

4 Planning

Fastrack Revision

- ▶ **Meaning of Planning:** Planning is the process of thinking before doing. It bridges the gap between where we are and where we want to go.

"Planning is deciding in advance what to do, how to do and who is to do it."

—Koontz and O' Donnell

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Planning keeping the objective in view and being in action.

▶ Features of Planning

- ▶ **Planning Focuses on Achieving Objectives:** Planning seeks to achieve certain objectives and all plans are linked with the goals of the organisation. Planning has no meaning unless it positively contributes for achievement of such predetermined goals.
- ▶ **Planning is a Primary Function of Management:** Planning serves as the basis for all other functions of management. It precedes all functions of management, *i.e.*, organising, staffing, directing and controlling.
- ▶ **Planning is Pervasive:** Planning is required at all the levels of management. It is not the exclusive function of top management but its scope may vary.
- ▶ **Planning is Continuous:** Plans are prepared for a specific period of time. At the end of that period, there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a continuous process.
- ▶ **Planning is Futuristic:** Planning is essentially looking ahead and preparing for the future. It seeks to meet future events effectively to the best advantage of an organisation. It is, therefore, called a forward looking function.
- ▶ **Planning Involves Decision-making:** It involves rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.
- ▶ **Planning is a Mental Exercise:** Planning is based on intellectual thinking involving foresight, visualisation and judgement rather than guess work. It determines the action to be taken.

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Planning identifies the action that would lead to the desired results quickly and economically.

▶ Importance of Planning

- ▶ **Planning Provides Direction:** Planning acts as a guide for deciding what course of action should be taken to attain the organisational goals. It reduces aimless activity and makes action more meaningful.
- ▶ **Planning Reduces the Risks of Uncertainty:** Planning is always done for future and future is uncertain. It helps to anticipate the future, and prepare for the risk by making necessary provisions.
- ▶ **Planning Reduces Overlapping and Wasteful Activities:** Planning serves as the basis for coordinating the activities and efforts of different divisions and individuals. It helps in avoiding confusion and misunderstanding.
- ▶ **Planning Promotes Innovative Ideas:** Planning is the most challenging activity for the management as it encourages new ideas that can take shape of concrete plans.
- ▶ **Planning Facilitates Decision-making:** It enables a manager to choose the best alternative course of action among the various available alternatives in light of present and future conditions.
- ▶ **Planning Establishes Standards for Controlling:** Planning provides standards against which the actual performance is measured and timely corrective actions are taken. It provides the basis of control, *i.e.*, controlling is not possible without planning.

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Planning makes an earnest attempt to make uncertain future events certain, to certain extent.

▶ Limitations of Planning

- ▶ **Planning Leads to Rigidity:** Plans are drawn in advance and managers may not be in a position to change them in the light of changed conditions. This kind of rigidity in plans may create difficulty.
- ▶ **Planning may not Work in a Dynamic Environment:** The business environment is static, it keeps on changing. Organisation has to constantly adopt itself to such changes. Since planning cannot foresee everything, there may be hurdle to effective planning.
- ▶ **Planning Reduces Creativity:** The top management undertakes planning of various activities, whereas the middle managers are neither allowed to deviate from plans nor are they permitted to act on their own.



- **Planning Involves Huge Costs:** Huge costs are involved in formulating plan. Detailed plans require mathematical and scientific calculations to ascertain facts and figures and to make accurate estimates regarding the future.
- **Planning is a Time-consuming Process:** Planning sometimes take so much of time as plans are drawn after a lot of preliminary investigation and contemplation.
- **Planning does not Guarantee Success:** It is not always essential that if a plan has worked before, it will work again, as things may change. This kind of complacency and false sense of security may actually lead to failure instead of success of a business.

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Some External Limitations of Planning:

- Natural Calamities
- Change in Government Policies
- Strategies of Competitors
- Technological Changes
- Changes in Fashion, Taste, etc.

► Steps Involved in the Planning Process

- **Setting Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.
- **Developing Premises:** Planning premises are the assumptions about the future on the basis of which plans are drawn. This requires a collection of data on present trends and future possibilities.
- **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.
- **Evaluating Alternative Courses:** This step is weigh the pros and cons of each alternatives, *i.e.*, it is necessary to evaluate the positive and negative aspect of each alternative and consequences.
- **Selecting an Alternative:** This is the real point of decision-making. The best plan has to be adopted and implemented. Sometimes, a combination of plans may be selected instead of one best course.
- **Implementing the Plan:** This step is concerned with transforming the plan into action by activating other managerial functions.
- **Follow-up Action:** This step is concerned with carefully monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

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 Process is a series of steps or actions undertaken to achieve a particular end.

► Types of Planning


➤ On the Basis of Use and Duration

- **Single-use Plans:** These plans are formulated for one-time event or project. Single-use plans are made for handling non-recurring problems. They can't be repeated again and again. *e.g.*, programmes, budgets and projects, etc.
- **Standing Plans:** It refers to the another type of plan which once formulated may be used for a long period of time in similar or repetitive situations that may prevail in an organisation. *e.g.*, objectives, strategies, policies, methods, procedures and rules, etc.

➤ On the Basis of What a Plan Seeks to Achieve

- **Objectives:** These are the end results of the activities that an organisation seeks to achieve through its existence. For example, the objective of a mobile company can be to increase the mobile users by 15% in 2 years.
- **Strategy:** It is a comprehensive plan for achieving the objectives of the organisation. For example, A and B are competitors in the soft drink market. If A reduces the price of its products in the market, then counter-plan of B, to maintain its market share may be considered as strategy.
- **Policies:** These are the sets of general guidelines that help in managerial decision-making and action. For example, policy of a company may be not to employ any person who is less than 18 years of age.
- **Method:** It refers to the prescribed ways or manner in which a task has to be performed considering the objective. *e.g.*, FIFO and LIFO method.
- **Procedure:** It refers to a series of specific steps to be performed in a chronological order to carry out the routine activities. It is very rigid and do not leave any scope for individual judgement.
- **Budget:** It refers to a financial plan that is expressed in numerical terms. *e.g.*, Sales budget, Cash budget, etc.
- **Rule:** It is a specific statement relating to the general norms in terms of do's and don'ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation. For example, A company may have rule of '**No smoking in the factory premises.**'
- **Programme:** It is a comprehensive plan that contains detailed statements about a project which outlines the objectives, policies, procedures, rules and method and the budget to implement any course of action. For example, a company may have programme with respect to 'Construction of new factory premises.'

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 Plan is a document showing detailed scheme, programme and strategy, worked out in advance for fulfilling an objective.

MNEMONICS

1. **Concept:** Features of Planning

Mnemonics: Make Free or Discounted APP Carefully.

Interpretation:

M : Mental exercise

F : Futuristic

D : Decision-making

A : Achieving objectives

P : Primary function

P : Pervasive

C : Continuous

2. **Concept:** Types of Standing Plan

Mnemonics: Please Pause

Rock Movie.

Interpretation:

P : Policies

P : Procedures

R : Rules

M : Methods

3. **Concept:** Types of Single use Plans

Mnemonics: PowerPoint

Background.

Interpretation:

P : Programme

P : Projects

B : Budgets



Practice Exercise



Multiple Choice Questions

- Q 1. provides a rational approach for setting objectives and developing appropriate courses of action for achieving predetermined objectives.
(CBSE SQP 2021, Term-1)
- Directing
 - Staffing
 - Planning
 - Controlling
- Q 2. Planning is closely connected with..... and
(CBSE SQP 2021, Term-1)
- responsibility, accountability
 - delegation, decentralisation
 - stability, security
 - creativity, innovation
- Q 3. Which step in the process of planning will precede the step in which the manager is required to make certain assumptions about the future, which are the base material upon which the plans are drawn?
(CBSE SQP 2021, Term-1)
- Implementing the plan
 - Identifying alternative courses of action
 - Setting objectives
 - Selecting an alternative
- Q 4. If there is a plan to increase production, then more labour, more machinery will be required. This step in the process of planning will involve organising for labour and purchase of machinery. Identify the step in the planning process being discussed above.
(CBSE SQP 2021, Term-1)
- Identifying alternative courses of action
 - Setting objectives
 - Selecting an alternative
 - Implementing the plan
- Q 5. While 'Selecting an alternative' under the planning process, which of the following are considered?
- Combination of plans may be selected instead of one best course
 - Subjectivity and manager's experience or judgement plays a role
 - The most feasible, profitable plan with least negative consequences is chosen
 - All of the above
- Q 6. Which of the following is true with respect to the step 'Developing premises' under the planning process?
- Only a few managers are required to be familiar with and use the same assumptions.
 - Base material for assumptions can be in the form of forecasts, existing plans or any past information about policies.
 - Assumptions need not necessarily be same for all.
 - All of the above
- Q 7. Which step in the process of 'Planning' function of management involves weighing pros and cons of each alternative?
(CBSE SQP 2021, Term-1)
- Developing premises
 - Identifying alternative courses of action
 - Evaluating alternative courses
 - Selecting an alternative
- Q 8. Shiba, a proofreader in ABC Publications, has been given a target of reading at least 30 pages per day. She has a habit of doing things differently. While doing her work, an idea struck her that a summary of a chapter in the form of a map where all the concepts related to that chapter would be interlinked, should be given in starting of each chapter. It will give students a list of chapter as well as provide a competitive edge over other publishers. But instead of appreciating her idea, her immediate boss scolded her and asked her to complete the work as per prescribed format. Out of the following, identify the limitation of planning stated in the given paragraph.
- Planning reduces creativity
 - Planning involves huge costs
 - Planning is a time-consuming process
 - Planning may not work in a dynamic environment
- Q 9. "Following a pre-decided plan, when circumstances have changed, may not turn out to be in the organisation's interest." The limitation of planning being referred to in the above statement is:
(CBSE SQP 2021, Term-1)
- planning does not guarantee success
 - planning may not work in a dynamic environment
 - planning leads to rigidity
 - planning is a time-consuming process



Q 10. Which of the following is applicable to a Standing Plan?

- a. Is developed once
- b. Is modified from time-to-time
- c. Used for activities that occur regularly
- d. All of the above

Q 11. The statement "Planning is a primary function", suggests that: (CBSE SQP 2021, Term-1)

- a. planning precedes other functions
- b. planning requires logical and systematic thinking
- c. plan is framed, it is implemented, and is followed by another plan, and so on
- d. planning is required at all levels of management as well as in all departments of the organisation

Q 12. Anchal Sharma completed her diploma in fashion designing from National Institute of Fashion Technology, Mumbai. Thus, she has plans to enter into a venture for fashion designing. She has to cater the multiple issues like her target customers, distribution channels, pricing policy, etc. Which type of plan does Anchal Sharma needs to develop to provide direction and scope to her organisation in the long run?

- a. Programme
- b. Procedure
- c. Strategy
- d. Policy

Q 13. Planning requires logical and systematic thinking rather than guess work. The feature of planning being referred to in the above statement is:

(CBSE SQP 2021, Term-1)

- a. planning is a continuous process
- b. planning is futuristic
- c. planning is pervasive
- d. planning is a mental exercise

Q 14. Sohan owns a financial consultancy firm. He always explores new innovative ways of marketing his services as he strongly believes that just because a plan has worked before it is not necessary that it will work again. The limitation of planning that Sohan tries to overcome is:

- a. planning does not guarantee success
- b. planning is a time-consuming process
- c. planning leads to rigidity
- d. planning involves huge costs

Q 15. "Mohit selected the brand name for his new product line after carefully assessing the various available alternatives." The feature of planning being highlighted in the given lines is:

- a. planning involves decision-making
- b. planning is futuristic
- c. planning is pervasive
- d. planning is continuous

Q 16. A good plan should be:

- a. flexible
- b. expensive
- c. biased
- d. time-consuming

Q 17. serves as a guide for overall business and represent the end-point of planning.

- a. Policy
- b. Objective
- c. Method
- d. Strategy

Q 18. Which of the following statements correctly explains the limitation of planning 'Planning does not guarantee success'? (CBSE SQP 2021, Term-1)

- a. Planning is required at all levels of management and in all the departments of the organisation
- b. Planning involves thorough examination and evaluation of available alternatives
- c. Relying on a previously tried and tested successful plan just because it had worked before and will work again
- d. By deciding in advance, the tasks to be performed, planning shows the way to deal with changes and uncertain events

Q 19.



Identify the feature of planning illustrated in the above picture.

- a. Planning focuses on achieving objectives
- b. Planning is a primary function of management
- c. Planning is a mental exercise
- d. Planning is futuristic

Q 20. The step in the process of 'Planning' which is concerned with putting the plan into action, i.e., doing what is required is called:

(CBSE SQP 2021, Term-1)

- a. Implementing the plan
- b. Follow-up action
- c. Developing premises
- d. Selecting an alternative

Q 21. "An employee will retire at the age of 62 years." Identify the type of plan.

- a. Method
- b. Objective
- c. Rule
- d. Policy

Q 22. Uttam Ayurvedic Ltd. is an established Indian company manufacturing organic consumer goods like toothpastes and shampoos. It has planned to increase its market share from 30% to 40% in the current financial year. With the expanding market of organic products, other companies in the consumer goods industry have also launched these products with organic components. The competition in the market has increased and it was found that the sales of Uttam Ayurvedic Ltd. came down and its market share was reduced to 23%.

Identify the limitation of planning highlighted in the above case. (CBSE SQP 2021, Term-1)

- a. Planning may not work in a dynamic environment
- b. Planning is a time-consuming process
- c. Planning involves huge costs
- d. Planning reduces overlapping and wasteful activities

Q 23. "The purpose of planning is to meet future events effectively to the best advantage of an organisation." This statement highlights which of the following features of planning? (CBSE 2023)

- a. Planning focuses on achieving objectives
- b. Planning involves decision-making
- c. Planning is the primary function of management
- d. Planning is futuristic

Q 24. "It is that function of management which is considered as the base of all other functions." Identify the function of management stated in the given lines.

- a. Organising
- b. Controlling
- c. Planning
- d. Staffing

Q 25. "Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed" is suggested by the following importance of planning: (CBSE SQP 2021, Term-1)

- a. Planning facilitates decision-making
- b. Planning promotes innovative ideas
- c. Planning provides direction
- d. Planning reduces the risks of uncertainty

Q 26. "Once a plan is formed by the top management and is conveyed to the whole team, it is very difficult to alter it." Which limitation of planning is being indicated in the given statement?

- a. Planning leads to rigidity
- b. Planning is a time-consuming process
- c. Planning reduces creativity
- d. Planning does not guarantee success

Q 27. "Planning is an intellectual activity of thinking rather than doing." Which feature of planning is highlighted in this statement? (CBSE SQP 2021, Term-1)

- a. Planning focuses on achieving objectives
- b. Planning is futuristic
- c. Planning involves decision-making
- d. Planning is a mental exercise

Q 28. Ritu Kapoor has set up a bakery, 'Bakes and Cakes' in Pune. She receives online orders for cakes from within the city and supplies them on the same day. She set a target that she would earn a revenue of ₹ 5,00,000 in the first year. She informed her employees about the target and asked them to contribute ideas to achieve the same.

Ritu Kapoor has performed the first step in the process of one of the functions of management. The next step to be performed is: (CBSE SQP 2021, Term-1)

- a. Identifying alternative courses of action
- b. Setting objectives
- c. Developing premises
- d. Follow-up action

Q 29. Match the 'Features of planning' in Column I with the appropriate 'Explanation' in Column II.

Column I (Features of Planning)	Column II (Explanation)
A. Mental exercise	(i) Involves looking ahead and is regarded as a forward looking function.

B. Futuristic

(ii) An intellectual activity of thinking rather than doing.

C. Continuous

(iii) Need for a new plan on the basis of new requirements and future conditions.

A B C
a. (ii). (i). (iii)

A B C
b. (i). (iii). (ii)

c. (iii). (ii). (i)

d. (iii). (i). (ii)

Q 30. A sanitizer manufacturing company wants to become a market leader. For this purpose, the manager follows an activity with certain logical steps. The first step suggested by him is to increase profits by at least 30% in the next quarter. What will be the last step of the activity being followed by the manager? (CBSE SQP 2021, Term-1)

- a. Follow-up action
- b. Identifying alternative courses of action
- c. Setting objectives
- d. Evaluating alternative courses

Q 31. Radha started a home cooked food delivery 'Dabba Service.' Her mother, who is a great cook, decided to help her. They relied on friends and family for orders and then on word of mouth. As a step in the process of ensuring that activities are performed as per her plan of supplying healthy, good quality, reasonable food and earning profit, she decided to keep both qualitative and quantitative benchmarks towards which she would strive to work. A function of management is being discussed above. An important characteristic of this function of management is: (CBSE SQP 2022-23)

- a. It is the first function of management.
- b. It is the last function of management.
- c. It is both forward looking and backward looking.
- d. It is required only in business organisations.

Q 32. Statement I: Planning is a choice-making activity. Statement II: Planning involves selecting the best alternatives out of various available options.

Choose the correct option from the options given below:

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

Q 33. Statement I: The need for planning arises only when there is one alternative.

Statement II: Decision-making is an integral part of planning.

Choose the correct option from the options given below:

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

Q 34. **Statement I:** Planning has no meaning unless it contributes to the achievement of predetermined organisational goals.
Statement II: Plans, when properly framed and implemented guarantees success.

Choose the correct option from the options given below:

- Statement I is true and II is false.
- Statement II is true and I is false.
- Both the statements are true.
- Both the statements are false.

Q 35. **Statement I:** Planning facilitates decision-making.
Statement II: Planning helps the manager in selecting the only alternative available with the firm.

Choose the correct option from the options given below:

- Statement I is true and II is false.
- Statement II is true and I is false.
- Both the statements are true.
- Both the statements are false.



Assertion & Reason Type Questions

Directions (Q. Nos. 36-45): There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:

- Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- Assertion (A) is true, but Reason (R) is false.
- Assertion (A) is false, but Reason (R) is true.

Q 36. **Assertion (A):** All other functions of management (except planning, i.e., organising, staffing, directing, controlling, etc.) are performed within the framework of plans drawn.

Reason (R): Planning is the primary function of management.

Q 37. **Assertion (A):** A business firm prepares its annual plan for production and sales on the basis of sales forecasting.

Reason (R): Planning is futuristic in nature.

Q 38. **Assertion (A):** If target of a company is to produce 12,000 cars per year, then company must ensure that at least 1,000 cars are produced per month.

Reason (R): It is necessary because follow up action is the last step of planning process that requires monitoring of plans to ensure that objectives are achieved on time.

Q 39. **Assertion (A):** Planning is futuristic.

Reason (R): Planning is concerned with the future which is certain and does not require forecast.

(CBSE SQP 2021, Term-1)

Q 40. **Assertion (A):** A company does not employ people who are less than 18 years of age.

Reason (R): This is because the company considers it as its rule.

Q 41. **Assertion (A):** Budget is a fundamental planning instrument in many organisations.

Reason (R): It involves forecasting.

Q 42. **Assertion (A):** Rules are the most complex type of plans.

Reason (R): There is no compromise or change unless a policy decision is taken.

Q 43. **Assertion (A):** Policies and procedures are related to each other.

Reason (R): Policy refers to the steps to be taken within a broad procedural framework.

Q 44. **Assertion (A):** Methods and procedures are related to each other.

Reason (R): Method deals with a task comprising one step of a procedure and specifies how this step is to be performed.

Q 45. **Assertion (A):** Managers need to be given some flexibility to be able to cope with the changed circumstances.

Reason (R): Planning reduces creativity.

Answers

- (c) Planning
- (d) creativity, innovation
- (c) Setting objectives
- (d) Implementing the plan
- (d) All of the above
- (b) Base material for assumptions can be in the form of forecasts, existing plans or any past information about policies.
- (c) Evaluating alternative courses
- (a) Planning reduces creativity
- (c) planning leads to rigidity
- (d) All of the above
- (a) planning precedes other functions
- (c) Strategy
- (d) planning is a mental exercise
- (a) planning does not guarantee success
- (a) planning involves decision-making
- (a) flexible
- (b) Objective
- (c) Relying on a previously tried and tested successful plan just because it had worked before and will work again
- (c) Planning is a mental exercise
- (a) Implementing the plan
- (d) Policy
- (a) Planning may not work in a dynamic environment
- (d) Planning is futuristic
- (c) Planning
- (d) Planning reduces the risks of uncertainty
- (a) Planning leads to rigidity
- (c) Planning involves decision-making

Q 4. "In 2008, the company suffered loss in many projects due to the great recession despite taking many cost cutting measures." Which limitation of the management process is indicated here?

- a. It fails to cope with sudden changes
- b. It involves huge costs
- c. It requires critical thinking
- d. Need to construct multiple action plans

Answers

1. (a) 2. (b) 3. (c) 4. (a)

Case Study 3

Read the extract given below and answer the questions on the basis of the same:

Mona inherited a 30 acre ancestral land from her grandparents. She decided to venture into agriculture. For this purpose, she set out specific goals, objectives and activities. Everything was a challenge because she was not aware about farming. She learnt every activity and in the process thought of assisting other farmers as well. She eventually launched her own company Agro Ltd. She wanted to be sure that the activities effectively met the best interests of the company and the farmers. Hence, she prepared an annual plan for production, sales and marketing through sales forecasting. She also realised that farmers were growing only one or two crops. On account of this, the land remained idle for the rest of the year. Thus, she identified and evaluated different alternatives through which the farms could be utilised throughout the year. She used her foresight and logical and systematic thinking based on analysis of all facts and examined and evaluated all the alternatives. She presented a plan to the farmers union, where after harvesting the primary crop, seasonal vegetables and fruits could be grown.

Q 1. "Hence, she prepared an annual plan for production, sales and marketing through sales forecasting." Which feature of planning is depicted in the statement?

- a. Planning is continuous
- b. Planning is futuristic
- c. Planning involves decision-making
- d. Planning is a mental exercise

Q 2. "For this purpose, she set out specific goals, objectives and activities." Which feature of planning is depicted in the statement?

- a. Planning focuses on achieving objectives
- b. Planning is a primary function of management
- c. Planning is pervasive
- d. Planning is continuous

Q 3. "She used her foresight and logical and systematic thinking based on analysis of all facts and examined and evaluated all the alternatives." Which feature of planning is depicted in the statement?

- a. Planning focuses on achieving objectives
- b. Planning is a primary function of management

- c. Planning involves decision-making
- d. Planning is a mental exercise

Q 4. "Thus, she identified and evaluated different alternatives through which the farms could be utilised throughout the year." Which feature of planning is depicted in the statement?

- a. Planning is pervasive
- b. Planning is continuous
- c. Planning is futuristic
- d. Planning involves decision-making

Answers

1. (b) 2. (a) 3. (d) 4. (d)

Case Study 4

Read the extract given below and answer the questions on the basis of the same:

Five years ago, Samira started her own company manufacturing papad, chutneys and pickles. She had a degree in food technology and had earned some practical experience of working in a firm manufacturing such products. Thus, she had sufficient expertise to begin her own start-up.

She laid down the objectives and clear targets to be achieved. She formulated an action plan to achieve them as well. She aimed at earning 20% profit on the capital amount invested in the first year of operation. She decided to buy primary ingredients of her final products like fresh fruits and vegetables, spices, etc. on three-months credit from farmers cultivating organic crops only. She decided to sell the final output through her own exclusive outlets rather than supplying it to the wholesalers and retailers.

She appointed Mohan Sharma as the Production Manager who would be responsible for deciding the precise manner to carry out the activities. Mohan also prepared a statement showing the manpower required and the corresponding wage expenditure in the factory throughout the year. Samira informed Mohan that utmost care regarding hygiene has to be taken at the production table and a penalty would be imposed for not wearing caps, gloves or apron.

Q 1. "Mohan also prepared a statement showing the manpower required and the corresponding wage expenditure in the factory throughout the year." Which type of plan is being discussed in the statement?

- a. Policy
- b. Objective
- c. Procedure
- d. Budget

Q 2. "She aimed at earning 20% profit on the capital amount invested in the first year of operation." Which type of plan is being discussed in the statement?

- a. Objective
- b. Strategy
- c. Policy
- d. Procedure

Q 3. "She decided to buy primary ingredients of her final products like fresh fruits and vegetables, spices, etc. on three-months credit from farmers cultivating organic crops only." Which type of plan is being discussed in the statement?

- a. Strategy b. Policy
c. Rule d. Programme

Q 4. "Samira informed Mohan that utmost care regarding hygiene has to be taken at the production table and a penalty would be imposed for not wearing caps, gloves or apron." Which type of plan is being discussed in the statement?

- a. Procedure b. Rule
c. Strategy d. Policy

Answers

1. (d) 2. (a) 3. (b) 4. (b)

Case Study 5

Read the extract given below and answer the questions on the basis of the same:

An auto company M Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements.

Q 1. You may specify which type of plan you are preparing.

Ans. **Strategy:** It is normally prepared to counter the moves of the competitors.

Q 2. Identify the main limitation of such plans.

Ans. Company may face problems in raising funds.

Case Study 6

Read the extract given below and answer the questions on the basis of the same:

Ravi Gupta, CEO of Gupta Packaging Ltd., does the entire planning for the company. He does not want the lower and middle level managers to be involved in planning and decision-making. He simply wants them to implement the plans laid down by him and does not allow them to deviate from the set plans. The lower management only carries out the order. There was nothing new or innovative in the organisation and it led to low morale of the subordinates.

Q 1. Name and explain the limitation of planning referred above.

Ans. Planning reduces creativity.

Q 2. State any other two limitations of planning.

Ans. (i) Planning leads to rigidity.
(ii) Planning involves huge costs.

Case Study 7

Read the extract given below and answer the questions on the basis of the same:

Hitesh decided to start a desert cooler manufacturing business. He sets the target of earning 25% profit on sales in the first year. He was very much concerned about the future prospects of the business, which were uncertain.

For this, he gathered information from the potential market and analysed that the demand for wall mounted coolers is increasing day-by-day. He used this information as the base for future planning. On the basis of the gathered information, he called a meeting in following week to find new methods to achieve the objectives.

Q 1. Identify the function of management involved in the above case.

Ans. Planning.

Q 2. Enumerate the next two steps, which have been followed by Hitesh that are related to the process of one of the functions of management.

Ans. (i) Identifying alternative courses of action.
(ii) Evaluating alternative courses.



Very Short Answer Type Questions

Q 1. What do you mean by planning?

Ans. Planning is the process of thinking before doing. It bridges the gap between where we are and where we want to go.

Q 2. Define planning.

Ans. According to Koontz and O' Donnell, "Planning is deciding in advance what to do, how to do and who is to do it."

Q 3. "Dreams can be turned into reality only when managers think in advance what to do and how to do it." Name the function of management indicated by the statement.

Ans. Planning is the function of management indicated by the statement. It seeks to bridge the gap between where we are and where we want to go. It involves setting objectives and targets and formulating an action plan to achieve them.

Q 4. State why planning is called a pervasive function of management.

Ans. Planning is called pervasive function of management because it is required at all levels and departments of all business as well as non-business organisations.

Q 5. "Planning is done for achieving the organisational objectives." Do you agree? Give one reason in support of your answer.

Ans. Yes, I agree with it. Planning is goal-oriented, i.e., the purpose of planning is to develop and facilitate accomplishment of organisation objectives.

Q 6. How does planning reduce the risks of uncertainty?

Ans. Planning reduces the risks of uncertainty by anticipating changes and developing managerial responses to the changes.



Q 7. State how planning leads to rigidity?

Ans. The existence of plan puts managerial activities in a rigid framework. Manager becomes more concerned with observing the rules and procedures as laid down in the plan rather than achieving the goals.

Q 8. "Planning always leads to success." Do you agree? Give reasons in support of your answer.

Ans. No, sometimes planning fails because of rigidity and time consumption.

Q 9. A company wants to increase sales by 10%, the alternatives may be adding more lines of products, offering discount, increasing expenditure on advertisement, etc. Which step of planning process is being discussed?

Ans. Identifying alternative courses of action.

Q 10. Name the step in the process of planning which is considered the real point of decision-making.

Ans. Selecting an alternative.

Q 11. "To see whether plans are being implemented and activities are being performed according to schedule", is a step of planning process. Identify the step.

Ans. Follow-up Action: This step is concerned with carefully monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

Q 12. "No admission to students getting less than 80%." What type of plan is it?

OR

"Reserve 15% seats in IIT examination for girls." What type of plan is it?

Ans. Policy.

Q 13. Name the type of plan which provides the broad contours of an organisation's business.

Ans. Strategy.

Q 14. Name the type of plan which specifies the steps to carry out different activities in a chronological order.

Ans. Procedure lays down the routine steps on how to carry out activities. They are specified in a chronological order.

Q 15. State giving reason, whether the following statement is true or false:

"A rule is the prescribed way or manner in which a task has to be performed considering the objectives."

Ans. The statement is False.

A rule is a specific statement that specifies clearly what is to be done or not to be done.

Q 16. What is meant by single-use plan?

Ans. A single-use plan is one time plan which is specifically designed to achieve a particular goal.

Q 17. Name the type of plan which is time bound and linked with measurable outcome.

Ans. Objective/Budget.

Q 18. Give the meaning of method as a type of plan.

Ans. Method provides the prescribed ways in which work is to be performed considering the objective.

Q 19. Which type of plan has the least flexibility and why?

Ans. Rules are enforced rigidity. No exception or deviations are allowed in rules.

Q 20. "R Ltd. started offering discount on its product to compete with offer of free gift by the rival company." What type of plan is it?

Ans. Strategy.

Short Answer Type-I Questions

Q 1. After completing her studies in product design, Sarah wishes to start her own business to design products to cater to the mobility and communication requirements of persons with special needs. She told her friend that she wanted to focus on supplying high quality and affordable products on 'no profit-no loss basis'. The Unique Selling Proposition (U.S.P.) of the products will be sensitivity to the challenges and needs of the differently abled. She has to follow a series of steps to attain her predetermined objectives.

In the above lines, Sarah has discussed about one of the functions of management. Identify the function and state its steps in chronological order other than the one discussed in the above para.

(CBSE 2017)

Ans. Planning is the function of management discussed in the given para.

Steps involved in planning process are:

- (i) Setting objectives.
- (ii) Identifying alternative courses of action.
- (iii) Evaluating alternative courses.
- (iv) Selecting an alternative.
- (v) Implementing the plan.
- (vi) Follow-up action.

In the above paragraph, second step 'Developing Premises' is discussed.

Q 2. State any three features of planning. *(CBSE 2017)*

Ans. Features of planning are as follows:

(i) Planning Focuses on Achieving Objectives:

Planning seeks to achieve certain objectives and all plans are linked with the goals of the organisation. Planning has no meaning unless it positively contributes for achievement of such predetermined goals.

(ii) Planning is a Primary Function of Management:

Planning serves as the basis for all other functions of management. It precedes all functions of management. *Le.* organising, staffing, directing and controlling.

(iii) Planning is Pervasive: Planning is required at all the levels of management. It is not the exclusive function of top management but its scope may vary.

Q 3. Explain any three points that highlight the importance of planning function of management.

(CBSE 2019)

OR

"Planning is certainly important as it tells us where to go, it provides direction and reduces the risk of uncertainty by preparing forecasts." In the light of the statement, state any three points of importance of planning.

(CBSE 2016)

OR

Explain the following as importance of planning function of management:

- (i) Planning reduces overlapping and wasteful activities; and
- (ii) Planning reduces the risk of uncertainty.

(CBSE 2023)

Ans. Importance of planning is highlighted below:

- (i) **Planning Provides Direction:** Planning acts as a guide for deciding what course of action should be taken to attain the organisational goals. It reduces aimless activity and makes action more meaningful.
- (ii) **Planning Reduces the Risks of Uncertainty:** Planning is always done for future and future is uncertain. It helps to anticipate the future and prepare for the risk by making necessary provisions.
- (iii) **Planning Reduces Overlapping and Wasteful Activities:** Planning serves as the basis for coordinating the activities and efforts of different divisions and individuals. It helps in avoiding confusion and misunderstanding.

COMMON ERROR

Generally, students get confused between features and importance.

TIP

Students should be emphasis on both the concept separately.

Q 4. "Unforeseen events and changes, rise in costs and prices, environmental changes, governmental interventions, legal regulations, all affect business plan." In the light of given statement, state any four limitations of planning function of management.

OR

Explain the following as limitations of planning:

- (i) Planning leads to rigidity
- (ii) Planning may not work in a dynamic environment

(CBSE 2023)

OR

Explain the following as limitations of planning:

- (i) Planning reduces creativity
- (ii) Planning involves huge costs

(CBSE 2023)

Ans. The limitations of planning are as follows:

- (i) **Planning Leads to Rigidity:** Plans are drawn in advance and managers may not be in a position to change them in the light of changed

conditions. This kind of rigidity in plans may create difficulty.

(ii) **Planning may not Work in a Dynamic Environment:** The business environment is not static, it keeps on changing. Organisation has to constantly adopt itself to such changes. Since, planning cannot foresee everything, there may be hurdle to effective planning.

(iii) **Planning Reduces Creativity:** The top management undertakes planning of various activities, whereas the middle managers are neither allowed to deviate from plans nor are they permitted to act on their own.

(iv) **Planning Involves Huge Costs:** Huge costs are involved in formulating plan. Detailed plans require mathematical and scientific calculations to ascertain facts and figures and to make accurate estimates regarding the future.

Q 5. "Failing to plan is planning to fail." Give two reasons for this and explain with examples.

Ans. This statement shows that planning is important for success and its absence leads to failure. Two main reasons for this are as follows:

(i) **Planning Provides Direction:** Planning acts as a guide for deciding what course of action should be taken to attain the organisational goals. It reduces aimless activity and makes action more meaningful.

(ii) **Planning Promotes Innovation:** Planning is the most challenging activity for the management as it encourages new ideas that can take shape of concrete plans.

Q 6. Bawa Cycles was in the business of manufacturing racing-cycles and had a monopoly in the market. The business was doing very well and the company was consistently meeting its objectives of 10% increase in sales every year. Encouraged by the good track record, the Managing Director of the company kept an ambitious target of 15% increase in sales for the next year. This same year, two competitors also entered the market and because of this, the company was not able to meet its target. Identify and explain the limitation of one of the functions of management because of which the company was not able to achieve its target.

Ans. The limitation of planning function of management is highlighted here and it is that planning may not work in a dynamic environment.

Various changes like changing economic policies of government, political conditions of the country, natural calamity, competition due to entry of a new competitor in market, etc. take place in the business environment. Thus, it is difficult for business enterprises to foresee all the changes and assess them correctly and draw plans accordingly. Thus, they prove to be obstacles in effective planning. So, planning may not work in a dynamic environment.

Q 7. "Mehul, a worker, is given a target of assembling two computers per day. Due to his habit of doing things differently, an idea struck him which would not only reduce the assembling time of computers



but would also reduce the cost of production of the computers. Mehul's supervisor, instead of appreciating him, ordered him to complete the work as per the methods and techniques decided earlier as nothing could be changed at that stage." The above paragraph describes one of the limitations of planning function of management. Name and explain that limitation.

Ans. The limitation described in the above paragraph is 'Planning reduces creativity'.

Explanation: The top management undertakes planning of various activities, whereas the middle managers are neither allowed to deviate from plans nor are they permitted to act on their own. This leads to reduced creativity and innovation amongst employees.

Q 8. Define planning. Explain first two steps in the process of planning. (CBSE 2015)

OR

Explain the following steps in the process of planning:

(i) **Setting Objectives**

(ii) **Developing Premises**

Ans. "Planning is deciding in advance what to do, how to do it and who is to do it." — *Koontz and O' Donnell*
First two steps in planning process consists of the:

(i) **Setting Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.

(ii) **Developing Premises:** Planning premises are the assumptions about the future on the basis of which plans are drawn. This requires a collection of data on present trends and future possibilities.

Q 9. Many steps are to be followed under the planning process. Considering this, answer the following:

(i) **Why is it essential to evaluate the alternative courses of action?**

(ii) **Mention the preceding and succeeding step of evaluating alternative courses.**

Ans. (i) The alternative courses of action must be evaluated by considering their positive and negative aspects in the light of their feasibility and the goals to be achieved. This is done so that we are able to get a picture of cost benefit analysis of each course of action.

(ii) Preceding step of evaluating alternative courses is 'identifying alternative courses of action.'
Succeeding step is 'selecting an alternative.'

Q 10. Explain 'Procedure' as a type of plan giving an example.

Ans. **Procedure:** It refers to a series of specific steps to be performed in a chronological order to carry out the routine activities. It is very rigid and do not leave any scope for individual judgement.

Example: Installing a car battery is a simple procedure.

Q 11. Explain 'Method' as a type of a plan giving an example.

Ans. Methods are the prescribed ways or manner in which a task has to be performed considering the objective. Methods may vary from task-to-task. Selection of proper method saves time, money and effort and increases efficiency.

Example: On-the-job training methods for new apprentices.

Q 12. Explain 'Policies' as a type of plan giving an example.

Ans. Policies are general response to a particular situation. They are statements that guide thinking, decision-making and channelise energies towards a particular direction. Policies decide 'How To Do.'

Example: The company may have a recruitment policy.



TIP

Students should learn the various types of plans along with the objective they fulfil.

Q 13. What kind of strategic decisions are taken by business organisations? (NCERT)

Ans. Major strategic decisions include:

(i) Whether the organisation will remain in the same line of business.

(ii) Whether the organisation will combine new lines of activities within the existing business.

(iii) Whether the organisation will seek to acquire a dominant position in the same market.

Q 14. State the type of plan and state whether they are single-use or standing plan. Also give one example of each.

(i) A type of plan which serves as a controlling device as well.

(ii) A plan based on research and analysis and is concerned with physical and technical tasks.

(NCERT)

Ans. (i) Budget

(a) **Category:** Single-use plan.

(b) **Example:** A sales budget may forecast the sales of different products in each area for a particular month.

(ii) Method

(a) **Category:** Standing plan.

(b) **Example:** On-the-job training method for new apprentices.

Q 15. After completing her studies in product design, Sarita wishes to start her own business to design products to cater to the mobility and communication requirements of persons with special needs.

She told her friend that she wanted to focus on supplying high quality products at affordable prices. The Unique Selling Proposition (U.S.P) of the products would be sensitivity to the challenges and needs of the differently abled people.

She wants to employ only differently abled persons in her factory and sales offices across the country. This decision of Sarita provides the base for interpreting her strategy. This also defines the broad parameters within which the company may recruit the persons.

Sarita has also to decide about the exact manner and the chronological order of how the selection of the differently abled applicants will be done.

In the above lines, Sarita is discussing about one of the functions of management. This function has several types. Identify and explain the types Sarita is discussing in the above lines. (CBSE 2017)

Ans. The function of management discussed in above lines are 'Planning'.

Types of plans that Sarita is discussing in the above lines are:

(i) **Policies:** Policies are general response to a particular problem or situation.

They are statements that guide thinking, decision-making and channelise energies towards a particular direction.

(ii) **Procedure:** They are routine steps on how to carry out objectives.

They tell the exact manner in which work is to be performed.

Q 16. Differentiate between 'Policies' and 'Rules' as types of plans.

Ans. The difference between Policies and Rules are:

S. No.	Basis of Difference	Policies	Rules
(i)	Meaning	Policies are guidelines to achieve the pre-determined objectives.	Rules are specific instructions stating what is to be done or not to be done in a given situation.
(ii)	Nature	Policies are broad and general.	A rule is a specific statement.
(iii)	Guide	Policies are guide to decision-making.	Rules are guide to behaviour.

Q 17. Differentiate between 'Method' and 'Budget' as types of plans.

Ans. The difference between Method and Budget are:

S. No.	Basis of Difference	Method	Budget
(i)	Meaning	Methods are the prescribed ways or manner in which a task has to be performed considering the objective.	A budget is a statement of expected results expressed in numerical terms.
(ii)	Type	Standing plan.	Single-use plan.
(iii)	Example	Systematic way of doing a routine job.	Cash budget.

COMMON ERROR

Points of distinction written by students do not correlate. Basis for the differences always should be the same.



Short Answer Type-II Questions

Q 1. Mega Ltd. holds an Annual Management Programme every year in the month of March in which the top managerial personnel formulate plans for the next year by analysing and predicting the future to meet future events effectively.

As they are responsible for providing direction to the organisation, facts are thoroughly checked using scientific calculations. Detailed plans are prepared after discussion with professional experts. Preliminary investigations are also undertaken to find out the viability of the plan. Since it is an intellectual activity requiring intelligent imagination and sound judgement so it is mainly done by the top management. Usually, rest of the members just implement the plans. Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own. The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them. State any two limitations and any two features of planning discussed above. (CBSE 2019)

OR

Briefly describe any two limitations of planning.

(CBSE 2023)

Ans. Two limitations of planning discussed above are:

(i) **Planning Reduces Creativity:** The top management undertakes planning of various activities, whereas the middle managers are neither allowed to deviate from plans nor are they permitted to act on their own.

(ii) **Planning Involves Huge Costs:** Huge costs are involved in formulating plan. Detailed plans require mathematical and scientific calculations to ascertain facts and figures and to make accurate estimates regarding the future.

Features of planning discussed above are:

(i) **Planning is a Mental Exercise:** Planning is based on intellectual thinking involving foresight, visualisation and judgement rather than guess work. It determines the action to be taken.

(ii) **Planning is Futuristic:** Planning is essentially looking ahead and preparing for the future. It seeks to meet future events effectively to the best advantage of an organisation. It is, therefore, called a forward looking function.



Q 2. Arush joins as a sales manager of a company dealing in naturotherapy products. Being proficient in his work, he knew that without good planning, he will not be able to organise, direct, control or perform any of the other managerial functions efficiently and effectively. Only on the basis of sales forecasting, he could assist in the preparation of the annual plans for its production and sales. Besides, he will have to prepare sales plans regularly on weekly, monthly, quarterly and half-yearly basis. While preparing the sales forecasts, he undertakes intellectual thinking involving foresight, visualisation and judgement rather than wishful thinking or guess work. In the context of the above case, identify the various features of planning highlighted in the above paragraph by quoting lines from it.

Ans. The features of planning highlighted in the above paragraph are:

- (i) **Planning is a Primary Function of Management:**
Quoted Lines: *"Being proficient in his work, he knew that without good planning, he will not be able to organise, direct, control or perform any of the other managerial functions efficiently and effectively."*
- (ii) **Planning is Futuristic:**
Quoted Lines: *"Only on the basis of sales forecasting, he could assist in the preparation of the annual plans for its production and sales."*
- (iii) **Planning is Continuous:**
Quoted Lines: *"Besides, he will have to prepare sales plans regularly on weekly, monthly, quarterly and half-yearly basis."*
- (iv) **Planning is a Mental Exercise:**
Quoted Lines: *"While preparing the sales forecasts, he undertakes intellectual thinking involving foresight, visualisation and judgement rather than wishful thinking or guess work."*

Q 3. After completing a diploma in bakery and patisserie, Payal sets up a small outlet at Goa Airport to provide a healthy food option to the travellers. To begin with, she has decided to sell five types of patties, three types of pizzas and low sugar muffins in four flavours. Thus, by deciding in advance what to do and how to do, she is able to reduce the risk of uncertainty and avoid overlapping and wasteful activities.

But sometimes her planning does not work due to some unavoidable circumstances like cancellation of flights due to bad weather conditions, government alert, etc. which adversely affects her clientele.

In the context of the above paragraph:

- (i) Identify and explain the points highlighting the importance of planning mentioned in the above paragraph.
- (ii) Describe briefly the limitation of planning which adversely affects Payal's business.

Ans. (i) The points highlighting the importance of planning mentioned in the above paragraph are:

- (a) **Planning Reduces the Risk of Uncertainty:** Planning is always done for future and future is uncertain. It helps to anticipate the future, and prepare for the risk by making necessary provisions.
- (b) **Planning Reduces Overlapping and Wasteful Activities:** Planning serves as the basis for coordinating the activities and efforts of different divisions and individuals. It helps in avoiding confusion and misunderstanding.

(ii) The limitation of planning which is adversely affecting Payal's business is:

Planning may not Work in a Dynamic Environment: The business environment is not static, it keeps on changing. Organisation has to constantly adopt itself to such changes. Since planning cannot foresee everything, there may be hurdle to effective planning.

Q 4. Indian Drugs and Pharmaceuticals Ltd. is engaged in the manufacturing and distribution of medicines. The company has set-up an objective of increasing its sales turnover by 20%. To achieve this objective, the company has decided to diversify into baby health care products. Since the company has already set its objectives and developed the premises based on the same, it wants your help for the remaining steps to be taken in this process. Explain briefly these steps. (CBSE 2016)

Ans. Remaining steps to be followed by Indian Drugs and Pharmaceuticals Ltd. in the planning process are:

- (i) **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.
- (ii) **Evaluating Alternative Courses:** This step is weigh the pros and cons of each alternatives. *i.e.*, It is necessary to evaluate the positive and negative aspect of each alternative and consequences.
- (iii) **Selecting an Alternative:** This is the real point of decision-making. The best plan has to be adopted and implemented. Sometimes, a combination of plans may be selected instead of one best course.
- (iv) **Implementing the Plan:** This step is concerned with transforming the plan into action by activating other managerial functions.
- (v) **Follow-up Action:** This step is concerned with carefully monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

Q 5. It is deciding in advance what to do and how to do. It is one of the basic managerial functions. It requires that before doing something, the manager must formulate an idea of how to work on a particular task. This function is closely connected with creativity and innovation. It seeks to bridge the gap between where we are and where we want to go and performed at all the levels of management. In spite of this, the function of management referred above has a number of limitations. Explain any two such limitations.

(CBSE 2015)

Ans. Two limitations of planning are:

- (i) **Planning Leads to Rigidity:** Plans are drawn in advance and managers may not be in a position to change them in the light of changed conditions. This kind of rigidity in plans may create difficulty.
- (ii) **Planning Involves Huge Costs:** Huge costs are involved in formulating plan. Detailed plans require mathematical and scientific calculations to ascertain facts and figures and to make accurate estimates regarding the future.

Q 6. Kirana Ltd. is a start-up with the idea of turning the local Kirana stores in Uttar Pradesh into Virtual Kirana Stores. They have already transformed some 200 Kirana stores across three cities and aim for a rapid expansion across the other cities of Uttar Pradesh. They have the goal of digitising over 50,000 such stores over the next 12 months.

- (i) Identify which function of management is discussed above.
- (ii) Identify the step under the function identified in point (i) that the start-up has already undertaken by quoting lines from the paragraph.
- (iii) Also explain the last step to be performed by Kirana Ltd. as part of the process identified in point (i).

Ans. (i) Planning.

- (ii) The first step of setting objectives under the planning process has already been undertaken by Kirana Ltd.

Quoted Lines: "They have the goal of digitising over 50,000 such stores over the next 12 months."

- (iii) Follow-up action is the last step to be performed by Kirana Ltd. as a part of the planning process. **Follow-up Action:** This step is concerned with carefully monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

Q 7. Differentiate between 'Programme' and 'Policies'.

Ans. The difference between Programme and Policies are:

S. No.	Basis of Difference	Programme	Policies
(i)	Meaning	Programmes are detailed statements about a project which outlines objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.	Policies are general response to a particular problem or situation.
(ii)	Type	Single-use plan.	Standing plan.
(iii)	Scope	Prepared within broad policy frame work, hence lesser scope than policy.	Policy is a general response to a particular problem and hence much broader in scope.
(iv)	Example	Plans related to construction of a new mall.	Fixed price for all customers (pricing policy).

Q 8. In an attempt to cope with Reliance Jio's onslaught in 2018, market leader Bharti Airtel has refreshed its ₹ 149 prepaid plan to offer 2 GB of 3G/4G data per day, twice the amount it offered earlier. Name the type of plan that is highlighted here by giving an example.

Ans. The type of plan highlighted here is 'Strategy'.

Strategy: It is a comprehensive plan for achieving the objectives of the organisation.

Example: A and B are competitors in the soft drink market. If A reduces the price of its products in the market, then counter-plan of B, to maintain its market share may be considered as strategy.

Q 9. Give the meaning of 'Objectives' and 'Procedure' as types of plans.

Ans. (i) Objectives: These are the end results of the activities that an organisation seeks to achieve through its existence. For example, the objective of a mobile company can be to increase the mobile users by 15% in 2 years.

(ii) Procedure: It refers to a series of specific steps to be performed in a chronological order to carry out the routine activities. It is very rigid and do not leave any scope for individual judgement.

Q 10. Vardan Patel started the business of preparation and supplying sweets through home delivery from his a production centre cum showroom 'Express Sweets' at Ahmedabad.

He made a plan forecasting the sales of different types of sweets in various localities of Ahmedabad for each month of the year to earn a profit of 20% on capital employed.

He sets a sales target of ₹ 20,00,000 in the current year with a 10% increase every year.

He then set the criteria for selecting suppliers from whom he would make purchases of raw material. The planning paid-off and the business was able to achieve its targets.

(i) Identify any two types of plans by quoting the lines from the above.

(ii) Also give the meaning of the types of plans identified in point (i) above.

Ans. (i) Two types of plans are:

(a) Objectives:

Quoted Lines: 'He sets a sales target of ₹ 20,00,000 in the current year with a 10% increase every year.'

(b) Policies:

Quoted Lines: 'He then set the criteria for selecting suppliers from whom he would make purchases of raw material.'

(ii) The meaning of the types of plans identified above are described as under:

(a) Objectives: These are the end results of the activities that an organisation seeks to achieve through its existence.

For example, the objective of a mobile company can be to increase the mobile users by 15% in 2 years.

(b) Policies: These are the sets of general guidelines that help in managerial decision-making and action.

For example, policy of a company may be not to employ any person who is less than 18 years of age.

Q 11. Give the meaning of 'Strategy' and 'Rule' as types of plans. (CBSE 2017)

Ans. (i) Strategy: It is a comprehensive plan for achieving the objectives of the organisation.

For example, A and B are competitors in the soft drink market. If A reduces the price of its products in the market, then counter-plan of B, to maintain its market share may be considered as strategy.

(ii) Rule: It is a specific statement relating to the general norms in terms of do's and don'ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

For example, a company may have rule of 'No smoking in the factory premises.'

Q 12. Give the meaning of 'Policies' and 'Budget' as type of plans.

Ans. (i) Policies: These are the sets of general guidelines that help in managerial decision-making and action.

For example, policy of a company may be not to employ any person who is less than 18 years of age.

(ii) Budget: It refers to a financial plan that is expressed in numerical terms. e.g., Sales budget, Cash budget, etc.

Q 13. Matta Auto Ltd. is manufacturing different types of commercial vehicles. Their sales were rupees two hundred crores in the previous year. The company decided to increase sales by 20% during the current year. It conducted internal as well as external audits for the same. Through internal audit, they analysed the strengths and weaknesses of the business across all departments. External audit focused on the opportunities and the threats in the constantly changing business environment and the necessary resources were allocated to achieve the target. The company directed its offices throughout the country to follow the plan. The company's commitment to develop effective plans to achieve a consistent increase in sales has ensured its continual growth over the past one year. Identify and explain the two types of plans discussed above.

Ans. The two types of plans discussed above are:

(i) Objectives: These are the end results of the activities that an organisation seeks to achieve through its existence. For example, the objective of a mobile company can be to increase the mobile users by 15% in 2 years.

(ii) Strategy: It is a comprehensive plan for achieving the objectives of the organisation. For example, A and B are competitors in the soft drink market. If A reduces the price of its products in the market, then counter-plan of B, to maintain its market share may be considered as strategy.

Q 14. Two years ago Madhu completed her degree in food technology. She worked for sometime in a company manufacturing chutneys, pickles, murabbas. She was not happy in the company and decided to have her own organic food processing unit for the same. She set the objectives and the targets and formulated action plan to achieve the same. One of her objective was to earn 10% profit on the amount invested in the first year. It was decided that raw materials like fruits, vegetables, spices, etc., will be purchased on three months credit period from farmers cultivating organic crops only. She also decided to follow the steps required for marketing of the products

through her own outlets. She appointed Mohan as a Production Manager who decides the exact manner in which the production activities are to be carried out. Mohan also prepared a statement showing the number of workers that will be required in the factory throughout the year. Madhu informed Mohan about her sales target for different products, area-wise for the forthcoming quarter.

By quoting lines from the above paragraph, identify and explain the different types of plans discussed.

Ans. Different types of plans discussed in the paragraph are:

(i) **Objectives:** These are the end results of the activities that an organisation seeks to achieve through its existence. For example, the objective of a mobile company can be to increase the mobile users by 15% in 2 years.

Quoted Lines: *'One of her objective was to earn 10% profit on the amount invested in the first year.'*

(ii) **Policies:** These are the sets of general guidelines that help in managerial decision-making and action. For example, policy of a company may be not to employ any person who is less than 18 years of age.

Quoted Lines: *'It was decided that raw materials like fruits, vegetables, spices, etc., will be purchased on three months credit period from farmers cultivating organic crops.'*

(iii) **Procedure:** It refers to a series of specific steps to be performed in a chronological order to carry out the routine activities. It is very rigid and do not leave any scope for individual judgement.

Quoted Lines: *'She also decided to follow the steps required for marketing of the products through her own outlets.'*

(iv) **Method:** It refers to the prescribed ways or manner in which a task has to be performed considering the objective. e.g., FIFO and LIFO method.

Quoted Lines: *'She appointed Mohan as a production manager who decides the exact manner in which the production activities are to be carried out.'*



Long Answer Type Questions

Q 1. An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. C Ltd. realised that it needs to take steps immediately to improve its market standing in the future. For quality conscious consumers,

C Ltd. plans to introduce new models with added features and new technological advancements. The company has formed a team with representatives from all the levels of management. This team will brainstorm and will determine the steps that will be adopted by the organisation for implementing the above strategy. Explain the features of planning highlighted in the above situations.

OR

Explain following features of planning:

- (i) Planning is pervasive
- (ii) Planning is futuristic
- (iii) Planning is a mental exercise

Ans. Features of planning highlighted in the above situations are:

(i) **Planning is Pervasive:** Planning is required at all the levels of management. It is not the exclusive function of top management but its scope may vary.

(ii) **Planning is Futuristic:** Planning is essentially looking ahead and preparing for the future. It seeks to meet future events effectively to the best advantage of an organisation. It is, therefore, called a forward looking function.

(iii) **Planning is a Mental Exercise:** Planning is based on intellectual thinking involving foresight, visualisation and judgement rather than guess work. It determines the action to be taken.

Q 2. In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25 acre ancestral land into a fertile farm. For this, he set out specific goals along with the activities to be performed to achieve the goals.

Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers, he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd'.

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail, the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales. He also found that the farmers grew only paddy, which was an activity of 3-4 months and the land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight, logical and systematic thinking based on analysis of



all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy vegetables could be grown.

The above case highlights the features of one of the functions of management. By quoting lines from the above, identify and explain these features. (CBSE 2018)

Ans. Features of planning are:

(i) **Planning Focuses on Achieving Objectives:**

Planning seeks to achieve certain objectives and all plans are linked with the goals of the organisation. Planning has no meaning unless it positively contributes for achievement of such predetermined goals.

Quoted Lines: "He set out specific goals along with the activities to be performed to achieve the goals."

(ii) **Planning is Futuristic:** Planning is essentially looking ahead and preparing for the future. It seeks to meet future events effectively to the best advantage of an organisation. It is, therefore, called a forward looking function.

Quoted Lines: "He wanted to ensure that the future events meet effectively the best interests of the company."

(iii) **Planning Involves Decision-making:** It involves rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.

Quoted Lines: "He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year."

(iv) **Planning is a Mental Exercise:** Planning is based on intellectual thinking involving foresight, visualisation and judgement rather than guess work. It determines the action to be taken.

Quoted Lines: "Through correct foresight, logical and systematic thinking based on analysis of all facts."

Q 3. Explain any four points of importance of planning function of management. (CBSE 2019)

OR

"Planning is worth the huge costs involved." Do you agree? Explain any four reasons in support of your answer.

Ans. The points highlighting the importance of planning function of management are as follows:

(i) **Planning Provides Direction:** Planning acts as a guide for deciding what course of action should be taken to attain the organisational goals. It reduces aimless activity and makes action more meaningful.

(ii) **Planning Reduces the Risk of Uncertainty:** Planning is always done for future and future is uncertain. It helps to anticipate the future and prepare for risk by making necessary provision.

(iii) **Planning Facilitates Decision-making:** It enables a manager to choose the best alternative course of action among the various available alternatives in light of present and future conditions.

(iv) **Planning Promotes Innovation:** Planning is the most challenging activity for the management as it encourages new ideas that can take shape of concrete plans.

Q 4. Explain how planning:

(i) Reduces overlapping and wasteful activities

(ii) Establishes standards for controlling

(iii) Facilitates decision-making (CBSE SQP 2023-24)

Ans. (i) **Planning Reduces Overlapping and Wasteful Activities:** Planning serves as the basis for coordinating the activities and efforts of different divisions and individuals. It helps in avoiding confusion and misunderstanding.

(ii) **Planning Establishes Standards for Controlling:** Planning provides standards against which the actual performance is measured and timely corrective actions are taken. It provides the basis of control. *i.e.* controlling is not possible without planning.

(iii) **Planning Facilitates Decision-making:** It enables a manager to choose the best alternative course of action among the various available alternatives in light of present and future conditions.

Q 5. Agile Ltd. is a well-known automobile manufacturing company in India. The company plans to increase the sale of its sedan cars by 20% in the next quarter. In order to achieve the desired target, the marketing team of the company considers the impact of policy of the government towards diesel vehicles and the level of competition in this segment of cars. They explore the various available options like offering more discount to dealers and customers, providing more customer friendly finance options, lucky draws on test drives, increasing advertising, offering more of free accessories on the purchase of the car, etc. A thorough analysis of the various available options is done keeping in view the relative viability of each option. The company decides to pursue the option of offering more discount to dealers and customers in order to boost the sale of sedan cars. In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. To make the prospective consumers aware about the new available benefits, advertisements are made through various sources of print and electronic media. The market analysis of the company keep a

close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales.

In the context of the above paragraph:

- (i) Name the function of management described in the above paragraph.
- (ii) Identify and explain the various steps involved in process the function of management as identified in point (i) by quoting lines from the paragraph.

Ans. (i) Planning is the function of management which is being described in the above paragraph.

(ii) The various steps involved in the process are explained below:

(a) **Setting Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.

Quoted Lines: "The company plans to increase the sale of its sedan cars by 20% in the next quarter."

(b) **Developing Premises:** Planning premises are the assumptions about the future on the basis of which plans are drawn. This requires a collection of data on present trends and future possibilities.

Quoted Lines: "In order to achieve the desired target, the marketing team of the company considers the impact of policy of the government towards diesel vehicles and the level of competition in this segment of cars."

(c) **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.

Quoted Lines: "They explore the various available options like offering more discount to dealers and customers, providing more customer friendly finance options, lucky draws on test drives, increasing advertising, offering more of free accessories on the purchase of the car, etc."

(d) **Evaluating Alternative Courses:** This step is weigh the pros and cons of each alternatives, i.e. it is necessary to evaluate the positive and negative aspect of each alternative.

Quoted Lines: "A thorough analysis of the various available options is done keeping in view the relative viability of each option."

(e) **Selecting an Alternative:** This is the real point of decision-making. The best plan has to be adopted and implemented. Sometimes, a combination of plans may be selected instead of one best course.

Quoted Lines: "The company decides to pursue the option of offering more discount to dealers and customers in order to boost the sale of sedan cars."

(f) **Implementing the Plan:** This step is concerned with transforming the plan into action by activating other managerial functions.

Quoted Lines: "In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. To make the prospective consumers aware about the new available benefits, advertisements are made through various sources of print and electronic media."

(g) **Follow-up Action:** This step is concerned with carefully monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

Quoted Lines: "The market analysis of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales."

Q 6. A company manufactures garments. The manager wants to increase profit by:

- buying new high speed machines, or
- increasing the sale price, or
- using waste material in manufacturing stuffed toys.

He decided that using waste material to increase the profit is the best solution for him.

- (i) Identify the element of management process involved in the above situation.
- (ii) Mention the steps involved in the process of the above element by quoting the lines from the question.
- (iii) What further steps should the manager take to complete the process of the element identified?

Ans. (i) The element of management process involved is planning.

(ii) The steps involved in the process of planning are:

(a) **Setting Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.

Quoted Lines: "Wants to increase profit."

(b) **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.

Quoted Lines: "Buying new high speed machines, or increasing the sale price, or using waste material in manufacturing stuffed toys."

(c) **Selecting an Alternative:** This is the real point of decision-making. The best plan has to be adopted and implemented. Sometimes, a combination of plans may be selected instead of one best course.

Quoted Lines: "Using waste material to increase the profit is the best solution."

(iii) The manager should take the following further steps:

(a) **Implementing the Plan:** This step is concerned with transforming the plan into action by activating other managerial functions.

(b) **Follow-up Action:** This step is concerned with carefully monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

Q 7. "The pros and cons of each alternative need to be weighed." Name and briefly explain the logical steps in the process of planning which are followed by a manager before performing the step highlighted in the above statement.

OR

Explain the steps that are required to be performed by a manager before evaluating all possible courses of action in planning process.

(CBSE SQP 2023-24)

Ans. Steps in the process of planning to be followed by a manager before performing the step of evaluation of alternatives are:

(i) **Setting Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.

(ii) **Developing Premises:** Planning premises are the assumptions about the future on the basis of which plans are drawn. This requires a collection of data on present trends and future possibilities.

(iii) **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.

Q 8. Briefly explain the next three steps in the process of planning which the manager will have to follow after using conjecture about what might happen in the future.

(CBSE SQP 2022-23)

Ans. The steps taken by the manager in the planning process are:

(i) **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.

(ii) **Evaluating Alternative Courses:** This step is weigh the pros and cons of each alternatives, i.e., it is necessary to evaluate the positive and negative aspect of each alternative and consequences.

(iii) **Selecting an Alternative:** This is the real point of decision-making. The best plan has to be adopted and implemented. Sometimes, a combination of plans may be selected instead of one best course.

Q 9. Saurabh Jain set-up a telecom business in Nasik, named as 'Ketone', with an ambitious target of reaching out to 90% of the Indian population within one year. He choose this business on the belief that the demand for data services will increase 4 times within the next 2-3 years. To fulfil such an ambitious target, he had to either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition.

He assessed the proposals of different companies vis-a-vis earnings per share, tax liabilities, dividends paid, etc., and their future projections, knowing fully well that the projections may change if the country's economic policies get modified.

The above paragraph discusses some of the steps of one of the functions of management. By quoting the lines from the above paragraph, explain these steps in chronological order. (CBSE 2019)

Ans. Steps discussed in the above paragraph are as follows:

(i) **Setting Objectives:** The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.

Quoted Lines: "Saurabh Jain set-up a telecom business in Nasik, named as 'Ketone', with an ambitious target of reaching out to 90% of the Indian population within one year."

(ii) **Developing Premises:** Planning premises are the assumptions about the future on the basis of which plans are drawn. This requires a collection of data on present trends and future possibilities.

Quoted Lines: "He choose this business on the belief that the demand for data services will increase 4 times within the next 2-3 years."

(iii) **Identifying Alternative Courses of Action:** The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.

Quoted Lines: "To fulfil such an ambitious target, he had to either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition."

(iv) **Evaluating Alternative Courses:** This step is weigh the pros and cons of each alternatives. *i.e.*, it is necessary to evaluate the positive and negative aspect of each alternative and consequences.

Quoted Lines: "He assessed the proposals of different companies vis-a-vis earnings per share, tax liabilities, dividends paid, etc., and their future projections, knowing fully well that the projections may change if the country's economic policies get modified."

Q 10. Differentiate between 'Method' and 'Procedure'.

Ans. The differences between Method and Procedure are:

S. No.	Basis of Difference	Method	Procedure
(i)	Meaning	Methods are the prescribed ways or manner in which a task has to be performed considering the objectives.	Procedure are routine steps on how to carry out objectives. They tell exact manner in which work is to be performed.
(ii)	Type	Single-use plan.	Standing plan.
(iii)	Detail	More detailed.	Less detailed.
(iv)	Scope	Constitutes part of the procedure.	Includes method along with other components.
(v)	Control	It is not associated directly with control.	It facilitates control by exception.
(vi)	Example	Higher level management, orientation programmes, etc.	Procedure for giving admission in a school or giving contracts to an outside agency.

Q 11. Differentiate between 'Single-use plans' and 'Standing plans.'

Ans. The differences between Single-use Plans and Standing Plans are:

S. No.	Basis of Difference	Single-use Plans	Standing Plans
(i)	Meaning	Plans are developed for a one-time event or project. <i>i.e.</i> , for non-recurring situations.	Plans are developed for activities that occur regularly over a period of time.
(ii)	Duration	Short-term.	Long-term.

(iii)	Purpose	Designed to ensure that specific project gets completed.	Designed to ensure that internal operations of an organisation run smoothly.
(iv)	Benefit	Enhances efficacy in task achievement.	Enhances efficiency in routine decision-making.

Q 12. An auto company, Win Ltd., is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. The Board of Directors of the Company announced a meeting to discuss the decisions regarding pricing and launching a new range of models, in order to increase the market share of the company. Attending the meeting was not a discretion for the directors and a penalty was announced for not attending the meeting. The following decisions were taken in the meeting:

- (i) To define the desired future position of the company, as acquiring a dominant position in the market by increasing the market share to 10% in 1 year.
- (ii) To change the criteria for choosing vendors for procuring supplies.
- (iii) To invest in development of the human resources of the organisation by providing training to higher levels by holding seminars and providing on-the-job training for the supervisory management.

What are standing plans and single-use plans? Briefly explain the plans discussed above, which can be classified as standing plans, by quoting the lines.

(CBSE 2020)

Ans. Standing Plans: It refers to the another type of plan, which once formulated may be used for a long period of time in similar or repetitive situations that may prevail in an organisation. e.g., objectives, strategies, policies, methods, procedures and rules, etc.

Single-use Plans: These plans are formulated for one-time event or project. Single-use plans are made for handling non-recurring problems. They can't be repeated again and again. e.g., programmes, budgets and projects, etc.

The following type of plans discussed above are classified as standing plans:

(i) **Policies:** These are the sets of general guidelines that help in managerial decision-making and action.

Example: Policy of a company may be not to employ any person who is less than 18 years of age.

Quoted Lines: "To change the criteria for choosing vendors for procuring supplies."

(ii) **Method:** It refers to the prescribed ways or manner in which a task has to be performed considering the objective.

Example: FIFO and LIFO Method.

Quoted Lines: "Providing training to higher levels by holding seminars and providing on-the-job training for the supervisory management."

(iii) **Rule:** It is a specific statement relating to the general norms in terms of do's and don'ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

Example: A company may have rule of 'No smoking in the factory premises.

Quoted Lines: 'Attending the meeting was not a discretion for the directors and a penalty was announced for not attending the meeting.'

Q 13. Flipkart is an e-commerce company founded in the year 2007 by Sachin Bansal and Binny Bansal. The company is registered in Singapore, but has its headquarters in Bengaluru, India. The company seeks to increase traffic (more clicks on their products) and boost sales and revenue through integration of Mobile Apps, Display, Pay Per Click and Search Engine Optimisation. In order to dispel the fear of people related to shopping online, Flipkart was the first company to implement the popular 'Cash on Delivery' facility. All the products sold by the company under a particular category may have different return/replacement period. Flipkart allows multiple payment options such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery. The company operates both ways when an order is received. The products for which it holds inventory are dispatched by it directly. For the products, they do not store in inventory, they just send the order received by them to the supplier who ships it. The company plans to spend about ₹ 75 crore on e-commerce advertising in the year 2016. Flipkart reserves the right to terminate your membership and/or refuse to provide you with access to the website if it is brought to Flipkart's notice or if it is discovered that you are under the age of 18 years. This is because as per the Indian Contract Act, 1872, the minors, un-discharged insolvents, etc., are not eligible to use the website. In context of the above case, identify and explain the different types of plans being used by Flipkart by quoting lines from the paragraph.

OR

Explain 'Objectives' and 'Budget' as type of plans.
(CBSE 2023)

OR

Explain 'Strategy' and 'Programme' as type of plans.
(CBSE 2023)

OR

Explain 'Policy' and 'Method' as type of plans.
(CBSE 2023)

Ans. The different types of plans being used by Flipkart are listed below:

(i) **Objectives:** These are the end results of the activities that an organisation seeks to achieve through its existence.

Example: The objective of a mobile company can be to increase the mobile users by 15% in 2 years.

Quoted Lines: "The company seeks to increase traffic (more clicks on their products) and boost sales and revenue through integration of Mobile Apps, Display, Pay Per Click and Search Engine Optimisation."

(ii) **Strategy:** It is a comprehensive plan for achieving the objectives of the organisation.

Example: A and B are competitors in the soft drink market. If A reduces the price of its products in the market, then counter-plan of B, to maintain its market share may be considered as strategy.

Quoted Lines: "In order to dispel the fear of people related to shopping online, Flipkart was the first company to implement the popular 'Cash on Delivery' facility."

(iii) **Policies:** These are the sets of general guidelines that help in managerial decision-making and action.

Example: Policy of a company may be not to employ any person who is less than 18 years of age.

Quoted Lines: "All the products sold by the company under a particular category may have different return/replacement period."

(iv) **Method:** It refers to the prescribed ways or manner in which a task has to be performed considering the objective.

Example: FIFO and LIFO method.

Quoted Lines: "Flipkart allows multiple payment options such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery."

(v) **Procedure:** It refers to a series of specific steps to be performed in a chronological order to carry out the routine activities. It is very rigid and do not leave any scope for individual judgement.

Example: There may be a procedure for requisitioning supplies for production.

Quoted Lines: "The company operates both ways when an order is received. The products for which it holds inventory are dispatched by it directly. For the products, they do not store in inventory, they just send the order received by them to the supplier who ships it."

(vi) **Budget:** It refers to a financial plan that is expressed in numerical terms.

Example: Sales budget, Cash budget, etc.

Quoted Lines: "The company plans to spend about ₹ 75 crore on e-commerce advertising in the year 2016."

(vii) **Rule:** It is a specific statement relating to the general norms in terms of do's and don'ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

Example: A company may have rule of 'No smoking in the factory premises.'

Quoted Lines: 'Flipkart reserves the right to terminate your membership and/or refuse to provide you with access to the website if it is brought to Flipkart's notice or if it is discovered that you are under the age of 18 years. This is because as per the Indian Contract Act, 1872, the minors, un-discharged insolvents, etc., are not eligible to use the website.'

COMMON ERROR

Students get confused between different types of plans such as method, procedure, rules, etc.

Q 14. Rajender has been running a successful business of manufacturing traditional wedding wear for women including sarees and lehengas. His friend Surender, who is engaged in the business of providing web designing solutions to his clients, suggests him to explore the option of selling his products online. Rajender agrees to his suggestion and decides to venture into online business, keeping in view the various e-commerce regulations in order to avoid imposition of any penalty. In order to facilitate the sale of his products, Rajender decides to offer multiple payment options such as cash on delivery, credit or debit card transactions, net banking to the buyers, etc.

In the context of the above paragraph:

(i) Identify the two different types of plans mentioned in the above paragraph that relate to the online portal that Rajender intends to start by quoting lines from the paragraph.

(ii) Distinguish between the two types of plans as identified in point (i).

Ans. (i) Rule and Method are the two different types of plans that relate to the online portal that Rajender intends to start.

Rule: "Rajender agrees to his suggestion and decides to venture into online business, keeping in view the various e-commerce regulations in order to avoid imposition of any penalty."

Method: "However, he decides to offer multiple payment options such as cash on delivery, credit or debit card transactions, net banking to the buyers, etc."

(ii) The differences between Rule and Method are as follows:

S. No.	Basis of Difference	Rule	Method
(i)	Meaning	Rule is specific statement that tell people what should or should not be done.	Method define the way of doing routine or repetitive job.
(ii)	Violation	Violation of rules may lead to imposition of penalties.	Method does not involve any penalties on violation.
(iii)	Purpose	Rules help to maintain discipline.	Methods help in carrying out the job efficiently.
(iv)	Nature	Rules are both specific and rigid.	Methods are specific (well-defined) but flexible.
(v)	Example	No smoking, No Parking.	Method of payment of fee-by cheque, online.

Q 15. Wazir Ahmed Joins Ashiyana Ltd. a company dealing in real estate, as a human resource manager. Through a series of interactions with his team during lunch breaks, he comes to know that quite a few managers at middle and senior levels have recently left the organisation as their promotions were overdue. Therefore, in order to reinstate the confidence of the staff, he lays out a clear-cut plan consisting of a set of general guidelines for both time bound and performance related appraisals of the managers at all levels. Moreover, he develops standardised processes containing a series of steps specified in a chronological order for its implementation. In the context of the above paragraph:

(i) Identify the two different types of plans that Wazir Ahmed proposes to implement in order to reinstate the confidence of the staff by quoting lines from the paragraph.

(ii) Distinguish between the two types of plans as identified in point (i).

Ans. (i) Policy and Procedure are the different types of plans that Wazir Ahmed proposes to implement in order to reinstate the confidence of the staff.

Policy: "... he lays out a clear-cut plan consisting of a set of general guidelines for both time bound and performance related appraisals of the managers at all levels."

Procedure: "Moreover, he develops standardised processes containing a series of steps specified in a chronological order for its implementation."

(ii) The differences between Policy and Procedure are as follows:

S. No.	Basis of Difference	Policies	Procedure
(i)	Meaning	Policies are general statements that guide managerial decision-making.	It is a series of chronological steps which are performed to do a particular activity.
(ii)	Level of management	It is determined by top-level management.	It is determined by lower and middle level management.
(iii)	Expression	It is a general statement.	It is a specific statement.
(iv)	Manager's discretion	It provides scope for managerial discretion.	There is no scope for managerial discretion.
(v)	Purpose	Policies are framed to achieve the objectives of an organisation. They all guide in implementing the strategy.	A procedure is framed to implement a policy.

S. No.	Basis of Difference	Objectives	Strategy
(i)	Meaning	Objectives are the end results of the activities that an organisation seeks to achieve through its existence.	A strategy is a comprehensive plan prepared for winning over the given challenge or problem. It provides the broad contours of an organisation's business.
(ii)	Source	Objectives are based on the mission or philosophy of the organisation.	A strategy is based on the objectives of the organisation.
(iii)	Level of Persons Involved	Objectives are determined by top level management.	A strategy may be determined by top level or middle level management.
(iv)	Scope	Scope is wide as it covers all other plans like policies, strategies, etc.	Scope is limited to particular department or business units.
(v)	Example	Increase in sales by 10%.	Strategy to fix prices, choice of magazines, etc.

Q 16. 'Apna Ghar', a company dealing in consumer durables, plans to increase the sale of its products by 25% around on Diwali this year. Moreover, in order to cash on the implementation of the seventh pay commission by that time, which is likely to raise the income of 47 lakh serving employees of the Central Government and 52 lakh pensioners, the company has created 30 advertisement films which will be aired across 85 national and regional channels until Diwali.

In the context of the above paragraph:

- (i) Identify the two different types of plans that 'Apna Ghar' proposes to implement by quoting lines from the paragraph.
- (ii) Distinguish between the two types of plans as identified in point (i).

Ans. (i) Objective and Strategy are the two different types of plans that 'Apna Ghar' proposes to implement.

Objective: "Apna Ghar', a company dealing in consumer durables, plans to increase the sale of its products by 25% around on Diwali this year."

Strategy: "Moreover, in order to cash on the implementation of the seventh pay commission by that time, which is likely to raise the income of 47 lakh serving employees of the Central Government and 52 lakh pensioners, the company has created 30 advertisement films which will be aired across 85 national and regional channels until Diwali."

- (ii) The differences between Objectives and Strategy are as follows:

Q 17. Holistic Education Public School in Bahadurgarh decides to implement the literacy programme of the government in the school. It is decided that within the year, all the forty-five support staff employees of the school will be made literate by the school counsellors and social workers. In order to enhance the learning process, the school decides to use audio-visual aids. To start the programme, the school has to first procure the literacy books from State Resource Centre at Jamia. Besides the curriculum, each literacy book contains a series of nine tests which the volunteers have to get completed by the learners during the programme. Moreover, by implementing the plan of 'each one teach one', each student of the school from classes fifth to tenth will be encouraged to make one person literate. The student volunteers may select a learner by adopting any one of the two ways; either from the slum areas adopted by the school or on their own within the vicinity of their residence. As per the norms of the Delhi Government, it is mandatory for the volunteers to send back the filled copy of only the ninth test paper in the series to the authorities as a conclusive proof of the completion of the course, else the certificate of commendation will not be awarded to them. Considering the implementation of the programme to be a part of its corporate social responsibility initiative, the school has decided to

spend around ₹ 50,000 on the distribution of free stationery items, refreshments of the learners, etc. In the context of the above paragraph:

- (i) Identify the various types of plans being used by Holistic Education Public School in order to implement the literacy programme in their school by quoting the lines from the paragraph.
- (ii) Categorise the various types of plans as identified in point (i) into single-use plans and standing plans.

Ans. (i) The various types of plans being used by the school to implement the literacy programme in the school are:

(a) **Objectives:** "It is decided that within the year, all the forty-five support staff employees of the school will be made literate by the school counsellors and social workers."

(b) **Strategy:** "In order to enhance the learning process, the school decides to use audio-visual aids."

(c) **Policies:** "Moreover, by implementing the plan of 'each one-teach one' each student of the school from classes fifth to tenth will be encouraged to make one person literate."

(d) **Procedure:** "To start the programme, the school has to first procure the literacy books from State Resource Centre at Jamia. Besides the curriculum, each literacy book contains a series of nine tests which the volunteers have to get completed by the learners during the programme."

(e) **Method:** "The student volunteers may select a learner by adopting any one of the two ways: either from the slum areas adopted by the school or on their own within the vicinity of their residence."

(f) **Rule:** "As per the norms of the Delhi Government, it is mandatory for the volunteers to send back the filled copy of only the ninth test paper in the series to the authorities as a conclusive proof of the completion of the course, else the certificate of commendation will not be awarded to them."

(g) **Budget:** "Considering the implementation of the programme to be a part of its corporate social responsibility initiative, the school has decided to spend around ₹ 50,000 on the distribution of free stationery items, refreshments of the learners, etc."

(ii) (a) **Single-use Plans:** These are one time plans designed to achieve specific goals and are non-repetitive in nature.

These include budget and programmes.

(b) **Standing Plans:** These are long-term plans formulated by top level management to achieve primary goals of organisation. They are used repeatedly with updates and revisions.

These include objectives, strategies, policies, procedures and rules.

Q 18. Diamond Logistics Company had a turnover of ₹25 lakh during the year ended 31st March, 2022. In a board meeting held on 15th April, 2022, it was decided to achieve a turnover of ₹45 lakh for the next year. To accomplish this objective after taking into consideration the business environment, a comprehensive plan was drawn. The Chief Executive Officer (CEO) of the company also released a plan that would not only guide the thinking of the managers and their decision-making but also channelise their energies towards achievement of this target.

Identify and explain the three types of plans discussed in the above para. (CBSE 2023)

Ans. The three types of plans discussed in the above para are:

(i) **Budget:** It refers to a financial plan that is expressed in numerical terms.

Quoted Lines: "Diamond Logistics Company was decided to achieve a turnover of ₹ 45 lakh for the next year."

(ii) **Strategy:** It is a comprehensive plan for achieving the objectives of the organisation.

Quoted Lines: "To accomplish this objective after taking into consideration the business environment, a comprehensive plan was drawn."

(iii) **Policies:** These are the sets of general guide lines that help in managerial decision-making and action.

Quoted Lines: "The Chief Executive Officer (CEO) of the company also released a plan that would not only guide the thinking of the managers and their decision-making but also channelise their energies towards achievement of this target."

Q 19. Explain the following limitations of planning:

(i) **Planning leads to rigidity**

(ii) **Planning may not work in a dynamic environment**

(iii) **Planning reduces creativity**

Ans. (i) **Planning Leads to Rigidity:** Plans are drawn in advance and managers may not be in a position to change them in the light of changed conditions. This kind of rigidity in plans may create difficulty.

(ii) **Planning may not Work in a Dynamic Environment:** The business environment is not static, it keeps on changing. Organisation has to constantly adopt itself to such changes. Since, planning cannot foresee everything, there may be hurdle to effective planning.

(iii) **Planning Reduces Creativity:** The top management undertakes planning of various activities, whereas the middle managers are neither allowed to deviate from plans nor are they permitted to act on their own.

Q 20. Explain the following types of plan:

(i) Objectives

(ii) Procedure

Ans. Objectives: These are the end results of the activities that an organisation seeks to achieve through its existence. For example, the objective of a mobile company can be to increase the mobile users by 15% in 2 years.

Procedure: It refers to a series of specific steps to be performed in a chronological order to carry out the routine activities. It is very rigid and do not leave any scope for individual judgement.

Q 21. Explain the following steps involved in the process of planning:

(i) Setting objectives

(ii) Identifying alternative courses of action

(iii) Selecting an alternatives

Ans. (i) Setting Objectives: The first step in planning is to identify certain objectives. The objectives set must clearly indicate what is to be achieved, where action should take place, who should perform it and when it is to be accomplished.

(ii) Identifying Alternative Courses of Action: The next step is to determine alternative courses of action through which organisation can achieve its objectives. It is also necessary to collect and analyse all relevant information.

(iii) Selecting an Alternative: This is the real point of decision-making. The best plan has to be adopted and implemented. Sometimes, a combination of plans may be selected instead of one best course.



Chapter Test

Multiple Choice Questions

Q 1. "In financial plans, the risk-return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals, detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken."

Identify the step of planning function of management highlighted above.

- a. Setting objectives
- b. Developing premises
- c. Identifying alternative courses of action
- d. Evaluating alternative courses

Q 2. "This is the step where other managerial functions also come into the picture. This step would also involve organising for labour and purchase of machinery."

Identify the step of one of the functions of management highlighted above.

- a. Evaluating alternative courses
- b. Selecting an alternative
- c. Implementing the plan
- d. Follow-up action

Q 3. Planning is the most challenging activity for the management as:

- a. it guides all future actions leading to growth and prosperity of the business.
- b. specific goals are set out in the plans along with the activities to be undertaken to achieve the goals.
- c. If there was no planning, employees would be working in different directions and the organisation would not be able to achieve its desired goals.
- d. None of the above

Q 4. Statement I: Competition in the market can upset financial plans.

Statement II: Planning leads to rigidity.

Choose the correct option from the options given below:

- a. Statement I is true and II is false.
- b. Statement II is true and I is false.
- c. Both the statements are true.
- d. Both the statements are false.

Assertion & Reason Type Questions

Directions (Q. Nos. 5-6): There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below:

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

Q 5. Assertion (A): Sales forecasting is the basis on which a business firm prepares its annual plan for production and sales.

Reason (R): Planning is a primary function of management.

Q 6. Assertion (A): Competition in the market can upset financial plans.

Reason (R): Planning leads to rigidity.

Case Study Based Questions

Q 7. Read the given extract and answer the questions on the basis of the same:

After completing a diploma in interior decoration, Malini Birwal setup a small office at Chandigarh to render services. Being new in the field of entrepreneurship, she put in logical and systematic thinking involving foresight, intelligent imagination and sound judgement rather than guess work. She made certain assumptions as she knew that only accurate forecast will act as the base material upon which the plans are to be drawn. Her friend, Neeru Sharma, who has done MBA, advised her to do planning effectively as a good planning will help develop managerial response to deal with the changes and uncertain to events. So, she acted in a conscious manner and made sub-plans for the juniors to follow.

(i) Which feature of planning is highlighted in the above case study?

- a. Planning is all pervasive
- b. Planning is a mental exercise
- c. Planning is a continuous process
- d. Planning focuses on achieving objectives

(ii) Which importance of planning did Neeru hint at while guiding Malini?

- a. Planning facilitates decision-making
- b. Planning promotes innovative ideas
- c. Planning reduces overlapping and wasteful activities
- d. Planning reduces the risks of uncertainty

Q 8. Read the extract given below and answer the questions on the basis of the same:

An auto company H Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower price models for mass consumer who are price sensitive. H Ltd. realised that it needs to take steps immediately to improve its market standing in the future. It decided to increase sales by 20% and gave the direction to all departments at all levels what they are expected to do to achieve the objective. The managers also made certain assumptions about the future, and forecasting was made about the demand for new products, prices of machinery and equipment needed, etc. For quality conscious consumers, H Ltd. plans to introduce new models with added features and new technology advancement. The company has formed a team with representatives from all the levels of management. This team will brainstorm and will determine the steps that will be adopted by the organisation for implementing the above strategy. However, it is very difficult to assess future trends in the environment if economic policies are modified or political conditions in the country are not stable. Intense competition in the market can also upset financial plans, then sales targets in the given case.

(i) Identify the function of management highlighted in the above case.

(ii) "It decided to increase sales by 20% and gave direction to all departments at all levels what they are expected to do to achieve the objective." Identify the steps of the function of management identified.

Very Short Answer Type Questions

Q 9. "Reliable communication limited scans the business environment and adapt itself to the changes in the environment, yet it becomes difficult to foresee the future trends."

Which limitation of planning is related to the above statement?

Q 10. "It is an intellectual activity requiring intelligent imagination and sound judgement, it is mainly done by the top management."

Identify the feature of planning highlighted above.

Short Answer Type-I Questions

Q 11. Explain any three importance of planning.

Q 12. State any three features of planning.

Q 13. Define planning. Explain the first two steps in the process of planning.

Short Answer Type-II Questions

Q 14. Raman was working in a mobile company. It had an assembling unit in Noida. In this assembling unit, standard output of producing 12 units per day per worker had been set. While assembling mobile phones, he realised that by simply reorganising the sequence of tasks more units can be assembled at a lower cost. He went to his supervisor and informed him about his new discovery. The supervisor, on the contrary, instructed him to carry out work as per the method and techniques decided earlier.

Identify and explain this limitation of one of the functions of management.

Q 15. Explain step of planning is highlighted in the line, "The team considered the impact of various policy changes towards the sector to decide the further plan of action."

Q 16. Explain the meaning of 'Strategy' and 'Rule' as a types of plans.

Long Answer Type Questions

Q 17. Differentiate between programme and policies.

Q 18. Explain the steps involved in the process of planning.

Q 19. "Planning is worth the huge costs involved." Do you agree? Explain any four reasons in support of your answer.

