

Chapter-4

Planning

VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

1. What is planning?

Ans. Planning is deciding in advance as to what needs to be done in future.

2. Which function of management bridges the gap between where we are and where we want to go to?

Ans. Planning.

3. Name the primary function of management.

Ans. Planning.

4. One of the functions of Management is considered as base' for all other functions? Name that function.

Ans. Planning

5. What all qualities are required for doing planning?

Ans. Intelligence, Imagination, Foresight, Sound Judgment.

6. Name the feature of planning which says planning is a forward looking function?

Ans. Planning is futuristic.

7. How does planning create rigidity?

Ans. Planning creates rigidity by putting adverse effect on initiative taken by the managers.

8. What is the basis for creating future course of action?

Ans. Forecasts.

9. Give one limitation of planning function.

Ans. Planning does not guarantee success.



10. Which is the most crucial step in planning process?

Ans. Setting objectives.

11. Define 'Objective'?

Ans. Objectives are desired future position that the management would like to reach.

12. Define 'Strategy'.

Ans. A strategy refers to future decision action, defining the organisation's direction and scope in the long run.

13. Define 'Policy'.

Ans. Policy is a general statement which guides decision making in a given set of situations

14. Define 'Rules'.

Ans. Rules are specific guidelines for behavior and action.

15. Give anyone example of 'budget'.

Ans. Cash budget.

SHORT ANSWER TYPE QUESTIONS (3 OR 4 MARK)

1. What do you mean by planning?

Ans. Planning is deciding in advance about work to be done in future. It is that function of management which lays down the objectives and various actions to be taken for the achievement of those objectives. According to Koontz and O'Donnel "Planning is an intellectual process, the conscious determination of courses of action, the basing of decision on purpose, facts and considered estimated".

2. What do you mean by a plan?

Ans. A plan is a formulation of certain steps and actions which are essential for achieving certain specific results. Plans can be classified on the basis of what they focus to achieve and the methods adopted viz. objectives, strategy, policy etc. For example, if the planned output for a week is 1,000 units and actual output is 580 units only, the planners have to critically



review their plans and modify: them, if need be, so as to achieve the planned output.

3. Enumerate six points of importance of planning.

Ans. Importance of planning is as under:

- (i) It provides direction for action.
- (ii) It reduces the risk of uncertainty
- (iii) It facilitates decision making.
- (iv) It establishes standards for controlling.
- (v) It promotes innovative ideas.
- (vi) It reduces overlapping and wasteful activities.

5. How is planning a pervasive function of management?

Ans. Planning is not the function of top management or any particular department only. It is required at all the levels of management and in all departments of an organisation. However the scope and nature of planning is different at different levels and in different departments. For example the top management lays down the plans for the organisation as a whole. Middle level management has to make plans for each department and the plans regarding the daily operations of an organisation are laid down by operational management.

6. How is planning forward looking?

OR

Planning is futuristic' explain?

Ans. Planning is always for the future and never for the past. It involves peeping in to future, analyzing and preparing plans accordingly. Thus, planning is futuristic as it helps in meeting likely future events effectively and efficiently to best advantage of the organisation. For example, on the basis of sales forecasts, annual plans for production and sales are drawn.

7. Planning involves decision making". Explain.

Ans. Planning is essentially a process of making choice from among various alternatives. There will be no need for planning, if there is only one course of action, because there will be no choice. Hence need for planning depends on the availability of alternatives. A manager,



after examining and evaluating the various alternatives, chooses the most appropriate one.

8. 'Planning reduces creativity'. How?

Ans. Usually in an organisation, planning function is performed by the top management and the rest of the members are required to implement these plans. As a result, middle management and other members are neither allowed to deviate from plans nor are they granted authority to act on their own. Hence most of the initiative and creativity in them gets reduced.

9. 'Planning does not guarantee success'. Comment.

Ans. An organisation is successful only when the plans are effectively drawn and implemented.

A plan must be converted into action otherwise it becomes meaningless. Generally, it is seen that managers are in the habit of depending on previously tried and tested successful plans. But this practice sometimes does not work and may actually lead to failure instead of success.

10. Enumerate the steps involved in the planning process.

Ans. Steps of planning are as follows:

- (i) Setting up of objectives
- (ii) Developing premises.
- (iii) Identifying alternative courses of action.
- (iv) Evaluating alternative courses
- (v) Selecting an alternative.
- (vi) Implementation of plan.
- (vii) Follow up

11. What do you mean by objectives?

Ans. Objective can be defined as a position where the management wants to reach in the future. These are the ends which an organisation wants to achieve through its operations. They are measurable in quantitative terms. For example, one objective of an organisation may be to increase sales by 20% and return on investment by 10% in the forthcoming year.



12. Explain the meaning of policies.

Ans. A policy can be defined as a general statement that provides guidelines for constructive thinking. They act as a guide to managerial actions and decisions in implementing the strategy. A well defined policy helps in solving the complex problems easily. For example, an organisation may have a credit policy, pricing policy etc. on the basis of which objectives are decided and decisions are made.

13. What is meant by procedures?

Ans. Procedures are routine steps framed to carry out activities. These are plans that determine the order of any work performance. Procedures are generally meant for insiders and define the chronological sequence of doing any work for attaining predetermined objectives.

14. What do you mean by methods?

Ans. Methods are standard ways of doing planned jobs for attaining the objectives. They are more detailed than procedures. Methods are helpful in simplification, standardization and systematization of work. For doing different jobs, different methods can be adopted. For example, for imparting training to employees at different levels, different methods of training can be used viz for higher level lectures or seminars and for supervisory level on the job training can be used.

15. What do you mean by rules?

Ans. Rules can be defined as statements that tell us what is to be done and what is not to be done. Deviations from rules are not permitted unless a policy decision is taken. They enforce rigidity and there is fine or penalty if they are not followed. For example, prohibition on sale of tobacco within certain radius of an educational institution is a rule to be followed by all.

16. What do you mean by programmes?

Ans. Programmes are a solid combination of goals, policies, procedures, rules, tasks, assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. Programmes interlink the objectives, policies and procedures. They work out even the minutest detail within broad policy framework of the organisation.



17. What is meant by budget?

Ans. Budget is a plan in numerical terms which quantifies desired facts and figures. It is a statement of expected results expressed in quantitative terms. For example, a sales budget helps in forecasting the sales of a particular product in different areas during a particular month. Similarly, a budget may be prepared to show the number of workers required in factory at the time of packing the products.

LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)

1. Defining 'organizational objectives' is the first step in the process of planning.

Explain, in brief, the other steps of this process.

OR

Explain the steps involved in the process of planning.

Ans. It has been rightly said that defining organizational objectives is the first step in the process of planning. Other steps in the process of planning are as follows:

(i) Establish planning premises

This step involves the establishment of planning premises in which plans are, expected to operate. Planning premises are assumptions relating to future conditions and events which are likely to have an effect on achievement of goals

(ii) Identifying alternative courses of action

Under this step, various possible alternatives for reaching objectives should be identified by managers.

(iii) Evaluating Alternative Courses

This step involves deep evaluation of various alternative courses of action in light of the various objectives to be achieved. The positive and negative aspect of each alternative is evaluated.

(iv) Selecting an alternative

This step involves the selection of the most optimum and realistic plan with least negative results.

(v) Implement the plan

Under this step the best selected plan is put in to action.

(vi) Follow up



Under this step, it is monitored whether the plans are being implement and whether the activities are being performed according to the schedule.

2. Differentiate between procedures and rules.

Ans.

DIFFERENCE BETWEEN PROCEDURES AND RULES

Basis	Procedures	Rules
1. Meaning	Procedure is a guide for action in a given situation.	Rule is a code of conduct governing or restricting flexibility or discretion
2. Nature	Procedures are specified in chronological order.	Rules do not place activities in chronological order
3. Purpose	The purpose of procedure is to facilitate and simplify the operation and eliminate duplication.	The purpose of rule is to s maintain discipline in an organization.
4. Scope	The scope of procedures is wide because it has Its own rules and regulations.	A rule has no procedure.

QUESTIONS WITH DIFFERENT DIFFICULTY LEVELS

1. How does planning reduce the risk of uncertainty?(1)

Ans. Planning reduces the risk of uncertainty by visualizing/assessing future events and providing remedies/ courses of action for such kinds of events to the extent possible.

2. A company wants to increase sales; the alternatives may be reducing prices hanging packaging, improving packaging, etc. Which step of planning process relates with the above example? (1)

Ans. Identifying alternative courses of action.

3. Write anyone difference between policies and procedures. (1)

Ans. Procedures consist of series of steps whereas policies are guidelines for decision



making.

4. A company needs a detailed plan for its new project? 'Construction of a Shopping Mall'. What type of plan is it? (1)

Ans. Programme

5. Give anyone difference between Policy and Rule. (1)

Ans. Policy is flexible whereas rule is rigid.

6. "These are general statements that guide thinking and channelize energise towards a particular direction and help in solving routine problems". Identify the type of plan. (1)

Ans. Policy

7. 'Planning promotes innovative ideas'. Explain? (3 or 4)

Ans. Planning considered to be the most, challenging function of the management as it guides all Future actions and facilitates growth and prosperity of the business organization. Planning encourages managers to think creatively generate innovative ideas; improve methods for Work execution etc. Dealing with uncertainties of future, planning is the most challenging function, which provides basis for growth and Prosperity of the business enterprise

8. 'Planning focuses on achieving objectives'. Explain. (3 or 4)

Ans. Planning is a goal oriented process which helps in defining objectives, and preparation of necessary action plans to achieve goals. Thus, planning is focused on clarifying what is to be done and how is that to be done. The planning holds no purpose if it does not focus on achievement of preset organizational or corporate objectives.

9. 'Planning is the basic function on of management'. Comment. (3or4)

Ans. Every management starts with planning. All other functions like organizing, staffing, directing and controlling are based on planning. It precedes the execution of all other managerial functions and allows mangers to organized, staff, direct and control the activities in a better way so as to achieve organizational goals. All the activities are created in such a



way that plans are easily carried out. This is also referred to as primacy of planning.

10. Why is planning considered as a mental exercise? (3or4)

Ans. Planning is an intellectual activity requiring application of the mind, imagination and sound judgment. It is a thinking function rather than a doing function as it determines the actions to be taken. Moreover, planning requires logical and systematic thinking based on the analysis of facts and figures.

11. Give an example each of any three limitations of planning which are beyond the control of an organization.(3or4)

Ans. Limitations of planning on which the organization does not have a significant control are as follows:

S.No.	Limitations	Examples
1.	Planning may not work in dynamic environment.	Frequent changes in the political or economic environment may upset in the financial plans.
2	Planning leads to rigidity	Following a pre-decided plan when circumstances have changed.
3.	Planning involves huge costs	Incidental expenses such as expenses on boardroom meetings and discussions with professional experts involve huge cost.

12. How can (i) Political climate and (ii) Policies of competitors obstruct planning? (3or4)

Ans. (i) Obstruction in planning due to political climate

When the government regulates the business practices or introduces new trade policies, the plans of business enterprises may get upset. Also political instability affects business plans. For example, change in the taxation policy.

(ii) Obstruction in planning due to policies of competitors

The policies of competitors may lead to change in business policies. For example, discounting policies of the competitors may lead to change in pricing policy of a business enterprise.



13. What do you mean by planning premises? (3or4)

Ans. Planning premises are assumptions relating to future conditions and events which are likely to have an effect on achievement of goals. These are the bases upon which the entire structure of planning is built. Every plan is drawn with certain assumptions. To make planning effective, it is necessary that the premises should be based on accurate forecasts, existing plans or any past information about policies etc. For example, demand for a product, cost of raw materials, interest rates, state of technology, intensity of competition, government policies etc.

14. 'Though planning is an important tool of management, yet it is not a remedy for all types of problems', Do you agree with this statement? Give any five reasons in support of your answer. (5or6)

OR

Explain the limitations of planning.

OR

Why do plans fail in spite of the best efforts of management?

Ans. Limitations of Planning:

(i) Planning creates rigidity

In an organization, a well-defined plan is drawn to achieve some specified goals within a specified period of time. These plans lay down the future course of action and it is not possible for the managers to change them. Hence, it is not in the organizational interest to follow a particular plan when circumstances have changed.

(ii) Planning does not work in a dynamic environment

The various forces of business environment like social, economic, political, technological and legal keep on changing and the organizations have to adapt themselves to these changes. Thus, it becomes very difficult to forecast when there is change in government policies, natural calamity, political instability in the country etc.

(iii) Planning reduces creativity

Usually in an organization planning function is performed by the top management and the rest of the members are required to implement these plans. As a result, middle management and other members are neither allowed to deviate from plans nor granted authority to act on their own. Hence most of the initiative and creativity in them gets reduced.

iv) Planning involves huge cost

Huge cost is involved in the formation of plans. This cost is in terms of money and time. For example, a lot of time is involved in scientific calculations to certain facts and figures and to check the accuracy of facts while formulating a plan. Likewise, a lot of money is spent on boardroom meetings, discussions with experts and preliminary investigations to find out the effectiveness of the plans. Moreover sometimes the cost incurred in formulating plans is higher than the benefits received from these plans.

v) Planning is a time consuming process

Sometimes top level management consumes a lot of time in formulating the plans as a result of which very less time is left with them to implement these plans.

vi) Planning does not guarantee success

An organization is successful only when the plans are effectively drawn and implemented. Managers are in the habit of depending on previously tried and tested successful plans, but this practice sometimes does not work and may lead to failure instead of success.

15. Distinguish between Policies and Rules.(5or6)

Ans.

DIFFERENCE BETWEEN PROCEDURES AND RULES

Basis	Procedures	Rules
1. Meaning flexibility or	A policy is a guide for thinking.	A rule is a specific statement, which restricts the discretion
2. Nature	Policy lays down the broad areas of action in an organization.	Rule lays down any specific sequence of actions in an organization



3. Objective	Policy is framed to achieve objectives of the organization.	Rules are used to maintain discipline and command in any organization.
4. Manager's Discretion	Policy provides some scope for the manager's discretion in his course of action	Rules provide no scope for manager's discretion and they are binding for all.



Important Questions

Q1) “Planning involves choice “Elaborate

Ans. Planning involves choice from among various alternatives and activities.

Q2) “No smoking in office “ is an example of which type of plan?

Ans. Rules

Q3) Name the function of management is considered a base for all other function

Ans. Planning

Q4) Name the plan which specifies a detail step by step presentation of a job?

Ans. Procedure

Q5) A company allows only eight leave for his employees during one year .Which type of plant is it?

Ans. “Rules”

Q6) Without one function of management the controlling function is not possible. Name the concerned function.

Ans. “Planning”

Q7) ‘No enterprises can achieve its objectives without systematic planning’.

Do you agree with this ? Give any five reasons in support of your answer.

OR

Is planning actually worth the huge costs involved ? Give 4 reasons[4]

Ans. Yes ,it is worth every amount spent on its .A company needs to plan because of the following benefits.(Explain 4 important of planning).

(a) Provides Directions



- (b) Reduce risk of uncertainty
- (c) Promotes innovative ideas.
- (d) Facilitate controlling.

Q8) “planning is not a guarantee of success of a business”. Comment

OR

**“sometimes planning fails in spite of the best efforts of management’. do you agree?
Give any 5 reasons in support of your answers.**

OR

Why is it that organizations are not always able to accomplish all their objectives? [5]

Ans. Hint: Yes, I agree with the statement ,planning though an important tool of management is not a remedy for all types of problems because it suffers from following limitations; [Explain any 4 limitation]

- (a) Rigidity
- (b) Does not work in a dynamic environment
- (c) Reduces creativity
- (d) Involves huge costs.

Q9) Name the type of plan in which expected results are expressed in numerical term

Ans. Budgets.

Q10) Name any two external factors due to which planning may not work.

- Ans.** (a) Political factors
- (b) Economic factors

Q11) MC Donald’s Co. Does not give its franchise to any other co. which is running food business. this is related to which type of plan?

Ans. It is related to policy of the company.

Q12) In which step of planning process the planner make predictions and assumptions regarding future?



Ans. “Setting up of planning premises for all alternatives” predictions are made.

Q13) IN which type of plan the sequence of activities to complete a job is determined

Ans. under procedure

Q14) name the type of plan in which the moves of competitors is considered

Ans. it is strategy

Q15) a company needs a detailed plan for its new project ‘construction of a shopping mall’ what type of plan is it?

Ans. it’s a programme



1 MARK QUESTIONS

Q1. “No Smoking in the Work shop”. This statement is related to which type of plan.

Q2. “We do not sell on credit”. This statement is related to which type of plan.

Q3. Write the meaning of strategy.

Q4. What do you understand single use plan?

Q5. What do you understand by standing plans?

3-6 MARKS QUESTIONS

Q.1. ABC Ltd. has a plan of profit maximization, for which it has invested lot of finance and time. But, with increase in competition, it could not change its plan as it had already invested lot of finance in it. This has lead to occurrence of losses for ABC Ltd. which limitation of planning is highlighted here? Explain. (3)

Q2. In Chak De movie, Shahrukh Khan becomes the coach of the girls hockey team. He knows that he has to prepare the girls for the international hockey matches and win the cup. For this he prepares a long term plan and thinks of ways of how to beat the opponent team. He coaches the girls to play in different ways like defensive, offensive, etc. At the outset of the match, he explains who will open the match, and how the ball will be passed by one player to another step by step. What are all the types of plans mentioned above? State them along with lines which refer to them in the above paragraph. (4)

Q3. ABC Limited prepares budget for its Annual General Meeting for Financial Year 2013-14. What kind of plan is it? Justify your answer. (1+2=3)

Q4. “No enterprise can achieve its objectives without systematic planning”. Comment? (6)



Q5. Procter and Gamble Ltd. is offering a free bucket on every purchase of Tide washing powder. In response to this Hindustan Unilever Ltd. Started a new scheme of giving free one kg of Rin Washing Powder with every purchase of five kg of Rin washing powder. Identify the plan stated in above paragraph and explain it. (3)

Q6. “KOHINOOR FOODS Ltd. has banned smoking in the factory premises.”

Identify the plan stated in above lines.

State the features of this plan.

Differentiate between policy and this plan. (5)

Q7. “Though planning is an important tool of management, yet it is not remedy to all problems”. Explain this statement (4)

Q8. PK Ltd. has been well known for delay in decision making and overlapping of work done. Identify management function the organization is lacking and state importance of this function? (6)

Q9. Rahul, 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 computer but also reduce the cost of production. But instead of appreciating his idea his supervisor scolded him and asked him to complete the work as per prescribed technique. Identify & describe the limitation of planning stated here? (3)

Q10. Which type of plan has the least flexibility and why? (3)

Q11. A company gave its sales executives, the directives that they would sell goods on credit but told the employees to strictly inform the customers that if they will not make payment within 1 month they will have to pay an interest of 10% per annum. In the above given paragraph 2 types of plans have been mentioned. Identify them and explain them their features. (5)