

# Gujarat Board Textbook Solutions Class 12 Organization of Commerce and Management Chapter 3 Planning

## 1. Select the correct alternative and write answer to the following questions

**Question 1. Mention first function of management.**

- (A) Organizing
- (B) Planning
- (C) Directing
- (D) Controlling

Answer:

- (B) Planning

**Question 2. Planning is related to**

- (A) Past
- (B) Present.
- (C) Production
- (D) Future

Answer:

- (D) Future

**Question 3. What is the first step of planning process?**

- (A) Defining objectives
- (B) Clarifying planning premises
- (C) Preparing alternative
- (D) Formation of subsidiary

Answer:

- (A) Defining objectives

**Question 4. Planning function means**

- (A) Routine function
- (B) Fixed function
- (C) Function of choice
- (D) Formation of subsidiary

Answer:

- (C) Function of choice

**Question 5. Decisions and strategies are decided by management for accomplishment of objectives are known as**

- (A) Programme
- (B) Policy
- (C) Rules
- (D) Budget



Answer:

(B) Policy

**Question 6. What is pre-condition for successful planning?**

(A) Long term

(B) Short term

(C) Organization

(D) Flexibility

Answer:

(D) Flexibility

**Question 7. State the last step of planning process.**

(A) Evaluation of plan

(B) Selection of best plan

(C) Verification of plan

(D) Determination of alternative

Answer:

(A) Evaluation of plan

**2. Answer the following questions in one sentence each :**

**Question 1. In which fields is planning found?**

Answer:

Planning is found in business, politics, education, religion, social events, etc.

**Question 2. Give full form of O.R.**

Answer:

Operation Research

**Question 3. What are the first and last functions of planning?**

Answer:

The first function of planning is to determine the objectives and last function is to evaluate the plan.

**Question 4. When is the principle of 'Look and Leap' adopted?**

Answer:

The principle of 'look and leap' is adopted when the entire plan is to be evaluated. Step by step proceedings are done after which, appropriate decisions are taken.

**Question 5. State types of budget.**

Answer:

Capital expenditure budget, sales budget, production budget, production cost budget, cash budget etc.

**Question 6. Mention reasons for the uncertainties in planning.**

Answer:

There are uncertainties in planning because planning is based on assumptions and forecasting which is made for future. Future is uncertain and therefore, assumptions cannot be fully correct. Uncertainties prevail in planning as it is related to future.

**Question 7. What is planning premises?**

Answer:

Planning premises is the second step of planning. After determining objectives, planning assumptions or forecasting has to be made. These assumptions and forecasting are known as premises which has to be clear and precise for success of . planning in business unit.

**Question 8. What is method / procedure?**

Answer:

Method is an arrangement for carrying out business programmes. Strategy depicts the arrangement of facing competition, policy gives information to fulfill the objectives while method refers to best way of accomplishment of pre-determined objectives.

**3. Answer the following questions in short :****Question 1. What do you mean by determination of objectives?**

Answer:

**Determination of objectives:**

- The first step in planning is to set the objectives.
- It is said that, if objectives are determined properly then it becomes extremely useful for the management.
- Planners should set realistic, intellectual and achievable objectives.

**Question 2. What is planning.**

Answer:

The task of collecting information for the activities to be undertaken in business, consider them in advance and plan out how to do these activities is called planning. Planning is an intellectual process to achieve business goals.

**Two important definitions of planning are:**

- Definition of Bill Goetz: "Task of planning is choosing."
- Definition of George R. Terry: "Function of planning means assumption for results, policy to follow function, stages and to decide the method to be followed."



### **Question 3. What is the need of strategy?**

Answer:

#### **Strategy:**

- A plan of action designed to achieve a pre-decided long-term or overall aim is called a strategy.
- Strategy formation helps the business unit to be capable enough to face the competition or to survive against the other factors.
- Strategy should be kept confidential from the competitors.
- A well-defined strategy can surely lead to success.

### **Question 4. State the elements or components of planning.**

Answer:

#### **Elements/components of planning:**

The subsidiary plans and programmes on which a planning is based are called elements of planning.

#### **The elements of planning are discussed below:**

1. Objectives
2. Strategy
3. Policy
4. Method/Procedure
5. Rules
6. Budget
7. Programme

### **Question 5. What is subsidiary plan?**

Answer:

#### **Formulation and evaluation of subsidiary plan:**

- Over and above the main plan, different projects or alternatives have to be considered as per basic plan or in support of basic plan. These plans are known as subsidiary/derivative plan.  
For example, a car manufacturing company is trying to make a decision to make tyres for its cars. On the other hand, it is also thinking to buy them rather than manufacturing. Such an alternative is considered subsidiary plan.
- Even the subsidiary plan is evaluated to assess that it does not obstruct the basic plan in future.

### **Question 6. What is final budget?**

Answer:

Budget is a tool to control the accomplishment of business objectives.



**Question 7. “Planning should be flexible.” Why?**

Answer:

**Flexibility:**

- Although planning is done so that tasks take place as per planned method, still planning holds a good amount of flexibility.
- During the execution of planned steps the business may experience certain external factors. These factors may disturb the planned process. Hence, the unit may have to make necessary changes as per time, circumstances and situations.
- Thus, planning is dynamic and flexibility is the precondition for planning.

**Question 8. “Planning is primary function of management.” Explain.**

Answer:

**Primary function:**

Planning is the primary function of management. Management starts with planning. Other functions of management like organization, staffing directing, controlling are implemented on the basis of planning.

**Question 9. What do you mean by policy?**

Answer:

**Policy:**

- The decisions and strategies that the management decides for accomplishments of objectives are known as policies.
- The type of policy framed by the business unit reflects the idea of efficiency and working style of the business unit.
- Just like an objective, the policy should also be pragmatic and real.

**Question 10. “Planning is an expensive process.” Why?**

Answer:

**Expensive process:**

- In a large unit, experts are engaged in the planning function.
- Since these experts are highly experienced and knowledgeable they charge high consultation fees for assisting in framing the plans.
- While planning several resources are also to be gathered like holding meetings, conducting surveys, gathering data and performing analysis, etc. All these activities require time, effort and money. Hence, planning incurs huge expenses to the unit.



#### 4. Answer the following questions in brief :

##### Question 1. "Planning brings smoothness in managerial function." Explain.

Answer:

- The task of collecting information for the activities to be undertaken in business, consider them in advance and plan out how to do these activities is called planning.
- Planning is done using mental abilities while remaining conscious about the outcomes.
- Managers develop plans precisely and minutely by undergoing rigorous brain storming, collecting and analyzing statistical data, collecting relevant information, etc.
- During the planning, the role, responsibilities and authorities of each person and department is also carefully drawn.
- As a result, when the business operations start following the plans, all the departments and employees very well know what has to be done, how it has to be done and in which time frame.
- There arises no confusion related to who is responsible for what and who should report to whom.
- Hence, planning makes the daily operations very smooth, easy and achievable.

##### Question 2. Explain any four elements or components of planning.

Answer:

##### Elements/components of planning:

The subsidiary plans and programmes on which a planning is based are called elements of planning.

##### The elements of planning are discussed below:

##### 1. Objectives:

- All the plans of a business unit are based on the objectives they wish to achieve.
- So, it is important that the managers consider all the factors affecting business while drafting the plans.
- Such objectives should be set which are realistic and achievable.

##### 2. Strategy:

- A plan of action designed to achieve a pre-decided long-term or overall aim is called a strategy.
- Strategy formation helps the business unit to be capable enough to face the competition or to survive against the other factors.
- Strategy should be kept confidential from the competitors.
- A well-defined strategy can surely lead to success.



### 3. Policy:

- The decisions and strategies that the management decides for accomplishments of objectives are known as policies.
- The type of policy framed by the business unit reflects the idea of efficiency and working style of the business unit.
- Just like an objective, the policy should also be pragmatic and real.

### 4. Method/Procedure:

- The business units develop various methods or procedures to conduct business activities.
- Method guides the best way for accomplishing pre-determined objectives as well as doing tasks.

### 5. Rules:

- Framing rules is extremely important to accomplish the functions of planning.
- Rules decide the procedure and give the clear understanding.
- They also ensure that discipline will be followed in the unit among the employees.
- Through proper observance of rules it becomes easy for the unit to accomplish the objectives. For example the rule of prohibiting the use of mobile during working hours helps to increase efficiency of employees.

### 6. Budget:

- Budget is a tool that controls the outcomes and helps accomplishing business objectives.
- A unit prepares different types of budget such as capital expenditure budget, sales budget, production budget, production cost budget, cash budget, etc.
- Budget helps to control the business activities and also to increase the efficiency of management. s

### 7. Programme:

- The sequence of activities undertaken by a business unit to accomplish a task is called programme.
- If the work is done according to programme then the objectives can be fulfilled without any confusions or hindrances.
- The management sees to it that the work is done as per the programme as well as per the standards set. Corrective measures are taken in case if there are deviations.



### **Question 3. Explain any four limitations of planning.**

Answer:

#### **Limitations of planning:**

##### **1. Uncertain future:**

- Planning is based on assumptions and forecasting i.e. it talks about future. But, no one knows future and so it is uncertain.
- So, one may make assumptions and frame plans based on these assumptions. But it should be well noted, that assumptions can be wrong. Hence, uncertainties prevail in planning.

##### **2. Expensive process:**

- In a large unit, experts are engaged in the planning function.
- Since these experts are highly experienced and knowledgeable they charge high consultation fees for assisting in framing the plans.
- While planning several resources are also to be gathered like holding meetings, conducting surveys, gathering data and performing analysis, etc. All these activities require time, effort and money. Hence, planning incurs huge expenses to the unit.

##### **3. Time consuming:**

Planning involves collection of necessary information, its classification, analysis and interpretation to decide alternatives for the business. Thus it is a lengthy and time-consuming process.

##### **4. Planning is irrelevant:**

- Although planning is extremely important but future is uncertain. There are chances of changes in government policies, tax slabs, price, demand, supply, etc.
- Any major change can fail even a solid plan and hence planning becomes irrelevant in such a situation.

### **Question 4. Discuss the importance of planning.**

Answer:

#### **Importance of planning:**

- Planning is the foundation of any business and an outline for its future. It is necessary in each and every field.
- Hence, government, private sector and all other sectors make plans for their activities.
- Considering the importance of planning, the Central Government of India has formed the planning commission which plans the various activities for India.





**Following are some of the importance planning:**

1. Planning helps to perform all activities systematically.
2. Wastage of resources can be avoided.
3. Planning reduces future uncertainties.
4. Planning leads to precision.
5. It is useful for accomplishing objectives.
6. Planning also brings smoothness in other managerial functions.
7. Planning increases co-operation among employees.
8. It enables effective control over the activities and unit.
9. Planning co-ordinates various activities.

**Question 5. Explain operational and contingency plans.**

Answer:

**Operational plan:**

- An operational plan is a detailed plan which provides a clear picture of how a team, department or an individual will contribute for achieving strategic goals of the organization.
- Operational plan is almost similar to tactical plan.
- Generally, operational plans are formed for short duration say about one year.
- Under this, plans related to monthly or quarterly production, sales, etc. are made for achieving of objectives of annual production.
- These plans are made by departmental heads for the implementation of strategic plan.
- These plans are mainly formed for performing routine work and achieving daily targets. Hence, implementation of operational plans becomes easy, if they are made by involving concerned employees in the decisions, as these plans are related with routine work.

**Contingency plan:**

- A plan designed to take account of a possible future event or circumstance is called a contingency plan.
- Business unit face changing market situations. These changes could be change in political, economical, social or natural factors.
- If the business has to make changes in the original plan or make a new plan due to such reasons then the plan made is called contingency plan.

**Question 6. Discuss single use plan and contingency plan.**

Answer:

**Single Use plan:**



- As the name suggests, single use plans are made for handling one-time, non-recurring problems. Single-use plans are also referred to as 'specific plans' since these are meant to solve a particular problem.
- These plans are formulated to handle non-repetitive and unique problem. These plans cannot be used again and again. These plans become obsolete after achieving their purpose.
- The examples of these plans could be constructing a dam, making budget, organizing an event, etc.

### **Contingency plan:**

- A plan designed to take account of a possible future event or circumstance is called a contingency plan.
- Business unit face changing market situations. These changes could be change in political, economical, social or natural factors.
- If the business has to make changes in the original plan or make a new plan due to such reasons then the plan made is called contingency plan.

### **Question 7. Explain the following statements :**

#### **(i) "Planning is a conscious and mental process."**

Answer:

#### **Conscious and mental process:**

Planning is done using mental abilities while remaining conscious about the outcomes. This is so because during planning decisions are taken consciously and on the basis of calculative assumptions.

#### **(ii) "Planning is irrelevant."**

Answer:

Planning is irrelevant:

Although planning is extremely important but future is uncertain. There are chances of changes in government policies, tax slabs, price, demand, supply, etc.

> Any major change can fail even a solid plan and hence planning becomes irrelevant in such a situation.

#### **(iii) "Planning is concerned with future."**

Answer:

#### **Concerned with future:**

- Planning presumes that there are uncertainties involved in future.
- While remaining in present, planning evaluates future and hence we can say that planning is concerned with the happenings of future and is focused on – taking best steps for the same.



## 5. Answer the following questions in detail:

### Question 1. What is planning? Explain its characteristics.

Answer:

#### (a) Planning:

The task of collecting information for the activities to be undertaken in business, consider them in advance and plan out how to do these activities is called planning. Planning is an intellectual process to achieve business goals.

#### (b) Characteristics of planning:

##### 1. Universal process:

Planning is a universal process. Planning is required in each and every field may it be business, politics, education, religion or a social event.

##### 2. Primary function:

Planning is the primary function of management. Management starts with planning. Other functions of management like organization, staffing directing, controlling are implemented on the basis of planning.

##### 3. Conscious and mental process:

Planning is done using mental abilities while remaining conscious about the outcomes. This is so because during planning decisions are taken consciously and on the basis of calculative assumptions.

##### 4. Flexibility:

- Although planning is done so that tasks take place as per planned method, still planning holds a good amount of flexibility.
- During the execution of planned steps the business may experience certain external factors. These factors may disturb the planned process. Hence, the unit may have to make necessary changes as per time, circumstances and situations.
- Thus, planning is dynamic and flexibility is the precondition for planning.

##### 5. Precise:

Planning is a process done for the future.

Since, future is uncertain, the planning is to be done precisely and minutely by rigorous brain storming, collecting and analyzing statistical data, collecting relevant information, etc.

##### 6. Forecasting is essential:

Forecasting and planning are considered as the first function of management. Forecasting is done by considering the uncertainties of future that will take place while making a plan for the business unit.

## **7. List of alternatives:**

While planning for any objective there exist a variety of alternatives. For example, there can be several alternatives (i.e. ways) to increase the sales in future. These alternatives could be increasing advertisement, reducing prices, training to sales staff, announcing attractive offers, etc. The planners need to select the best suitable alternative from these.

## **8. Concerned with future:**

- Planning presumes that there are uncertainties involved in future.
- While remaining in present, planning evaluates future and hence we can say that planning is concerned with the happenings of future and is focused on – taking best steps for the same.

## **9. Continuous process:**

- Planning is a continuous process.
- It is such a process which begins with the establishment of the organization and continues till the end i.e. till the organization lasts. However, the plans and planning process keep on changing continuously as per time and situation.

## **10. Objective oriented activity:**

- Planning is done to achieve a specific, pre-determined business objective.
- Once an objective is accomplished the management decides the next objective for business.
- It is desirable that realistic objectives are set so that they can be planned and achieved well. Thus planning is an objective oriented activity.

## **11. Planning considers various available options and then selects the best suited one.**

Since the planners need to make such decisions on a regular and continuous basis it is said that planning is a decision oriented process.

## **Question 2. Give the definition of planning and explain its process.**

Answer:

### **(A) Planning:**

The task of collecting information for the activities to be undertaken in business, consider them in advance and plan out how to do these activities is called planning. Planning is an intellectual process to achieve business goals.

### **(B) Process of planning:**

The stage-wise process of framing a plan is discussed below:

#### **1. Determination of objectives:**

- The first step in planning is to set the objectives.



- It is said that, if objectives are determined properly then it becomes extremely useful for the management.
- Planners should set realistic, intellectual and achievable objectives.

## **2. Clarifying planning premises:**

- The forecast or the assumptions about future which provide a base for planning in present are known as planning premises.
- After determining the objective, it is important to clarify the planning premises.
- Forecasting is made after considering the internal and external factors that affects the business unit.
- Unclear and imprecise premises can fail a plan.

## **3. Collection and analysis of information:**

- Once the planning premises is done, the planners gather necessary information. The information may be gathered through direct sources or indirect sources.
- The information is then classified, analyzed and interpreted. This helps to make assumptions for desired results.

## **4. Preparation of alternative plan:**

- After collecting, analyzing and interpreting information, alternative plan is to be made. An alternative plan and list of alternatives help in case if the main plan does not work as planned or if there are some unforeseen changes in the market.
- The list of alternative steps could be whether to sale the goods by producing on our own or by purchasing and re-selling, second alternative for the material to be used, etc.

## **5. Evaluation of alternatives:**

- Once the list of alternatives is prepared, they are evaluated to see if they are suitable alternatives or not.
- How each alternative will affect the business and its processes is evaluated.
- Evaluation of alternatives is an intellectual process. Mathematical and statistical methods are used for the evaluation of alternatives.
- Business, units make use of a subject called Operation Research (O.R.) to ' prepare the model of an ideal plan.

## **6. Selection of the best alternative:**

The various alternatives are evaluated, analyzed and scrutinized and then the best alternative is selected.



## 7. Formulation and evaluation of subsidiary plan:

- Over and above the main plan, different projects or alternatives have to be considered as per basic plan or in support of basic plan. These plans are known as subsidiary/derivative plan.
- For example, a car manufacturing company is trying to make a decision to make tyres for its cars. On the other hand, it is also thinking to buy them rather than manufacturing. Such an alternative is considered subsidiary plan.
- Even the subsidiary plan is evaluated to assess that it does not obstruct the basic plan in future.

## 8. Evaluation of plan:

- Once the basic plan and the subsidiary plan are formed the entire plan is thoroughly evaluated. The business unit takes the help of experts and consultants to evaluate the plan as and when necessary.
- This third-party opinion helps the unit to get a correct opinion and also mistakes if any.
- The business unit follows the principle of 'Look and Leap' at every stage i.e. it evaluates the plan at every stage and then moves forward accordingly.

### Question 3. Explain elements or components of planning.

Answer:

#### Elements/components of planning:

The subsidiary plans and programmes on which a planning is based are called elements of planning.

#### The elements of planning are discussed below:

##### 1. Objectives:

- All the plans of a business unit are based on the objectives they wish to achieve.
- So, it is important that the managers consider all the factors affecting business while drafting the plans.
- Such objectives should be set which are realistic and achievable.

##### 2. Strategy:

- A plan of action designed to achieve a pre-decided long-term or overall aim is called a strategy.
- Strategy formation helps the business unit to be capable enough to face the competition or to survive against the other factors.
- Strategy should be kept confidential from the competitors.
- A well-defined strategy can surely lead to success.



### 3. Policy:

- The decisions and strategies that the management decides for accomplishments of objectives are known as policies.
- The type of policy framed by the business unit reflects the idea of efficiency and working style of the business unit.
- Just like an objective, the policy should also be pragmatic and real.

### 4. Method/Procedure:

- The business units develop various methods or procedures to conduct business activities.
- Method guides the best way for accomplishing pre-determined objectives as well as doing tasks.

### 5. Rules:

- Framing rules is extremely important to accomplish the functions of planning.
- Rules decide the procedure and give the clear understanding.
- They also ensure that discipline will be followed in the unit among the employees.
- Through proper observance of rules it becomes easy for the unit to accomplish the objectives. For example the rule of prohibiting the use of mobile during working hours helps to increase efficiency of employees.

### 6. Budget:

- Budget is a tool that controls the outcomes and helps accomplishing business objectives.
- A unit prepares different types of budget such as capital expenditure budget, sales budget, production budget, production cost budget, cash budget, etc.
- Budget helps to control the business activities and also to increase the efficiency of management. s

### 7. Programme:

- The sequence of activities undertaken by a business unit to accomplish a task is called programme.
- If the work is done according to programme then the objectives can be fulfilled without any confusions or hindrances.
- The management sees to it that the work is done as per the programme as well as per the standards set. Corrective measures are taken in case if there are deviations.



#### **Question 4. Explain limitations of planning.**

Answer:

##### **Limitations of planning:**

##### **1. Uncertain future:**

- Planning is based on assumptions and forecasting i.e. it talks about future. But, no one knows future and so it is uncertain.
- So, one may make assumptions and frame plans based on these assumptions. But it should be well noted, that assumptions can be wrong. Hence, uncertainties prevail in planning.

##### **2. Expensive process:**

- In a large unit, experts are engaged in the planning function.
- Since these experts are highly experienced and knowledgeable they charge high consultation fees for assisting in framing the plans.
- While planning several resources are also to be gathered like holding meetings, conducting surveys, gathering data and performing analysis, etc. All these activities require time, effort and money. Hence, planning incurs huge expenses to the unit.

##### **3. Time-consuming:**

Planning involves collection of necessary information, its classification, analysis and interpretation to decide alternatives for the business. Thus it is a lengthy and time-consuming process.

##### **4. Planning is irrelevant:**

- Although planning is extremely important but future is uncertain. There are chances of changes in government policies, tax slabs, price, demand, supply, etc.
- Any major change can fail even a solid plan and hence planning becomes irrelevant in such a situation.

##### **5. Tends to be rigid:**

- Planning is done keeping future in mind. Now, if an adverse situation occurs in the future, managers or employees avoid taking risk, of deviating from the plan and making changes as per the new market situation.
- They stick to the plan i.e. remain rigid for making changes.

##### **6. Uncertainty of external factors:**

Business units are affected by external factors which keep on changing. This hinders the success of planning.





## 7. Incomplete information:

- Collecting necessary information is the pre-condition of the planning process.
- If a plan is formulated and implemented on the basis of incomplete and unclear information then it may not give the desired result.

## 8. Restricts creativity of employees:

- A plan is formed by manager but implemented by the employees (or say workers) of the business unit.
- Although employees have creativity and experience about the processes of the business unit they do not have the authority to make changes in the plan. Thus planning restricts the creativity of employees.

## 9. Use of faulty methods:

While deciding assumptions and estimates for a plan, the planners make use of different mathematical and statistical methods. If these methods or information are faulty or say inappropriate, there are chances that the unit may take a wrong decision. This may fail the plan.

## 10. Other limitations:

Over and above these limitations, many other factors that affect planning are changes in technology, prejudice of planner, ignorance of facts, problem of leadership, etc.

## Question 5. Discuss types of plan.

Answer:

### 1. Standing plan:

- When there is repetition of some specific activities in an organization then the organization forms a plan to take care of that activity. Such a plan is called standing plan.
- Standing plans provide guidelines for taking decisions in repetitive situation hence standing plan can be used repeatedly.
- Standing plans help the subordinates to take prompt decision.

### 2. Strategic plan:

- Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.
- Based on their philosophies the business units decide several business objectives.
- The unit then develops short term as well as long term strategies for achieving the desired objectives. This is called strategic planning.

The effects of strategic plans can be seen in the long term. These plans shape the future of the business.



### 3. Tactical plan:

- Tactical plan is a short-term plan prepared for maximum one year and it emphasizes the current operations of various parts of the organization.
- Since these are short term plans, they clarify short term objectives that the business aims at. Hence business activities remain goal oriented and take place in a systematic manner.
- The tactical plans or say short term plans are prepared by middle level management.
- These plans guide the departmental heads and employees about the roles that they must play to achieve tactical plans.

### 4. Operational plan:

- An operational plan is a detailed plan which provides a clear picture of how a team, department or an individual will contribute for achieving strategic goals of the organization. Operational plan is almost similar to tactical plan.
- Generally, operational plans are formed for short duration say about one year.
- Under this, plans related to monthly or quarterly production, sales, etc. are made for achieving of objectives of annual production.
- These plans are mainly formed for performing routine work and achieving daily targets.

### 5. Single Use plan:

- As the name suggests, single use plans are made for handling one-time, non-recurring problems. Single-use plans are also referred to as 'specific plans' since these are meant to solve a particular problem.
- These plans are formulated to handle non-repetitive and unique problem. These plans cannot be used again and again. These plans become obsolete after achieving their purpose.
- The examples of these plans could be constructing a dam, making budget, organizing an event, etc.

### 6. Contingency plan:

- A plan designed to take account of a possible future event or circumstance is called a contingency plan.
- Business unit face changes like change in political, economical, social or natural factors.
- If the business has to make changes in the original plan or make a new plan due to such reasons then the plan made is called contingency plan.

