

Paper 1 - Fundamentals of Economics and Management

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Full Marks: 100

Time allowed: 3 hours

ANSWER

**PART A (50 Marks)
(Fundamentals of Economics)**

- I. Choose the correct answer from the given four alternatives: 10 × 1 = 10 M
1. Constituents of money supply are -
 - (a) Rupee notes and coins
 - (b) Credit Cards
 - (c) Traveler Cheques
 - (d) All of the above
 2. Central Problem (s) of every economy -
 - (a) What to produce
 - (b) How to produce
 - (c) For whom to produce
 - (d) All of the above
 3. In which market price discrimination is possible
 - (a) Monopoly
 - (b) Duopoly
 - (c) Oligopoly
 - (d) Perfect Market
 4. If the price is equal to Average Revenue, it implies -
 - (a) No profit
 - (b) No loss
 - (c) Normal profit
 - (d) Abnormal Profit
 5. Nature of the PPF curve is
 - (a) Convex to Origin
 - (b) Concave to Origin
 - (c) Both
 - (d) None of the above
 6. The nature of the Supply Curve in case of land
 - (a) Parallel to OX axis
 - (b) Parallel to OY axis
 - (c) Slopes upwards
 - (d) Backward Bending
 7. In a closed economy -
 - (a) $GNP = GDP$
 - (b) $GNP < GDP$
 - (c) $GNP > GDP$
 - (d) All are possible
 8. Which of the following is near money
 - (a) Bill of exchange
 - (b) Saving Bonds
 - (c) Gilt edged securities

- (d) All of the above
9. Which is the apex bank in Industrial Credit
- (a) RBI
 - (b) SBI
 - (c) IDBI
 - (d) ICICI
10. In the context of Poverty, BPL stands for -
- (a) Budget Price Line
 - (b) Below Poverty Line
 - (c) Budgetary Policy Limits
 - (d) None of the above

Solution:

- 1. — (d)
- 2. — (d)
- 3. — (a)
- 4. — (c)
- 5. — (b)
- 6. — (b)
- 7. — (a)
- 8. — (d)
- 9. — (c)
- 10. — (b)

II. Fill in the blanks:

5 × 1 = 5m

- 1. According to Robbins Economics is _____ science.
- 2. Product differentiation is the feature of _____ market.
- 3. _____ market is also called the credit market.
- 4. SIDBI is a subsidiary bank of _____.
- 5. India occupies the _____ place in producing the sugar in the world.

Solution:

- 1. analytical;
- 2. monopolistic competition
- 3. Money
- 4. IDBI
- 5. Fourth.

III. Match the following

5 × 1 = 5 M

	Column 'A'		Column 'B'
1.	IMF	A	Wealth of Nations
2.	EFT	B	Exchange Rate
3.	Adam Smith	C	RBI
4.	Homogeneous	D	Banking Sector
5.	Credit Control	E	Perfect Market

Solution:

1. — (B)
2. — (D)
3. — (A)
4. — (E)
5. — (C)

IV. State whether the following statement is True (or) False.

[5×1=5]

1. **Selling Costs is the feature of monopoly market.**
2. **Science is theoretical, but art is practical.**
3. **There is a inverse relationship between price and demand.**
4. **Overdraft facility is given to all types of account holders.**
5. **BSNL is the public sector telecommunication network.**

Solution:

1. False;
2. True;
3. True;
4. False;
5. True.

V. Define any five of the following:

[5×1=5]

1. Marginal Cost

It is the additional cost to produce the additional unit of a thing (or) one more unit of a thing. The change in the total cost is also called marginal cost.

$$MC = \frac{\Delta TC}{\Delta Q} \text{ (or) } TC_n - TC_{n-1} \text{ units.}$$

2. Price discrimination

The monopolist can charge the different prices from the different customers for the same thing or services. The price is not uniform as in the perfect market competition.

3. Expand IDBI: Industrial Development Bank of India.

4. Income Demand

Income demand explains the functional relationship between income of consumer and demand for goods. Generally if the level of income rises the consumer purchases more of goods. If the level of income decreases he purchases less quantity goods. It means there is a direct proportional relationship between income of consumer and demand of goods. So, normally the income demand curve slopes upwards from left to right.

$$D_x = f [y].$$

5. Portfolio Investment

The purchasing of new shares of a company is called portfolio investment.

Note: Purchasing of an existing share from another share holder is not an investment. Because it cannot be increase the capital stock of the company.

It is savings that are invested

6. Giffen Paradox

In the case of necessary goods the law of demand cannot be operated. This is observed by British economist, the Sir Robert Giffen. He observed in London the law paid workers purchase more of bread when its price rises. That's why, this situation is known as Giffen Paradox.

7. Opportunity Cost

The opportunity cost of anything is next best alternative cost which is forgone. Individual point of view (or) nation point of view the resources are scarce. At that time to get the one commodity we have to forgo the another commodity. This is called opportunity costs

8. SDR's

SDR's was first introduced in 1969. It is the special currency issued by IMF. For two reasons IFM created SDR. They are
To overcome the shortage of gold in the world economy
To avoid the movement of gold across national boundaries
SDRs is in Coupons:- It is used in the place of gold. Hence it is called paper gold.

VI. Answer any one of the following: [1×10=10]

1. What are the principles of commercial bank?

Solution:

A commercial bank is a financial intermediary. It accepts the deposits from the surplus units and lends these financial resources to the deficit units. The main aim of the commercial banking sector is profit making.

Principles of Commercial Banks:

Principles of liquidity:

Deposits are repayable on demand or after expiry of a certain period. Everyday depositors either deposit or withdraw cash. To meet the demand for cash, all commercial banks have to keep certain amount of cash in their custody.

Principles of profitability:

The driving force of commercial enterprise is to generate profit. So it is true in case of commercial bank also.

Principles of Solvency:

Commercial bank should have financially sound and maintain a required capital for running the business.

Principles of safety:

While investing the fund, banks are to be cautious because bank's money is depositor's money.

Principles of collection of savings:

This is a very important principle for today's banking business. Commercial banks always seek huge amount of idle money from the clients. Now a day's banks fix up the target for their employees to generate more savings from the people.

Principles of loan and investment policy:

The main earning sources of commercial banks are lending and investing money to the viable projects. So commercial banks always try to earn profit through sound investment.

Principles of economy:

Commercial banks never go for any unnecessary expenditure. They always try to maintain their functions with economy that increase their yearly profit.

Principles of providing services:

A better service brings great reputation for the bank.

Principles of secrecy:

Commercial banks maintains and keeps the clients accounts secretly. Nobody except the legitimized person is allowed to see the accounts of the clients.

Principles of modernization:

It is the age of science and technology. So to cope up with the advanced world the commercial bank has to adopt modern technical services like online banking, credit card etc.

Principles of specialization:

It is an age of specialization. Here commercial banks segments their whole functions into various parts and place their human resources according to their efficiency.

Principles of location:

Commercial banks choose a suitable site where the availability of customers is large.

Principles of relation:

Commercial banks always try to maintain a good relation with their clients and potential customers.

Principles of publicity:

It is an age of publicity. If you would like to earn more money, you have to give more advertisement through various media. In that case, commercial banks follow this kind of principles to increase their customers.

2. What are the features of Perfect Market and explain how the price of a good is determined under this market?

Solution:**Perfect Competition Market:**

Where there a large number of buyers and sellers are engaged in the exchange of homogeneous goods without any restrictions is called perfect competition market.

Definition:

"The more nearly perfect market is the stronger tendency for the same price to be paid for the same thing in all parts of the market" – Alfred Marshall.

Features of Perfect Market:

The perfect competition market has the following features.

Large number of sellers and buyers:

There will be a large number of sellers and buyers for a good in this market. It means the output of a buyer or a seller is a small part of the total output. A single producer or seller cannot change the price by his actions. None of them is large enough to influence the price. Therefore a seller takes the price decided by the market. The producer is a price taker.

Homogeneous Commodities:

Products in this market are similar in every aspect. A consumer gets the same good whenever he purchases. As a result there will be one price all over the market.

Free entry and exit:

Any firm can enter into the production as per its desire. Finally it can leave the production at any time. This helps new firms to enter into business when conditions are favourable. As long as a firm earns super normal profits, it usually stays in competition. But when the firm ends up with losses, it would leave the market.

Mobility of factors of production:

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Factors of production will move from one production to another easily. This is also useful for free entry and exit of firms factors (land, labour, capital) move to the production activities where they get higher incomes.

Absence of transport cost:

Under perfect market transport costs should not be added in the price. If transport costs are added the goods are available at the less price at the near markets and they are available at the higher prices at distant markets. Existing of two prices for the same thing in different parts is against for perfect market. So transport cost should not be added.

Perfect knowledge of market:

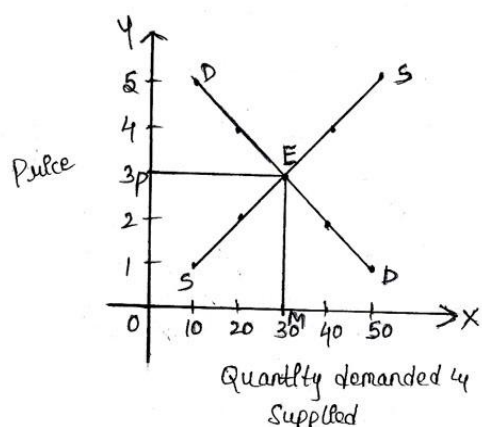
Buyers and sellers in this market will have a clear knowledge about market conditions. So that there will be one price throughout the market. Because of perfect knowledge, sales and purchases of commodities take place as one price.

Price determination:

In a perfect situation price is decided by the market. Market brings about a balance between the commodities that come for sale and those demanded by consumers. It means the forces of supply and demand determine the price of the good. Equilibrium price is established at the point where the supply and demand are equal. A table helps us to understand and the changes in supply, demand and equilibrium price.

Price	Quantity demanded	Quantity supplied
1	50	10
2	40	20
3	30	30
4	20	40
5	10	50

The above table shows the demand and supply schedule of good. Changes in price are always causing a change in supply and demand. As price increases there is a fall in the quantity demanded. It means price and quantity demanded have negative relation. But rise in prices has increased the supply of goods. The relation between price and supply of goods is positive. Every time a change in price is causing some change in the supply as well as demand. At one price Rs. 3 it can be observed that quantity supplied and demanded are equal. This is called equilibrium price. This process is explained with the help of a diagram.



In the above diagram demand and supply are shown on OX-axis, price is shown on OY-axis. In the diagram DD is the demand curve and SS is the supply curve. Both curves intersect at point E. It means the demand, supply are equal at OM level. So the equilibrium price is determined as OP.

VII. Answer any two of the following:

[2×5=10]

1. What are the determinants of demand?

Solution:

Demand function:

The demand function explains the functional relationship between demand for a commodity and determinants of the demands. This can be explained by the following equation.

$D_n = f(P_n, P_{sc}, Y \text{ \& } T)$

D_n = Demand for commodity 'n'

f = functional relationship

P_n = Price of commodity 'n'

P_{sc} = Prices of substitute and complementary goods.

Y = Income of the consumer.

T = Tastes and preference of the consumer.

Determinants of demand:

The demand for any commodity is depend upon so many factors. These factors are called determinants of demand. They are:

Price of the goods:

The demand for any commodity firstly depend upon its price. When the price rises demand decreases, when the prices falls demand increases.

Prices of the substitute goods:

The demand for any commodity not only depend upon its price but also the prices of its substitute goods. For example, tea and coffee. Here the demand for tea depends upon price of the coffee.

Prices of the complementary goods:

The demand for a commodity also depends upon the price of its complementary goods. For example, car and petrol. Here demand for petrol depends upon price of the car.

Income of the consumer:

The income of the consumer also influence the demand for a commodity. When the income rises people purchase the more quantity of goods. When the income falls they purchase less quantity of goods.

Tastes and preferences of the consumer:

The tastes and preference of the consumer can also determine the demand for a commodity. When the tastes are changed, the demand for goods also changed.

Population:

When the population is increased, the demand for goods also increase. When the population decreases demand also decreases.

Climate:

The climatic conditions also can influence the demand. In hot climatic conditions cool drinks are demanded. In rainy season umbrellas are demanded.

2. What are the components of Economic Growth?

Definition

The expansion in the capacity of an economy to produce goods and services over a period of time.

An outward shift of production possibilities frontier of an economy.

It shows the different maximum possible combinations of quantities of two goods if it employs all its available resources full and given the existing state of technology.

Components of Economic Growth

Size of population (P)	Population helps economic growth by enlarging
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	demand.
Fraction of population that constitute labour force $L/P(L=PX)$	If this proportion (L/P) is high more will be productive capacity of an economy and vice versa.
The total number of labour hours actually worked by the labour force $LxH=pxL/PxH$	The length of the average work hour of the labour force generally seems to have a direct impact on the rate of economic growth.
Output per labour i.e. labour productivity $Q/(LxH)$	Output per labour hour has a direct bearing on the level of GNP. The more productive labour, the more will be the total output of an industry.

3. What is Law of Supply and explain the exceptions of Law of Supply?

Solution:

Meaning of supply:

There is a difference between stock of the goods and supply of goods. Supply means some of the part of stock of the goods which is prepared by a seller to sell at a particular price, at a particular market in a particular period of time.

Law of supply:

It explains the functional relationship between price of a good and supply of the good. When all other things remains constant. If the price rises supply also increase, if the price falls supply will be decrease. It means there is direct proportional relationship between price and supply.

Supply Schedule:

It shows the various quantities of the goods that are supplied at various levels of prices.

Types of supply schedule:

There are two types of supply schedule. They are

Individual supply schedule

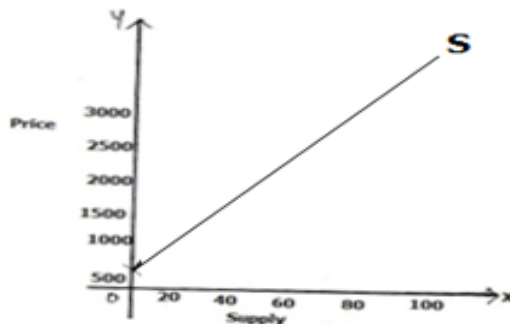
Market Supply schedule

Individual supply schedule:

It shows various quantities of the goods that are supplied by an individual seller (or) producer at various levels of prices in the market.

Price of x	Supply of 'x' goods
500	0
1000	10
1500	30
2000	55
2500	90

Supply curve: From the above supply schedule the supply curve can be drawn



Market Supply schedule:

It shows the various quantities of the goods that are supplied by various producers (or) sellers at various levels of prices in the market. When we add the supply of all sellers then total supply 'or' market supply can be obtained.

Whether the individual supply curve 'or' market supply curve slopes upward from left to right as there is a direct proportional relationship between price and supply.

Exception to the law of supply:

Land (or) Agriculture goods.

In the case of land (or) Agriculture goods supply can not be changed according the price. So in the case of land (or) Agriculture goods the supply curve is parallel to OY-axis.

Rare goods.

In the case of rare goods supply can not be changed according the price. So in the case of rare goods the supply curve is parallel to OY-axis.

Supply of labour.

In the case of labour the supply curve is backward bending. Because in the initial stage if the wage level is increased the supply of the labour also increased. Beyond a certain stage if the wages are increased they require the more leisure. So the supply of labour will be decreased.

4. Explain any five functions of money.

Solution:

Functions of money.

Money plays a significant role in the modern economic life of the human beings.

Evolution of Money:

The term 'Money' was derived from the name of Goddess "Juno Moneta" of Rome.

Definition of Money:

Money was invented to overcome the difficulties of the barter system. Several economists defined money in several ways:

Robertson: Robertson defined money as "anything which is widely accepted in payments for goods or in discharge of other kinds of business obligations".

Seligman: According to Seligman's definition, "Money is one that possesses general acceptability".

Walker: According to Walker, "Money is what money does".

Functions of Money:

Money has many important functions to perform. These functions may be classified as follows:

Primary Functions.

Medium of Exchange.

Measure of Value.

Secondary functions

Store of value.

Standard of deferred payments.

Transfer of money.

Contingent functions.

Measurement and distribution of national income.

Money equalizes marginal utilities/productivities.

Basis of credit.

Liquidity

Primary functions:

The primary functions of money are really the technical and important functions of money. They are of two types:

Medium of Exchange:

Money serves as a medium of exchange. Money facilitates exchange of commodities without double coincidence of wants. Any commodity can be exchanged for money. People can exchange goods and services through the medium of money.

Measure of Value:

The value of each commodity is expressed in the units of money. We call it the price. In view of this function of money, the values of different commodities can be compared and the ratios between the prices of different commodities can be determined easily.

Secondary functions:

Money has the following secondary functions:

Store of value:

The value of commodities and services can be stored in the form of money. Certain commodities are perishable. If they are exchanged for money before they perish, their value can be preserved in the form of money.

Standard of deferred payments:

Money serves as a standard of deferred payments. In the modern economies most of the business transactions take place on the basis of credit. An individual consumer or a business man may now purchase a commodity and pay for it in future. Similarly one can borrow certain amount of money now and repay it in future.

Transfer of money:

Money can be transferred from one person to another at any time and at any place.

Contingent functions:

Besides the primary and secondary functions, money has certain contingent functions also. They may be stated as follows:

Measurements and distribution of national income.

Nations income of a country can be measured in money by aggregating the value of all commodities. Similarly national income can be distributed to different factors of production by making payments to them in money.

Money equalizes marginal utilities/productivities:

The consumers can equalize the marginal utilities of different commodities purchased by them with the help of money. They can thus maximize their satisfaction. Similarly the firms can also equalize the marginal productivities of different factors of production and maximize their profits.

Basis of credit:

Credit is created by banks from out of the primary deposits of money. The supply of credit in an economy is dependent on the supply of nominal money. It is not possible to create credit if there is no reserve money.

Liquidity:

Money is the most important liquid asset. In terms of liquidity it is superior to all other assets. Money is cent percent liquid.

PART B (50 Marks) **(Fundamentals of Management)**

- I. Choose the correct answer from the given four alternatives: [10×1=10]
1. Contingency theory of leadership are based on the belief that
- (a) There is no single style of leadership appropriate to all situations
 - (b) There is a single style of leadership appropriate to all situations
 - (c) There is a single style of leadership appropriate to all managers
 - (d) None of the above.

2. The refers to the assignment of formal authority and responsibility to another person for carrying out specific activities:
 - (a) Decentralisation of authority.
 - (b) Delegation of responsibility.
 - (c) Centralisation of authority .
 - (d) Delegation of authority.
3. The first step in an MBO program is.....
 - (a) Formulating action plans.
 - (b) Clarifying organisational roles.
 - (c) Establishing specific goals for various departments.
 - (d) Developing overall organisational goals.
4. is also known as staffing
 - (a) Resource management
 - (b) Human management
 - (c) Human resource management
 - (d) Human resource development
5. refers to the powers to make decisions to guide their actions of another.
 - (a) Responsibility
 - (b) Authority
 - (c) Power
 - (d) Delegation
6. Which managerial function gives attention to influencing and motivating employees to improve performance and achieve corporate objectives?
 - (a) Leading
 - (b) Organizing
 - (c) Staffing
 - (d) Controlling
7. _____ leaders solve problems and make decisions alone.
 - (a) Laissez-faire
 - (b) Job-centered
 - (c) Autocratic
 - (d) Situational
8. According to Herzberg's motivation hygiene theory, the opposite of satisfaction is,_____
 - (a) Dissatisfaction
 - (b) No satisfaction
 - (c) No dissatisfaction
 - (d) All of the above
9. Theory X suggests that employees:
 - (a) Like their manager
 - (b) Dislike work
 - (c) Dislike their manager
 - (d) Like work
10. Arrange the standard sequence that a group pass the following stages:
 - (a) Forming, storming, performing, norming, adjourning.
 - (b) Forming, Storming, Norming, Performing, Adjourning.
 - (c) Forming, Norming, Performing, Storming, Adjourning.
 - (d) None of the above.

Solution:

1. — (c)
2. — (d)
3. — (c)
4. — (c)
5. — (b)

6. — (a)
7. — (c)
8. — (d)
9. — (b)
10. — (b)

II. Fill in the blanks:

[5×1=5]

1. **Management by Exception** is also known as _____.
2. **ABC analysis** is an example of _____ Control
3. **Autocratic leadership** is also known as _____.
4. _____ group is one in which they would like to belong.
5. _____ means the urge to do something.

Solution:

1. Management by objective
2. Critical Point
3. Authoritarian Leadership
4. Reference
5. Motive.

III. Match the following

[5×1=5]

	Column 'A'		Column 'B'
1.	Likert's System of Management	A	Abraham H. Maslow
2.	Need Hierarchy Theory	B	Barriers to Communication
3.	MIS	C	Collaborative Decision Making
4.	Semantic Barrier	D	Management Information System
5.	Group Decision Making	E	Rensis Likert

Solution:

1. — E;
2. — A;
3. — D;
4. — B;
5. — C.

IV. State whether the following statements are True (or) False.

[5×1=5]

1. Responsibility flows upward.
2. Group Discussions is one of the popular method of off-the-job training.
3. Break even analysis is also called as Cost-Volume Profit analysis.
4. Theory X represents a modern and dynamic nature of human beings.
5. According to Sayles informal groups are classified into four categories.

Solution:

1. True;
2. True;
3. True;
4. False;
5. True.

V. Define any Five of the following:

[5×1=5]

1. Definition of Management:

"The conventional definition of management is getting work done through people, but real management is developing people through work". - Agha Hasan Abedi

2. Division of Labour:

of work is the pivot around which the classical theory revolves. It implies that the work must be divided to obtain a clear-cut specialization with a view to improve the performance of workers. It is based on the assumption that more a particular jobs is broken down into its simplest component parts, the more specialized a worker can become in carrying out his part of the job. Division of work requires identification and differentiation of tasks and their division into sub tasks.

3. Standing plans:

Standing plans are the recurring plans and they are used repeatedly in situations of a similar nature. A standing plan is used again and again over a long period of time. It is a standing guide to thinking and action. Standing plans are essential for smooth operations. Objectives, policies, procedures and rules are important standing plans.

4. Meaning of Power:

The term "power" is often considered as synonymous to authority. Really speaking, there is a difference between the two terms. Power refers to the ability or capacity to influence the behavior or attitudes of other individuals. A manager's power may be considered as his ability to cause subordinates to do what the manager wished them to do. Power is a broader concept than authority.

5. Manpower Planning:

Also known as human resource planning, the manpower planning is "a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the entire enterprise and which provide satisfaction for the individuals involved" (Dale S. Beach)

6. Recruitment:

Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be selected. Development and maintenance of adequate manpower resources is the main task of recruitment.

7. Induction:

Induction refers to the introduction of a person to the job and the organisation. The purpose is to make the employee feel at home and develop a sense of pride in the organisation and commitment to the job. Proper induction would enable the employee to get off to a good start and to develop his overall effectiveness on the job and enhance his potential.

8. Group Cohesiveness:

Cohesion in a group develops if the needs, hopes and expectations of members are realised. Group Cohesiveness is an important indicator of how much influence the group as a whole exerts over the individual members. It can be defined as the degree to which members are attracted to one another and share their common goals.

Cohesiveness causes harmonious behavior among group members, and aids in functioning as one unit towards achievement of its goals.

VI. Answer any four of the following questions:

4 × 5 =20 M

1. Explain the principles of Scientific Management:

Solution:

Fredrick Winslow Taylor has been accepted as the father of scientific management, who, for the first time proved through experiments that scientific methodology can be applied to the field of management.

A scientific process consists of observation, analysis, experimentation and generalization. Taylor wanted to introduce these elements into management also to establish a casual relationship between efforts and results.

To be precise, scientific management is not any system to increase production or to pay wages, or to figure neither costs nor it is merely a time study or motion study, but it is a mental revolution both for the employer and for the employees. Such a mental revolution has the following objectives in view:

- (a) Rule of thumb to be replaced by rule of science to improve the standard of performance.
- (b) There should be perfect harmony among the activities of different individuals and not discord.
- (c) An atmosphere of perfect cooperation among different workers has to be created for mutual interest sublimating personal interests.
- (d) Production has to be maximized and not restricted output.
- (e) There should be encouragement to greatest efficiency and prosperity of every individual, both employer and employees.
- (f) Proper selection and training of workers.
- (g) Equitable division of work and responsibility between the management and the employees.

Taylor was criticized by people of different sectors including both the employers and the employees.

The main points of criticism are as follows:-

- (i) It deals with factory management only.
- (ii) Separation of planning from doing is a misleading concept.
- (iii) It lays too much emphasis on engineering side ignoring the importance of human aspect in production.
- (iv) Functional foremanship is not a direct improvement on the concept of line theory of organization.
- (v) He considered human elements as cogs of a machine.
- (vi) It created condition of industrial autocracy.
- (vii) It creates unfair distribution of benefits between the employers and the employees.
- (viii) It is doubtful whether standard of work can be really measured.
- (ix) It is antisocial because it is aimed at efficient workers only.
- (x) It is not possible to find out 'one best way' to do a job. What is true for one may not be true for another.
- (xi) It is not really scientific management but scientific approach to management.

2. Explain the steps in planning process.

Solution:

The process of planning consists of a series of interrelated steps which varies depending on the size and complexity of the organization. The basic steps involved in the process of planning are –

1. **Analysis of opportunities –**

Planning starts with analysis of opportunities in the external environment as well as within the organization. Goals can be set only when a proper scanning of the environment, that reveals the opportunities that exist.

2. **Establishing Objectives –**

The next step in planning process involves establishing objectives for the whole organization, and for the different departments. Organisational objectives provide direction to the major plans.

3. **Determining planning Premises –**

Planning premises refer to the environment in which the plans are to be implemented. The task of determining premises should only be continued to those aspects that are critical to the plan.

4. **Identifying alternatives –**

Different feasible alternatives need to be identified in order to achieve a particular objective, since there may be multifarious ways in which a particular goal can be accomplished.

5. **Evaluation of alternatives –**

Alternatives need to be evaluated in the light of goals. Those are set, and objectives to be achieved considering the various constraints and uncertainties that exist.

6. **Selection of the best alternative –**

The choice of the best alternative, i.e. the selection of the most appropriate course of action. Sometimes two or more contingency plans are kept as a backup considering the unpredictability of the future.

7. **Implementing the plan –**

Implementation or execution entails putting the plan into action. Managers need to consider a series of important decisions during implementation of the actions stated in the plan.

8. **Reviewing the Plan –**

Reviewing the plan helps managers to evaluate the effectiveness of the plan. A system of thorough review and scrutiny can help in detecting deviations from the set plans and remedial measures can be taken accordingly.

3. **Explain the differences between Delegation and Decentralisation.**

Solution:

Decentralisation is much more than delegation. Delegation means transfer of authority from one individual to another. But decentralisation implies diffusion of authority throughout the organisation. The main points of distinction between delegation and decentralisation are presented as follows:

1. Delegation is the process of devolution of authority whereas decentralisation is the end result which is achieved when delegation is systematically repeated up to the lowest level.
2. Delegation can take place from one individual (superior) to another (subordinate) and -be a complete process. But decentralisation is completed only when the fullest possible delegation is made at all levels of organisation.
3. In delegation control rests entirely with the superior. But in decentralisation the top management exercises only overall control and delegates the authority for day today control to the departmental managers.
4. Delegation is a must for management as subordinates must be given sufficient authority to perform their duties. But decentralisation is optional in the sense that top management may or may not disperse authority.

5. Delegation is a technique of management used to get things done through others. However, decentralisation is both a philosophy of management and a technique.

4. What are the advantages and disadvantages of autocratic leadership?

Solution:

An autocratic leader exercises complete control over the subordinates. He centralizes power in himself and takes all decisions without consulting the subordinates. He dominates and drives his group through coercion and command. He loves power and never delegates authority. The leader gives orders and expects the subordinates to follow them ungrudgingly and unquestioningly. He uses rewards and holds threat of penalties to direct the subordinates.

Advantages

- (i) Autocratic leadership style permits quick decision making.
- (ii) It provides strong motivation and satisfaction to the leader who dictates terms.
- (iii) Less competent subordinates are needed at lower levels.
- (iv) The style may yield positive results when promptness is required.

Disadvantages

- (i) Autocratic style leads to frustration, low morale and conflict among subordinates.
- (ii) Subordinates tend to shirk responsibility and initiative.
- (iii) Full potential of subordinates and their creative ideas are not utilized.
- (iv) Organisational continuity is threatened in the absence of the leader because a subordinate gets no opportunity for development.

Autocratic leadership style may be appropriate when subordinates are uneducated, unskilled and submissive. Lack of knowledge and experience on the part of subordinates make it necessary that the leader takes decisions himself. This style may also be desirable when the company endorses fear and punishment as accepted disciplinary techniques. When a leader prefers to be dominant in decisionmaking and there is little room for error in final accomplishment, autocratic leadership may enhance morale and improve productivity.

5. Write about the features of group dynamics.

Solution:

Group Dynamics:

The group dynamics is that division of social psychology that investigates the formation and change in the structure and functions of the psychological grouping of people into self-directing wholes.

Features of Group Dynamics

Group Dynamics refers to the study of forces operating within a group. Following are some of its salient features:

1. Group dynamics is **concerned with group**.
2. **Changes** go on occurring like introduction of the new members, changes in leadership, presence of old and new members and the rate of change - fast or slow.
3. There may be **rigidity or flexibility** (cohesiveness or conflict) that influence a group dynamics.
4. The **group organization** is essential.
5. Dynamic groups are always in **continuous process**

6. Explain the strategies to manage work place conflicts.

Solution:

Strategies to Manage Workplace Conflict

When handling conflict, some basic guidelines apply.

- Understand the situation
- Acknowledge the problem
- Be patient
- Avoid using coercion and intimidation
- Focus on the problem, not the individual
- Establish guidelines
- Keep the communication open
- Act decisively

Understand the situation – Few situations are exactly as they seem or are as presented by others. Before trying to settle the conflict ensure one has investigated both sides of the issue.

Acknowledge the problem –

I remember an exchange between two board members. One member was frustrated with the direction the organization was taking. He told the other, "Just don't worry about it. It isn't that important." Keep in mind what appears to be a small issue to you can be a major issue with another. Acknowledging the frustration and concerns is an important step in resolving the conflict.

Be patient –

The old adage, "Haste makes waste," has more truth in it than we sometimes realize. Take time to evaluate all information. A too-quick decision does more harm than good when it turns out to be the wrong decision and further alienating the individual involved.

Avoid using coercion and intimidation –

Emotional outbursts or coercing people may stop the problem temporarily, but do not fool yourself into thinking it is a long-term solution. Odds are the problem will resurface. At that point not only will the initial problem be difficult to deal with, but also the angry feelings that have formed below the surface during the interim.

Focus on the problem, not the individual –

Most people have known at least one "problematic individual" during their work experience. Avoid forming own pre-conceived attitudes about individuals. Person X may not be the most congenial individual or they may just have a personality conflict with someone on your staff. This does not mean they do not have a legitimate problem or issue. Focus on identifying and resolving the conflict. If, after careful and thorough analysis, one determines the individual is the problem, then focus on the individual at that point.

Establish guidelines –

Before conducting a formal meeting between individuals one should get both parties to agree to a few meeting guidelines. People should be allowed to express themselves calmly—as unemotionally as possible. It is necessary to have them agree to attempt to understand each other's perspective. It is necessary to them if they violate the guidelines the meeting will come to an end.

Keep the communication open –

The ultimate goal in conflict resolution is for both parties to resolve the issue between themselves. Both parties should be allowed to express their viewpoint, but also share one's perspective. One should attempt to facilitate the meeting and help them pinpoint the real issue causing conflict.

Act decisively –

Once you have taken time to gather information, talked to all the parties involved, and reviewed all the circumstances, it is important to make one's decision and act. Taking too long to make a decision could damage the credibility and people's perception. They may view the manager as either too weak, too uncaring, or both, to handle the problem. Not everyone will agree with the decision, but at least they will be informed of the locus stand.