO
- 3.5 Advantages of MBO
- 3.6 Disadvantages of MBO
- 3.7 Meaning of MBE
- 3.8 Process of MBE
- 3.9 Advantages of MBE
- 3.10 Disadvantages of MBE

EXERCISE

I. CHOOSE THE CORRECT ANSWERS.

1. _____ System gives full Scope to the Individual Strength and Responsibility.
(a) MBO (b) MBE [PTA-5]
(c) MBM (d) MBA [Ans. (a) MBO]
2. Which is the First step in Process of MBO?
(a) Fixing Key Result Area [QY-'23; Mar-'24]
(b) Appraisal of Activities
(c) Matching Resources with Activities
(d) Defining Organisational Objectives
[Ans. (d) Defining Organisational Objectives]
3. _____ keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.
(a) MBA (b) MBE
(c) MBM (d) MBO [Ans. (b) MBE]

4. Delegation of Authority is Easily Done with the Help of _____. [QY-'19 & '24]

- (a) MBM (b) MBE
(c) MBO (d) MBA [Ans. (c) MBO]

5. MBO is popularised in the USA by

- (a) Prof. Reddin (b) George Odiorne
(c) Henry Fayol (d) F.W Taylor

[Ans. (b) George Odiorne]

II. VERY SHORT ANSWER QUESTIONS.

1. What are the objectives of MBO?

Ans. The objectives of MBO are ;

- (i) to measure and judge performance.
- (ii) to relate individual performance to organisational goals.



2. Bring out the meaning of MBE.

[Govt. MQP-'19; PTA-5; Mar-'24]

- Ans. (i)** Management by Exception is an important principle of managerial control suggested by the classical writers on management.
- (ii)** It is a style of business management that focuses on identifying and handling cases that deviate from the norm.

3. Mention any two advantages of MBO.

Ans. The advantages of MBO are

- (i)** MBO gives the criteria of performance. It helps to take corrective action.
- (ii)** MBO process helps the managers to understand their role in the total organisation.

4. What is known as KRA? [QY-'24]

- Ans. (i)** KRA means Key result areas. Key Result area are fixed on the basis of organisational objectives premises.
- (ii)** Key Result Areas are arranged on a priority basis. KRA indicates the strength of an organisation.
- (iii)** The examples of KRA are profitability, market standing, innovation etc.

III. SHORT ANSWER QUESTIONS.

1. Write the features of MBO.

[QY-'19 & '23; Mar-2020]

Ans. The features of MBO are :

- (i)** An attempt is made by the management to integrate the goals of an organisation and individuals. This will lead to effective management.
- (ii)** MBO tries to combine the long run goals of an organisation with short run goals.
- (iii)** Management tries to relate the organisation goals with society goals.
- (iv)** MBO's emphasis is not only on goals but also on effective performance.
- (v)** It increases the organisational capability of achieving goals at all levels.
- (vi)** Aims at replacing the exercise of authority with consultations.

2. What are the Process of MBE? [QY-'24]

- Ans. (i)** Primarily, it is necessary to set objectives or norms with predictable or estimated results.
- (ii)** These performances are assessed and get equated to the actual performance.
- (iii)** Next, the deviation gets analysed. With an insignificant or no deviation, no action is required and senior managers can concentrate on other matters.

- (iv)** If actual performances deviate significantly, the issue needs to be passed to the senior managers, as an exception has occurred.
- (v)** Finally, the aim is to solve this "exception" immediately.

3. List out any three process of MBO.

Ans. Four process of MBO are

- (i)** Defining Organisational Objectives.
- (ii)** Goals of Each Section.
- (iii)** Fixing Key Result Areas.

IV. LONG ANSWER QUESTIONS.

1. What are the major advantages of MBO? (any 5) [PTA-5; Mar-'24]

Ans. The advantages of MBO are

- (i)** Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
- (ii)** MBO process helps the managers to understand their role in the total organisation.
- (iii)** Manager recognises the need for planning and appreciates the planning.
- (iv)** MBO provides a foundation for participative management. Subordinates are also involved in goal setting.
- (v)** A department does not work at cross purpose with another department.

2. What are the advantages of MBE? (any 5) [PTA-3; Mar-2020; HY-'23]

Ans. Management by exception provides the following advantages.

- (i)** It saves the time of managers because they deal only with exceptional matters. Routine problems are left to subordinates.
- (ii)** It focuses managerial attention on major problems. As a result, there is better utilisation of managerial talents and energy.
- (iii)** It facilitates delegation of authority. Top management concentrates on strategic decisions and operational decisions are left to the lower levels.
- (iv)** It is a technique of separating important information from unimportant one. It forces managers to review past history and study related business data for identifying deviations.
- (v)** MBE keeps management alert to opportunities and threats by identifying critical problems. It can avoid uninformed and impulsive action.



- (vi) Management by exception provides better yardsticks for judging results. It is helpful in objective performance appraisal.

3. Discuss the disadvantages of MBE.

Ans. (i) The main disadvantage of MBE is, only managers have the power over really important decisions, which can be demotivating for employees at a lower level.

- (ii) Furthermore, it takes time to pass the issues to managers.
- (iii) Managing employees who deviate from the normal procedures.
- (iv) Because of compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

PTA QUESTIONS AND ANSWERS

I. VERY SHORT ANSWER QUESTIONS.

2 MARKS

1. Define - MBO.

[PTA-5]

Ans. Professor Reddin defines MBO as "the establishment of effective standards for managerial positions and the periodic conversion of those into measurable time bound objectives linked vertically and horizontally and with future planning".

GOVERNMENT EXAM QUESTIONS AND ANSWERS

I. VERY SHORT ANSWER QUESTIONS. 2 MARKS

1. What do you mean by MBO? [QY-'19]

- Ans. (i)** MBO is a management system in which each member of the organisation effectively participates and involves himself.
- (ii) This system gives full scope to the individual strength and responsibility.
- (iii) MBO harmonises the goal of an individual with the organisation's goal.

II. LONG ANSWER QUESTIONS. 5 MARKS

1. Explain the process of MBO. (any 7) [QY-'19]

Ans. The process of MBO is explained below :

- (i) **Defining Organisational Objectives:** Initially, organisational objectives are framed by the top level employees of an organisation. The definition of organisational objectives states why the business is started and exists.
- (ii) **Goals of Each Section :** Objectives for each section, department or division are framed on the basis of overall objectives of the organisation. Goals or objectives are expressed in a meaningful manner.

- (iii) **Fixing Key Result Areas :** Key result areas are fixed on the basis of organisational objectives premises. Key Result Areas (KRA) are arranged on a priority basis. KRA indicates the strength of an organisation.

- (iv) **Setting Subordinate Objectives or Targets:** The objectives of each subordinate or individual are fixed. It is preferable to fix the objectives at lower level in quantitative units. There should be a free and frank discussion between the superior and his subordinates.

- (v) **Matching Resources with Objective :** The objectives are framed on the basis of availability of resources. If certain resources (technical personnel or scarce raw material) are not adequately available, the objectives of an organisation are changes accordingly.

- (vi) **Periodical Review Meetings :** The superior and subordinates should hold meetings periodically in which they discuss the progress in the accomplishment of objectives.

- (vii) **Appraisal of Activities :** At the end of the fixed period for achieving the objectives, there should be a discussion between the superior and subordinates.

ADDITIONAL QUESTIONS AND ANSWERS

I. CHOOSE THE CORRECT ANSWERS.

1 MARK

I. CHOOSE THE CORRECT ANSWERS.

1. What is MBO?

- (a) Managerial Business objects (b) Management by objectives
- (c) Management by organisation (d) Management of Business organisation

[Ans. (b) Management by objectives]



2. MBO is a/an
(a) Philosophy (b) training
(c) principle
(d) management system
[Ans. (d) management system]
3. MBO is popularised in
(a) USA (b) Japan (c) India (d) UK
[Ans. (a) USA]
4. MBE refers to
(a) Management by efficiency
(b) Management by extraordinary
(c) Management by exception
(d) Management by objectives
[Ans. (c) Management by exception]
5. Systematic evaluation of performance is made with the help of
(a) MBO (b) KRA
(c) MBE (d) MBA
[Ans. (a) MBO]
6. Management by objective is
(a) goal oriented (b) work oriented
(c) Both (d) none of these
[Ans. (a) goal oriented]
7. Third step in process of management by objectives is to
(a) review job and agreement
(b) develop performance standards
(c) guide setting of objective
(d) ongoing performance discussion
[Ans. (c) guide setting of objective]
8. Second step in process of management by objectives is to
(a) guided setting of objective
(b) Ongoing performance discussion
(c) review job and agreement
(d) develop performance standards
[Ans. (d) develop performance standards]
9. Target coaching, work planning, mutual goal setting and performance objectives are all terms used to specify concept called
(a) behavioural rating approach
(b) management by objectives
(c) combination method
(d) critical incident method
[Ans. (b) management by objectives]
10. Management by objective (MBO) is also known as
(a) Management by results
(b) Management by goals
(c) Management by planning
(d) Management by evaluation
[Ans. (a) Management by results]

11. Management by objective is a
(a) Set of rules
(b) Series of procedure
(c) Way of thinking about management
(d) All of the above
[Ans. (d) All of the above]
12. In, Management by objective, (MBO) the manager and subordinate jointly.
(a) Identify Common goals
(b) Defines each individual's major areas of responsibility
(c) Access the contribution of each of its member
(d) All of the above
[Ans. (d) All of the above]
13. Objectives are decided by
(a) Superior (b) Subordinates
(c) Mutual consultations of both superior and subordinates
(d) None of these
[Ans. (c) Mutual consultations of both superior and subordinates]
14. The following is/are the disadvantage(s) of Management by objective (MBO)
(a) Inflexibility
(b) Lack of relevant skill
(c) Lack of individual motivation
(d) All of the above
[Ans. (d) All of the above]

II. MATCH THE FOLLOWING.

List I		List II	
i)	Reappraisal of objectives	1)	Technical personnel or scarce raw material
ii)	Appraisal of activities	2)	Market standing, innovation
iii)	Matching resources	3)	Discussion between superior and subordinates
iv)	Key results area	4)	Short period

Codes :

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	4	1
(d)	3	4	1	2

[Ans. (b) (i)-4; (ii)-3; (iii)-1; (iv)-2]



III. CHOOSE AND FILL IN THE BLANKS.

- _____ harmonises the goal of an individual with the organisation's goal.
(a) MBO (b) MBE (c) MBA (d) MBM
[Ans. (a) MBO]
- _____ are fixed on the basis of organisational objectives premises.
(a) MBO (b) MBE (c) KRA (d) MBM
[Ans. (c) KRA]
- _____ indicates the strength of an organisation.
(a) MBO (b) KRA (c) MBA (d) MBE
[Ans. (b) KRA]
- _____ are induced to set standards themselves by giving an opportunity.
(a) Superior (b) Subordinates
(c) Both (d) None of these
[Ans. (b) Subordinates]
- _____ should take corrective action.
(a) Superior (b) Subordinate
(c) Customer (d) Supplier
[Ans. (a) Superior]
- An _____ is a part of the dynamic world.
(a) Organisation (b) Land
(c) Labour (d) Capital
[Ans. (a) Organisation]
- _____ provides a foundation for participative management.
(a) MBE (b) MBO
(c) MBM (d) MBA
[Ans. (b) MBO]
- _____ is easily done with the help of MBO.
(a) Chain of command
(b) Unity of direction
(c) Delegation of authority
(d) Unity of control
[Ans. (c) Delegation of authority]
- _____ is taken by the management very quickly.
(a) Decision (b) Planning
(c) Motivation (d) Staffing
[Ans. (a) Decision]
- _____ is a time consuming process.
(a) MBE (b) KRA
(c) MBO (d) None of these
[Ans. (c) MBO]

- _____ has both a general business application and a business intelligence application.
(a) MBO (b) MBE (c) HRA (d) MBA
[Ans. (b) MBE]
- _____ focuses managerial attention on major problems.
(a) MBA (b) HRA (c) MBE (d) MBO
[Ans. (c) MBE]
- _____ can avoid uniformed and impulsive action.
(a) MBO (b) MBE (c) KRA (d) HRM
[Ans. (b) MBE]
- _____ is also known as management by result.
(a) Management by objectives
(b) Management by art
(c) Management by subordinate
(d) Management by planning
[Ans. (a) Management by objectives]
- Objectives are the _____ of Management action.
(a) design (b) end point
(c) starting points (d) planning
[Ans. (b) end point]

IV. WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

- | | | | |
|-----|-----|---|----------------------------|
| (a) | MBO | - | Management By Objectives |
| (b) | MBE | - | Management By Exception |
| (c) | KRA | - | Key Results Area |
| (d) | MBO | - | Management By Organisation |

[Ans. (d) MBO - Management By Organisation]
- | | | | |
|-----|---------------------------|---|------------------------------|
| (a) | Organisational Objectives | - | top level employees |
| (b) | Goals or objectives | - | Meaningful manner |
| (c) | Appraisal of activities | - | Frank discussion |
| (d) | KRA | - | Market, standing, innovation |

[Ans. (c) Appraisal of activities - Frank discussion]

**V. CONSIDER THE FOLLOWING STATEMENT.**

1. **Assertion (A) :** Management By Objectives is a management system in which each member of the organisation effectively participates and involves himself.

Reason (R) : MBO is popularised in the USA by George Odiorne.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. **Assertion (A) :** MBO increases the organisational capability of achieving goals at all levels.

Reason (R) : Goals or objectives are expressed in a meaningful manner.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

3. **Assertion (A) :** The objectives of each subordinate or individual are fixed.

Reason (R) : It is preferable to fix the objectives at lower level in quantitative units.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

4. **Assertion (A) :** Manager recognises the need for planning and appreciates planning.

Reason (R) : Decision is taken by the management very slowly.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

5. **Assertion (A) :** Management by exception is an important principle of managerial control suggested by the classical writers on management.

Reason (R) : It is based on the belief that an attempt to control everything results in controlling nothing.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A).
- (c) (A) is true, but (R) is false.
- (d) (A) is false, but (R) is true.

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

VI. CHOOSE THE CORRECT STATEMENT.

1. (i) MBO creates self-control and motivates the manager into action before somebody tells him to do something.
- (ii) MBO tries to combine the long run goals of organisation with short run goals.
- (iii) A high degree of motivation and satisfaction is available to employees through MBO.
- (a) (i) is correct
- (b) (ii) is correct
- (c) (i) and (ii) are correct
- (d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

2. (i) Objectives for each section, department or division are framed on the basis of overall objectives of the organisation.
- (ii) Key Result Areas are arranged on a priority basis.



(iii) Delegation of authority is easily done with the help of MBE.

- (a) (i) is correct
- (b) (i) and (ii) are correct
- (c) (ii) and (iii) are correct
- (d) (i), (ii) and (iii) are correct

[Ans. (b) (i) and (ii) are correct]

3. (i) The objectives are framed on the basis of availability of resources.
- (ii) The subordinates should take corrective action.
- (iii) At the end of the fixed period for achieving the objectives, there should be a discussion between the superior and subordinates.
- (a) (i) is correct
 - (b) (i) and (ii) are correct
 - (c) (i) and (iii) are correct
 - (d) (i), (ii) and (iii) are correct

[Ans. (c) (i) and (iii) are correct]

4. (i) MBO motivates the workers by job enrichment and makes the jobs meaningful.
- (ii) The status of subordinate is necessary for proper objectives setting.
- (iii) Objectives should be changed according to the changed circumstances, external or internal.
- (a) (i) is correct
 - (b) (ii) is correct
 - (c) (i) and (iii) are correct
 - (d) (i), (ii) and (iii) are correct

[Ans. (d) (i), (ii) and (iii) are correct]

II. VERY SHORT ANSWER QUESTIONS. 2 MARKS

1. How are organisational objectives framed?

Ans. Initially, organisational objectives are framed by the top level employees of an organisation. Then it moves downwards.

2. The production manager establishes a quality control standards where in five defects are permissible for every 100 units. What is the management principle highlighted here?

Ans. Management by Exception.

3. Who popularise MBO?

Ans. George Odiorne.

III. SHORT ANSWER QUESTIONS. 3 MARKS

1. What are the objectives of MBO?

Ans. Management by objectives is intended primarily

- (i) to measure and judge performance
- (ii) to relate individual performance to organisational goals.
- (iii) to clarify both the job to be done and the expectations of accomplishment.
- (iv) to foster the increasing competence and growth of the subordinates.
- (v) to serve as a basis for judgements about salary and promotion.
- (vi) to stimulate the subordinates' motivation
- (vii) to serve as a device for organisational control and integration.

IV. LONG ANSWER QUESTIONS. 5 MARKS

1. Explain the various disadvantages of MBO.

Ans. The disadvantages of MBO are :

- (i) MBO fails to explain the philosophy; most of the executives do not know how MBO works? What is MBO? and why is MBO necessary? and how participants can benefit by MBO?
- (ii) MBO is a time consuming process. Much time is needed by senior people for framing the MBO. Next, it leads to heavy expenditure and also requires heavy paper work.
- (iii) MBO emphasises only on short-term objectives and does not consider the long-term objectives.
- (iv) The status of subordinates is necessary for proper objectives setting. But, this is not possible in the process of MBO.
- (v) MBO is rigid one. Objectives should be changed according to the changed circumstances, external or internal. If it is not done, the planned results cannot be obtained.



UNIT II

FINANCIAL MARKETS – I

CHAPTER

4

INTRODUCTION TO FINANCIAL MARKETS

CHAPTER SNAPSHOT

- 4.1 Meaning and Definition of Financial Market
- 4.2 Scope of Indian Financial Market
- 4.3 Types of Financial Markets
- 4.4 Role of Financial Market
- 4.5 Functions of Financial Markets
- 4.6 New Issue Market (NIM) Vs. Secondary Market

EXERCISE

I. CHOOSE THE CORRECT ANSWERS.

1. Financial market facilitates business firms

- (a) To rise funds [PTA-3; FRT-'22; QY-'23]
- (b) To recruit workers
- (c) To make more sales
- (d) To minimize fund requirement

[Ans. (a) To rise funds]

2. Capital market is a market for [Sep-2020]
[Govt. MQP & QY-'19; PTA-4; May-'22; Mar-'24]

- (a) Short Term Finance
- (b) Medium Term Finance
- (c) Long Term Finance
- (d) Both Short Term and Medium Term Finance

[Ans. (c) Long Term Finance]

3. Primary market is also called as

[PTA-5; FRT-'22; Mar-'23; July-'24]

- (a) Secondary market
- (b) Money market
- (c) New Issue Market
- (d) Indirect Market

[Ans. (c) New Issue Market]

4. Spot Market is a market where the delivery of the financial instrument and payment of cash occurs

[PTA-1; FRT-'22]

- (a) Immediately
- (b) In the future
- (c) Uncertain
- (d) After one month

[Ans. (a) Immediately]

5. How many times a security can be sold in a secondary market?

[PTA-6; Aug-'21; FRT &

July-'22; HY-'23; QY-'24]

- (a) Only one time
- (b) Two time
- (c) Three times
- (d) Multiple times

[Ans. (d) Multiple times]

II. VERY SHORT ANSWER QUESTIONS.

1. What are the components of organized sectors? [FRT-'22]

Ans. Organised sector consist of Regulators, Financial Institutions, Financial markets and Financial services.

2. What is Spot Market? [FRT-'22; QY-'23 & '24; July-'24]

Ans. Spot Market is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

3. What is Debt Market?

Ans. Debt Market is the financial market for trading in Debt Instrument (i.e. Government Bonds or Securities, Corporate Debentures or Bonds).

4. How is price decided in a Secondary Market? [Aug-'21]

Ans. Secondary markets allow for the determination of the price of the traded financial asset through the interaction of buyers and sellers. They provide a signal for the allocation of funds in the economy, based on the demand and supply, though the mechanism called price discovery processes

III. SHORT ANSWER QUESTIONS.

1. Give the meaning of Financial Market.

[July-'22; Mar-'24]

Ans. Meaning: A market wherein financial instruments such as financial claims, assets and securities are traded is known as a 'financial market'. In another words, financial markets may be channels through which flow loanable funds directed from a supplier who has an excess of assets toward a demander who experiences a deficit of funds.

2. Write a note on Secondary Market.

[PTA-2; QY-'19 & '23; FRT-'22; Mar-'23]

Ans. (i) Secondary market may be defined as the market for old securities, in the sense that securities which are previously issued in the primary market are traded here.

(ii) The trading takes place between investors who follow the original issue in the primary market.

(iii) It covers both stock exchange and over the counter market.

3. Bring out the scope of Financial Market in India. [HY-'23]

Ans. (i) The financial market provides financial assistance to individuals, agricultural

sectors, industrial sectors, service sectors, financial institutions like banks, insurance sectors, provident funds and the government as a whole.

(ii) With the help of the financial market all the above stated individuals, institutions and the Government can get their required funds in time.

(iii) Through the financial market the institutions get their short term as well as long term financial assistance.

(iv) It leads to the overall economic development.

IV. LONG ANSWER QUESTIONS.

1. Distinguish between New Issue Market and Secondary Market. (any 5) [Govt. MQP-'19; PTA-1; Sep-2020; FRT & July-'22; Mar-'24]

Ans.

S. No	Basis for Comparison	New Issue Market	Secondary Market
1.	Meaning	The market place for new shares is called primary market. (Initial Issues Market)	The place where formerly issued securities are traded is known as Secondary market. (Resale Market)
2.	Buying	Direct	Indirect
3.	Financing	It supplies funds to budding enterprises and also to existing companies for expansion and diversification.	It does not provide funding to companies.
4.	Buying and selling between	Company and Investors	Investors
5.	Gained person	Company	Investors
6.	Intermediary	Underwriters	Brokers