B.Tech.

Third Semester Examination, 2010-2011

Fundamentals of Management (HUM-203-F)

Note : Attempt five questions in all by selecting one question from each Section and Question No. 1 is compulsory. All questions carry equal marks.

Q. 1. (i) What are the social obligations of management of an organisation?

Ans. Social Obligations of Management :

(i) The management is largely a social process, because the activities involved in the achievement of goals are mainly concerned with relations between people.

(ii) Basically all tasks are carried out when employees interact with one another.

(iii) Management as a social process is concerned with making such interaction productive as useful for achieving organizational goals.

(iv) In an organization the human beings work with non-human resources like machines, materials, technology, financial assets, buildings etc.

(v) Management integrates human effort in relation to those resources.

(vi) Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organization.

(vii) It is expected to fulfill the objective of the society which are given as.

(a) Quality of goods and services at fair price to consumers.

(b) Honest and prompt payment of taxes to the government.

(c) Conservation of environment and natural resources.

(d) Fair dealing with suppliers, dealers and competitors.

(e) Preservation of ethical values of the society.

(f) Make the consumer aware about his/her rights.

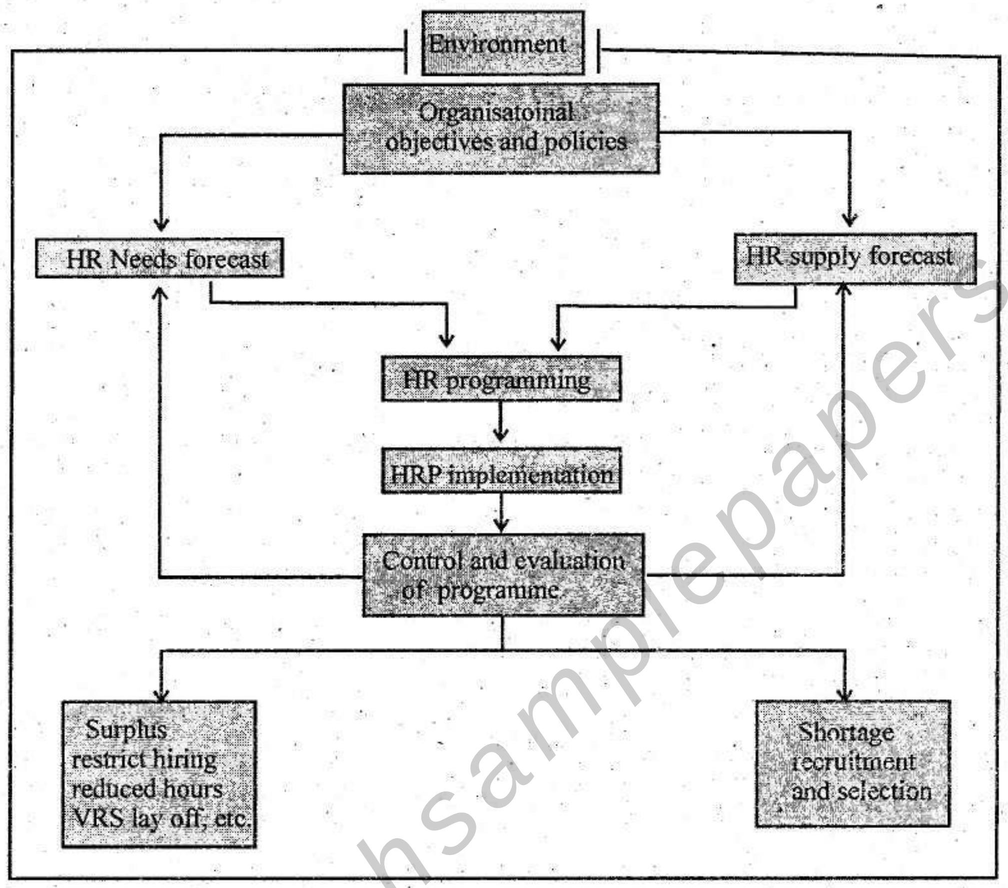
(g) Import the education to customer.

Q. 1. (ii) Give a flow-chart of Man-Power Planning.

Ans. HRP is the process of forecasting an organisation future demand for and supply of the right type of people in the right number. According to Coleman. "Manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation. It is the process by which management determines how an organisation should move from its current manpower position to its desired manpower position.

Human Resource Planning Process : HRP process involves forecasting personnel needs; supply and demand forecasting etc. The HRP process is effected by organisational objectives and policies.

(i) Organisational Objectives and Policies : HR objectives should be in line with the organisational objectives. Organisational objectives should give the idea related to number and characteristics of employees required. Once the organisational objectives are specified, communicated and understood by all, HR department should specify.



The HRP Process

(ii) HR Demand Forecast : Demand forecasting is the process of estimating the future quantity and quality of people required. Demand forecasting must consider several factors—both external as well as internal. Among the external factors are competitors, economic climate, technological changes. Internal factors include budget constraints, production level, new products and services, employee separations.

Demand forecasting helps in preventing shortages of people where and when they are needed most.

There are various forecasting techniques ranging from simple to sophisticated ones. The techniques are :

(a) Managerial Judgement : In this technique, managers sit together, discuss and arrive at a figure which would be future demand for labour. The technique may involve a 'bottom up' or a 'top-down' approach. In the 'top-down' approach, to managers prepare company and departmental forecasts. These forecasts are reviewed with departmental heads and agreed upon. In 'bottom-up' approach, line managers submit their departmental proposals to top managers who arrive at the company forecasts.

(b) Ratio Trend Analysis : This is the quickes + forecasting technique. This technique involves studying past ratios between two variables.

(c) Work-Study Techniques : This technique can be used when it is possible to apply work measurement to calculate the length of operations and the amount of labour required.

(d) Delphi Technique : It solicits estimates of personnel needs from a group of experts, usually managers. The HRP experts act as intermediaries. Summarise the various responses and report the findings back to the experts. They again summarises and reaches to an agreement.

Different models such as flow mode Markov model etc. are also used for demand forecasting.

(iii) HR Supply Forecast : Demand forecasting provides information about the number and kind of employees required. The next step is determine the sources from where these employees can be procured. This information is provided by supply forecasting. Supply forecasting measures the number of people. Likely to be available from within and outside an organisation. The supply forecast involves.

(a) Analysis of Existing Human Resources : HR audits summarises each employee's skills and abilities skill inventories. Consolidate information about non-mc in the organisation. It contain information related to personal data, qualification, salary and job his capacity of individual etc. Management inventories include data such as work history, strengts and weaknesses, career goals, number of employees super total budget managed etc.

(b) Internal sources of Supply : The techniques use to determine internal sources are inflows and out flows, absenteeism, productivity level and movement among jobs.

(c) External Sources of Supply : Organisation also look out for prospective employees from external sources. External sources are important for specific reasons :

(i) New blood and new experience will be available.

(ii) Organisational growth and diversification create the needs to use, External sources to obtain additional number and type of employees. Sources of external supply vary from industry to industry.

(iv) HR Programming : HR programming refers to the balance between the number of vacancies to be filled and the right employees available at that time.

(v) HR Plan Implementation : In this step HR plan is converted into action. A series of action programmes are initiated as a part of HR plan implementation. These programmes are :

(a) Recruitment, Selection and Placement : After the job vacancies are known, efforts must be made to identify sources of getting the right employee. Selection programme should be well defined and care should be taken towards the policies related to government.

(b) Training and Development : Training and development programme should cover the number of trainees required, type of training required resource personnel conduct the training and budget allocation.

(c) Retraining and Redeployment : When technology changes, new skills should be given to existing state employees should be retrained, so that they can be employed in other department.

(d) Compensation Plan : Pay levels should be increased to meet competition. This plan includes improving pay structures to remove inequities, altering payment systems to reduce excess fluctuations, introducing incentives which would match performance.

(v) Control and Evaluation : The HR plan should include budgets, targets and standards. It should also clarify responsibility for implementation and control and establish reporting procedures which will enable achievements to be monitored against the plan.

Q. 1. (iii) Give the detailed list of Problems faced by the Production-Managers in Production-Planning and Controls.

Ans. Problem Faced by the Production Manager In Product Planning And Control :

(i) Problem of Location of the Plant : The first and foremost problem of production planning and control is to take decision about the location of the plant and system. There may be more than one possible location out of which the best would have to be chosen taking into account various factors like nearness of market, nature and sources of raw material, comparative transportation costs, availability of manpower and motive power banking and transportation facilities etc.

(ii) Problem of Plant Layout :

The next problem is that of plant layout. For this purpose the management should design the production operations and equipments in such a way that may reduce the overall material handling cost or meet the needs of the more complicated criterion.

(iii) Problem of Product Design : The selection of the design of the product is another problem of the production management. Any change in the design of the product will affect the design of the plant and its layout that may be costly and complex for the enterprise.

(iv) Problem of Inventory and Production Control : The problem of inventory and finished stock control is also very important for the proper flow of production process. For this we can use EOR, ABC techniques to maintain the production process & to reduce cost.

(v) Problem of Quality Control : The quality of the product must be controlled as per specification set out by the management and already approved by the customers. For this product inspection, statistical quality control techniques should be followed.

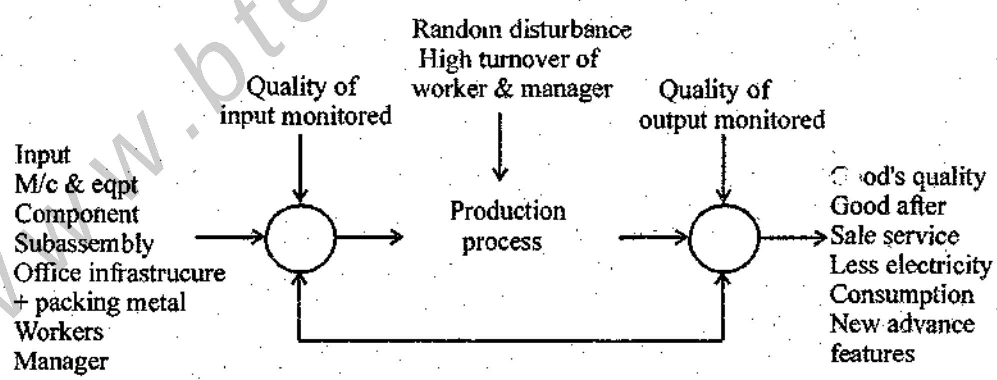
(vi) Problem of Labour Control : Controlling the labour force is also one of the problem in production because it is a major cost element especially in service. So, it needs labour appraisal and so much effort are needed to develop work measurement and wage payment system.

(vii) Problem of Cost Control and Improvement : The aim of the production management is to achieve the maximum production at a minimum cost. In order to accomplish this objective management is to take various decisions controlling the wastages of material and laber by maintaining a fair balance between labors, material and overhead costs.

Q. 1. (iv) What is the "organisation by Plant-location" of Materials-Management?

Ans. When we consider plant location as prime importance keeping in mind materials management, it is purely a manufacturing organization.

So, movement of material in manufacturing firm is touched as.



This nuts emphasize of an factors affecting facility location planning as :

(i) Proximity of RM.

(ii) Good transportation facilities.

(iii) Availability of power supply.

(iv) Basic infrastructure of material keeping and its movement.

(v) Availability of cheap & skillful labour.

(vi) Low construction cost.

(vii) Trade barriers.

(viii) International competition.

Steps in Facility Location Planning :

(i) Generate a list of alternative location option for the facility.

(ii) Find out factors relevant to the facility being planned.

(iii) (a) Screen better location option using break even analysis.

(b) Screen better location option using factor and location rating analysis.

(iv) (a) Apply simple median model for finding location with least overall transportation cost.

(b) Apply centre of gravity model for finding location with least overall transportation cost.

(c) Apply transportation model for finding location with least overall transportation cost.

(d) Apply ordalan neuristic to choose the best location for service operation.

(v) Best location chosen.

Q. 1. (v) Give the list of function of marketing of the category of Physical Treatment.

Ans. Marketing has three broad functions :

(a) Functions of Exchange : All companies-manufacturers wholesalers and retailers buy and sell to market their merchandise :

(i) Buying : It is the first step in the process of marketing. Buying involves transfer of ownership of the goods. A manufacturer is required to buy raw materials for production purposes. Similarly a wholesaler has to buy goods to sell them to a retailer. Thus, in all functions of exchange one aspect is buying.

(ii) Selling : This is another important function which involves transfer of the title of goods to the buyers. Selling is important from the point of view of the seller, the consumer and the general public. The prime objective of a business concern is successfully carried out through the sale of goods.

(b) Functions of Physical Supply : Two functions are :

(i) Transportation : It is the function of transportation to carry commodities from where their utilize is relatively low to places where it is higher. The principal economic basis for transportation is in enhancing the value of goods by the creation of place utility.

(ii) Storage and Warehousing : Storage can be regarded as a function of equalisation. It tends to adjust the supply to demand. So as to equalise them in the interest of the manufacturers, middleman and consumers. It creates time and place utilities. The function is closely related to finance also.

(c) Facilitating Functions : These functions are subsidiary in nature. But they have a direct relationship with the marketing process.

(i) Financing : It is difficult to perform various marketing functions without the availability of adequate and cheap finance. There are various kind of finance required. Short term finance, medium-term finance, long-term finance etc.

(ii) Risk Traking : There are innumerable risks which a marketing enterprise has to bear in the process of marketing good. The various risks are place risk, time risk, physical risk etc. Some of the risks may be avoided by careful planning.

(iii) Marketing Information : Marketing information becomes the basis of many decisions in marketing management. It makes a seller know when to sell, at what price to sell, who are the competitors etc.

Q. 1. (vi) Explain, (in 10-12 lines) the Themes of Advertisements.

Ans. Themes of Advertisement :

(i) News Ad : When the advertisement is shown in newspaper like the newspaper headlines. Newspaper advertional portion through which more 'n' more people get aware about the required product 'n' services.

(ii) Announcing Ad : When we advertise any product through announcement through it easily we can inform the persons about our product whenever they are like on road or on home.

(iii) Before And After Ad : Here first we think about the advertisement before showing in it that what how we should attract the customer by our advertised and after showing the advertisement we analyse the results which are obtained from it.

(iv) Benefit Ad : Here we introduce about the benefit of the product so that the customer purchase the product.

(v) Cartoon or Cartoon Scrip Ad : When the ad is shown on the cartoon or on the cartoon scrip e.g. tatoos.

(vi) Challenging Ad : When we challenge that if you buy the product then it will give you better result if not then we will return your money. Within 7 days or 15 days.

(vii) Clue or Teaser : When we shows the ad in part so that the qurioricty generates in the mind of viewer (customer).

(viii) Command Ad : When we call customer to buy the product & to use it. Here we convenes then.

(ix) Comparative Ad : Buy showing ad when we compare our brand with competitor e.g., Tide & Rin.

(x) Contest or Sweep Stacks : By ad when we give prize or gift to customer if he/she buy the product e.g., with Colgate Toothpaste, a toothbrush is free such ad are very useful.

(xi) Conversation Leet Ad : When through this letter we give information to customer about the philosophy, opinion of our brenol, through this ad customs know about the brand.

(xii) Demonstration : When we let the customer know the how to use the product such ad is shown.

Q. 1. (vii) What is the equity-capital source?

Ans. Equity Capital Source are as Follows :

(i) Equity Shares : Equity shares also known as ordinary shares or common shares represents the owner's capital in a company.

The holders of these shares are the real owner of the company. They have a control over the working of the company.

Equity shareholders are paid dividend after paying it to the preference shareholders. The rate of dividend on these shares depend upon the profits of the company.

(ii) Preference Shares : These shares have certain preference as compared to other types of shares. These shares are given two preferences. There is a preference for payment of dividend. The second preference for these shares is the repayment of capital at the time of liquidation of the company.

(iii) Initial Public Offer (IPO) : Through Initial Public Offer is we arrange the capital for a company. When a company want to get list in the market then it floats the IPOs. IPO is the primary market instruments. IPO is the book building process.

(iv) Follow On Public Offer (FPO) : When a company which is already listed in the stoke market once wants to acquire the new capital from the public than if floats the FPOs. In FPO the owners of the company liquidate their stake.

(v) Open Offer : Open offer is only for the existing shareholders of the company.

E.g., Recently tata steel comes with an open offer in the market.

Q. 1. (viii) What is the Capital and the also tell about the concepts of capitals.

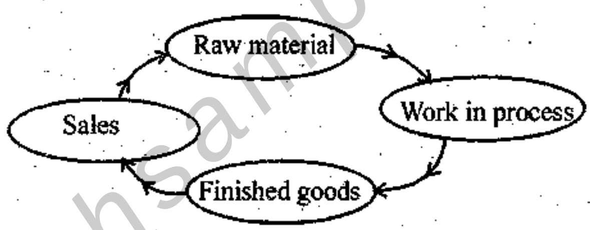
Ans. Capital : The funds which are required for establishment and to carry out the day to day operations of the business, is called capital. The capital is required for two purpose :

Long term purpose

Short term purpose

(i) Long Term Purpose : Such as plant and machinery, land building, furniture etc. Investment in these assets shows or represent a great part of capital which is blocked on a permanent or fixed basis.

Short Term Purpose : Such as purchase of raw material, payment of wages and other day to day operations. For this the funds which is required is called capital.



Operating Cycle

In order to run the operating cycle capital is required.

Concept of Capital : There are two concepts of capital :

(i) Gross Capital : The gross capital is the capital invested in total current assets of the enterprise where current assets are like.

(a) Cash in hand and bank balance.

(b) Bills receivables.

(c) Sundry debtors.

(d) Short term loans & advances.

(e) Inventory (raw material, work in process, finished goods)

(f) Prepaid expenses etc.

(ii) Net Capital : Net capital is the excess of current assets over current liabilities.

Net Capital = Current Assets – Current Liability

Where current liabilities are :

(a) Bills payables.

(b) Sundry creditors or accounts payables.

(c) Short terms loans.

(d) Bank overdraft.

(e) Dividends payables.

(f) Provision for taxation

(g) Accrued or outstanding expenses.

Section-A

Q. 2. How is the Management a Process? Describe the characteristics of Management of any organisation. Also describe management as science with the help of examples.

Ans. Management :

Meaning : Management is the art of getting things done through and with the effort of others in formally organized groups."

Definition : "To manage is to forcast and plan, to organize, to command, to coordinate and to control."

Management As A Process : Management is regarded as a process because it includes a series of actions. The management process consists of setting objectives for a enterprise and taking steps to ensure that these objective are achieved. The steps include functions like planning, organizing, staffing, directing and controlling.

The process of management thus involves laying down various goals and finding ways to achieve the same. Management as a process may be said to consists of three aspects.

(i) Management is a Social Process :

(a) The management process is largely a social one, because the activities involved in the achievement of goals are mainly concerned with relations between people.

(b) Basically all tasks are carried out when employees interact with one other.

(c) Management as a social process is concerned with making such interaction productive as useful for achieving organizational goals.

(ii) Management is an Integrating Process :

(a) In an organization the human beings work with non-human resources like machines, materials, technology, financial assets, buildings etc.

(b) Management integrates human efforts in relation to those resources.

(c) Management undertakes in bringing together the human, physical and financial resources so that there is harmony among them.

(iii) Management is a Continuous Process :

(a) Management is not confined to the handling at integrating human and material resources at a particular point. Rather it is an ongoing continuous process.

(b) Management involves continuous handling of problems and issues.

(c) Management of concerned with constantly identifying the problems and solving them by taking appropriate steps.

Characteristics of Management :

(i) Multidisciplinary : Management is basically multidisciplinary. It implies that although management has been developed as separate discipline. It draws knowledge and concepts from various disciplines. It draws freely ideas and concepts from such discipline as psychology, sociology, anthropology, economic, ecology, statistics operations research, history etc.

(ii) Dynamic Nature of Principles : Based on integration and supported by practical evidences, manage has framed certain principles. However these principles are flexible in nature and change with the changes in the environment in which an organisation exists.

(iii) Management As a Profession : Management has been regarded as a profession by many. While many have suggested that it has not achieved the status of a profession.

(iv) Universality of Management : Management is a universal phenomenon. However management principles are not universally applicable but are to be modified according to the needs of the situation.

(v) Management is Activity Based : Management refers to a distinct class of activities which could be learnt and put into practice. Thus, it is activity based.

The managerial activities may be classified into :

(a) Informational

(b) Interpersonal

(c) Decisional.

(vi) Management is Purposeful : Management is a goal-oriented activity. There is no need of management if there are no predetermined goals or objectives. The success of management is judged by the extent to which organizational goals are achieved. The basic purpose of management is to achieve maximum efficiency of the organization.

(vii) Management is a Process : Management is a process which consists of certain functions like planning, organizing staffing directing and controlling. These functions require specialized knowledge and skills for their efficient performance.

(viii) Management is Both a Science and An Art : Management has organized body of knowledge consisting of well defined concepts. Principles and techniques which have wide applications. So it is treated as a science.

The application of these concepts, principles and techniques requires specialized knowledge and skills on the part of the manager. Since the skills acquired by a manager are his personal possession, management is viewed as on art.

(ix) Management is intangible.

(x) Management accomplishes results through others.

(xi) Group effort.

Management as Science : Management has organised body of knowledge consisting of well defined concepts. Principles and techniques which have wide applications. So, it is treated as a science. Therefore management is considered as science because of following :

(i) Existence of Systematized Body of Knowledge : Science is systematized in the sense that it is based on cause and effect relationship. Scientific knowledge consists of principles and theories which explain past events and may be used to predict the outcome of specific actions which comes under management.

(ii) Use of Scientific Methods of Observation : The methods of observation in scientific study is not influenced by personal likes and dislikes of the scientist management follow this truth.

(iii) Principles Based on Experiments : The principles are evolved by observations and later by testing their validity and truth through experimentation. Once a observation is confirmed by repeated experimentation and testing. It becomes a principle. So management is as science.

(iv) Universal Validity of Principles : The principles of science have universal validity and application.

Justification : Examination of the discipline of management using these features of science as criteria reveals that, while management has some of these features, it does not have others.

For Example :

(a) Management has a systematized body of knowledge.

(b) Also principles of management are evolved on the basis of observations and repeated experimentations in various types of organisation.

(c) The old saying 'managers are born' has been rejected in favour of 'managers are made.' Because management has emerged as a science and people can be trained to be managers.

Q. 3. "Manpower planning is really a subject or overall organisational strategy." Discuss this statement with reasons and logics.

Ans.

Section-B

Q. 4. Discuss the nature of inventory and inventory-control. Also explain about the cost elements of inventory.

Ans. Inventory :

Meaning : Inventory is a 'stock of goods' kept by the organization to meet out the demand.

Definition : According to International Accounting Standard Committee (I.A.S.C.) Inventory is defined as –"Jangible property.

(i) Held for sale in the ordinary course of business.

(ii) In the process of production for such sale or.

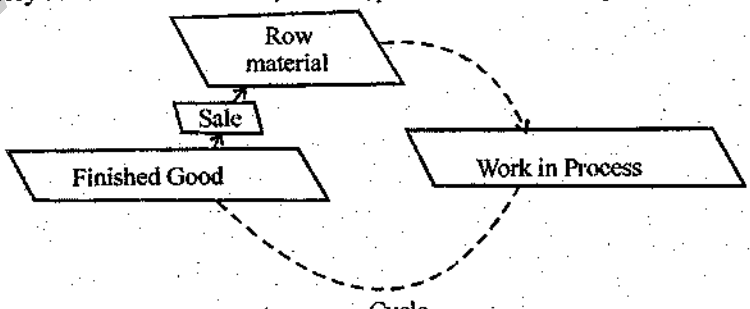
(iii) To be consumed in the process of production of goods or services for sale."

Nature of Inventory :

(a) Inventory in the sense of tangible goods which are held for sale in the process of production and available for ready consumption.

(b) Inventory refers to stock-pile of product, a firm is offering for sale and components that make up the product it.

(c) Inventory includes raw material, work in process and finished goods.



Operating Cycle

(a) Inventory is kept by the firm to meet the day to day requirements of sales, production process, customer demand etc. i.e., because of transaction motive.

(b) Due to precautionary motive, every organization maintain a level of inventory for unforeseen circumstances or contingencies.

(c) A firm keeps the inventory due to speculative motive i.e., to take advantage of opportunity or to gain extra profit the organization has to maintain a level of inventory.

(d) Inventories are held to protect against the uncertainty of demand and supply.

(e) Inventory is kept for the reason that a future demand for the product is anticipated.

Inventory Control :

Meaning : Inventory control is the means by which materials of the correct quality and in correct quantity are made available as and when required.

Definition : "Inventory control is a technique of maintaining stock keeping items at the desired level, whether they are raw material, goods in process or finished products."

Nature of Inventory Control :

(a) Inventory control is the planning and scheduling of materials used in manufacturing process.

(b) Inventory control is concerned with the control over the three types of inventories :

(i) Raw material.

(ii) Work in process.

(iii) Finished goods.

(c) Inventory control is basically to keep the stock in such a way that neither there is over-stocking nor under-stocking because over stocking generates the block of capital and under stocking will result in stoppage of work.

(d) Inventory control is to make all types of materials available at all times whenever they are needed so that there would not be any interruption in production process. Consequently the customer will get the product at right time.

(e) Inventory control is essential to minimize the wastage at all level i.e., during its storage in the godown or at work in the factory.

(f) Inventory control results the promotion of manufacturing efficiency as the manufacturing efficiency of the enterprise increases it right types of raw material are made available at right time in right quantity.

(g) Inventory controls satisfy the demand of customer and provides better service to the customer.

(h) Inventory control brings certain advantages and economies in purchasing the raw materials.

Cost Element of Inventory :

(i) Purchase Cost : This is the purchase price for the items that are bought from outside sources and the production cost it the items are produced within the organization. (make or buy decision).

Purchase cost = Number of units purchased × Unit price

(ii) Ordering Cost/Procurement Cost/Set up Cost : Ordering cost is incurred whenever the inventory is replenished. It includes costs associated with the processing and chasing of the purchase order, transportation, inspection for quality etc.

When the units are produced within the organization, it is called set-up cost. For e.g., cost incurred in issuing tenders, inviting quotations, suppliers, transportation come under ordering cost.

Ordering cost = Number of orders × Ordering cost/order

(iii) Holding Cost or Carrying Cost : It is cost incurred for carrying (or holding) inventory items in the warehouse. These includes :

(i) Storage cost for providing warehouse space to the product.

(ii) Inventory handling cost per payment of salaries to employees.

(iii) Insurance cost against possible loss from fire or other form of damage.

(iv) Opportunity cost of the money invested in inventory.

(v) Obsolescence and deterioration cost when a portion of inventory becomes either obsolete or is lost.

(vi) Depreciation etc.

Carrying cost = Average inventory × Carrying cost/unit/time

(iv) Shortage Cost or Stock Out Cost : When an item can not be supplied on the customer's demand, the penalty cost for running out of stock is called shortage cost or stock out cost.

If the item is not in stock, some of the customer are not ready to wait than there is a loss of sale, loss of goodwill, loss of profit.

Shortage Cost = Number of shortage × Shortage Cost/Unit

Q. 5. Write notes on any two of the following :

(a) Scope of Production-Management

(b) Systems of Production

(c) Store-Keeping

(d) Techniques of Production Planning and Control.

Ans. (a) Scope of Production-Management : "Production management is concerned with those processes which convert the inputs into the outputs. The inputs are various resources like raw materials, men, machines, methods etc. and the outputs are goods and services."

The scope of production management is very wide. The production department in an enterprise is not only concerned with the full exploitation of production facilities but also the human factor that indirectly affects the production, utilization of latest techniques of production and the production of quality goods to the satisfaction of customers of the product.

The scope of production management can be defined by the various activities which are described in two broad access :

(i) Designing or formulating of production system.

(ii) Analyzing and controlling of production operation after production system has been activated.

(i) Activities Relating to Production System Designing : Production system design is first and foremost activity of the production management. This activity concerns the production engineering and includes problems regarding design of tools and jigs. The design, development and installation of equipment and the selection of the optimum size of firm. All these areas require the technical expertise. The selection of an optimum plant location very much depends upon the production engineering decision. The next decision concerns the use of work measurement work environment techniques and includes problem like motion study, process analysis plant layout, material handling time study. So, the production a system designer have to efficiently concern the :

(i) Human factor

(ii) Research and development activities.

(ii) Activities Relating to Analysis & Control of Activities : After the designing of the production system the next step is the analysis and control of the production system.

It includes all decisions regarding production administration. These activities are :

(i) Production Planning : It includes preparation of short term production schedules, plan for maintaining the records of raw materials and semi-finished and finished stock. It specifies how the production resources are to be employed over the future to the predicted demand for products and services.

(ii) Production Control : Because the production plans cannot be activated unless they are properly guided and controlled. So, for this purpose, the production manager has to regulate work assignment, review work progress and remove discrepancies if any in the actual and planned performance. The production manager have to look after the activities at these levels :

(a) Control of raw material, work in process (semi-finished goods) and finished goods through the inventory control techniques.

(b) Control of flow of materials into the plants through the technique of judicious purchasing.

(c) Control of work in process through production control.

(iii) Quality Control : Product quality refers to the composite product characteristics of engineering and manufacturing that determines the degree to which the product in use will meet the expectation of the customers.

Quality control can be ensured through the techniques of inspection and statistical quality control.

(b) Systems of Production : "Systems of production deal with producing goods from the earth. Examples : Mining of ores, coals, crude oil, agriculture etc."

"Systems of production include manufacturing industries which produce various types of goods i.e., or examples—consumer products. Capital machines, white goods, durable product etc."

Types of Systems of Production :

(i) Job Order Production : The order are received from the customer the product specification in the form of drawings or data is given by the customers. The quality is also specified by him. The price and delivery schedule are negotiated directly or through a bid.

The factory design, layout, production planning and control and other systems are carried out as per orders. There is no pre-production inventory for the raw materials or finished goods. The production activities start only after finalization of order.

(a) Job orders can be for machining of components and specialized castings or forgings or heat treatment. Specialized machines may be required for the execution.

(b) A job order for a ship building is a very big order with very long delivery period. The cost estimation is difficult and is usually on cost plus profit basis. The workers and the equipments for manufacture move to the product.

(c) A job order for manufacture of high capacity boiler for a power plant or a bridge is again a very big order with long delivery period. Some critical components are manufactured at the shop floor and transported to the site for further manufacture and assembly. Other conditions are similar to manufacture of a ship.

(ii) Batch Production : The factory is designed to produce different products at different times to meet the market demands.

(a) A batch of similar product may be large in number depending upon the market requirements.

(b) The job order production is customer specific whereas batch production is market specific.

(c) Examples are machine tools i.e., lathes, grinding machines, milling machines etc. or furniture, glass wares etc.

(d) The inventory for finished products can be large. The requirement of machines jigs and fixtures, tooling, plant layout, production planning and control, inspection requirements will depend on the product.

(e) The critical areas are market forecasting, cost control etc.

(iii) Mass Production :

(a) Standardized parts or components are manufactured on a continuous basis on a large scale.

(b) Materials, machines, products and processes all are standardized.

(c) Mass production offers economy of scale as the volume of output is large.

(d) The production process is continuous using high degree of mechanization, automation and standardization.

(e) Examples are automobiles, bicycles, electronics and electrical goods, plastic goods piping, nuts and bolts etc.

(f) The production planning and control, inspection inventory control are all standardized.

(g) Under mass production there is a special type of production called flow production or bulk production.

(h) Examples are refineries, fertilizer plant, cement, sugar, paper, pharmaceuticals and other organic and in organic chemical plants. Such plants are called process plants.

Comparison of Production Systems :

Criteria	Job Order	Batch	Mass
(i) Cost of production in relation to turnover	High	Medium	Small
(ii) Time of production	High	Medium	Low
(iii) Work in process	High	Medium	Small
(iv) Material handling	Standard equipments	Standard plus special purpose	Highly specialized
(v) Manpower	Large technical content	Specialists	Less technical skills
(vi) Design	Made to	Jigs and	R & D and

	customers requirements.	tools design.	product testing.
(vii) Type of industry	Ship building civil works process equipments castings.	Machine Tools furniture and drop forgings	Electronics, electricals automobiles, pipes, food cigarettes.
(viii) Marketing	Direct customer	Through retailers and stockist.	Through agents.

(c) Store-Keeping :

Meaning : 'Store keeping is a service to the production department.'

The custodian of stores is generally known as storekeeper.

The place where the items are kept is known as store room.

Definitions : "Store keeping may be defined as a function of receiving, storing and issuing of raw materials, tools, spares consumables etc. to the respective department."

"Store keeping is concerned with ensuring that all the activities involved in storekeeping are carried out efficiently and economically."

"Store keeping is that aspect of material control concerned with the physical storage of goods."

"Store keeping is to receive materials to protect them while in storage from damage and unauthorized removal, to issue the materials in the right quantities at the right time to the right place and to provide these services promptly and at least cost."

Stores System : Well designed stores system and procedure ensure timely information for decision making.

Store system can be broadly classified in two categories :

(i) Closed

(ii) Open.

Closed System :

(a) All materials are stored in a closed/controlled area.

(b) No other person than the stores personnel is permitted in the areas.

(c) Materials can leave or enter the storage area only by authorized documents.

(d) Maximum physical security.

(e) Tight accounting control of inventory materials.

Open System :

(a) There is no specific storage area stores are maintained in the form of suitable/convenient locations.

(b) Every individual has access to any storage facility.

(c) After the receipt of the material it is delivered to respective department to expedite the production activity.

(d) Chances of pilferage high.

(e) Less emphasis on accounting control of the material.

Types of Stores :

(i) Main or Centralized Stores : A central store is generally a 'wholesale' supplier to other units, departments or sub-stores which operate on a retail basis issuing goods directly to users. All material is received and issued by one central store. Different departments do not purchase their requirements themselves. They ask for their material requirement to the central stores and the material flows out of the store.

(ii) Branch or Decentralized Stores : Decentralized or branch stores are provided in the plants which are considerably large in size and where one main store can not must the requirements of the plant without waste of time and inconvenience.

Different department have their own stores from which they can meet their material requirements.

(iii) Central Store with Sub-Stores : A very big factory having a large number of product lines many have this type of storage system. It has a main store which can serve as a base with sub-stores for each unit of production, preferably located as near the unit as possible.

Functions of Store Department and Duties of The Store keeper : They are given as follows :

(a) To receive material, goods and equipments and to check them for identification.

(b) To receive parts and components which have been processed in the factory?

(c) To record the receipt of goods.

(d) To correct positioning of all materials and supplies in the store.

(e) To maintain stocks safety and in good condition by taking all precautions to ensure that they do not do not suffer from damage, pilfering or deterioration.

(f) To issue item to the users only on the receipt of authorized stores requisitions.

(g) To record and update receipts and issue of materials,

(h) To check the bin card balances with the physical quantities in the bins.

(i) To make sure that stores are kept clean and in good order.

(j) To make user that materials are issued promptly to the users.

(k) To initiate purchasing cycle at the appropriate time so that the materials required are never out of stock.

(k) To plan store for optimum utilization of the cubic space (i.e., length, breadth and height).

(iv) Tool and Miscellaneous Stores : Tools and miscellaneous stores are equipped with all the necessary tools needed by the production and other shops.

The stock of tools must be maintained with due regard to the requirement of the work. The store is responsible for issuing tools, spare parts and other accessories to the different departments. The tools are drawn from the main store once and then they are issued by the stores as and when required by the departments.

(v) Warehouse : Warehouse are the go-downs which take the responsibility of keeping and storing goods and providing ancillary services in order to help, the small and medium-sized traders and manufacturers who, because of technical and economic reasons, may not like to have their own storehouses.

These warehouses undertake to preserve the goods in a scientific and systematic manner so as to maintain their original value, quality and usefulness.

(d) Techniques of Production Planning and Control : The techniques of production planning and control are as follows :

(i) Routing : "Routing is a process of deciding the sequence of operations (or route) to be performed during the production process."

Routing Determines :

(a) What work will be done on a product.

(b) Where (on which machine/dept.) these operations will be performed.

(c) How these operations will be performed.

(d) In which sequence the job (from raw material stage to finished good stage) will move in the plant.

The Objective of Routing : The main objective of routing is the selection of best and cheapest way to perform a job. It depends upon :

(a) Type of available machine.

(b) Capacity of each machine.

(c) Labour required for each machine.

(d) Availability of tools and other resources.

(e) Efficiency of employees.

(f) Types and quantities of the products to be manufactured.

(g) Department in which the production is to be carried out.

Procedure of Routing :

(i) Conduct an analysis to determine the material part required to be produced.

(ii) Analyse to determine the material needed for period.

(iii) Determine the required manufacturing operations and their sequence.

(iv) Determine the lot size.

(v) Determine the scrap and rejections at each stage of production.

(vi) Estimate the cost of product.

(vii) Prepare diff. forms for production control such as production order form, job card, labor card etc.

(ii) Scheduling and Loading : Scheduling involves fixing the priorities for different jobs and deciding the starting and finishing time (or date) of each job.

It also includes the scheduling of different materials, parts, machines, tools, equipments, inspection etc.

Main purpose of scheduling is to prepare a time table indicating the time and rate of production as indicated by starting and finishing time of each activity. The scheduling can be effective when it utilizes the informational inputs such as existing work load, lead time, manufacturing time, importance of each job, due date priority rule to handle each part when there is a queue before an operational facility.

Scheduling is one of the most important techniques of the production planning and central as it determines the real activities on the shop-floor.

(iii) Dispatching : "Dispatching is the selection and sequencing of available jobs to be run at individual workstations and the assignment of those jobs to workers."

A dispatch list is a listing of manufacturing orders in priority sequence.

Dispatching starts with input as route sheet and schedule chart.

Dispatching determines the person who will do the job. It is the duty of the dispating function to issue requisition for material and tools on a production order.

Functions of Dispatching :

(i) Collecting and issuing to work centre, all the concerned drawing, specifications, material list, job tickets, tool card, route card requisition slip etc.

(ii) Issue authorization to short work in accordance with the predetermined date and time.

(iii) Obtains inspection schedules and issues those to the inspection section.

(iv) Distributes machine loading and schedule charts, route sheets, identification tags to each production & inspection stage.

(v) Inform & updates progress report & keeps record .

(vi) Ensures that all the drawing, tools etc. reach at proper place.

Section-C

Q. 6. Enunciate the objectives, limitations and the procedure of Marketing Research.

Ans. Marketing Research's Objective :

(i) A major task of researcher is to recognize and diagnose problems. Problem discovery is the main objective of monitoring research. So firstly the researcher will consider the problem solving task.

(ii) To understand the economic factors affecting the sales volume and their opportunities.

(iii) To understand the competitive position of rival products.

(iv) To evaluate the reactions of consumers and customers.

(v) To study the price trends.

(vi) To evaluate the system of distribution.

(vii) To understand the advantages and limitations of the product.

(viii) To find new methods of packing, by comparing other similar packages.

(ix) To analyze the market size.

(x) To know the estimation of demand.

(xi) To evaluate the profitability of different markets.

(xii) To study the customer's acceptance of products.

(xiii) To assess the volume of future sales

(xiv) To study the nature of the market, its location and its potentialities.

(xv) To find solutions to problems relating to marketing of goods and services.

(xvi) To evaluate policies and plans in the right course of action.

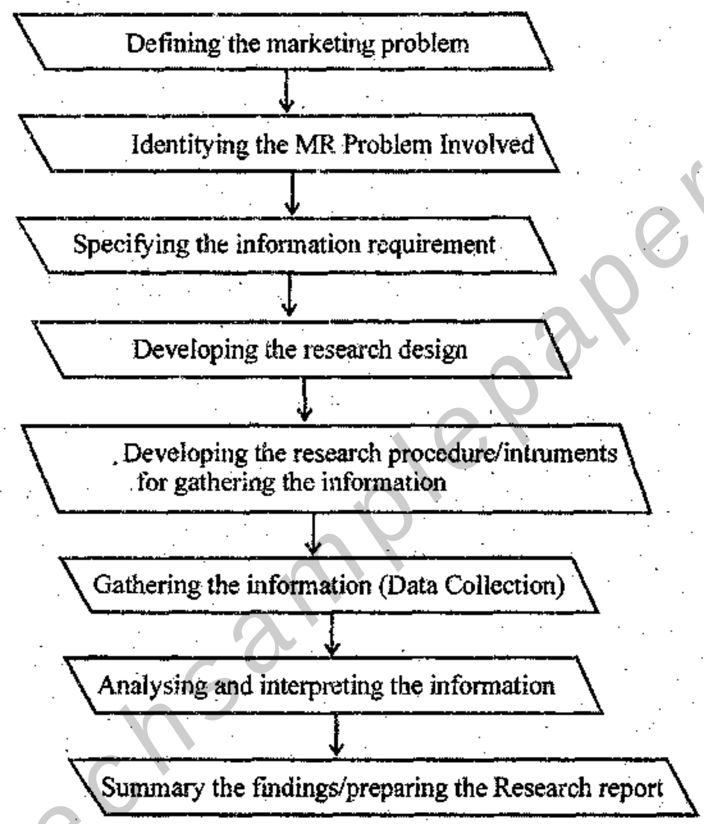
(xvii) To know the development of science and technology.

(xviii) To know the complexity of marketing.

(xix) To measure the effectiveness of advertising.

(xx) To systematically obtaining, analysing and interpreting data for actionable decision making in marketing.

Procedure of Marketing Research :



Step I : Defining the Marketing Problem : It is rightly said that "a problem well defined as half solved." Poorly defined problems create confusion & do not allow the researcher to develop a good research design. So, the marketing problem must be defined clearly.

Step 2 : Identifying the MR Problem Involved : The marketing research problem is a derivative of the marketing problem. Therefore the marketing research problem involved should be clearly identified, defined and conceptualised. The benefit accrues only when the problem is understood before the data is collected.

Step 3 : Specifying the Information Requirement : The researcher must specify the information requirements of the project/task. Care should be taken in sizing up the information requirement as any addition to the information list, midway, through the project, would mean unnecessary cost and time overruns.

Step 4 : Developing the Research Design : Research design is actually the blueprint of the research project. The research design indicates the method of research, the instrument of the research, the instrument of the research, the method of sampling etc. It determines whether the information finally collected by the design will be relevant to the study, whether the information will be collected in an objective and scientific way and wheather it will be collected at a & reasonable rate.

Step 5 : Developing the Research Procedure/Instruments for Gathering the Information : Research procedure springs from research design. It spells out the plan for securing the information market survey is an example of research procedure. Survey can be :

(i) Personal (ii) Telephonic

(iii) By mail (iv) By diary.

Research instrument refers to the instruments employed for gathering data/information etc. For e.g., questionnaire.

Step 6 : Data Collection : It is an elaborate process through which the researcher makes a planned search for and gathers the data required for assignment. Data is the raw material with which a market researcher functions. Data may be in two forms :

Primary Data : Primary data is data gathered for the first time by the researcher himself.

Secondary Data : Secondary data is data taken by the researcher from secondary sources internal or external.

The researcher can get the information required form the only secondary data without using the primary data as the secondary data. Itself may be sufficient to solve the problem.

Step 7 : Analysing and Interpreting the Information : After collecting the data, the complete data collection forms must be processed in a way that will yield the information the project was designed to obtain. First the forms need to be edited to ensure that instructions were followed that all questions were asked or observations made and that the resulting data are consistent and logical. Next the data must be prepared for tabulation. The responses are usually tabulated and analyzed in a computer.

Step 8 : Preparing The Research Report : The reporting of research findings represents the end product of the research process. The type of report will vary greatly depending on the nature of the project and the audience for which it is prepared. Some reports should include considerable descriptive material covering the details of the research methodology used to obtain the data.

Limitations of Marketing Research :

(i) Marketing research uses the techniques of science but it itself is not an exact science. Therefore, the results obtained are not very accurate as compared to physical and chemical sciences.

(ii) The marketing research projects generally take longer time period than other ones. The time by which the research results are presented, market situation also undergoes a change. Hence the time gap affects the successful implementation of research results.

(iii) Generally the lack of appropriate training to researchers leads to misinterpretation of questions to be asked for data collection. They may not be able to collect and present it in a systematic manner.

(iv) The researcher are not much motivated to make use of computers for analysing the research results. First, the computers are very costly. Secondly, many researchers have not been imported proper training in using the computers.

(v) Many research executives are not very clear about the research problem and its objectives. They are not able to direct the researchers in clear-cut way, how to conduct the research.

This leads to haphazardness in the research and researchers are not able to do anything concrete.

(vi) Subjecting is the main limitation of marketing research. It is very difficult to verify the research result.

(vii) Marketing research is carried out on consumers dealers. Wholesalers, retailers etc. who are human beings human beings have a tendency to behave artificially when they know that they are being observed, which distorts the marketing research results.

(viii) In India, Research is taken as a time-wasting and resource wasting activity. Therefore, marketing research does not get its due resource allocation in the organisation.

Time and money remain the major limitations worth mentioning in all sorts of marketing research studies.

Q. 7. Differentiate between Advertising and Publicity. Also examine the utility of advertising in the business world.

Ans. Difference between Advertising and Publicity :

Basis	Advertising	Publicity
(i) Paid-unpaid	Advertising is a paid form of marketing communication with target customers. Advertiser makes payment for it to the media/adgency.	Publicity is usually unpaid form of marketing communication. Here, the business unit usually make no payment to ad-agency/media.
(ii) Credibility	The message given in the advertisement is less credible in comparison to publicity because the advertising message may be exaggerated.	Publicity is more credible as the message is given by unbiased source. The sender of message is not the mouth piece of manufacturers. He is not paid for communicating the message.
(iii) Sponsor	Advertising always has some identified sponsor and that is the producer/dealer. They issued the ad in the media.	The sponsor of publicity may be identified or unidentified.
(iv) Control over Message	Here the message is in the direct control of advertiser The advertiser can	Here the message is not under the control of advertiser. Even the timing

	give ad at that time when he desires.	of publicity is not under the control of marketer.
(v) Positive-negative	Advertising is always of positive nature. In ads, the advertiser's product is shown as a good product. The advertiser's product is not criticized in ad.	Publicity can have both positive and negative effect. A news/article may citizen or favor the product. It may have good or bad effect on business unit.

Utility of Advertising in the Business World :

Utility/Advantages to Manufacturers :

(i) It increases the Sales Volume : Advertising increases the sales volume of the product. Hence mass production is possible. This leads, to reduction in the cost of production.

(ii) It Increases the Net Profit : It increases the net profits by a higher turnover of sales. It leads to higher volume of production. Hence average cost of production is less and the profit will increase.

(iii) It Controls Product Price : Control of wholesale and retail price is possible by means of advertisement.

(iv) It Helps in Opening New Market : Advertising is helpful in opening or creating new markets. It helps to get leadership in the market. It helps the manufacturer to take decision wheather to expand the market share or not.

(v) It is Less Expensive : Advertising is considered to be less expensive. With a smaller amount of money advertising reaches many people and more people will buy the product.

Utility To Salesman :

(i) Least Effort : Advertised product can be sold very easily. Salesman's time is saved and he can contact more customers in a shorter period.

(ii) Consumer's need can be studied : A salesman's confidence is increased through advertising educating by educating and stimulating the consumers.

(iii) Curtails the Burden of the Salesman's Job : If the advertising is done by the manufacturer. The work of salesman is reduced. Otherwise he has to advertise about the product and then try to sell it.

(iv) Creates a Background : Salesmen's skills satisfy the customers. A well-trained, active tactful salesman's job makes easy distributed work.

Utility to Wholeseller and Retailers :

(i) Increases the Turnover : Advertising helps quick sale of the product which in turn increases. The rate of turnover of the product.

(ii) Attacks More Customers : Advertising gives detailed information about the product and the availability of the product in a particular shope.

(iii) Creates Easy Sales : Avertisement informs consumers about the quality of the product. Hence they know about the product.

(iv) Increase the Prestige of the Store : Customer know about the store through advertising. The goodwill or reputation earned by the manufacturer is also shared by the selling shops. Thus, the prestige of the firm increases.

Utility to the Customer :

(i) Easy Purchasing : Advertising helps customer in each purchasing of the products.

(ii) Fair : It helps the customer to get the product at fair price.

(iii) Best Quality Product : Advertisement generally stands for a quality product. Manufacturers advertise their product only for selling. If the product is not good customer will switch on to other products (brand).

(iv) Educates the Customers :

Utility to Community :

(i) Increases employment opportunities.

(ii) Uplifts the standard of living.

(iii) Educative value.

(iv) Helps press.

Section-D

Q. 8. Discuss the relative merits of any three sources of finance available for providing long-term finance for industries.

Ans. Source of Finance :

(i) Equity Shares : Equity shares also known as ordinary shares or common shares represent the owner's capital in a company. The holders of these shares are the real owners of the company. They have a control over the working of the company equity shareholders are paid dividend after paying it to the preference shareholders. The rate of dividend on these shares depend upon the profits of the company. They may be paid a higher rate of dividend or they may not get anything.

Merits of Equity Shares :

Merits to the Company :

(a) Permanent Capital : Through issue of equity shares, the company gets permanent capital which is not returned back during its life time.

(b) No Fixed Burden at Dividend : There is no fixed burden of dividend, i.e., if there are more profits the company distributes dividend at a higher rate and where. There are less profits the company distributes dividend at a lower rate.

(c) Increase in Debt Capacity : There is no charge of equity share capital on assets of the company os all the assets are available for security for raising debt capital..

(d) Sharing Risk : The equity shareholders bear the risk of the company. So, it is also called risk capital.

(e) Simple and Economical Source : The equity share capital is simple & economical source for the company.

Merits to the Investors :

(a) More Income : As the income of the company increases, the equity shareholders get more dividends.

(b) Management And Control : The equity shareholders have a right of management and control of the company. They use their voting right and elect directors of their choice.

(c) Capital Gain : The market price of equity shares of the company increases with the increases in profits of the company and result in capital gain to the investors if they sell their shares in the market.

(d) Good Source of Investment : The equity shares are good source of investment for those people who are ready to take risk and want to earn more.

(e) Interest in Company's Activities : The equity shareholders are the owners of the company, so they take interest in company's activities.

(ii) Preference Shares : These shares have certain preference as compared to other types of shares. These shares are given two preferences. There is a preference for payment of divident. The second preference for these shares is the repayment of capital at the time of liquidation of the company.

Merits :

Merits to The Company :

(a) No Legal Obligation to Pay Dividend : There is no legal obligation to pay dividend on preference shares.

Preference dividend is payable only at of distributable profits at the discretion of the management. Hence a company does not face a financial burden or begin action if it does not pay dividend.

(b) Provide a Long Term Capital : Preference shares provide a long-term capital for the company.

(c) No Liability to Redeem Preference Share : There is *no liability* of the company to redeem preference shares during the life time of the company.

(d) Repayment of Capital : Redeemable preference shares have the added advantage of repayment of capital whenever there are surplus funds with the company.

(e) Fixed Rate of Dividend : A fixed rate of dividend is payable on preference shares, these enable a company to adopt trading on equity.

(f) Enhances credit worhtiness of a firm.

(g) No charge over capital.

Merits to the Investor's Shareholders :

(a) Fixed Rate of Dividend : It earns a fixed rate of dividend.

(b) Superior Security : It is a superior security over equity shares.

(c) Provides Preferential Rights : It provides preferential right in regard to payment of dividends and repayment of capital at the time of liquidation of the company. Hence the investors who prefer safety of their. Capital and want to earn income with greater certainty always prefer to invest in preference shares.

(d) Vote Power : Preference share although carry no voting rights, but the holders of such share can vote on matters directly affecting their rights as well as on all resolutions if the dividend due on their shares is remain unpaid.

(iii) Debentures : A company may raise long term finance through public borrowings. These loans are raise by the issue of debentures.

A debenture is a document under the company's seal which provides for the payment of principal sum and interest thereon at regular intervals, which is usually secured by a fixed or floating charge on the company's property or undertaking and which acknowledges a loan to the company.

Merits :

Merits to the Company :

(a) Long Term Funds : Debentures provide long term funds to a company.

(b) Low Rate of Interest : The rate of interest on debentures is a lower them the rate of dividend paid on share.

(c) Tax Deductible Expense : The interest on debentures is a tax-deductible expense and hence the effective cost of debentures (debt-capital) is lower as compare to ownership securities where dividend is not a tax deductible expense.

(d) No Interference in Company Management : Debt financing does not result into dilution of control because debenture holders do not have any voting rights .

(e) Helps in Increase in EPS : A company can trade on equity by mixing debentures in its capital structure and thereby increase its earnings per share.

(f) Fixed Rate of Interest : Many companies prefer issued of debenture because of the fixed rate of interest attached to them irrespective of the changes in price levels.

Merits to The Investors :

(a) Fixed and Stable Source of Income : Debentures provide a fixed, regular and stable source of income to its investors.

(b) Safer Investment : It is comparatively a safer investment because debenture holders have either a specific or a floating charge on all the assets of the company and enjoy the status of a superior creditor in the event of liquidation of the company.

(c) Define Maturity Period : Many companies prefer issue of debenture because of a definite maturity period.

(d) More Liquid Investment : A debentures is usually a more liquid investment and an investor can sell or mortgage his instrument to obtain loans from financial institutions.

(e) Security of Investment : The interest of debenture holders is protected by various provisions of the debentures trust deed and the guidelines issued by the securities and exchange board of India in this regard.

Q. 9. Discuss the meanings and evils of 'over-capitalisation' and 'under-capitalisation' for a financial manager while determining the capital requirements and the capital structure.

Ans. Under Capitalisation :

Meaning : Under capitalisation is a situation where a company does not have funds sufficient to run its normal operations smoothly.

This may happen due to insufficient capital or diversion of capital funds to finance capital items.

If the company faces the situatation of under capitalisation it will suffer from the following evils :

(i) The firm will face difficulties in meeting current obligations and in meeting day to day running expense.

(ii) It is unable to procure raw materials and stores items in time.

(iii) The long terms fixed assets cannot be utilised at optimum level.

(iv) The return on capital employed would be lower due to lower capacity utilisation.

(v) The firm will face difficulty in meeting the delivery schedules, causing loss of goodwill as well as prolonged operating cycle.

(vi) The discounts on cash purchases and bulk purchases cannot be obtained by a cash starved concern.

The finance managers should take immediate and proper steps to overcome the situation of under capitalisation by making arrangement of sufficient capital.

Over Capitalisation :

Meaning : If there are excessive stock, debtors and cash and very few creditors, there will be an over instrument over investment in current assets.

The inefficiency in managing working capital will cause this excessive working capital resulting in lower return on capital employed and long term funds will be unnecessarily tied up when they could be invested elswewhere to earn profit.

The Evils are as follows :

(i) Over capitalisation may block the capital which will generate the loss for the company.

(ii) If the capital is sourced from the debentures then the company will have to pay interest on debentures.

(iii) Overcapitalisation may lead the debt of the company if the capital is financed from the borrowed sources.

(iv) If a company has over capitalisation then such type of company his the idle capital so it means that the organisation is not managing the capital efficiently. It will give a negative impact about the good will or prestige of the company.

(v) If we invest this extra capital in security then we get profit which is not possible in over capitalisation.