BUSINESS ORGANISATION MANAGEMENT (BOM)

UNIT-I: INTRODUCTION AND FORMS OF BUSINESS ORGANISATIONS: Concepts of Business, Trade, Industry and Commerce - Objectives and Functions of BusinessSocialResponsibility of a Business - Forms of Business Organization - Meaning, Characteristics, Advantages and Disadvantages of Sole Proprietorship –Meaning, Characteristics, Advantages and Disadvantages of Partnership -Kinds of Partners - Partnership Deed -Concept of Limited Liability Partnership – Meaning, Characteristics, Advantages and Disadvantages of Hindu Undivided Family – Meaning, Advantages and Disadvantages of Co-Operative Organization

UNIT-II: JOINT STOCK COMPANY: Joint Stock Company - Meaning - Definition - Characteristics - Advantages and Disadvantages - Kinds of Companies - Promotion - Stages of Promotion - Promoter - Characteristics - Kinds - Preparation of Important Documents - Memorandum of Association - Clauses - Articles of Association - Contents – Prospectus - Contents – Red herring Prospectus- Statement in lieu of Prospectus (As per Companies Act, 2013)

UNIT-III:INTRODUCTION TO FUNCTIONS OF MANAGEMENT: Management - Meaning - Characteristics - Functions of Management - Levels of Management – Skills of Management- Scientific Management - Meaning - Definition - Objectives - Criticism – Fayol’s 14 Principles of Management

UNIT-IV:PLANNING AND ORGANISING: Meaning - Definition - Characteristics - Types of Plans - Advantages and Disadvantages – Approaches to Planning - Management by Objectives (MBO) - Steps in MBO - Benefits – Weaknesses - Definition of Organizing – Organization-Process of Organizing - Principles of Organization - Formal and Informal Organizations - Line, Staff Organizations - Line and Staff Conflicts - Functional Organization - Span of Management - Meaning - Determining Span - Factors influencing the Span of Supervision

UNIT-V: AUTHORITY, COORDINATION AND CONTROL: Meaning of Authority, Power, responsibility and accountability - Delegation of Authority - Decentralization of Authority - Definition, importance, process, and principles of Coordinationtechniques of Effective Coordination - Control - Meaning - Definition – Relationship between planning and control-Steps in Control - Types (post, current and pre-control) - Requirements for effective contro

BUSINESS ORGANISATION MANAGEMENT (BOM)

UNIT.1 INTRODUCTION….

QUESTIONS AND ANSWERS

Q1. Differences between Economic and Non- Economic activities

ANS. INTRODUCTION: The activities which are done to earn wealth is called **economic activities.**

The activities which are done as a social service is called as a **non- economic activities**

ECONOMIC ACTIVITY	**NON ECONOMIC ACTIVITY**
The activities are undertaken to earn income to meet their needs	These activities are social and religious in nature
Activities may take place between employees and employers or producers and consumers or service provider and client etc.	Activities may be among members of a family, social- workers and those being served
These activities are measured in terms of money or money's worth	These activities have no money measurement
Economics needs of the people are satisfied	This satisfy social and psychological needs of the people
These are related to business, profession and employment	These are family, social or religious related activities
People are engaged in manufacture, trade, profession, service etc.	People are engaged in household activities, charitable work, social work, religious activities etc.

Q2. Differences between business, profession, employment.

ANS. INTORDUCTION:

Business means an act of being busy but in economic sense, business means work, efforts and act of people connected with earning of livelihood.

Profession is an activity which involves the rendering of personalized services of a specialized nature, based on professional education, training etc.

Any activity assigned to a person by the employer under an agreement or rules of service come under the category of ***employment.***

BUSINESS	**PROFESSION**	**EMPLOYMENT**
It involves production and exchange of goods and services	Provides specialized personal Services	Performing the work assigned by the employer
No specific qualification are required	Specialized qualification prescribed for profession will be Required	Qualifications are linked to the nature of work to be undertaken
Profit earning is the motive	Service of society and earning of income or fees is the motive	Earning of salary or wage is the motive
Profit is the reward for the business	Professional fee is charged from the clients for service	Salary or wage is the reward for service

Investments are needed as per the nature and scale of operations	Some investments are needed to setup office	No investment is required
It faces lots of risk	Risk is limited	There is no risk
Legal formalities are required	Membership of a professional body is needed	Appointments will be sufficient to take up the job

Q3. Distinguish between Trade, Commerce, Industry

ANS. <u>INTRODUCTION:</u>

<u>Trade</u> refers to the purchase and sale of goods

<u>Commerce</u> is concerned with the exchange and distribution of goods. Trade is a part of commerce

<u>Industry</u> relates to activities which involves in the production of goods. It converts raw material into finished or semi-finished products

TRADE	COMMERCE	INDUSTRY
It is related to the purchase and sale of goods	It deals with all those activities which deal with taking of goods from producers to consumers	All those activities which deals with the conversion of raw materials into finished goods are covered in industry
Requirements of capital are more in trade as compared to commerce	Commerce requires less capital	Capital needs are high for industry because it requires purchase of raw materials and investment for goods in process
Trade deals only with purchase and sale of goods	Commerce deals with trading and other servicing activities	Industrial deals with those goods which relates to primary, manufacturing, processing etc.
Activities of industry and commerce cannot be completed without trade	Trade is a significant part of commerce. Therefore, without trade there cannot be commerce	Commerce and trade both greatly depend upon industry
Buying and selling of goods	Distributes goods and services	Produces goods and services
It builds the possession utility through buying and selling	It builds not only place and time utility but also possession utility as trade is one of the component of commerce	It builds form utility
It involves less risk	It involves less risk than that of Commerce	There is a greater level of risk

Q4. Define business. What are the features/ characteristics of business?

ANS. <u>CONCEPT:</u> Business may be defined as an activity concerned with the production and exchange of goods and services with the objectives of earning profit

<u>DEFINAITION:</u> "Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling of goods." **– L.H HANEY**

<u>CHARACTERISTICS:</u>

<u>TRANSFER OF OWNERSHIP:</u> Business facilitates the transfer of ownership of goods from producer to consumer for money or money's worth

<u>PROFIT MOTIVE:</u> Profit is essential for the very survival of goals of business as survival, growth, expansion, social welfare, welfare of workers etc.

<u>CONTINUOUS AND RECOVERING:</u> The activities of a business enterprise are recurring in nature. A seller must have adequate stock of goods and services as per demand.

RISK AND UNCERTAINITY: Business involves high degree of risks and uncertainities. Profit is the reward for bearing risk and uncertainities in business

CREATIVE AND DYNAMIC: Business houses are surrounded by a large number of complex exogenous factors such as social, economic, technological and regulatory and environmental

ETHICAL AND LAWFUL: The purpose of business must be ethical and should be recognized by law. It should not violate the basic norms or fundamental principles, governing the social life of people in the country

GLOBAL BUSINESS: Globalization implies greater integration of the nation's economy with the world's economy

SOCIAL INSTITUTION: Business cannot ignore the social needs as it is a part of society in the sense that carried on by the people, through the people and for the people

Q5. What are the various objectives/ types of business?

ANS. **CONCEPT:** The objectives of an organization is need to be clearly defined as they provide businessman with a benchmark against which they can judge their future performance

DEFINITION: According to DALTON MC FARLAND ''Objectives are the goals, aims and purpose that the organization wishes to achieve over varying period of time.''

TYPES/OBJECTIVES

ECONOMIC OBJECTIVES: Economic objectives not only include earning sufficient profit but also avoiding losses.

Various economic objectives of a business enterprise are:

- To maximize profits
- To create wealth
- To identify customers
- To expand markets
- To make optimum use of resources to innovate
- To innovate
- To ensure growth
- To reduce cost

SOCIAL OBJECTIVES: Business is an integral part of a society. Business activities should be deeply rooted in the society and its culture. Objectives which protect the consumer's interest and social interest are:

- To ensure regular supply of goods and services
- To improve productivity
- To improve quality
- To develop new product
- To generate employment
- To prevent pollution
- To make optimum use of resources
- To provide customers satisfaction

HUMAN OBJECTIVES: Human objectives refers to the objectives aimed at the well-being as well as fulfillment of expectations of employees of people who are disabled, handicapped and deprived of proper education and training.

- To pay fair wages to employees

- To give fair treatment
- To provide social security
- To provide job satisfaction
- To provide healthy working satisfaction

NATIONAL OBJECTIVES: Every business must have the objectives of fulfilling the national goals and aspiration such as to create employment opportunities, earn revenue, become self-sufficient in production of goods and services, promotes social justice etc.

- To ensure social justice
- To maintain ecological balance
- To generate employment
- To pay taxes honestly
- To undertake social welfare schemes
- To encourage development of small scale and cottage industries.

ORGANIC OR THREE-FOLD OBJECTIVES: Organic objectives are also known as three fold objectives. They are the basic or fundamental objectives of any organization

- Survival
- Growth
- Recognition and Prestige

Q6. Explain the major functions of business.

ANS. FUNCTIONS OF BUSINESS: A business enterprise performs several functions, which may broadly categorized as production, marketing, finance and personal functions. All these functions are interdependent and interlinked. The important functions are:

PRODUCTION FUNCTION: production refers to the transportation of raw material into finished goods with the help of inputs such as manpower, machinery, capital, information and energy. The production department is entrusted with the activities such as…

- Production, planning and control
- Maintaining plant and machinery
- Quality control
- Procuring raw materials and stores
- Inventory control

PURCHASE FUNCTION: Traditionally, purchase was considered to be a part of production function. Big organizations have separate departments for undertaking purchase activities. The purchase department is entrusted with such activities as:

- Inviting tenders
- Locating the source of supply
- Placing order for right quantity at right time
- Maintaining the proper flow of investors
- Maintaining proper flow of investors
- Maintaining proper record of investors and
- Importing raw material machines and equipment

MARKETING FUNCTION: Marketing refers to the distribution of goods and services produced by the production department with the help of market intermediaries and distribution network.

The marketing department is entrusted with the activities such as:

- Undertaking marketing research
- Product pricing
- Packing and packaging
- Proper distribution and transportation
- Product positioning and adaptation
- Product promotion

FINANCING FUNCTION: The function refers to the procurement of finance as its judicious application for maximization returns. The finance department is entrusted with the activities such as:

- Determining the total capital requirement
- Determine various source of finance
- Arrangement of fixed and working capital
- Maintain adequate cash flow
- Ensuring optimum use of financial resources

PROFESSIONAL FUNCTION: Professional function refers to the recruitment of right person for the right job at the right time. The personal department is concerned with:

- Human resource planning and development
- Recruitment and selection, placemen and induction
- Training and development
- Careerment development
- Farming promotion and transfer politics
- Undertaking motivational programs

PUBLIC RELATIONS FUNCTION: The public relations department is concerned with creating a favorable impression of the business organization on the government agencies, employees, suppliers, shareholders, consumers and others. It also organizes publicity campaigns to enhance the image and goodwill of business in the society.

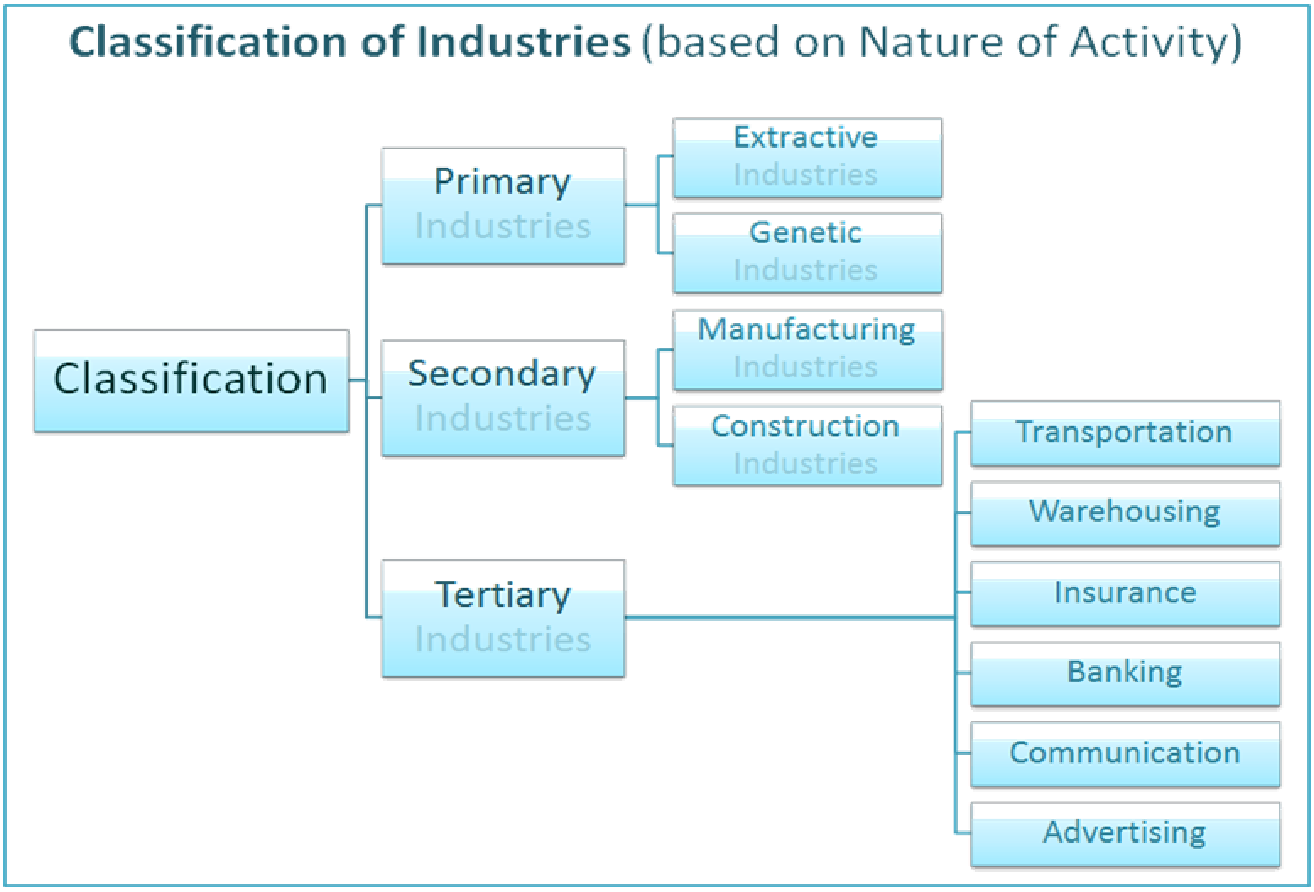
LEGAL FUNCTION: The legal department ensures that the business units comply with various rules and regulations framed by the local, state and central government from time to time. It also advices the management in the case of disputes with the customers, suppliers, competitors, workers and even governments over various commercial issues.

RESEARCH AND DEVELOPMENT FUNCTION: R&D is an important activity in the modern business world. R&D has become so significant that many industrial houses have established a separate R&D department. It is necessary for automation, modernization and replacement of old and outdated technology.

ADVERTISING SALES PROMOTION FUNCTION: Advertising and sales promotion are the part of marketing function that have assured a great importance in the wake of increasing competition. It is necessary for a market to create a distinct image of a product in the minds of customers to attract consumers and strength its customer's base. Advertising department consists of artists, copywriters, designers etc.

Q7. Define industry. Explain its classification

ANS. CONCEPT: Industry is a part of business activity which is concerned with production of goods and services. It includes those economic activities which are concerned with production of goods and services. It includes those economic activities which are concerned with the extraction, production, conversion, processing or fabrication of products. Industry is a part of the business which creates the form utility [converts raw material into finished goods].



PRIMARY SECTOR: The primary sector provides us with materials from nature. Example: farming, fishing, forestry and mining.

Primary industries are classified into Genetic and Extractive industry.

[a] GENETIC INDUSTRY: These are concerned with Genetics or Breeding of certain species of plant and animals. For example, forestry fish culture, cattle breeding, animal husbandry, poultry etc.

[b] EXTRACTIVE INDUSTRY: The extractive industries are engaged in raising the goods from natural resources such as soil, water, air etc, or beneath the surface of the earth

SECONDARY INDUSTRY: These are related to the process of materials which have already been produced at the primary stage.

These industries may be classified as:

Manufacturing industry

Construction industry

[a] MANUFACTURING INDUSTRY: This industry is engaged in the conversion of raw materials into semi-finished goods. Most of the goods which are used by the consumers are produced by manufacturing industries. The products of extractive industries are generally used as a raw material by manufacturing industries which may be classified as follows:

- **ANALYTICAL INDUSTRY:** In this industry a product is analyzed and many more products are received as final product. In the processing of crude oil, we get kerosene, petrol gas and diesel
- **PROCESSING INDUSTRY:** Here one product passes through many stages and gets converted into a different product. Sugar and textile industries are example of these kinds of industries.
- **SYNTHETIC INDUSTRY:** In this process many raw materials are brought together in manufacturing process to make a final product. Soap making, paints are the examples.
- **ASSEMBLING INDUSTRY:** In this type of industries, different products are procured from different sources and assembled to make a totally different product. Example, The electronic Hardware industry (assembling of desktop computers).

[a] CONSTRUCTION INDUSTRY: These industries are engaged in the construction of buildings, dams, bridges and canals. These industries are the products of other industries such as cement, iron bricks and wood etc.

TERTIARY SECTOR: These are the activity that helps in the development of the primary and secondary sector. These activities by themselves do not produce goods but they are an aid and support to the production process. They are:

- **Transportation:** Goods that are produced in the primary sector needs to be transported by trucks or trains and then sold in the wholesale and retail shops.
- **Storage:** At times, it is necessary to store these products in warehouses/ godowns which also make a service available.
- **Advertising**: It makes the consumers vigilant regarding the availability of products in the market. It can be done through T.V, radio, hoardings, wallpapers etc.
- **Insurance:** Exchange of goods and services involves a lot of risk. Through insurance the hindrances of risk could be eliminated.
- **Banking:** banks provide the loans to traders at a certain rate of interest. Banks helps in overcoming the financial problems.
- **Communication:** It helps to connect with the producer, supplier and the consumer to know about the needs and the demand in the market.

Q8. What are the hindrances in the distribution process and how commerce helps in removing them?

Ans. During the distribution process various problems may occur. All these hindrances are removed by the following ways:

HINDRANCE OF PERSON: Trade helps in the delivering the produced goods to the consumers through the wholesaler, agent and retailer. Hence, trade helps in removing the hindrance of person.

HINDRANCE OF PLACE: Commerce solves the distance problem i.e., the problem of space between the place of consumption and the place of manufacturing with the help of continuous attempts of transporting and packaging.

HINDRANCE OF TIME: The products need to be stored in a warehouse unless and until there is a demand for it.

HINDRANCE OF RISK: Risk is of basically 2 types. Avoidable and unavoidable. These can be eliminated through finance

HINDRANCE OF EXCHANGE: Banking helps in eliminating such hindrances of exchange by providing the credit facilities to both producer and the consumer

HINDRANCE OF KNOWLEDGE: Advertising helps the consumer to be aware of and provides the knowledge and information about the products which are producing by the firm

HINDRANCE TO TRADE OR COMMERCE: Commerce includes all these activities which are concerned with the transfer of goods and services from the producer to the end user. There are number of hindrances (difficulties) in the transfer of goods from the producer to the consumer.

Q9. Discuss about aids to trade.

ANS. Aids to trade removes the difficulties in the smooth flow of gods from the producer to the consumer.

The following points are the Aids to Trade:

BANKING AND FINANCE: Producers need to invest money before they start production. To meet the need of the capital the bank provide finance to the producer on surety or security

INSURANCE: A business involves lots of risks. Suck risks are a disincentive to the business. Insurance protects the business from risk by providing insurance on the losses.

TRANSPORTATION: Goods are produced at a particular place but the demand of goods will be at other places. This hindrance can be removed by the transportation. Transportation involves the movement of goods from the place of production to the place of consumption.

WAREHOUSE: The goods are needed to be stored at warehouses till the demand of it rises in the market.

ADVERTISEMENT: It makes the consumers vigilant regarding the availability of products in the market. It can be done through T.V, radio, hoardings, wallpapers etc.

COMMUNICATION: It helps to connect with the producer, supplier and the consumer to know about the needs and the demand in the market.

Q10. What is meant by trade and explain its classifications

ANS. CONCEPT: Trade means buying and selling of goods and services with the use of money or without the use of money. There are two persons involved in trade, buyer and seller.

[a] BARTER SYSTEM: Barter system refers to exchange of goods for goods. Example: Wheat against Rice

[b] MONETARY EXCHANGE: It is a system of exchanging goods and services for money. Hence money acts as a medium of exchange.

Trade may be classified as

INTERNAL TRADE and

EXTERNAL TRADE

- **INTERNAL TRADE:** Trade between two regions of the same country is known as internal trade. It is also known as domestic or home trade
  - **WHOLESALE TRADE:** In wholesale trade goods are purchased in a large quantity and sold to the retailers. A wholesaler is a link between the producers to make the bulk production and sells in large quantity. A wholesaler does not come into direct contact with the consumer
  - **RETAIL TRADE:** Retail trade involves selling goods to the consumers. The goods are sold in a small quantity to the consumers. A retailer purchase goods from the wholesaler and sells them in a small quantity to the consumer. He provides a link between wholesaler and the consumer.
- **EXTERNAL TRADE:** Trade between two countries with different socio-economic and political environment is called as external trade. It is also known as foreign or international trade.

- **EXPORT**: Export means selling goods to the consumers based in a foreign territory, outside the national boundaries of a country. Example: When goods are sold from India to USA, it is an export trade.
- **IMPORT:** Import means purchasing the goods from a seller based in a foreign territory. i.e., outside the national boundaries of a country. Example: When goods are purchased by India from USA, it is termed as import trade.
- **ENTREPORT**: Trade that involves re-exporting of imported goods is referred as entreport or re-exports trade. Example: an Indian trader may buy goods from Italy and then sell to Africa, then it is termed as an entreport trade

Q11. Explain Social Responsibility of a Business

ANS. CONCEPT: Business is a part of the society. Just like individuals have a responsibility towards society, business also has a responsibility towards society. Although the primary responsibility of a business is to earn profits, it is increasingly felt that business must protect the interest of not only its owner but also other stake holders such as employees, customers, Government and the society.

SOCIAL RESOPONSIBILITY OF BUSINESS: This is not to state that a business should not be earning profits. Infact, unless a business unit makes sufficient profits, it will not be in a position to discharge its social responsibilities. A part from earning profits, a business must aim to meet the following objectives towards its social responsibility.

EFFICIENT UTILIZATION OF RESOURCES: Business must use the resources available in the society in the most optimal or efficient manner. In other words, the resources of the society must not be wasted. Business must aim to maximize the productivity rather than increase production through consumption of more resources.

EMPLOYMENT GENERATION: Everytime a new business starts, it should lead to the generation of employment. A kirana store may need just one assistant while a small industry may employ about 20 people. Thus, generating employment is one of the desirable social responsibilities of a business

MAXIMIZE CUSTOMER SATISFACTION: Customer is the reason for the existence of a business. If there is no customer, there is no business. However, the interests of the customer are often compromised to increase profitability. For example, a restraint may use cheaper unrefined oil to keep the costs low. It is the social responsibility of a business to maximize the customers satisfaction by providing high quality goods at a reasonable prices.

EMPLOYEE CONTENTMENT: Irrespective of its nature, employees are key resources that contribute to the success of any business. It is often noticed that employee benefits are kept to the minimum to contain costs. This results in unhappy and discontent employees, leading to attrition. Business must consider the employees as AN asset rather than its commodities or resources.

SUPPORT GOVERNMENT INITIATIVES: Business must pay its taxes honestly. It should follow the law in letter and spirit. It must fully comply with the policies framed by the government in larger national interest.

SERVICE TO SOCIETY: Business must complement to the efforts of Government in solving social problems. It should fully comply with policies pertaining to environment. It must participate in initiatives to solve social problems such as unequal distribution of economic resources, unemployment etc.

UNIT.1 (CHAPTER.2)

FORMS OF BUSINESS ORGANIZATION

Q1. Define sole trading concern. State its characteristics / features

ANS. MEANING: Sole means “single” and proprietor means “seller". Therefore, sole trading concern refers to private form of organization owned, managed and controlled by a single seller. It is also known as “Individual Entrepreneurship” or “One man show” It is one of the oldest and simplest form of organization

DEFINITION: A sole proprietorship is that form of business organization which is owned and controlled by a single individual. He receives all profits and risks all of his property in the success or failure of the enterprise.“ **- B.O Wheeler**

CHARACTERISTICS/FEATURES

ONE MAN OWNERSHIP AND CONTROL: A sole trading is concern is owned by an individual known as proprietor .He independently manages and controls the business without any interference from others. He is sole responsible for decisions taken by him.

UNLIMITED LIABILITY: The liability of the sole trader is unlimited. The creditors have a right to recover their dues even from personal property of the proprietor in case, business assets are not sufficient to pay their debts.

CAPITAL FORMATION: In a sole trading concern, proprietor is the only owner. He contributions the entire capital either from his personal resources or may borrow it from his friends, relatives and financial institutions.

PROFIT SHARING: The proprietor is the sole promoter, risk-taker, and manager financer and decision maker in case of a sole trading concern. He is entitled to enjoy all profits of the business; at the same he himself bears entire losses.

NO SEPARATE LEGAL ENTITY: Sole trader does not have separate legal entity from his business. He personally owes the assets and owes the liabilities of his concern

REGISTRATION: A sole trading concern does not require registrations like partnership firm or a company any person can start a sole trading business.

LACK OF BUSINESS CONTINUITY: In case of a insolvency, insolvent or a death of a sole proprietor may lead to an end of a business. As there might be no legal heir to take up the activities of the firm

SECRECY: He keeps all the business secrets only to himself. Business secrets are very important for small business. By retaining business secrets he avoids competitors entering the same business.

Q2. Define Sole Trading Concern/ Sole Proprietorship and its merits and demerits.

ANS. MEANING: Sole means “single” and proprietor means “seller". Therefore, sole trading concern refers to private form of organization owned, managed and controlled by a single seller. It is also known as “Individual Entrepreneurship” or “One man show” It is one of the oldest and simplest form of organization

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ADVANTAGES

EASY FORMATION: Sole proprietorship is the only form of organization where no legal formalities are required to be performed. This business is absolutely free from legal formalities

BUSINESS SECRECY: A sole trader can maintain business secrets. He is not expected to share his trade secrets with anybody else. He can maintain secrecy from his competitors.

RELATIONSHIP WITH EMPLOYEES: A sole trader is in direct contact with each employee of his firm. This promotes better communication develops harmonious relation between the sole trader and his employees.

QUICK DECISION AND PROMPT ACTION: He does not require to discuss or seek advice from any one while taking decisions. This helps him to take decisions and prompt action.

LOWER COST OF MANAGEMENT: The business operations are mainly managed supervised and controlled by the sole trade himself with the help of his family members or relatives and some time through paid staff.

FLEXIBILITY: It can easily expand or can restrict business operations. The sole trader operates on a small-scale in local areas, it is easy to incorporate changes in activities of concern with much difficulty and additional costs.

DISADVANTAGES:

LIMITED CAPITAL: The sole trader has limited physical and financial resources. He takes capital from his personal savings or borrowings from friends and relatives. He find difficult to raise loans from banks and financial institutions

UNLIMITED LIABILITY: The liability of sole trader for the debts of his business is unlimited. The creditors have a right to recover their dues even from the personal assets and property of the proprietor in case his business assets are not sufficient to pay his debts.

UNCERTAINTY: The life of sole trading business is uncertain. It depends upon the life of the sole trader. Being small in size, it also gets affected by changes in the external environment, tastes fashion and technology and government policy.

LIMITED LIFE: In case of a insolvency, insolvent or a death of a sole proprietor may lead to an end of a business. As there might be no legal heir to take up the activities of the firm

LACK OF SPECIALISATION: The sole trader has to undertake all work relating to his business by himself right from planning to its execution and control. He cannot afford the service of experts and consultants due to the limitation of resources

WEAK BARGAING POSITION: A sole trader has a weak bargaining position, both as a buyer and a seller. A sole trader has limited financial resources and commands only a small part of the total market demand. Therefore, he finds it difficult to dictate his terms in the market.

Q3. Define Hindu Undivided Family and state its features, advantages and disadvantages?

Ans: INTRODUCTION: Joint Hindu Family Business came into existence as per the Hindu Inheritance Act of India. This form of business found only in India. All members of the Hindu Undivided Family (HUF) own the business jointly.

The affairs of the business are managed by head of the family called “Kara”. All other members are called “Co-parceners” **CHARACTERISTICS.**

CREATION: The Hindu Undivided family business is created by the operation of Hindu law. The Hindu Undivided Family business is created by the status and not by an agreement.

REGISTRATION: Registration is not required in case of Hindu Undivided Family Business, since it come into existence due to operation of the Hindu Law and operates under its rules and regulations

TYPES OF MEMBERS: There are two types of members in a Hindu Undivided Family business. The one is Karta (who is the head of the family) and coparceners (who are the male members of the family).

LIABILITY: The liability of karta is unlimited whereas the liability of the members is limited to the extent of capital held by them.

RIGHTS OF MANAGEMENT: The right of management is vested with the karta who is the male head of the family. The Co-parceners have no right to participate in the management and even to inspect books of accounts.

LEGAL STATUS: A Hindu Unlimited Family business does not enjoy a separate legal status. It is not separated from the members who constitute it.

PROFIT SHARING: The profits and loss sharing ratios are not fixed in the Hindu Undivided family business. The sharing of profits and losses among co parceners varies according to births and deaths of male members in the family.

NUMBER OF MEMBERS: There is no restriction on the number of members.

RESPONSIBILITY OF KARTA: As far as the management is concerned, karta has the full responsibility. He is solely responsible for the smooth functioning of business of Hindu Undivided Family.

Q4. Define Hindu Undivided Family/ Joint Hindu Family Business. State its merits and demerits

ANS. INTRODUCTION: Joint Hindu Family Business came into existence as per the Hindu Inheritance Act of India. This form of business found only in India. All members of the Hindu Undivided Family (HUF) own the business jointly.

The affairs of the business are managed by head of the family called "Kara". All other members are called "Co-parceners"

ADVANTAGES:

CONTINUITY: Hindu Undivided Family (HUF) business enjoys a long or stable existence, since of business organization does not come to an end to death or insanity of any Co-parceners or even due to death of karta.

CENTRALIZED MANAGEMENT: The management of HUF business is under the hands of karta. The Co-parceners may help him but everyone has to obey the karta

NO UPPER LIMIT TO MEMBERSHIP: All the male members are the members of the firm. The numbers of members in HUF business changes according to the number of births and deaths in the family.

QUICK DECISIONAND PROMT ACTION: All the managerial powers are centralized in the hands of karta, decisions are taken quickly and prompt action can be initiated.

BUSINESS SECRECY: HUF business enjoys the highest degree of secrecy because it does not require publishing its accounts. The books of accounts are not even open to co parceners for inspection.

DIVISION OF LABOUR: All the male members in the HUF are the co parceners. This makes it possible to apply the principle of division of labor to the firm. Each co parceners may be given different work according to his qualifications and abilities.

FLEXIBILITY OF OPERATIONS: HUF business has a centralized management. This facilitates quick decision and prompt action. At the same time the firm can adopt quickly to changes in the environment.

DISADVANTAGES:

NO RELATION BETWEEN EFFORTS AND REWARDS: In HUF business, the karta shoulders more responsibility, but the profits of the business are enjoyed by all Co-parceners.

LIMITED CAPITAL: The HUF firm completely depends upon the personal capital of the karta and small borrowings from friends and relatives.

LIMITED MANAGERIAL ABILITY: The karta alone plans, organizes, directs and control the firm. He may bind to suffer from limitations in matters of knowledge of management and decision making skills.

NO MANAGERIAL POWERS: The Co-parceners does not have right to participate in the management of business. They have no right to inspect the books of accounts.

LESS CREDITOR WORTHINESS: The HUF business has a lower credit standing as compared to a partnership firm. Due to limited liability of Co-parceners. Karta has unlimited liability in a HUF business.

NO RIGHTS TO FEMALE: The right to become karta is only given to male members of HUF. A female cannot become the karta of HUF firm. Thus, it is a male dominated firm.

Q5. DEFINE Partnership firm. State its features/contents

Ans: CONCEPT: A partnership business is set up as a result of an agreement or a contract between the persons, who are willing to carry on a business jointly to share the profits of the business. The agreement may be either in an oral or a written form. Although in general practice, the agreement is always put in a written form. Such an agreement or contract generally includes the mutual rights, duties, powers, obligations and provisions regarding profit sharing, payment of commission and salary etc.

DEFINITION: As per the Indian partnership Act, 1932 a partnership deed cannot be signed by more than 10 persons in case of a banking business and 20 persons in case of a trading business. The deed must be properly dated and signed by all the partners of the firm.

SOME OF THE COMMON PROVISIONS IN PARTNERSHIP DEED ARE.

- Name of the firm its location and nature of business
- Places of operation of business.
- Names qualification, occupations, addresses and other of partners
- Amount of capital contributed by each partner.
- Interest on capital.
- Interest on loans other than capital.
- Partners drawings power and interest there on.
- Sharing of profits and losses.
- Types of partners
- Salary on commission
- Retirement and Admission of a partner.
- Basis of goodwill
- Maintainance of books of accounts.
- Settlement of accounts after dissolution.
- Type of partnership and mode of dissolution.
- Arbitration clause in case of disputes.
- Arrangement in case of partner’s insolvery.

Q6. Write a detailed note on Limited Liability Partnership (LLP).

ANS: INTRODUCTION: Limited Liability partnership (LLP) is a new corporate structure that combines the flexibility of a partnership and the advantages of limited liability of a company. In a LLP one partner is not responsible or liable for another partner's misconduct or negligence. This is important different from that of an unlimited partnership.

SALIENT FEATURES OF PARTNERSHIP ACT 2008

LEGAL ENTITY: LLP is a body corporate and a legal entity separate from its partner having perpetual succession, can own assets in its name sue and be sued the registration of LLP is compulsory

MEMBERSHIP: The minimum number of members required to form LLP is 2 while there is a no limit on the maximum members. The members of LLP can be natural or artificial.

CONTRACTUAL ARRANGEMENT: The rights and duties of partner in a LLP are governed by agreement between partners. The agreement is not mandatory/compulsory.

PERPECTUAL SUCCESSION: LLP has perpetual succession. The LLP shall continue to exist until it is wound up in accordance with the provision of relevant law.

LIABILITY OF PATNERS: The liability of partners is limited. here, the partner is not liable for the acts of other partners. In a LLP, a partnership is liable for another partner's act.

ANNUAL ACCOUNTS: LLP has to maintain an annual account which reflects true and fair of its state of affairs. A statement of accounts must be filed by every LLP with the Registrar every year.

TAXATION: LLP is taxed at a lower rate as compared to a company more over LLP is also not subject to the 'DIVIDEND DISTRIBUTION TAX'.

Q7. Explain the various types s of co-operative societies.

ANS: INTRODUCTION: A Co-operative society is a voluntary association of individuals which is formed to improve the economics of the members.

DEFINITION: Indian Co-operative Societies Act, 1912 "A Co-operative society is a society which has as its objectives the promotion of interest of its members in accordance with co-operative principles."

CLASSIFICATION: Co-operative societies may be classified into different categories based on the objectives and purpose for which they are formed.

Types of co-operative societies are:

- ✓ Consumer co-operatives
- ✓ Producer co-operatives
- ✓ Marketing co-operatives
- ✓ Housing co-operatives
- ✓ Credit co-operatives
- ✓ Co-operatives Farming

CONSUMER CO-OPERATIVES: It protects the general interest of consumers by making consumer goods available at a reasonable price. The goods are directly sold from the producer to the consumer. It eliminates the middle men 8n the distribution process example Kendriya Bhandar, Apna Bazar etc.

PRODUCERES CO-OPERATIVES: It protects the interest of all small producers by making raw materials, tools and equipments, machinery etc. available to them. It arranges marketing and distribution channels. Example: Amul, APPCO, Co-optex, Haryana Handloom etc.

MARKETING CO-OPERATIVES: It is the society of small producers and manufacturers. It collects the products from members it makes available better marketing and distribution channels and sells directly in the market. Eg: Amul (Anand Milk Union Ltd.) , UP handloom, co- optex

CREDIT CO-OPERATIVES: It is formed to provide financial support to members it grants loans to the members at the reasonable rate. Example: Village Service co-operative Credit societies, Employees Co-operative Credit Societies.

CO-OPERATIVE FARMING: This society is formed by the small farmers to pool up small holdings and work to benefit to large scale farming. Example: Lift-irrigation, Pani Panchayats etc.

HOUSING CO-OPERATIVES: It provides residential accommodation to members. They construct houses or apartments for the members. It also provides amenities and takes care of Maintainance and repairs.

Q8. Define partnership. State its advantages and disadvantages.

Ans MEANING: Partnership is an association of two or more persons who pool their financial and managerial resources and agree to carry on business, and share its profit or losses.

DEFINITION: Section 4 of the partnership, Act 1932 defines partnership as "the relation between persons who have agreed to share the profits of business carried on by all or any on acting for all."

<u>ADVANTAGES</u>

EASY TO FORM: A partnership can be formed easily without many legal formalities. Since it is not compulsory to get the firm registered, a simple agreement, either in oral, or writing or implied is sufficient to create a partnership firm

LARGE FINANCIAL RESOURCES: Partnership is a combination of several partners. Hence it can have higher capital raising power than that of a sole proprietor.

BETTER DECISION: In partnership firm each partner has a right to take part in the management of the business. All major decisions are taken in consultation with and with the consent of all partners, thus collective wisdom prevails and there is less scope for reckless and hasty decisions.

SECRECY: All affairs of the firm can be kept secret, confidential as the annual accounts need not be published and auditing of accounts is also not required.

PROTECTION OF MINOR INTEREST: In partnership form of business organization, the rights of each partner and his interests are fully protected. If a partner is dissatisfied with any decision, he can ask for dissolution of the firm or can withdraw from the partnership.

DIVISION OF LABOUR: The division of responsibility and work among the partners in the firm leads to specialization among the partners. The knowledge of every partner can be utilized for the common benefits of the firm.

<u>LIMITATIONS:</u>

UNLIMITED LIABILTY: The Unlimited liability is the fundamental drawback of partnership. The liability of partners extends to their private properties also. Hence there is no protection to the private properties of the partners.

INSTABILITY: The death insolvency incapacity or the retirement of any partner brings the firm to an end. Not only that any dissenting partner can give notice at any time of dissolution of partnership**.**

LIMITED CAPITAL: The maximum number of members in partnership is 20. This partner contribution of capital would be limited. So, the partnership suffers from limited capital

NO TRANSFERABILITY OF SHARES: In partnership, a partner cannot transfer his shares to any other partner or to the outsider without the consent of all the partners. This discourages a person to enter into partnership business.

POSSIBILITY OF CONFLICTS: Sometimes the opinions of the partners may differ. They may not be able to come to a common understanding. Such difference of opinions may lead to disputes and dissolution of the firm.

LACK OF PROMPT DECISION: All important decisions are taken by the consent of partners. So, decision making process become time consuming. There may be chances of losing business opportunities because of slow decision making.

Q9. Define partnership. State its features.

ANS. MEANING: Partnership is an association of two or more persons who pool their financial and managerial resources and agree to carry on business, and share its profit or losses.

DEFINITION: Section 4 of the partnership, Act 1932 defines partnership as "the relation between persons who have agreed to share the profits of business carried on by all or any on acting for all."

<u>**CHARACTERISTICS/ FEATURES**</u>

FORMATION: It is simple and very easy to form a partnership firm. There are no legal formalities to start the business. A single agreement among the partners is sufficient. Even the registration is not compulsory.

ASSOCIATION OF TWO OR MORE PERSON: In partnership, there must be atleast 2 members. Maximum number of members in case of banking business is 10 and for other business is not more than 20.

UNLIMITED LIABILITY: The Unlimited liability is the fundamental drawback of partnership. The liability of partners extends to their private properties also. Hence there is no protection to the private properties of the partners.

IMPLIED AUTHORITY: There is an implied authority that any partner can act on behalf of firm. The business will be bound by the acts of the partners

UTMOST GOOD FAITH: The main basis of the partnership business is good faith and mutual trust .each partner should act honestly and give a proper account to other partners.

EXISTENCE OF LAWFUL BUSINESS: The business, of which the persons have agreed to share the profits, must be lawful. Any agreement which indulge in smuggling, black marketing.etc. Cannot be called partnership business in the eyes of a law.

PRINCIPAL AGENT RELATIONSHIP: Every partner is an agent as well as the principal to the third parties or outsiders the partners are a principal, while to others he is an agent. The firm is liable for all the transactions done by them.

NO TRANSFERABILITY OF SHARES: In partnership, a partner cannot transfer his shares to any other partner or to the outsider without the consent of all the partners. This discourages a person to enter into partnership business.

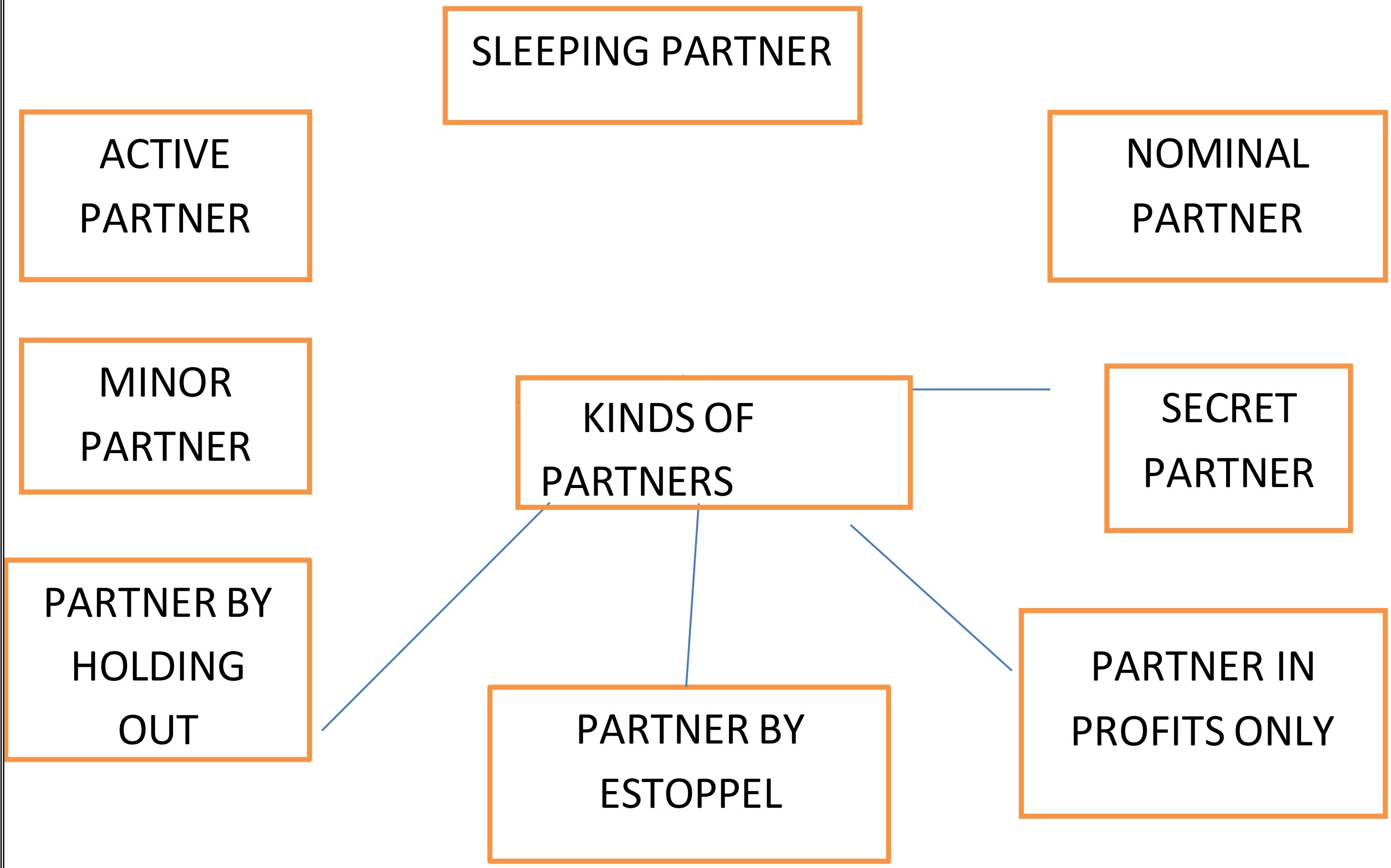
VOLUNTARY REGISTRATION: No partnership may or may not be registered. If it is registered, it gets some privileges and facilities. Unregistered firm suffers from some limitations which make it virtually compulsory to be registered.

COMMON MANAGEMENT: It is not compulsory for all the partners to participate in the day to day activities of the business but they are entitled to participate.

Q10. What are the types/kinds of partners?

ANS. INTRODUCTION: Partners are the two or more persons who pool their financial and managerial resources and agree to carry on business, and share its profit or losses.

TYPES: There are different types of partner and they may be classified as:



ACTIVE PARTNER: The partner who takes active part in the day to day activities of the firm is called as an active partner. He takes up the responsibilities of many activities of the firm. He is also known as a working partner. He commands authority and would be responsible for all the dealings. His liability is unlimited.

MINOR PARTNER: According to the Indian Contract Act, a minor is not competent to enter into any contract. But with the consent of all the partners, the minor may be admitted to the benefits of a partnership firm. A minor has the right to inspect the books of account.

PARTNER BY HOLDING OUT: If a person is introduced or declared as a partner by any of the partner or firm and if the person does not say no to that he is known as a partner by holding out. Such partners are not entitled to profits. He is liable to the third parties who give credit to the firm under the impression that he is a partner by holding out.

PARTNER BY ESTOPPEL: When a person gives an impression to the outsider either by his words or actions that he is a partner of the fir, is known as partner by Estoppel. Such partners are not entitled to share the profits of the firm, but are fully liable if any person suffers because of his false representation.

PARTNERS IN PROFIT: When partner is admitted into partnership firm with a special agreement that he is entitled to share only profits of the firm but not in the losses. He contributes capital of the firm, but he has no right to take part in the activities of the business firm. The liability of such partner is limited.

SECRET PARTNER: Association want that this partner should be unknown to the general public. Secret partner contributes in the capital as well as shares the profits and losses. He participates in the management. His liability is unlimited towards the creditors.

NOMINAL PARTNER: This type of partner does not contribute any capital nor does he take any active part in the affairs of the firm. But he lends his name, reputation and goodwill to the firm. He is not eligible to share profits. But he is liable to the third parties for all the acts of the firm

SLEEPING PARTNER: The partner, who does not participate in any business activities but shares profit and losses, is known as a sleeping partner. He contributes the capital and his liability is unlimited.

Q11. Differentiate between sole proprietorship, partnership, Hindu Undivided Company, Co-operative societies.

ANS. The following tabular column shows the differences between sole proprietorship, partnership, Hindu undivided company and co-operative societies

COMPARISION	SOLE PROPRIETORSHIP	PARTNER SHIP	JOINT HINDU FAMILY BUSINESS	CO-OPERATIVE SOCITIES	COMPANY
Formation	Minimal legal formalities easiest formation	easy formation	Less legal formal-Ities	Registra-tion is compu-lsory, greater legal formalities	Registration is compulsorylengthy and expensive formation process
Members	Only owner	Minimum-2 maximum- [banking-0, others- 20]	Atleast 2 members no max. limit	Atleast 10. No max. limit	Min. 2 in private and 7 in public. Max. 50 in private. No limit in public
Capital contribution	Limited finance	Limited but more finance can be raised compared to sole proprietor	Ancestral property	Limited	Large financial resources
Liability	Unlimited	Unlimited and joint	Unlimited-karta, unlimited-members	Limited	Limited
Control And management	Owners take all decisions. Quick decision making	Partners take decision	Karta takes decision	Elected representatives[managing committee]	Separation between owner and management
Continuity	Unstable, business and owner regarded as one	More stable but affected by the status of partners	Stable business, continues even if Karta die	Stable because of separate legal entity	Stable because of Separate legal entity

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UNIT 2: JOINT STOCK COMPANY

QUESTION AND ANSWERS

Q1. Distinguish between public companies and private companies.

ANS. CONCEPT: A private company is one in which public has no interest. It is essentially a private affair. Here, private companies enjoy certain privileges.

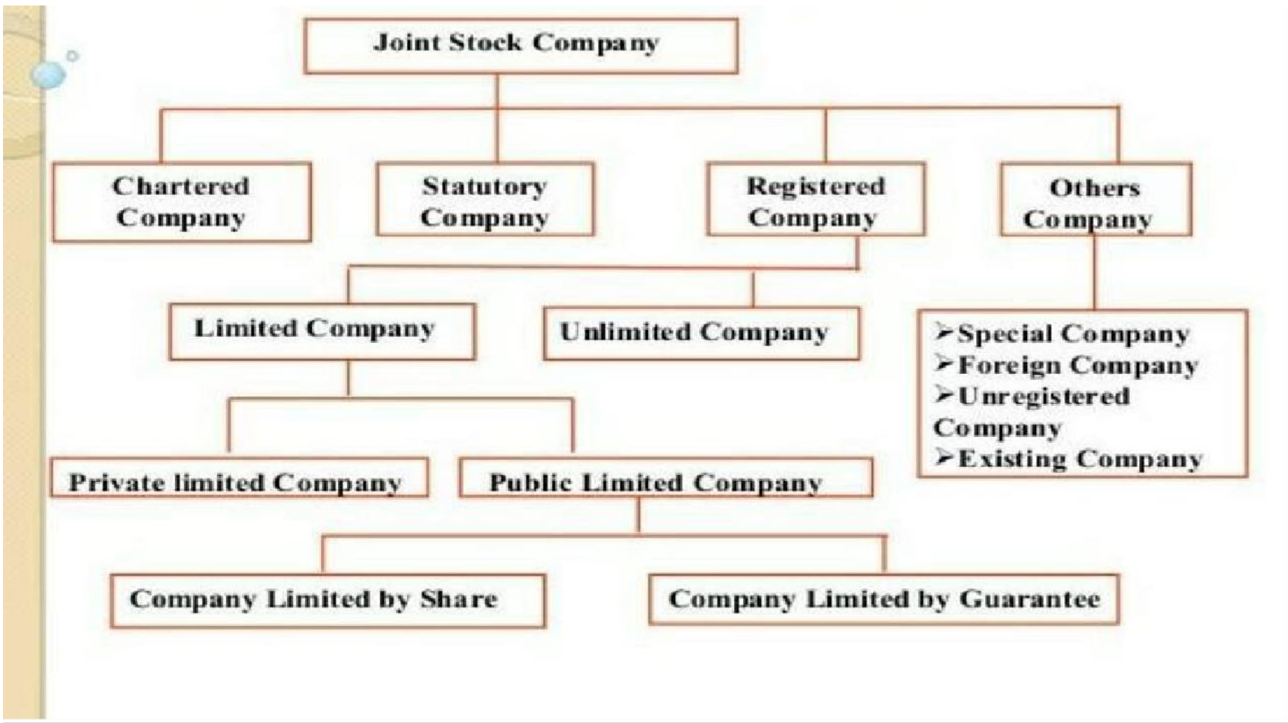
A public company is the one whose shares are traded freely on a stock exchange.

BASIS	Private company	Public company
Minimum no. of members	2 members	7 members
Maximum no. of members	50 members	No limit
Minimum capital required	1 lakh	5 lakh
Transfer of shares	It can be transferred	It cannot sell their shares
Commencement of business	It can start its business after receipt of certificate of incorporation	It requires trading certificate for starting a business
Board of Directors	Minimum – 2 Maximum – 7	Minimum – 2 Maximum – no limit
Suitability	Suitable for small scale business	Suitable for large scale business
Issue of prospectus	No need to issue prospectus or file statement in lieu of prospectus	Must issue prospectus or file statement in lieu of prospectus with Registrar
Invitation	It cannot invite public to subscribe the shares in the company	It allows to public to subscribe their shares in the company
Suffix	The word 'private Ltd.' Should be included.	The word 'Ltd.' Should be included
Quorum [minimum no. of persons required to conduct meeting]	2	5
Legal formalities	legal formalities are not required	Lot of legal formalities to be followed
Statutory meeting	Not required to be held	Mandatorily required to be held
Loan to Directors	Can be given without any need of central govt. approval	Central govt. approval is required to extend loans to the directors
Managerial remuneration	No restrictions	Restricted to 11% of Net profits

Q2. Explain the kinds/ types of companies

ANS. INTRODUCTION: The companies Act,1975 broadly classifies the companies into private and public companies and provides for regulatory environment on the basis of such classifications.

CLASSIFICATINS:



Classification on the basis of Incorporation or Registration

[a] CHARTERED COMPANY: The early companies were setup through a Royal Charter issued by the head of the state or monarch. The rights, duties, liabilities and exclusive privileges of such companies were defined by the Royal Charter. Example: Bank of England The East India Company.

[b] STATUTORY COMPANY: A statutory company comes into existence by a special act of Parliament or legislation. Its rights, duties, liabilities, powers etc. are clearly defined in the act which brings such company into existence. Example: SBI, RBI LIC

[c] Registered Company: Companies which are registered under the provisions of the company acts of the nation concerned are known as ''Registered Companies.'' The act lays down the procedure for their formation, working and windingup of the companies. Example: Tata iron and steel industry, Fine spinning and weaving etc.

Classification on the basis of liability

[a] COMPANIES WITH UNLIMITED LIABILITY: The article of association specifies the nature of liability of members of the company. In the case of unlimited liability, a shareholder has to meet the debits of the company even from his private property in the event of windingup up

[b] COMPANIES WITH LIMITED LIABILTIY BY GUARANTEE: The liability of members in such company is limited to a specific amount presented by the members. The purpose of such a guarantee is to enable the company to have funds to meet its liability at the time of windingup of a company. Such companies are non- trading or noon-profit making companies

[C] COMPANIES WITH LIMITED LIABILITY BY SHARES: The liability of members in such a company is limited only to the amount of the shares held by them. In the event of windingup of a company, if the assets of the company are insufficient to meet the liabilities, the private property of shareholders is not affected but the directors with unlimited liability. Example: L&T, Reliance industries etc.

Classification on the basis of Public Interest

[a] ONE MAN COMPANY: The section 3(1) of the companies Act, 2013 introduced a new type of company. “A ONE PERSON COMPANY (OPC).” A one man company means a company with only one person as its member. Only a natural person who is an Indian Citizen & resident in India can incorporate an OPC. Minimum capital required is 1 lakh. It can be converted into public or private company if its turnover crosses 2 crore or capital crosses 50 lakh.

[b] PRIVATE COMPANY: As per the companies Act 1975, a private company is one where the limit of members is just 50. It restricts the rights of transferring the shares and it does not invite the public to subscribe (purchase) to the company’s shares.

[c] PUBLIC COMPANY: According to the Indian Companies Act, “all companies other than private companies are known as public companies.” Here, the limit of members is unlimited. It allows the shareholders to transfer their shares whenever they need. It does not prohibit to invite public to purchase company’s share.

[d] SMALL COMPANY: A small company is a company (other than to public company)

Its Paid-up share capital does not exceed Rs.50 lakh or such higher amounts as may be prescribed which shall not be more than RS. 5crore.

[e] HOLDING, SUBSIDIARY, ASSOCIATE COMPANY: When a company owns 20% or more share capital of another company. The controlling company is known as ”HOLDING COMPANY.”

If its 50% of share capital is owned by the holding company, then it is known as a “SUBSIDIARY COMPANY.”

If its 20% of share capital is owned by the holding company, then it is known as a "ASSOCIATE COMPANY"

Holding and subsidiary company are separate legal companies and possess separate legal identities

[f] GOVERNMENT COMPANY: A government company is one which has atleast 51% of capital held by central, state or partly by central and state government is known as a government company. Example: Air India, All Nationalized Bank, Hindustan Petroleum etc.

Classifications on the basis of Nationality

[a] INDIAN COMPANY: A company registered in India having a place of business in India is called Indian company. It may be a private or a public company where all shareholders of a company may not be Indians. Example: Hindustan Unilever, Bata etc.

[b] FOREIGN COMPANY: A Company incorporated anywhere outside the India, but having a place of business in India is known as foreign company. Such a company operates through its agents and officers. Example: Coca-Cola, BMW etc.

Q3. Define promoter and characteristics of promoter

ANS. INTRODUCTION: A promoter is a person who initiates an idea about the formation of company. A promoter think of the business idea, decide the scope of business, prepares necessary documents and pays the fees required for registration of the company.

DEFINITION: "Promoter is a person who assembles the man, money and the materials into a going concern." – GUTMAN AND GILL

CHARACTERISTICS:

RISH TAKING: It is a primary function of an entrepreneur and profit is the reward for it. Risk can be broadly –

[i] Insurable risk are those risks for which the entrepreneur is compensated in the event of occurrence of the loss. Example: loss due to fire, theft, riots etc.

[ii] Uninsurable risk are those for which the entrepreneur is not compensated in the event of loss. Example: loss due to change in the market trend.

DECIDING THE PROFIT: Decision depends upon the number of factors such as availability of resources, supply and demand conditions existing competition, profitability etc.

RAISING FINANCE: Once, project has identified the entrepreneur has to raise the finance. The short-term needs of the business can be met through overdraft, cash credit and loans while the long term needs can be met through shares, debentures and loans from the financial institutions.

PRODUCTION PALNNING: The entrepreneur makes significant decisions regarding the production of goods and services such as the use of technology, deciding on the plant layout, the process of production etc.

MANAGERIAL ENTERPRISE: It means to carryout various managerial functions such as planning, organizing, executing and leading. An entrepreneur has to plan, manage and co-ordinate the production, finance, sales, administration and personnel in the organization.

EARNING PROFITS: Profits can be earned and maximized by increasing the sale or reducing the costs. Whenever competition is intense, the entrepreneur has to resort to cost reduction in order to maximize his profit.

INNOVATION: Innovation means upgrading the technology and knowledge to be at par with the developments taking place in different parts of the world.

DECISION MAKING: Decision making is a process to arrive at a decision. It is the process by which an individual selects one position or action from several alternatives

Q4. Define Joint Stock Company and its characteristics

ANS. INTRODUCTION: Joint Stock Company is an artificial person recognized by the law with a distinctive name, common seal, comprises of transferable shares with limited liability and permanent existence

Definition: According to L.H. Haney, "Joint Stock Company is a voluntary association of individuals for profits, having a capital divided into transferable shares for ownership of which is the condition of a membership."

CHARACTERISTICS/ FEATURES

LEGAL FORMATION: A Joint Stock Company comes into existence only when it is registered after the completion of necessary formalities as per the instructions of Indian Companies Act 2013. Therefore, it is necessary to register a company with the Registrar of Companies.

ARTIFICIAL PERSON: A Joint Stock company is recognized as the artificial person in the eyes of the law. It has no life and personality; still it has a position to enter into a contract and to appoint people as it employees

SEPARATE LEGAL ENTITY: A Joint Stock Company is a creation of law. As a legal person, it is separate from its shareholders. It can sue and can be sued. It has the right to own and transfer the title to the property.

COMMON SEAL: The Company does not have physical existence and life. As such it cannot sign an official document. This seal is valid as authorized signature.

PERPETUAL/CONTINUITY EXISTENCE: Joint Stock Company enjoys continues existence in its working. It will not be affected by the death, insolvency of any members (shareholders) of the company. The company goes forever

VOLUNTARY ASSOCIATION: A Joint Stock Company is a voluntary association. Any person can become a member of the company. He can also leave the company any time by selling his shares at the stock exchange.

LIMITED LIABILITY: The liability of a member is limited to the extent of the value of shares. In case, if the company is in loss the shareholders need not to pay anything to the company from their personal property.

TRANSFERABILITY OF SHARES: The shares of a company are freely transferable as per the choice of the shareholders. The shareholders can sell their shares in the open market and get back his money without distributing the capital structure of the company

DEMOCRATIC MANAGEMENT: Shareholders are owners of the company. All of them cannot participate in the management of the company. Shareholders democratically elect their representatives from among themselves known as "DIRECTORS" to manage the affairs of the company

Q5. Define Joint Stock Company and merits and demerits of promoter

ANS. INTRODUCTION: Joint Stock Company is an artificial person recognized by the law with a distinctive name, common seal, comprises of transferable shares with limited liability and permanent existence

DEFINITION: According to L.H. Haney, "Joint Stock Company is a voluntary association of individuals for profits, having a capital divided into transferable shares for ownership of which is the condition of a membership."

ADVANTAGES/ MERITS

LARGE FINANCIAL RESOURCE: It enables to collect a large amount of capital through small contributions from a large number of people. A public limited company can invite people to purchase its share through prospectus.

LIMITED LIABILITY: The liability of a member is limited to the extent of the value of shares. In case, if the company is in loss the shareholders need not to pay anything to the company from their personal property.

PERPETUAL/CONTINUITY EXISTENCE: Joint Stock Company enjoys continues existence in its working. It will not be affected by the death, insolvency of any members (shareholders) of the company. The company goes forever.

LIQUIDITY: The shares of a company can be treated easily in the stock exchange. The public can buy its shares whenever they wish. The investors can invest and convert shares into cash whenever they wish.

ECONOMIC DEVELOPMENT: The govt. gets good revenue on account of income tax, sales tax and other duties from the industrial sector. This revenue is invested by the govt. in the projects of social development.

DISADVANTAGES/DEMERITS

DIFFICULTY IN FORMATION: The formation of a company involves a lengthy and expensive process. A number of legal documents have to be prepared and filed with authorities for the formation of a company.

DELAY IN DECISIONS: Quick decision cannot be taken because all important decisions are taken by the Board of Directors at meetings. Decision taking process is time consuming. As a result, profitable opportunities may be missed.

EXCESSIVE GOVERNMENT CONTROL: Joint Stock Companies are regulated by the govt. through the Companies Act and various other legislators and statutory bodies like SEBI, BSE.

CORRUPT MANAGEMENT: In a company, there is a chance of fraud and misuse of property by dishonest management. Fake companies may be formed to derive the investors of their hard earned money.

LACK OF SECRECY: A company has to publish its books of accounts annually and therefore it does not enjoy business secrecy. As per the rules of Companies Act, it is necessary for the company to keep the investors inform about its various activities and performance.

UNIT.2

CHAPTER 2: REGISTRATION OF JOINT STOCK COMPANY

Q1. What is memorandum of association? Discuss its clauses.

ANS. INTRODUCTION: Memorandum of Association and Article of Association are the most important documents to be submitted to the Registrar of Companies (ROC) for the purpose of registration of a company.

Concept of memorandum of Association: Memorandum of association is a basic document of a company. It is defined as a charter of a company. The company has to work within the limits laid down by the Memorandum of Association. It is a document which contains fundamental rules regarding the constitution and activities of a company.

DEFINITION: According to Lord MacMillan “The purpose of the memorandum is to enable shareholders, creditors and those who deal with the company to know what is its permitted range of enterprise.”

Clauses of memorandum of Association:

a) Name clause: A company is a legal person. The first clause of the memorandum, states the name of the name of the proposed company. The name of the company should not be undesirable in the option of the central government. The following points should be borne in the mind while deciding the name of a company:

*The company cannot adopt a name by which another company is registered with the Registrar of companies.

*The companies Act provides that the name of the company must end with the word "limited. " If it is a private company. A company which is formed to promote science, art, culture, commerce, etc.

b) Domicile clause:

I) The second clause in the Memorandum of Association must contain the name of the state ,In which the registered office of the company shall be situated.

II) This clause determines the jurisdiction of the Registrar of companies and the court.

III) The exact address within the state need not be given in the Memorandum.

IV) The notice of the situation of the registered office of the company must be given to the register of the companies within 15 days the data of incorporation.

C) Object clause: Object clause is the most important clause of the Memorandum of Association. This clause should specify in unambiguous language, the objects for which the company is formed.

The following points should be kept in mind while drafting the object clause of a company:

I) The objects of a company must not be illegal. For e.g, lottery or smuggling.
II) They must not be against the public policy. For example to carry on trade with an enemy country.
III) They must be stated clearly and definitely.
IV) They must not be against the provisions of the companies Act, such as buying its own shares, declaring dividend out of capital, etc
V) They must be quite elaborate.

D] Liability clause:

Clause states the liability of the members of the company. The liability may be limited by shares or by guarantee.

Company limited by shares: In the case of company limited by shares no member can be called upon to pay more than unpaid value of the shares held by him.

In the case of fully paid, he shall not be required to pay anymore even if the company owes huge debts to its creditors.

Company Limited by Guarantee, Not having share Capital: A member of a company limited by guarantee not having share capital cannot be called upon to contribute an amount more than his guarantee in the event of liquidation of the company.

Company limited by Guarantee but having a share capital: The members cannot be called upon to contribute more than the amount guaranteed by them and the amount unpaid on their shares, if any.

E] Capital Clause:

This clause mentions the total amount of capital with which the company is registered. It is known as authorized capital or nominal capital. In case of a company with various types of shares, the number of each type of shares and their face value is also mentioned separately in this clause. The amount of capital mentioned under the capital clause of Memorandum is called " Authorized, Nominal or Registered Capital" of the company.

F] Association and Subscription Clause:

This clause contains a declaration given by subscribers to the Memorandum that they are desirous of forming themselves into a company and agree to take a number of shares in the capital of the company. The subscribers to the memorandum must purchase at least one share each. Each subscriber signs the memorandum in the presence of a witness.

This clause is not needed in case of a company without share capital.

Q2. Define Article of Association. Explain its contents.

ANS. CONCEPT: Article of Association is an important document of paramount significance in the company. It contains regulations for the internal administration of a company's affairs. "Articles of Association" of a company may be compared with the Partnership Deed in case of a partnership firm.

DEFINITION: According to Article 5 of section 2 The companies Act 2013 is, Articles means the articles of association of a company as originally framed or as altered from time-to-time in pursuance of any previous company law or this Act.

Contents of Articles of Association: Article of Association provide rules and regulations for the internal management of the company i.e., regulations for the day-to-day conduct of the business. The Articles set out the rights and duties of the members of the company and constitutes a contract between them. The third parties or outsiders are in no way concerned with the Articles.

The Articles of Association contains the provisions relating to:

- Share capital and variation of rights
- Lien on shares
- Calls on shares
- Transfer of shares
- Transmission of shares
- Forfeiture of Shares
- Alteration of capital
- Capitalization of profits
- Buyback of shares
- General meetings
- Proceedings of general meetings
- Voting rights
- Proxy
- Board of Directors
- Dividend and reserves
- Conversion of shares
- The seal
- Windingup
- Indemnity
- Accounts

Q3.What is prospectus? State its components /contents?

Ans: **Concept of Prospectus:** Prospectus is the company's invitation to public to buy shares or debentures of the company. A prospectus may be in any form such as notice, circular, advertisement or even in the form of a booklet.

The prospectus describes the prospects or advantages likely to accrue to the persons investing in shares capital or debentures of the company.

The main objects of a prospectus:

A] To inform public about the formation of a company.

B] To arouse the interest of the investors in the proposed company.

C] To create confidence in the public about the company.

D] To provide complete, accurate and reliable information about the proposed company.

E] To protect public against any misstatement by the directors in the prospectus

F] To induce them to invest in its shares or debentures.

CONTENTS OF PROSPECTUS:

Prospectus must contain facts and only facts. Any false information or misstatements in it, invite civil and criminal liabilities for the persons responsible for such untrue statements. The particulars to be specified in the prospectus and the reports attached to it are:

*Names and addresses of the registered office of the company, company secretary, auditors, legal advisers, bankers, trustees, financial officers and such other persons as may be prescribed.

* Dates of the opening and closing of the issue and declaration about the issue of allotment letters and refunds within the prescribed time.

* Details about underwriting of the issue.

*The authority for the issue and the details of the resolution passed therefore.

*Capital structure of the company in the prescribed manner,

*Procedure and time for schedule allotment and issue of securities.

* Details of directors including their appointment and remuneration and such particulars of the nature and extent of their interests in the company.

* Main objects of public offer, terms of the present issue and such other particulars.

* Main objects and present business of the company and its location, schedule of implementation of project.

Q4. Write a short note on:

A] Statement of Lieu of Prospectus

B] Red herring prospectus

ANS. <u>Statement of lieu of Prospectus:</u>

The companies Act, 2013 has done away with the concept of statement in lieu of Prospectus.

If a public company does not raise its capital by the public issue of shares of debentures, then it need not publish a prospectus. In such a company, capital may be collected privately and shares may be allotted by the mutual agreement of a few people. Such public companies having shares capital, and not issuing prospectus must prepare a statement in lieu of the prospectus and file it with Registrar of Companies (ROC). It is filed at least three days before the first allotment of shares or debentures. The contents of the statement in lieu of prospectus more or less similar to the prospectus. It should be signed and dated by the directors.

The prospectus or a statement in lieu of the prospectus should not contain any false statement. Misrepresentation or misstatement of facts in such documents in punishable under the companies Act, 1956.

Contents:

- Names and address of the company.
- Date on which it was registered.
- Number and types of shares.
- Rights of shareholders.
- Particulars regarding directors, managing directors, etc.
- Details regarding Underwriting of shares, preliminary expenses incurred.
- Names and addresses of auditors, bankers, legal advisors etc.

Red herring Prospectus: "Red herring prospectus" means a prospectus which does not include complete particulars of the quantum price of the securities included:

- ☞ A company proposing to make an offer of securities may issue a red herring prospectus prior to the issue of a prospectus.
- ☞ The company shall file red herring prospectus with the Registrar of companies at least three days before opening of the subscription list.
- ☞ A red herring prospectus shall carry the same obligation as are applicable to a prospectus.

Q5. Differentiate between memorandum of Association and Article of Association?

Ans. INTRODUCTION: **Memorandum of association** is a basic document of a company. It is defined as a charter of a company. It is a document which contains fundamental rules regarding the constitution and activities of a company.

Article of Association are rules of internal management of the company. They indicate how objectives of the company are to be achieved.

Basis of difference	Memorandum of Association	Article of Association
Objectives	Memorandum of Association defines the objects for which the company is formed	Article of association are rules of internal management of the company. They indicate how the objectives of the company are to be achieved.
Position	This is the main document of the company and is subordinate to the companies Act.	This is a subsidiary document and is ordinate to both the Memorandum of Association and the companies Act.
Relationship	Memorandum of Association defines the relationship of the company with outsiders.	Article define he relationship of the members and the company.
Validity	Acts beyond the memorandum of	Act which is beyond articles can be

	association are invalid and cannot be ratified even by a unanimous vote of the members	ratified by the members, provided they do not violate the memorandum.
Necessity	Every company has to file memorandum of association	It is not compulsory for a public Ltd, company to file articles of association. It may adopt table. A of the company Act.
Alteration	Alteration of memorandum of association is quite difficult and in many cases approval of certain statutory authority is required.	Article can be altered by passing a special resolution by the members.

UNIT.3

INTRODUCTION & FUNCTIONS OF MANAGEMENT (CHAPTER.1 &2)

Q1. Define management. State and explain its characteristics

ANS. INTRODUCTION: Management is a process in which an individual's work together in groups for attaining the organizational objectives

DEFINITION: According to JAMES L. LUNDY "Management is principally the task of planning, co-coordinating, motivating and controlling the efforts of others towards a specific objective."

FEATURES/ CHARACTERISTICS:

GOAL-ORIENTED: Management is a goal-oriented. It aims to achieve certain objectives or goals. All the efforts are directed towards attainment of the stated goals. The success of management is measured in terms of whether the stated objectives were met or not.

DYNAMIC: The environment in which management operates is ever-changing. Management aims to adapt itself to changing or dynamic environment. Management also attempts to influence the environment in its favour.

TEAM WORK: Management involves getting things done with and through people. Management is about getting the team to do what is required to be done. It involves team work.

UNIVERSAL: Management is all pervasive. It is everywhere. It is not restricted to managing business. It is needed not only for business but also for social occasions such as marriage or for planning a political rally.

AN ART AND A SCIENCE: Management is both an art as well as a science. It is an art in so far as personal skills are required. It is science because it is a body of knowledge that can be universally applied. The art and science are complimentary to each other.

MULTI-DISCIPLINARY: Management is typically consists of people from various disciplines such as economics, psychology, marketing, finance etc. Thus, management is multi-disciplinary

INTANGIBLE: Management is an invisible force. It can be felt in the form of results but cannot be seen. While, managers can be seen and heard, management is much more than managers

A SYSTEM OF AUTHORITY: Management is a rule-making and rule-enforcing authority. There is a chain of authority among people working at different levels of the organization.

AN INTEGRATING FORCE: Management ensures that the total results more than the sum of individual contributions. Thus, management is an integrating force that combines human efforts and material resources to achieve organizational goals.

Q2. Discuss in detail the various functions of management.

ANS. INTRODUCTION: Henry Fayol was the first to identify functions of management in his book titled "*Administration Industrielle et Generale"* published in the year 1916. He identified five main functions of management. In 1930, LUTHER GULLICK coined the word "PODSCORB" from the initial letters of management functions.

DEFINITION: According to JAMES L. LUNDY "Management is principally the task of planning, co-coordinating, motivating and controlling the efforts of others towards a specific objective."

FUNCTIONS OF MANAGEMENT: Basically, the functions of management (PODSCORB) can be analyze in the following points

PLANNING: Planning is the function of management. It is primarily an intellectual exercise. Planning is the process through which a manager looks to the future and discovers alternative courses of action for effective corporate achievements at all levels. It is the base of all managerial activities.

ORGANISING: It is the foundation on which the entire structure of management is constructed. Organisation is the process of establishing relationships among the members of the enterprise. These relationships are created in terms of authority and responsibility.

DIRECTING: Once subordinates are organized, superiors have a continuous responsibility of guiding and leading them for higher work performance and motivating them to work with zeal, confidence and enthusiasm.

The sub-functions of directing are: communicating, leading, motivating and supervising

STAFFING: Staffing means selecting and recruiting competent and qualified people needed for the jobs. It is one of the most important function of human resource (personnel management). This needs manpower planning and manpower management. Staffing function of management encompasses selection, placement, training, promotion and transfer of the employees.

CO-ORDINATING: Co-ordinating is the essence of management. It is the process of integrating various departmental activities of an organisation. It involves unity of purpose and the harmonious implementation of plans for achievement of desired ends.

REPORTING: Reporting is essential for locating deviations from pre-determined objectives and taking corrective actions in order to minimize wastage and achieve organizational objectives on time. It is also necessary for determing the policies regarding promotion, transfer and demotions of employees.

BUDGETING: A budget puts minimum and maximum limit on the expenditure for a specific period. Budgeting is also a tool of controlling as it controls financial wastage in the organisation.

Q3. State the composition and functions of each level of management

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ANS. INTRODUCTION: Management is a process in which an individual's work together in groups for attaining the organizational objectives.

LEVELS OF MANAGEMENT: People of an organization are arranged in a hierarchy and they all have the relationship of superior-subordinate, except the person at the top most position who is superior alone and the person at the lowest level who is subordinate alone. There are three levels of management which can be briefed as:

1. **TOP LEVEL MANAGEMENT**: Top level management of an organization consists of Board of Directors, Chairman and Chief Executive Officer. Top management integrates the functions of the whole organization. They are responsible for overall management. Overall management includes overall planning, organizing, staffing, directing and controlling.

FUNCTIONS OF BOARD OF DIRECTORS AND CHAIRMAN: Various functions of board of directors are as follows,

[i] They determines of basic objectives and policies of the organization.

[ii]They select top executives and determination of overall organization structure.

[iii] They approve of financial matters like budget and appropriation of corporate earnings.

[iv] They check and control the functions of top managers.

[v] They perform legal functions as provided under the provisions of the Companies Act.

FUNCTIONS OF CHIEF EXECUTIVE: Chief executive is a person whose responsibility is to make decision for organization as a whole because he is responsible for overall management. He performs the following roles,

[i] He is chief liaison officer between board and other personnel of the organization and provides information about what board has decided in terms of organizational goals, policies etc.

[ii] He is the chief executive officer to execute these policies and programmes into action.

2. **MIDDLE LEVEL MANAGEMENT**: Middle level stands between the top management and supervisory (low) management level

FUNCTIONS OF MIDDLE MANAGEMENT

[I] Directs the flow of work into lower management

[ii]Train, motivate and develop supervisory personnel

[iii] Lay down the rules and regulations to be followed by the supervisory personnel

[iv] Monitor and regulate the operating performance of lower level management

[v] Co-operate among themselves

LOW LEVEL MANAGEMENT: It is also known as supervisory management or first line management. It forms the bottom level or base of the management hierarchy. It consists of supervisor, foremen, sales officer, purchase officer, accounts officer, exchange and trade officials etc.

FUNCTIONS OF LOW LEVEL MANAGEMENT:

[I] He plans the activities of his sections

[ii] He classifies and assigns the works to the officers

[iii] Monitor, supervise and control the workers operations

[iv] He provides the feedback to the management about the nature of the work in his section.

[v] He guides workers about the work procedure.

Q4.Elaborate the various management skills

ANS. INTRODUCTION: Management skills means skills needed to manage a business. It is about an ability to understand the business objectives, establish and maintain strong customer relationships by understanding their needs.

MANAGEMENT SKILLS: Management skills can be broadly classified into three categories. They are:
TECHNICAL SKILLS: It refers to the specific knowledge, techniques and capabilities required to perform specialized tasks related to an organizational role. They are specific to the field or to the job. For example, a project manager in a Software service firm needs to have programming knowledge, understanding of databases, ability to write and execute test cases etc. This will help him/her to understand if the software being built is as per the client requirement. To He/she will be able to guide team if the team runs into difficulties in creating required software.

HUMAN SKILLS: It refers to the ability to understand, alter, lead and control the behavior of other individuals and groups. Human skills include the skills such as:

[i] **OBJECTIVE SETTING**: It is vital that a manager can establish and communicate a clear direction to his/her team.

[ii]**COMMUNICATION**: Managers need good written and verbal communication skills. They must be able to get their point across in an open and direct manner to build positive relationships with their subordinates.

[iii] **PEOPLE DEVELOPMENT**: Good managers know how to work with others to maximize their performance. The ability to manage performance and provide constructive, encouraging feedback is also a key element to supporting and developing people.

[iv] **MOTIVATION:** Rewarding and recognizing achievement and encouraging people to achieve their personal best is key to successful management.

[v] **GOOD LISTENING SKILLS**: Communication is not just making the other person understand our point of view. It also involves understanding the others point of view. Listening to other can help avoid blame game situation.

CONCEPTUAL SKILLS: It refers to the ability to analyze and diagnose a situation and distinguish between cause and effect. It deals with grasping a big picture and making connections between abstract ideas. A conceptual skill includes the following:

[i] DECISION MAKING: Decision making is about looking at various alternative courses of action and making the right choice in terms of selecting the most appropriate alternative.

[ii] **PROBLEM SOLVING**: Managers are faced with many problems at all times. A problem is when something is not going right. For example, a particular employee critical to work has not reported, there is a breakdown of machinery, there is a shortage of cash, transporters have called for a strike, there is sudden increase in government taxes etc.

[iii] **BEING ENTREPRENEURIAL**: Being entrepreneurial is about being able to visualize the business from a holistic perspective. It is about the tasks impact the overall business.

[iv] **DELEGATION**: Delegation requires a careful assessment of what can and cannot be delegated, based on the critically and complexity of the task and the ability of person to whom it is to be delegated.

Q5. Highlight the various objectives of scientific management theory

ANS. INTRODUCTION: Scientific management attempts to find the one best way of performing a particular job, under the given conditions.

DEFINITION: F.W. Taylor, "Scientific Management is an art of knowing exactly what you want your men to do and then seeing to it that they do it in the best and cheapest way."

OBJECTIVES: The main objectives of scientific management are as follows:

[a] SCIENCE, NOT THE RULE OF THUMB: The basic principle of scientific management is an adoption of a approach to managerial process and decision-making. It completely discards all unscientific approaches and practices by the management

[b] HARMONY, NOT DISCORD: Harmony refers to the unity of actions while discord refers to differences in approach. As a principle of scientific management, it refers to absolute harmony in the action of people in order to facilitate the best attainment of organizational goals.

[c]CO-OPERATION, NOT INDIVIDUALISM: Co-operation refers to the development of mutual understanding between employees and management in order to direct their efforts towards the attainment of group objectives while regarding the individual objectives as subordinate to the general interest.

[d]MAXIMUM OUTPUT, INSTEAD OF RESTRICTED OUTPUT: In Taylor's view, the most dangerous evil of the industrial system was a deliberate restriction of output in order to maximize returns. He emphasized maximization of output as a means of promoting prosperity if workers, management and society.

[e] DEVELOPMENT OF WORKERS: Management must develop its workforce to the fullest extent of their capabilities to ensure maximum prosperity for both employees and employers. There is no doubt that the developed human resource promotes maximum human efficiency, productivity and profits.

[f]EQUAL DIVISON OF RESPONSIBILTY: This principle recommends separation of planning from execution. Taylor strongly opposed the practice of planning of work by the subordinates themselves.

[g]MENTAL REVOLUTION: According to Taylor, no scheme of scientific management could be successful unless the workers and managers learn to co-operate with each other.

Q6. Elaborate the various criticisms leveled against Scientific Management theory

ANS. CONCEPT: Scientific management attempts to find the one best way of performing a particular job, under the given conditions.

DEFINITION: F.W. Taylor, “Scientific Management is an art of knowing exactly what you want your men to do and then seeing to it that they do it in the best and cheapest way.”

CRITICISMS: Although it is accepted that the scientific management enables the management enables the management to put resources to their best possible use, yet it has been criticized by several sections of the society.

[A] CRITICISM BY THE WORKERS:

REDUCES THE WORKER TO A MACHINE: Scientific management calls for the standardization of work methods and workers have to work accordingly. This leads to monotony and kills their initiative.

CREATION OF UNEMPLOYMENT: The crisis of scientific management also argue that scientific management creates unemployment as it favours widespread use of labour saving devices. But this argument does not hold good in the long run.

EXPLOITATION OF WORKERS: The gain of increased productivity are not shared with the workers. They get a little share in profits. The major proportion is taken away by the investors in form of higher profits.

LOSS OF INITIATIVE: The initiative of workers is adversely affected due to separation of “thinking’ from ‘doing.’ Scientific management calls for the standardisation of methods and operations.

[B] CRITICISM BY EMPLOYERS:

PROBLEMS OF UNITY OF COMMAND: Taylor’s scientific management proposes 8 functional foremen. Hence, the workers have to report to 8 different bosses. This is against the principle of unity of command, which emphasizes one person should report to one boss. Lack of unity of command can create confusion and chaos in the organisation

EXPENSIVE: The installation of scientific management involves huge funds on standardisation of materials, equipments, tools and machinery etc. such a huge capital investment may not be beneficial in short run.

LOSS ON ACCOUNT OF REORGANISATION: Introduction of scientific management calls for recognition of complete process. The work has to be suspended due to reorganisation. It is both time-consuming and expensive

OVERPRODUCTION: The techniques of scientific management followed by all the firms in an industry may lead to over production or glut in the market. Increased production may lead to price-cut and erosion of profit earning capacity of business.

CRITICISM BY THE PSYCHOLOGISTS

Mechanical in nature: The main criticism advanced against scientific management by the psychologists is that it is mechanical in nature. The worker has to say practically no to the management. He has to operate strictly in accordance with the instructions

Speeding up of workers: Scientific management is responsible for 'speeding up' or 'intensification' of workers resulting in a lot of strain and tiredness on the workers mind and body leading to accidents and stoppage in work

Creation of monotony: Over specialisation and repetition of jobs under scientific management makes them monotonous. The workers work as cogs in machines which shatters their interest in work. This reduces their efficiency

Developing 'One Best Way' of work: Scientific management is primarily concerned with developing 'one best way' f doing the work. But psychologists are of the view that every worker has his own style of doing the work. If one particular way is imposed on workers, they will not be able to perform properly and their efficiency is bound to be affected adversely.

Q7. Discuss the 14 principles of management. (OR) what are the principles proposed by Henry Fayol

ANS. INTRODUCTION: Henry Fayol long life experience in the field of managing was produced in the form of a monograph titled "Administration Industrielle-et-Generale" in 1916 in French language. Henry Fayol has been rightly called as the Father of Administration Management for his approach to management theory.

DEFINITION: According to Henry Fayol "To manage is to forecast, to organize, to command, to coordinate and to control. "

PRINCIPLES OF MANAGEMENT BY HENRY FAYOL

DIVISION OF LABOUR: Division of labour leads to specialization which increases the efficiency of individual employees. He recommended that the work of all kinds must be subdivided and allocated to number of persons. Subdivision makes each task simpler and leads to great efficiency

PARITY OF AUTHORITY AND RESPONSIBILITY: According to Fayol, authority and responsibility must flow in the same direction. Responsibility is the natural outcome of authority. A fair balance between authority and responsibility helps to prevent the misuse of authority and promotes the fair fixation of responsibility

DISCIPLINE: Discipline means observation of certain rules and regulations. People in organization must be bound to accept the certain code of conduct.

UNITY OF COMMAND: This principle states that a subordinate should receive orders and accountable to one and only one superior. No employee should receive instructions from more than one person. This principle is necessary to avoid confusion and conflict.

UNITY OF DIRECTION: This principle advocates 'one head, one plan.' It means that there should be only one person heading a group of activities that are being taken up to achieve the same objective. Unity of command is not as same as unity of direction.

SUBORDINATION OF INDIVIDUAL INTEREST TO GEERAL INTEREST: According to this principle, the fulfillment of individual objectives in the long run is contingent upon the attainment of common objectives in short run. Thus, in case need arises, an individual must sacrifices in favour of larger group objectives.

REMUNRATION OF PERSONNEL: Remuneration is the price paid to the personnel for the services rendered by him. According to Henry Fayol, the system of remunerating personnel should be fair and satisfactory to both the employees and to the employer.

CENTRALIZATION: It refers to the extent to which authority is concentrated or dispersed. Under civilization, managers or executives play an important role. It finds the measure that will give the best overall yield.

SCALAR CHAN: It refers to the line of authority from the highest to the lowest executive for the purpose of communication. However, in the routine course of business, employees at the same level can communicate with each other by following the principles of "Gang Plank.:

ORDER: Fayol has classified the order into two categories:

[a] MATERIAL ORDER: Material order is described as a place for everything and everything in its place.

[b] SOCIAL ORDER: Social order demands the employment of a "right man in the right place."

EQUITY: Equity means fairness. The principle of equity states that all employees in the organization should be treated as equals. Management should be fair, kind and impartial in dealings with their employees.

STABILITY OF TENURE OF PERSONNEL: High turnover increases inefficiency. An employee needs time to adjust with the new work, its environment and demonstrate efficiency. Unnecessary employees turnover is the cause and effect of bad management.

INITIATIVE: Initiative is the freedom to propose and execute the plan. It is one of the greatest motivations for an intelligent person. It not only helps the organization growth but also readies the next line of management for organization.

ESPIRIT-DE-CORPS: It is a French phrase which means, "Union is Strength" or "Unity of Strength.' There should be loyalty and concern for the honour of organization of which one belongs. This can be achieved through adoption of the principles of command

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UNIT.4

PLANNING (CHAPTER.1)

Q1. Define planning. Discuss its characteristics

ANS. INTRODUCTION: Planning is the most basic and fundamental function of management. It is about "thinking" before "doing." It is about answering the question of Why, What, When, Where, Who and How. A manager, wherever he/she is and whatever he/she does, must know what to do, when to do, through whom to do it, what is the way of doing it and whether what he/she planned to do has been done.

DEFINITION: According to koontz and O'Donnell, "Planning is deciding in advance what to do, how to do, when to do it and who is to do it. Planning bridges the gap from where we are to where we want to go. "

CHARACTERISTICS/ FEATURES

PRIMARY FUNCTION: Planning serves as the basic for all other functions of management. It proceeds organizing, staffing, directing and controlling. All these functions are performed within the framework of plans. By specifying the objectives and the ways of achieving them, planning provides the foundation for managerial actions.

GOAL ORIENTED: Planning is goal oriented. The entire process is aimed at achieving the curtained desired objectives. All plans are linked with the goals of the organization. Planning is futile if it does not contribute to the achievement of organizational objectives.

INTELLECTUAL PROCESS: Planning is an intellectual activity. It involves creative thinking and imagination. It requires analytical ability, logical and systematic thinking, foresight and sound judgment.

ALL PERVASIVE: Planning is all pervasive. Planning is undertaken in all types of organizations and at all the levels of management. Plans are made not only for the enterprise as a whole, but also at various functional or other-activity units such as manufacturing, marketing, finance, purchases etc.

FUTURE ORIENTED: Planning is future oriented.it is essentially looking ahead and preparing for the future. Long term planning provides the broad dimensions. Medium term planning supports the long term plans. Short term plans are in accordance with the medium term plans

CONTINUOUS PROCESS: Planning is a continuous process. Plans are formulated on the basis of forecast. When assumptions about the future do not come true, the original plan must be revised in the lights of changing conditions. Thus, planning is a never ending exercise.

DECISION MAKING: Planning involves decision making. It involves making choices between alternative objectives or alternative methods to reach the objective. If there is only one possible alternative, there is no need of planning as there is no choice. The need of planning arises because there exist alternative goals as well as different ways of reaching the goals.

FLEXIBLE: Planning is flexible. Plans must be self-adjusting in accordance with shift in operational conditions and environment. It is natural for planners to have a “Plan B” and ”Plan C” which essentially means that the plans have to change if situations changes.

EFFICIENT: Plans need to be efficient in the optimal utilization of resources. Sound planning leads to accomplishment of desired objectives at the minimum possible cost

Q2. What are the various types of plans? Discuss them.

ANS. INTRODUCTION: Planning is the most basic and fundamental function of management. It is about “thinking” before “doing.” It is about answering the question of Why, What, When, Where, Who and How. A manager, wherever he/she is and whatever he/she does, must know what to do, when to do, through whom to do it, what is the way of doing it and whether what he/she planned to do has been done.

DEFINITION: According to koontz and O’Donnell, “Planning is deciding in advance what to do, how to do, when to do it and who is to do it. Planning bridges the gap from where we are to where we want to go. ”

TYPES OF PLANS: Plans can be broadly classified into three groups, which can be explained as follows:

[a] STRATEGIC PLAN: Strategic plan is designed keeping the entire organisation in mind and begins with the organization’s mission. Strategic plan is designed and executed by the top-level managers such as CEO or President with a view to paint a picture of the desired future and long-term goals of the organisation.

[b] OPERATIONAL PLAN: Operational plan is a highly detailed plan that provides a clear picture of how a team, section or department will contribute to the achievement of the organisation’s goal. The operational plan maps out the day-day tasks required to run a business. Operational plans can be a standing plan or a single-use plan.

- **STANDING PLANS:** Standing plans are meant for repeated use or are used as and when the need arises. The various types of standing plans are:

Mission: The word “mission” as a type of planning explains the most fundamental purpose of an enterprise.

The significance of the mission is that all business planning, functional planning as well as departmental planning must constantly keep in view the mission of enterprise.

Objectives: Objectives are more precise and are derived from mission. An organisation can have a number of objectives but not mission. Objectives are more flexible and can as per the changes in the business environment.

Strategies: The concept of strategy owes its origin to military organisation. In military, it means a grand plan of attack considering the likely actions and reactions of the enemy

Policies: Policies are framed to bring about uniformity in the planning activities at different levels in the organisation. A policy may be defined as a statement of guidance and instructions that defines and confines the area of discretion of subordinates in the mattes of decision-making.

Procedures: Procedures guide action rather than thinking. They are the clear administrative specifications or norms prescribing the chronological manner in which respective activities are initiated.

Rules: Rules spell out the specific action and non-actions allowing no discretion. For example, there may be rules governing for the calculation of overtime, rules for delaying unauthorized absence or for breach of discipline.

- **SINGLE USE PLANS:** These are meant for one-time use. The various type of single use plans which are frequently used are:

Programmes: A programme is a sequence of activities designed to implement policies and accomplish objectives. It is a complex and comprehensive term which include goals, policies, procedures, rules, assignments and resources to be employed.

Budget: As a plan, budget is a statement of expected results in numerical terms. A budget plays a double role. It is a planning tool and also provides a means for controlling. Budgets are classified as master budgets and sectional or functional budgets. A master budget is prepared for whole organisation while sectional budgets are prepared for different sections.

Schedule: Schedule shows the break-up of work for a particular period, say a day or week or a month. Scheduling is a process of establishing a time sequence for the work to be done. It prescribes the exact time when each step would begin and when it would terminate.

Forecast: Forecasting is a science of calculating the nature and impact of probable future events on organisation. Forecasting starts with the certain assumptions based on the management's experience, knowledge and judgement.

Project: A project is usually referred to as a special type of programme. It is constructed around one specific activity in course of planning. A project has a distinct mission and a clear termination point. It is a non-recurring plan. for example, construction of a new office building, automation of a factory, setting up of a new plant etc. are the projects.

- **TACTILE PLAN:** A tactile plan is concerned with what the lower level of units within each division must do, how they must do, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. These are concerned with shorter time frames and make it work.
- **Contingency plan:** Contingency plan is a course of action designed to help an organisation respond effectively to a significant future event or situation that may or may not happen. A contingency plan is also

referred to as “Plan B” because it can be also used as an alternative for action if expected results fail to materialize.

Q3. Discuss the merits and demerits of planning

ANS. INTRODUCTION: Planning is the most basic and fundamental function of management. It is about “thinking” before “doing.” It is about answering the question of Why, What, When, Where, Who and How. A manager, wherever he/she is and whatever he/she does, must know what to do, when to do, through whom to do it, what is the way of doing it and whether what he/she planned to do has been done.

DEFINITION: According to koontz and O’Donnell, “Planning is deciding in advance what to do, how to do, when to do it and who is to do it. Planning bridges the gap from where we are to where we want to go. ”

ADVANTAGES/MERITS

- It encourages the creativity, imagination, innovation and foresight.
- It enables the organisation to be well geared to take up any king of competitions.
- It keeps the organisation focused on its objectives.
- It imparts discipline in thinking and action of managers.
- It enables effective utilization of resources.
- It also enables the organization to gear up and cope any unfavorable developments
- It provides the framework for control of activities of the organization.
  DISADVANTAGES/DEMERITS/LIMITATIONS
- Planning is based on available information, which may not be correct
- Planning gives the false sense of security to managers. They may become overconfident
- Planning delays actions, which may be dangerous when urgent action, is required.
- Planning may result contradictions in various approaches of the management
- Planning is incomplete until and unless plans are properly implemented. Thus, in process of implementation, there are many difficulties

Q4. Define MBO and various steps in process of MBO

ANS. INTRODUCTION: The principle of Management by Objective [MBO] was first stated by Peter F. Drucker in 1954 in his book ‘Practice of Management.’ This concept is known by several other names such as ‘Management by Results’ or ‘Joint Target Setting.’

DEFINITION: A process whereby superior and subordinate managers of an organisation jointly define its common goals, define each individuals major areas of responsibility in terms of results expected of him and use these measures as guides for operating the units and assessing the contribution of each of its members” **–George Odiorne.**

STEPS:

SETTING ORGANISATIONAL OBJECTIVES: The first step in MBO is definition of corporate mission or objectives. Usually, the process of setting objectives begins at the top level and moves downward to the lowest managerial level in the order such as mission, long-range, short range objectives, departmental objectives and individual objectives.

KEY RESULT AREAS (KRAs): After that, those areas which are critical to the firm’s long-term success are identified. These areas are commonly known as Key Result Areas. Some typical KRAs are profitability, market standing, innovation, productivity, workers performance, financial and physical resources and public responsibilities.

SETTING SUBORDINATES OBJECTIVES: The organizational objectives are achieved through individuals. Therefore, each individual is given an opportunity to make his recommendations about the objectives. There are many rounds of meetings, negotiations and adjustments in order to arrive at an agreement over the objectives to be achieved.

FIXING STANDARDS: Once objectives are laid down, standards are determined against whose actual performance can be evaluated. Generally, standards are set in numerical terms so that objective evaluation of performance can be undertaken

MATCHING RESOURCES WITH OBJECTIVES: Resources availability is an important aspect of objective setting because it is the proper application of resources that ensures achievement of objectives.

DEVELOPING ACTION PLAN: Setting objectives on paper is not sufficient. They must be translated into action plans. This requires allocation of responsibilities to different departments. The superiors and sub-ordinates jointly determine an action plan in terms of time, resources etc.

CONDUCTING PERIODIC REVIEW: Superiors and subordinates meet periodically to review progress in terms of quantity, quality, time and cost. Periodic review measures performance of each individual and department against the objectives and the pre-determined standards and deviations.

PERFORMANCE APPRAISAL: Finally, superiors and sub-ordinates meet to review subordinates overall level of performance. Such performance appraisal may be undertaken semi-annually or annually. During appraisal, failure to achieve goals is discussed logically, problem areas are identified and a plan for corrective action is devised for future.

ACHIEVEMENT OF OBJECTIVES: Past Performance has an important implication on the future. If the overall performance in past is good and satisfactory, then people in the organisation feel confident of doing better in future.

Q5. What are the various benefits and weaknesses of MBO process?

ANS. INTRODUCTION: The principle of Management by Objective [MBO] was first stated by Peter F. Drucker in 1954 in his book 'Practice of Management.' This concept is known by several other names such as 'Management by Results' or 'Joint Target Setting.'

DEFINITION: A process whereby superior and subordinate managers of an organisation jointly define its common goals, define each individuals major areas of responsibility in terms of results expected of him and use these measures as guides for operating the units and assessing the contribution of each of its members" –**George Odiorne.**

BENEFITS OF MBO

[a] AID IN PLANNING: The concept of MBO is closely linked with the corporate planning. It makes organizational planning effective by linking it with the internal and external environment, company and individual through the process of joint goal setting.

[b] RESULT ORIENTED: The main purpose of MBO is to achieve objectives of the organisation through group efforts. Therefore, MBO is a result-oriented philosophy. As such, the focus of MBO is on achievement rather than on the method of achievement

[c] EVALUATION TECHNIQUE: Being result oriented process, MBO is also an evaluation technique (managers) are evaluated in terms of their ability to achieve organizational objectives.

[d] SUPERIOR-SUBORDINATE INTERACTION: MBO increases the frequency of interaction between the superiors and the sub-ordinates. This reduces the frictions and conflicts between them and thereby contributes to cordial industrial relations and industrial peace.

[e]MOTIVATIONAL TOOL: MBO is a motivational tool. It provides workers with an opportunity to participate in managerial decisions. It also challenges subordinates for better performance. At the same time, goal achievement also brings in reward for them.

WEAKNESSES OF MBO

[a] TIME-CONSUMING: MBO is a time-consuming process. The process of goal setting, the frequent interaction between superiors and subordinates, negotiations, adjustments, evaluation, reviews, feedback etc. take a considerable time and the plans will be delayed

[b] INCREASE PAPERWORK: The success of MBO largely depends upon information system which generates a large volume of paper. Innumerable number of forms, instructions manuals, reports etc. move back and forth until the system is snowed with masses of papers

[c] REWARD-PUNISHMENT APPROACH: MBO is a pressure oriented philosophy as it is based on reward punishment approach. It tries to indiscriminately force improvement on all employees.at times, it may penalize people whose performance remains below average.

[d]QUALITATIVE GOALS: MBO is action-oriented philosophy and emphasizes the achievement of goals in quantitative terms. It mainly focuses its attention on the achievement on objectives rather than qualitative goals related to job satisfaction and employees attitude

[e]INAGEQUATE SUPPORT FROM TOP MANAGEMENT: Top Management does not favour this technique as it may dilute their authority. On the other hand, even if MBO is implemented, it is executed half-heartedly just to add to the prestige and status of the top management.

UNIT.4

ORGANISING (CHAPTER.2)

Q1. Define organising. Discuss in detail the process of organising.

ANS. INTRODUCTION: Organisation is the most important function of management. It is the foundation, upon which the whole structure of management is built. It refers to mechanism, which determines a group and various activities, which are necessary for the attainment of the objectives.

DEFINITION: Organising involves grouping of activities necessary to accomplish goals and plans, the assignment of these activities to the appropriate departments and the provisions for authority delegation and co-ordination. **– Koontz and O'Donnell**

PROCESS OF ORGANISING

DETERMINATION OF OBJECTIVES: The first step in the process of organising is to determine the objectives for which the organizational framework has been setup. When the objectives are set and communicated clearly, the people who are assigned work/duties come to know the process for which the organisation has been created.

IDENTIFICATION OF WORK: The second step in the process of organising is to identify the total work to be performed in order to attain organizational and individual objectives. It is important to identify total work in order to locate the authority and responsibility relationship and to avoid duplication, overlapping and wastage of resources and efforts.

GROUP OF ACTIVITIES: Once total activities are determined. It is necessary to put together related activities in group. This activity is known as departmentation. One of the most commonly used method of departmentation is to group activities on the basis of various functions like purchase, sales, production, finance, personnel, marketing, research etc.

CREATION OF MANAGERSHIP: Once the process of departmentation is over, the nest step is to entrust responsibility for the functioning of each department to a distinct manager, who is specialized in his respective field.

DIVISION OF WORK WITHIN THE DEPARTMENTAL SET-UP: In order to achieve organizational goals, jobs are first assigned to various management or departmental heads, who in turn distribute them among their subordinates.

ARRANGEMENT OF PHYSICAL FACILITIES: Each department and individual in the department need basic facilities such as raw material, machines, equipments, tools, technology and other inputs for the proper execution of assigned task.

DEVELOPING RELATIONS: In order to enable departments and personnel therein to perform their assigned tasks/roles effectively and efficiently. It is necessary to define and establish clear authority-responsibility relationships in the organisation, both horizontally and vertically.

PROVISION OF CHANNEL OF COMMUNICATION: While performing their functions, it becomes necessary for managers to communicate with one another and with their superiors and sub-ordinates. It is necessary to devise a free and efficient system of communication both upward and downward within the organizational framework.

CO-ORDINATION OF VARIOUS ACTIVITIES: Co-ordination is the essence of management. Various activities of the organisation must be linked together. Co-ordination is essential for higher level of performance. All activities in the organisation should be directed towards the accomplishment of organizational objectives.

CONTROL & CORRECTIVE ACTION: Organisation system should be designed in such a manner that it should provide for an in-built control and reporting system. Such an effective control system helps in timely location of deviations and taking corrective actions.

Q2.State and explain the various principles of organisation.

ANS. INTRODUCTION: Organisation is the most important function of management. It is the foundation, upon which the whole structure of management is built. It refers to mechanism, which determines a group and various activities, which are necessary for the attainment of the objectives.

DEFINITION: "Organisation is any group of individuals, large or small, that is co-operating under the direction of executive leadership in the accomplishment of certain common objectives." **–Keith Davis**

PRINCIPLES: The following principles should be followed for the successful functioning of enterprise

PRINCIPLE OF DELEGATION OF AUTHORITY: Delegation is the basis of organisation. Principle of delegation means each managerial position should be provided with adequate authority so as to enable the holder of the position to cope successfully with the requirements of the job.

PRINCIPLE OF COORDINATION: Coordination means being essence of management is the essence of organisation too. Thus principle advocates of various individuals departments and groups in the organisation, towards the achievement of the goals.

PRINCIPLE OF CONTINUITY: Organisation is a process of changing and adapting to the changes in business environment. Various factors surrounding business changes rapidly and business units' must bring about necessary changes in their organizational structure to absorb these changes.

PRINCIPLE OF DEFINITION: A sound organizational must define the role of each individual and department clearly, in terms of work contents and their nature.

PRINCIPLE OF EXPLAINATION: In an organizational set up roles and duties, responsibilities associated with such roles must be explained clearly to each individual. So that person accepting authority will be aware of liabilities associated with the job.

PRINCIPLE OF EQUILIBRIUM BALANCE: During the process of growth, some department gets overloaded with work, giving rise to a number of managerial problems. Hence, a fair balance between the vertical and horizontal dimensions of organisation should be ensured, especially during the growth phase.

PRINCIPLE OF FLEXIBILITY: Social, economic, political, technological, national and international changes affect structure of the organisation. Therefore there has to be considerable scope for flexibility to adjust and adapt to such changes in business environment.

PRINCIPLE OR UNITY OF OBJECTIVES: The objectives of different departments and officials in an organisation may be different in nature and character. But they are directed towards the broad organizational objectives.

PRINCIPLE OF RESPONSIBILITY: A sound organizational set-up must define and spell out duties, responsibilities, authority and organizational relationship clearly so that any deviations in the organisation can be allocate and can take on time.

PRINCIPLE OF SPECIALISATION: Principle of specialization means efficient break-up of organizational activities into various departments specifying the necessary qualifications and skills required for their efficient functioning.

PRINCIPLE OF SPAN OF CONTROL: Span of control or span of management means number of workers that an executive can handle effectively. For effective supervision and control, some management writers have recommended five to eight subordinates under one superior.

PRINCIPLE OF SCALAR CHAIN: Scalar chain is sometimes known as 'chain of command' or 'line of authority.' Line of authority is an enterprise running right from top to bottom must be clearly defined for establishing a clear line of command.

PRINCIPLE OF UNITY OF COMMAND: This principle states that an employee should receive orders and instructions from a single superior. If two superiors exercise their authority over the same person, it causes uneasiness and disorder and results in confusion and conflicts

Q3. Compare and contrast formal and informal organisation

ANS. INTRODUCTION:

Formal Organisation: It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability.

Informal Organisation: It refers to the relationship between people within an organisation based on personal attitudes, emotions, prejudices, likes and dislikes etc.

COMPARISON	FORMAL ORGANISATION	INFORMAL ORGANISATION
Formation	It is the result of conscious and deliberate efforts of the top management. It is formed out of deliberate managerial planning and organizational efforts	It develops unconsciously among the people working together. These people associate with each other on basis of common views, likes and dislikes.
Formal setup	It follows certain pre-determined rules, channel of communication & lines of authority-responsibility.	There are no such rules or channel of communication. Even a lower level subordinate can associate with an officer at the higher level
Delegation of Authority	It is based on delegation of authority, which is necessary for effective functioning of organisation system	Concept of delegation of authority has no relevance in an informal organisation as all the members of informal groups are at par.
Rationality	It is based on rational and scientific basis rather than emotions and sentiments	It is difficult to find any rationality as it is the result of association of like-minded people
Identity of members	Its members do not have any separate identity from what they have been accorded in the organisation structure	Its members have an opportunity to develop their own identity according to their personal, mental or physical abilities
Nature of organisation	It is in written form and they are contained in the manual or the handbook of enterprise	It is not in written form. They develop naturally within the framework of formal organisation
Managerial planning	It is necessary to bring a formal organisation structure into existence.	No planning or efforts are necessary for an informal organisation as it evolves on its own.
Chain of command	A prescribed chain of command is followed for all activities	Activities are based on sentiments of members. There is no prescribed chain of Command
Existence	It exist independently of the formal Organization	It develops within the framework of the formal organisation
Focus	Jobs, functions and technical aspects	Interest and other human aspects
Authority	Arises by virtue of position in managerial hierarchy	Arises out of personal qualities written and fixed, violation
Rules and regulations	Leads to penalties	Oral norms, violations leads to social disapproval

Q4. Discuss the various sources of conflicts between line and staff organisation

ANS. INTRODUCTION:

LINE: The organisation is characterized by direct lines of authority, flowing from top-bottom of organizational hierarchy and the lines of responsibility flowing in the opposite direction.

STAFF: The staff personnel are provided with advisory staff positions. They do not possess any line authority

COMPLAINTS OF THE STAFF AGAINST LINE:

Staff encroaches upon the authority of line personnel: Staff personnel get the approval of their suggestions from higher authority who in turn enforces such suggestions in form of command over line personnel

Staff personnel steal away the credit: Staff personnel steal away the credit of successful implementation of their ideas while the blame for failure is leveled against the line managers for one or the other reason

Staff personnel suffer from superiority complex: Due to their specialization, staff personnel suffer from superiority complex and prefer to have an upper hand over the line personnel and dominate them.

Staff personnel are careless and irresponsible: Staff personnel are careless and irresponsible because they are not directly responsible for the attainment of organizational objectives.

Staff personnel waste lots of time in planning: Staff personnel are experts and specialists and hence, undertake in-depth analysis of a problem before arriving at some conclusion. This lead to delay and costly decisions.

COMPLAINTS OF THE STAFF AGAINST LINE:

Line resists innovative ideas: Line personnel generally adopt a conservative approach and try to maintain *status quo.* They discourage innovative ideas of the staff, which may unnecessarily increase their burden

Staff has a feeling of utter frustration: When innovative and outstanding ideas of the staff are rejected, it kills their initiative and they are demotivated.

Line personnel consult staff only as a matter of last resort: Staff personnel are approached only when some extraordinary situation arises. In such a situation, it becomes difficult for them to suggest quick remedies.

Line people want short-term & temporary ideas: Line personnel generally favour short-term and temporary ideas which are easy to implement and designed to yield quick result.

Line personnel are jealous of the status of staff: Staff enjoys a higher status in the organisation due to its expertise. As a result, much of the behavior of line personnel towards them is shaped by jealous mentality.

Q5. Suggest some remedies for resolving line and staff conflicts.

ANS. INTRODUCTION:

LINE: The organisation is characterized by direct lines of authority, flowing from top-bottom of organizational hierarchy and the lines of responsibility flowing in the opposite direction.

STAFF: The staff personnel are provided with advisory staff positions. They do not possess any line authority

REMEDIES FOR LINE & STAFF CONFLICTS

Committee organisation: One of the best methods of resolving the line and staff conflict is to appoint a committee consisting of line and staff personnel on controversial issues.

Clear definition of Authority and Responsibility: There should be a clear addition of authority-responsibility areas and manner of functioning of line and staff personnel.

Mutual respect: Line must respect the suggestions of staff in the overall interest of the organisation. At the same time, the staff must understand the practical difficulties of line personnel while implementing the suggestions or ideas put forth by them.

Overcome resistance to change: The higher authority should devise plans to overcome resist to change on part of line personnel through participation, motivation and incentives when some innovative and fruitful ideas are recommended by the staff personnel

Free flow of communication: The higher authority should promote free exchange of ideas, views and suggestions between the staff and line personnel. It results in better understanding and higher degree of co-operation between them.

Right to appeal: In case of mutual bickering between line and staff personnel over certain issues, both should have equal right to make an appeal to higher authorities for guidance. The higher authority should hear both sides before arriving at any conclusion.

Q6. What is functional organisation? State its merits and demerits.

ANS. INTRODUCTION: Functional organizational was discovered by F.W. Taylor who evolved this organisation for planning and controlling manufacturing operations on basis of specialization. It occupies a mid-way between line and staff authority. Under functional organisation, various activities of enterprise are classified according to the subordinates throughout the organisation in his particular area of business operation.

MERITS…

FUNCTIONAL ORGANISATION LEADS TO SPECIALISATION: The functional staff provides the advantages of managerial specialization which results in many derivative advantages like sound and timely decisions, increased efficiency, reduced cost, higher productivity and increased profitability.

IT REDUCES BURDEN OF LINE EXECUTIVE: The functional staff consists of personnel who experts in their area of operation. Hence, they mainly focus on the planning activities and relieve the line personnel from the burden of planning who can focus their attention purely on the implementation.

RESULTS IN DEMOCRATIC FUNCTIONING: Functional organisation promotes the idea of democracy in the functioning of organisation. All major decisions in the organisation are taken collectively by the functional heads after detailed discussion and deliberations among them.

LEADS TO SOUND DECISIONS: Functional heads are experts in their area of operation. When many experts in diverse area of operation sit together and make decisions in democratic manner, it results in sound and fruitful decisions for the organisation.

SUITABLE FOR MODERN BUSINESS HOUSES: The staff personnel are suitable for the modern business houses with expanding markets ,ever changing technology , increasing consumer and labour awareness, increasing government regulations and the like factors.

DEMERITS…

RESULTS IN CONFLICT BETWEEN LINE & STAFF MANAGERS: There are many occasions and reasons which may give rise to conflicts between the lines and staff personnel. Such conflicts are harmful to the general interest of the organisation.

INCREASES COST OF ADMINISTRATION: The functional heads are the experts in their areas of operation. The cost of employing a large number of experts in diverse areas of operation increases the cost of administration and cannot be borne by small organizations.

CURBS INITIATIVE OF LINE MANAGERS: Functional organisation is, sometimes, responsible for curbing initiatives of the subordinates and operators as every piece of work to be performed by them is pre-planned and imposed down by the functional heads.

RESULTS IN DELAYED DECISIONS: Functional heads have a tendency to probe even small and routine problems in details as they are more concerned with planning rather than implementation. This takes lots of time, and by the time a decision is taken, it loses its relevance.

DISCOURAGES THE DEVELOPMENT OF NEW MANAGERS: Due to over- dependence on the functional heads, line managers might much behave like 'frog in the well'. This is detrimental to the progress of the organisation and also to their self- development and progress.

Q7. Define Span of Management and factors affecting it

ANS. INTRODUCTION: Span of management refers to the number of subordinates, an executive can supervise effectively. It is often known as 'Span of Supervision' or 'Span of Management' or 'Span of Attention.' However, the term 'Span of Management' suits as the most appropriate name, since control and supervision are the elements of management.

Factors relating to work

[a] Nature of work: If the nature of work is simple, routine and standardized, then the manager can supervise more subordinates while if the nature of work is complex and dangerous, then the effective span needs to be narrow.

[b] Quality of allocation of work: A well- defined and clear – minded allocation work by the manager to his subordinates helps him to manage his work efficiently and therefore, enhances his ability to manage a large number of subordinates.

[c] Organisational Planning: A well- designed system of organizational policies, procedures, plans, rules, standards and methods leads to smooth functioning of the organisation. This enhances the ability of a manager to manage more subordinates.

[d]Communication system: A well – defined and barrier- free communication system allows free and quick flow of communication. A two- way communication system promotes better understanding and allows a manager to manage more employees.

[e] Availability of staff assistance: If subordinates are assisted by the staff executives on methods, schedules, work problems, quality standards etc., then they need less contact with their managers. Hence, the manager can handle more sub-ordinates.

Factors Relating to a Manager

[a] Ability of manager: Managers are expected to possess certain qualities such as knowledge, experience, energy, zeal, initiative, interest and other personality traits. A manager who possesses these traits can handle more subordinates.

[b]Time available for Supervision: If the top-level managers are pre-occupied with planning, organising, directing, controlling and other managerial functions, then they may have little time for supervision, resulting into a narrow span of control.

[c] Degree of decentralization: If most of the decision- making power in the organisation is centralized, then the manager will be overburdened with the administrative work and will have less time and limited ability to supervise.

<u>Factors Relating to Subordinates</u>

[a] Ability of subordinates: If subordinates in the organisation have enough talent to perform their work, then the manager can supervise more subordinates. However, if subordinates are new and need continuous guidance, then the span gets narrow.

[b]Degree of Motivation: If the subordinates in the organisation are self-motivated, dedicated and have a sense of commitment, then they need less supervision and the manager can supervise more subordinates and vice versa.

<u>UNIT.5</u>

<u>AUTHORITY (CHAPTER.1)</u>

Q1. What are the various barriers to effective delegation? How can it be made more effective?

ANS. INTRODUCTION: Delegation is the transfer of authority and responsibility to another person to carry out specific activities. The most important of all the skills a manager must possess is delegation. Once a management activities expand beyond his personal capacities, his success lies in his ability to multiply himself through other people.

DEFINITION: Delegation is the dynamics of management; it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique Organisational placement, can perform effectively, and so that he can get others to help him with what remains." -**Louis A. Allen**

BARRIERS TO DELEGATION: The following are the reasons for lack of willingness on the part of managers to delegate and on part of subordinates to accept it.

"NONE BETTER THAN I": Some managers think that if they delegate work to their sub-ordinates, it will not be done as it ought to be done. It means superior has no faith in the competence of their subordinates.

"I WILL BE EXPOSED": Some managers are hesitated delegate as they are incompetent and the work methods and procedures designed by them are likely to be faulty.

"THE COMPANY CANT DO WITHOUT ME": A manager may feel that he is an expert in his field and he is therefore, indispensable. He does not delegate thinking that when he is not on duty, people will feel his absence.

"I AM THE MASTER": Some managers adopt autocratic methods of leading. They prefer to run their department single-handedly. They like to dominate the whole show and do not like to part with their authority.

"**WHY TO TAKE THE RISK":** Some strangers are too conservative and prefer to play safe. They believe that to delegate means to run the risk of wrong decisions by subordinates. Very few managers are willing to run such risk.

LOVE OF SPOON FEEDING: Some sub-ordinates are accustomed to rely on decisions made by the superiors. Such subordinates do not accept authority even if superior is willing to delegate it.

FEAR OF CRITICISM: If a subordinate fear that even a minor mistake in making a decision or poor performance on his part can invite unduly harsh reaction from his superior, then he may not be inclined to accept delegation.

INADEQUATE R&D: If subordinate feels that he may not have an access to the requisite information and resources necessary for discharging his new responsibilities, he may refuses to accept delegation.

LACK OF SELF-CONFIDENCE: Some subordinates underestimate themselves and lack confidence in their ability. Lack of self-confidence in self may also be a cause for unwillingness to accept delegation.

PRINCIPLES TO MAKE EFFECTIVE DELEGATION:

OBSERVANCE OF PRINCIPLES: There are some fundamental principles which must be observed by superiors for making delegation effective. Some of these principles are principle of functional definition principle of unity of command, principle of scalar chain, principle of absolute responsibility etc.

ESTABLISHMENT OF DEFINITE GOAL: The purpose of delegation is the accomplishment of group objectives. But delegation will be meaningless if the objectives are not properly defined. Even subordinates may hesitate to accept delegation if they are not clear about their goals.

A DEFINITE RESPONSIBILITY: Authority and Responsibility of each subordinate should be specified in clear terms and must be communicated clearly. This will avoid duplication of delegation and results confusion.

ESTABLISHING CONDUCTIVE ENVIRONMENT: Successful delegation requires conductive organisational environment free from fear and frustration. This will make delegators as well as delegates feel confident that delegation will be rewarded and appreciated and not penalised.

PROPER TRAINING: It is necessary to impart proper training to subordinates in handling delegated jobs. Training does not means only technical training. Equal importance should also be given to developing their morale, initiative, self-confidence and qualities of leadership to handle new task.

EFFECTIVE CONTROL SYSTEM: It is necessary to establish a suitable control system to monitor the progress of the delegated work. A quick guide to effective delegation has been explained by acronym 'SMART' or more specifically "SMARTER." A delegated task must be:

S- Specific

M- Measurable

A- Agreed

R- Realistic

T- Time-bound

E- Ethical

R- Recorded

Q2. Explain Decentralisation and various factors affecting it

ANS. INTRODUCTION: Decentralisation means dispersal of decision- making power to lower levels of the organisation. It implies the distribution of managerial authority of panning, directing, co-ordinating, controlling etc. among executives at all the levels in the organisation.

DEFINITION: "Decentralisation refers to a systematic effort to delegate to the lowest levels, all authority except that which can only be exercised at the central points." **–Louis A. Allen**

SIZE OF THE ORGANISATION: Decentralisation depends upon the size of the organisation. The larger the size of an organisation, the more urgent is the need of decentralization. The complexities of the large organisation may require routine and repetitive decisions to be important and administrative works may be centralized.

HISTORY OF THE ORGANISATION: Decentralisation also depends upon the way the organisation has been built up over the period of time. Those organisations which grow from within under the direction of the owner – founder tend to be centralized while organisations that grow through mergers and amalgamations and widespread expansion tend to be decentralized.

STRUCTURE OF THE ORGANISATION: In the organisations that practice division of labour and specialization and have a number of departments and sub-units for major activities, decentralisation becomes a natural phenomenon. Authority and responsibility in such organisations automatically get dispersed to a number of departmental heads.

GEOGRAPHICAL EXPANSE: An organisation having branches at the dispersed geographical locations has no option than to decentralize. For example, the activities of banks, insurance companies and transport organisations have to be decentralized. For example, the State Bank of India [SBI] has local boards of Directors for the smooth operation of each branch.

AVAILABILITY OF MANAGERS: Availability of managers directly affects the degree of decentralisation. Decentralisation in such organisations is also necessary of satisfy inner sense of such managers as they like to lead rather than being led.

PATTERN OF PLANNING: Planning is the primary function of management. All other managerial functions are subsidiary to it. If the organisation follows participative planning, then naturally authority in the organisation will be more decentralized.

CONTROL TECHNIQUE: Controlling in necessary for ensuring performance as per pre-determined plans. If the control systems in the organisation are well developed and effective, more functions can be decentralized at the lower level.

ENVIRONMENTAL INFLUENCE: Besides the various factors discussed above, most of which are internal to the organisation, there are a number of external factors which either compel an organisation to centralize or decentralize. Some of the factors are government policy, organisation pattern in the industry, availability of experts and professionals etc.

Q3. Distinguish between Delegation and decentralisation?

Ans: INTRODUCTION:

DELEGATION: Delegation is the transfer of authority and responsibility to another person to carry out specific activities. The most important of all the skills a manager must possess is delegation. Once a management activities expand beyond his personal capacities, his success lies in his ability to multiply himself through other people.

DECENTRALISATION: Decentralisation means dispersal of decision- making power to lower levels of the organisation. It implies the distribution of managerial authority of panning, directing, co-ordinating, controlling etc. among executives at all the levels in the organisation.

Content	Delegation of Authority	Decentralisation
Meaning	Delegation of authority refers to the entrustment of responsibility and authority from a superior to his sub ordinates. Thus, it is individualistic	Decentralisation refers to the systematic delegation of authority to the lower level in the formal organisational set-up. Thus, it is totalistic.
Nature	It is a routine process	It is an important decision of an enterprise
Control	In the case of delegation of authority, the delegator or supervisor exercises strict supervision and control over the delegate.	In the case of decentralisation, there is no need of exercising any control. It aims at specialization through division of labour.
Coverage	Delegation of authority takes place between superior and subordinate	Decentralisation takes place between the top management and the departmental heads
Cost	It does not involve any additional cost, as it does not require the appointment of departmental heads	Its costly as it requires a large number of divisional heads to look after different departments
Importance	It becomes necessary in large organisations for effective functioning	It depends upon the willingness of the top management
Contents	It can be of technical, routine, administrative or managerial in nature	It is a managerial process of deciding various level of management
Responsibility	In case of delegation, a superior delegates his rights and duties to his subordinate; but the responsibility of result is associated with the superior	In case of decentralisation, a superior delegates duties as well as responsibilities to departmental heads who are responsible for all decisions taken by them
Process of execution	It is easy to introduce as it involves only two parties, viz., superior and Subordinate	It is a lengthy and complicated process as it involves top level managers and a number of departmental heads
Process	It is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments
Freedom of action	Very little freedom to subordinates	Considerable freedom

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UNIT.5

CO-ORDINATION & CONTROL (CHAPTER.2)

Q1. Define Co-ordination. Discuss the various principles of effective co-ordination.

ANS. INTRODUCTION: At one time, co-ordination was just considered as to be one of the functions of management. But on a close examination, it was found that co-ordination is the essence of the process of management. James Mooney has described co-ordination as the first principle of organisation, which manifests all other principles of organisation into it.

DEFINITION: "Co-ordination is the orderly arrangement of group efforts to provide unity of action in the pursuit of common purpose." –**James D. Mooney and AC. Relley**

PRINCIPLES OF CO-ORDINATION: Mary Parker Follett gave four principles of co-ordination which are known as "Follett's Principles of Co-ordination."

Mary Parker Follett's Four Principles of Coordination

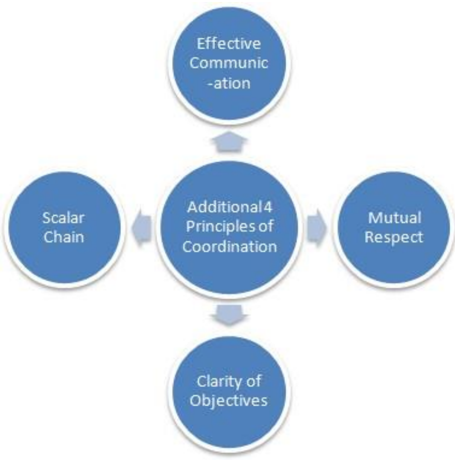
PRINCIPLE OF EARLY BEGINNING: According to this principle, co-ordination must start at an early stage in the management process. It must start during the planning stage. This will result in making the best plans and implementing these plans with success.

PRINCIPLE OF DIRECT CONTACT: According to this principle, all managers must have a direct contact with their subordinates. This will result in good relations between manager and their subordinates. This will result in good relations between the manager and their subordinates. This is because direct contact helps to avoid misunderstandings, misinterpretations and disputes between managers and subordinates. It enables the managers to co-ordinate all the different activities of their subordinates effectively and efficiently.

PRINCIPLE OF RECIPROCAL RELATIONSHIPS: The decisions and actions of managers, employees and departments in the organisation are inter-related. Therefore, before taking any decision or action, managers must find out its effect on others.

PRINCIPLE OF CONTINUITY: According to this principle, co-ordination must be a continuous process. It must not be a one-time activity. The process of co-ordination must begin when the organisation starts, and it must continue until the organisation exists.

After Mary Parker Follett, modern management experts have extended the list by adding four additional principles. These supplementary principles are:



Additional Four Principles of Coordination

PRINCIPLE OF EFFECTIVE COMMUNICATION: Co-ordination will be successful only in the presence of an effective communication. Good communication must be present between all departments, within employees themselves and even between managers and their subordinates. All communication gaps and barriers must be avoided and fixed. Good communication helps to avoid misunderstandings in the organisation.

PRINCIPLE OF MUTUAL RESPECT: Co-ordination will be successful only if there exist a mutual respect. All managers working at the different levels, top, middle or lower, must respect each other. The managers must respect the emotions and feelings of employees and employees too must understand and acknowledge their bosses.

PRINCIPLE OF CLARITY OF OBJECTIVES: Co-ordination will be successful only if the organisation has set its objectives clearly. Everyone in the organisation must know the objectives very clearly. No one must have any doubts about the objectives of the organisation.

PRINCIPLE OF SCALAR CHAIN: Principle of scalar chain is one of the fourteen principles of management as stated by Henry Fayol. Scalar chain refers to the line of authority from the highest to the lowest executive in the organisation for the purpose of communication. However, in the routine course of business, employees at the same level can communicate with each other following the principle of 'Gang Plank.'

Q2. What are the various techniques of effective co-ordination?

ANS. INTRODUCTION: At one time, co-ordination was just considered as to be one of the functions of management. But on a close examination, it was found that co-ordination is the essence of the process of management. James Mooney has described co-ordination as the first principle of organisation, which manifests all other principles of organisation into it.

DEFINITION: "Co-ordination is the orderly arrangement of group efforts to provide unity of action in the pursuit of common purpose." **–James D. Mooney and AC. Relley**

SOUND PLANNING: Unity of purpose is the first essential condition of co-ordination. Therefore, the goals and objectives of the organisation must be clearly defined. Every member of the organisation must understand fully how his job contributes to the overall organisational objectives.

SIMPLIFIED ORGANISATION: A simple and sound organisation is an important means of co-ordination. The line of authority and responsibility from top to the bottom should be clearly defined. It reduces conflicts and fixes accountability

EFFECTIVE COMMUNICATION: Clear two-way communication is a pre-requisite for successful co-ordination. Personal or face-face communication may be supplemented by written communication. Informal communication can be also be utilized for the purpose of co-ordination.

COMMITTEES: Committees help to promote unity of purpose and uniformity of actions. They provide an opportunity for free exchange of views. Co-ordination becomes easier when different functional groups are represented in the decision making process.

EFFECTIVE LEADERSHIP: Effective leadership ensures co-ordination of efforts both at the planning and execution stage. a good leader can continuously guide the activities of his subordinates in the right direction and can inspire them to work towards the accomplishment of common objectives.

CHAIN OF COMMAND: Authority is the supreme co-ordinating power in an organisation. Excise of authority through the chain of command or hierarchy is the traditional means of co-ordination.

INDOCTRINATION AND INCENTIVE: Indoctrinating organisational members with the goals and mission of the organisation can transform a neutral body into a committed body. Similarly, incentives may be used to relate mutuality of interest and to reduce conflicts.

LIAISON DEPARTMENTS: Liaison officers may be employed, where frequent contact between different organisational units is necessary. For instance, a project coordinator may be appointed to co-ordinate the activities of various functionaries on a project which is to be completed in a specified period of time.

GENERAL STAFF: In large organisations, a centralized pool of staff experts is used for co-ordination. A common staff group, who have expertise in their area of specialization, serves as the clearing house of information and specialized advice to all the departments of the enterprise.

VOLUNTARY CO-ORDINATION: When every organisational unit appreciates the working of related units and modified its own functioning to suit them, there is self-co-ordination. Under self-co-ordination, organisational members voluntarily adjust their behavior according to the needs of the situation.

Q3. Define Controlling. Explain the relationship between Planning and Controlling.

ANS. INTRODUCTION: Controlling means examining the past and present activities so as to locate weaknesses which can be eliminated in the future and also to make the achievement of objectives certain. To control means to monitor, regulate and check to make people confirm to the expected norms, to measure progress and to ensure that what has been planned is achieved.

DEFINITION: "The management function of controlling is the measurement and correlation of the performance of activities of the subordinates in order to make sure that the enterprise objectives and plans devised to attain them are being accomplished." **–Koontz and O'Donnell**

RELATIONSHIP BETWEEN PLANNING & CONTROLLING

Planning and Controlling are two separate functions of managements, yet they are closely related. Planning and controlling are called the "Siamese Twins of Management." The scope of activities of both these functions overlaps each other

PLANNING AND CONTROL ARE INTERDEPENDENCE

PLANNING IS MEANINGLESS WITHOUT CONTROLLING: Planning can be successful only in the presence of controlling. It means that if the control is not present, it is useless to have planning. If the process of controlling is taken away from management, no person working in the enterprise will take it seriously to work according to plans and consequently, the plans will fail

CONTROLLING IS BLIND WITHOUT PLANNING: Under the system of controlling, actual work performance is compared with the standards are not determined, there is no justification left for the control, and the standards are determined under planning. It is therefore, said that control is blind without planning or it is without any base.

Q4. Discuss the various stages in a control process.

ANS. INTRODUCTION: Controlling means examining the past and present activities so as to locate weaknesses which can be eliminated in the future and also to make the achievement of objectives certain. To control means to monitor, regulate and check to make people confirm to the expected norms, to measure progress and to ensure that what has been planned is achieved.

DEFINITION: "The management function of controlling is the measurement and correlation of the performance of activities of the subordinates in order to make sure that the enterprise objectives and plans devised to attain them are being accomplished." **–Koontz and O'Donnell**

A standard control process involves the following steps:

[a] Establishing standards : The process of controlling commences with the determination of standards of performance. Standards are the criteria against which results of the organisation can be evaluated.

Tangible standards: Tangible standards are quantitative standards which can be expressed in numerical terms. For example,

***Physical standards, viz., units of production and sales.

*Monetary standards, viz., cost of production, sales revenue and profit.

*Time standards viz., man-hours or machine hours.

* Capital standards, viz, rate of return or current ratio.

Intangible Standards: Intangible standards are qualitative in nature and cannot be expressed in quantitative terms. For example,

*Morale of the employees.

*Competence of the managers.

*Reputation of the enterprise.

*Good public relations

It is easy to define and measure quantitative standards. Therefore, standards must be set in quantitative terms only.

[b]Measuring Actual Performance: The activity of measuring actual performance includes:

*Locating control point, i.e, how frequently and at what stage performance should be measured.

* Collecting data i.e, collecting data from all possible sources, internal as well as external to measure performance.

* Processing and representing performance by a suitable method in the form of tables, charts, graphs, etc.

[c]Comparing Actual Performance with Standards and Identifying Deviation: While comparing actual performance with the standards for locating deviations, the management must determine the permissible range of deviation, i.e, the standard deviation. The deviations falling within the permissible range should be ignored. Again some deviations may be positive in nature and needs to be encouraged and rewarded.

[d] Analysing the causes of deviation: The causes of deviation of actual performance from standards may be one or more of the following:

*External environment forces such as changes in price level, governmental policies, competition etc.

*Internal factors such as inadequacy of production facilities, finance, outdated technology, poor human relations etc.

*Imperfection in planning such as vague objectives, poor forecasting, inappropriate action etc.

*Faulty directing techniques, viz., lack of free flow of communication, lack of proper motivation, ineffective leadership etc.

[e] Undertaking suitable remedial actions: Controlling process would not be complete unless an appropriate corrective action is taken to bring the performance back to the planned track. Management cannot change the external environment and therefore, it has to make its internal environment more adaptable to the changes in the external environment. The remedial measures taken by the management may involve one or more of the following actions:

*Making internal environment more adaptable to the external environment

*Redefining objectives

*Modification or improvement in planning

*Restructuring the organisational setup

*Overcoming staff defects

*Adopting better directing techniques

Q5. What are the various types of controls?

ANS. INTRODUCTION: Controlling means examining the past and present activities so as to locate weaknesses which can be eliminated in the future and also to make the achievement of objectives certain. To control means to monitor, regulate and check to make people confirm to the expected norms, to measure progress and to ensure that what has been planned is achieved.

TYPES OF CONTROL

[a] ON THE BASIS OF TIMING: Management can implement controls before an activity commences, while the activity is going on, or after the activity has been completed

Preventive control: Feedforward control involves identifying and preventing problems in an organisation before they occur. Feedforward controls are proactive and preventive. It focuses on regulations of inputs to ensure that they meet the standards necessary for the transformation process

Concurrent control: Concurrent control takes place while an activity is in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organisational standards. Since concurrent control involves regulating on going tasks, it requires a thorough understanding of the specific tasks involved and their relationship to the desired and product

Feedback control: The control which takes place after the job is over is known as feedback or corrective control. The objective of such control is to take corrective action and rectify variations. Corrective action is taken after the analysing variance with the planned standards at the end of the activity. It is known as 'post-action control.'

[b] ON THE BASIS OF DESIGNING OF CONTROL SYSTEM: Three approaches may be followed while designing control system, viz., Market Control, Bureaucratic Control and Clan Control. However most of the organisations do not depend only on one of them.

Market control: Market control is based upon market mechanisms of competitive activities in term of price and market share. Different divisions are converted into profit centres and their performance is evaluated by segmental topline (turnover), bottom line (profit) and the market share.

Bureaucratic control: Bureaucratic control uses rules, policies, hierarchy of authority, written documentation, reward system and other formal mechanism to influence employee behaviour and asses performance. Most of the public sector units in India strictly follow bureaucratic control.

Clan control: Clan control represents cultural values; almost the opposite of bureaucratic control. Clan control relies on values, beliefs, corporate culture, shared norms and informal relationships to regulate employee behaviours

ON THE BASIS OF LEVELS: People at different levels have different planning responsibilities, so do they undertake controlling. On the basis of levels, controls can be categorized as Structural Control, Strategical Control, Tactical Control and Operational Control.

Structural control: Structural Controls are different elements of organisation structure serving their intended aims. It is excised by top and middle management

Strategic control: Strategic control is the process to determine whether the effectiveness of a corporate, business and functional strategies are successful in helping organisations to meet its goals.

Tactical Control: A tactical is a method intended to fulfill a specific objective in the context of an overall plan. Since, it deals with departmental objectives, the controls are largely exercised by middle management levels.

Operational control: Its focus remains upon the processes used by the organisation for transforming the inputs (resources) into outputs (products/services). It is used at the lower management.

ON THE BASIS OF RESPONSIBILTY: Who has the responsibility of controlling? The responsibility may rest with the person executing the things or with the supervisor or manager. Accordingly, controls may be internal and external.

Q6. What are the requirements of effective controlling?

ANS. INTRODUCTION: Controlling means examining the past and present activities so as to locate weaknesses which can be eliminated in the future and also to make the achievement of objectives certain. To control means to monitor, regulate and check to make people confirm to the expected norms, to measure progress and to ensure that what has been planned is achieved.

REQUIREMENTS OF EFFECTIVE CONTROL:

Suitability: A good control system should be so designed that it should fit into the goals and objectives of the organisation and must be designed to suit the specific activities of an organisation.

Objectivity: A control process must be designed objectively, i.e., it should be based on the scientific methods and analysis and should be free from bias, opinions and values of the planners.

Measurable: As far as possible, the standards should be expressed in quantitative terms. This imparts them objectivity and facilities easy communication and implementation.

Economical: A control system should be based upon cost-benefit analysis, i.e., the implementation of control system should facilitate more benefits than the cost incurred on its execution

Connectivity: A good control system should be directly related to the fundamental objectives, policies and strategies of the enterprise so as to make a substantial contribution to organisational goals

Simplicity: A control system should be easy to design, communicate, implement and achieve. A complex control system will increase confusion and defeat the very purpose of controlling.

Comprehensive: A control system should be comprehensive enough to cover all important functional areas in organisations. It should avoid over-concentration of some aspects while absolute exclusion of some others

IMPORTANT QUESTIONS

UNIT.1

1. Differences between trade, industry & commerce
2. Aids to trade
3. Merits & demerits of sole trading concern (sole proprietorship)
4. Contents of partnership Deed
5. Social responsibility of a business
6. Functions & objectives of business
7. Characteristics of partnership and Kinds of partner
8. Limited liability partnership
9. Joint Hindu Family Business

UNIT.2

1. Merits & demerits of Joint stock company
2. Stages of promotion
3. Differences of private & public company
4. Differences of MOA AOA
5. Types of promotion
6. Kinds of companies
7. Red-herring prospectus
8. Statement in lieu
9. Contents of MOA
10. Promoter

UNIT.3

1. Functions of management
2. Principles of henry fayol's
3. Principles of scientific management
4. Levels of management
5. Skills of management

UNIT.4

1. Types of plans
2. Differences between formal & informal organization
3. Stages of MBO
4. Process of organizing
5. Span of management

UNIT.5

1. Techniques of effective co-ordination
2. Various steps in control
3. Requirements for effective control
4. Differences of Decentralization & Delegation
5. Principles of co-ordination
6. Delegation of authority