

136.5

Q1(a)

Management refers to the process of organizing activities in an organization for utilizing human resources, financial and technical resources to achieve growth objectives

Very Good Explanation have Improved

There are 3 levels of management

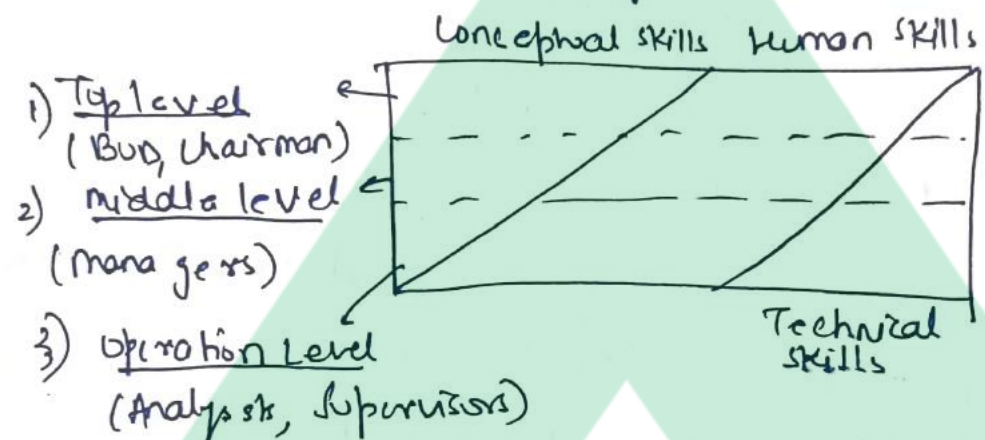


Fig: Managerial Grid by Robert Katz

main functions

1) Top Level management

a) They are the senior executives of an organization

- 1) determine long term goals and objectives
- 2) Allocate resources to different strategic Business units (SBU)
- 3) help in setting up organization

Culture and structure

- ↳ 4) They analyse competitors and their strategies to better navigate the organization in turbulent phase

[eg] Ratan Tata is at the helm of Tata Company

(2) Middle Level management

→ They help in translating strategies into goals and objectives

- ↳ 1) Transfer the major policy decisions from top to lower level
- ↳ 2) organizing tasks and responsibilities
- ↳ 3) Staffing human resources
- ↳ 4) Boosting morale of employees

[eg] A team leader assesses the capabilities of different members and allocate tasks

(3) Lower Level management

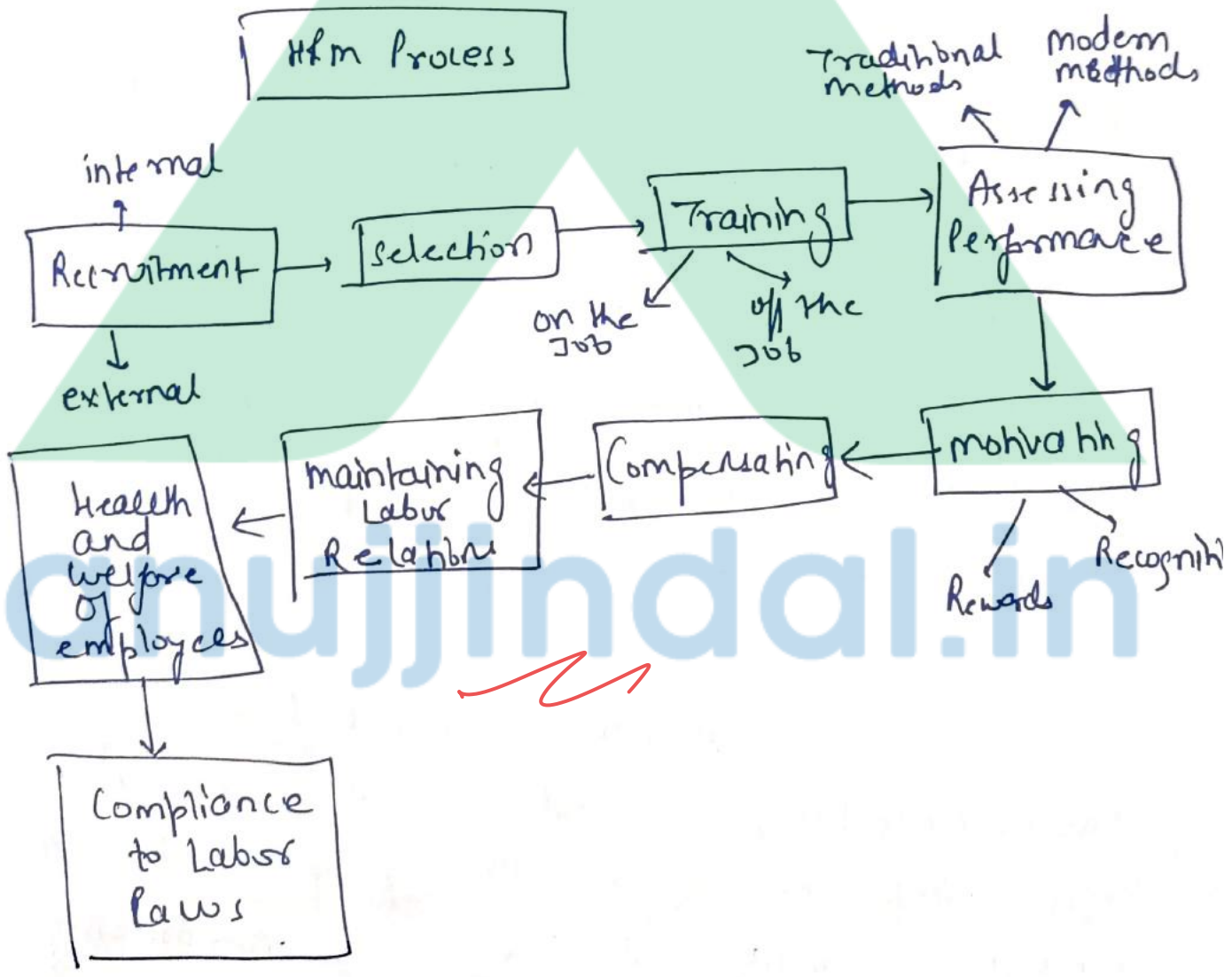
→ They are engaged in technical aspect

- ↳ 1) Scheduling day to day tasks and ensuring a safe environment for work
- ↳ 2) They engage in analysis of information and provide reports to seniors

S

The three management levels thus contribute differently and help in achieving organizational goals to maximize shareholder wealth and achieve higher profits

16) Human Resource management (HRM) is a system of managing employees in an organization. It includes recruitment and selection of candidates to enable them to contribute to organization goals.



Features of HRM

- 1) HRM helps in recruiting best talent for achieving organization goals
- 2) HRM involves training and development of employees to maximize their potential and enhance skills
- 3) HRM has become an integral part of organization where managers have line managers to manage people and increase productivity
- 4) With higher competition in the globalized world, HRM provides essential talents to overcome competitors and maximize profits
- 5) HRM also provides employee safety and welfare through effective compensation and management of workplace.

HRM is thus an essential feature of any managerial process and should be given highest importance as it is the people who can lend a competitive advantage for maximizing organizational objectives.

10) Coordination is a process of arranging the tasks and personnel of an organization to achieve organization goals in an orderly fashion.

Coordination is needed at all management functions

- 1) **Planning** requires coordination in
 - designing a plan for organization
 - assigning resources to the team based on work requirement
- 2) **Organizing**
 - organizing tasks to employees based on their skills
 - allocation of resources
- 3) **Staffing**
 - coordination in matching skills of staff and the task required
 - coordination in adequate compensation to the staff
- 4) **Directing**
 - issuing orders and taking feedback from employees
- 5) **Controlling**
 - measurement of performance using benchmarks.
 - taking corrective actions to improve performance.

Need of coordination at different levels

① Top level management

- to ensure resource allocation and organization tasks are in coordination to achieve organizational objectives
- coordination among different Business units for maximizing synergies

② Middle Level management

- coordination with respect to transferring top level management plans to lower level management.
- coordination among different units to maximize resource utilization

③ Lower Level management

- maximize coordination among the workers to achieve day to day tasks and meet deadlines

anujjindal.in

Basis??

Coordination

- 1) Arrangement of tasks and personnel in an orderly fashion to maximize organizational objectives
- 2) Coordination is essential in maximizing achievement
- 3) It is aimed at achieving the goals of an organization in a timeframe
- 4) It is essential for an organization's success

Cooperation

- 1) Working together in harmony to help achieve other in attaining maximum potential
- 2) It boosts confidence through healthy work culture.
- 3) It is aimed at willingly helping each other in the team
- 4) It is not essential but helps in employee wellbeing and workplace safety

Coordination is an essential factor of any organization to achieve the goals set out by the top management. In the hyper competitive world, organization need better coordination among different Business units, among employees to gain higher market share.

(d) Frederick Taylor is called as the father of scientific management as he laid out a set of steps to provide solutions to managers and ensuring administrative coordination.

Principles of scientific management

What is Scientific way?

1) Science not rule of thumb

→ Defining work in a scientific way than based on experience or intuition of managers

2) Harmony not discord

— Mental Knowledge

— Harmony among the workers and also between different managerial levels

— It helps in reducing the conflicts between different business units and better sharing of profits to maximize organizational objectives

3) Equal division of work between management and workers

→ To ensure streamlining of activities and no person is overburdened.

4) Mental Revolution

- To create mental ability and readiness to deal with organizational challenges
- It is essential especially in era of 4th Industrial Revolution where new skills are needed at every step.

(This is not applying)

5) Cooperation and not individualism

- Cooperation among workers help in creating synergies and willfully helping other workers

- It improves workplace culture and reduces industrial disputes as workers are better able to communicate their demands to top level management.

6) Development of every person to the greatest efficiency and prosperity

→ It helps in imparting skills through training and development scenarios

→ Allocation of task and scheduling as per the skills and capabilities of people to be able to contribute better to organizational goals.

4.5

Frederick Taylor principles can help in today's world where businesses need not only skilled but also empowered employees to be able to increase efficiency. It should be adequately compensated with human relations aspect to boost morale of employees to maximize productivity.

(e) Transactional leadership includes setting up of objectives by the top level leaders which are then translated to subordinates and employees.

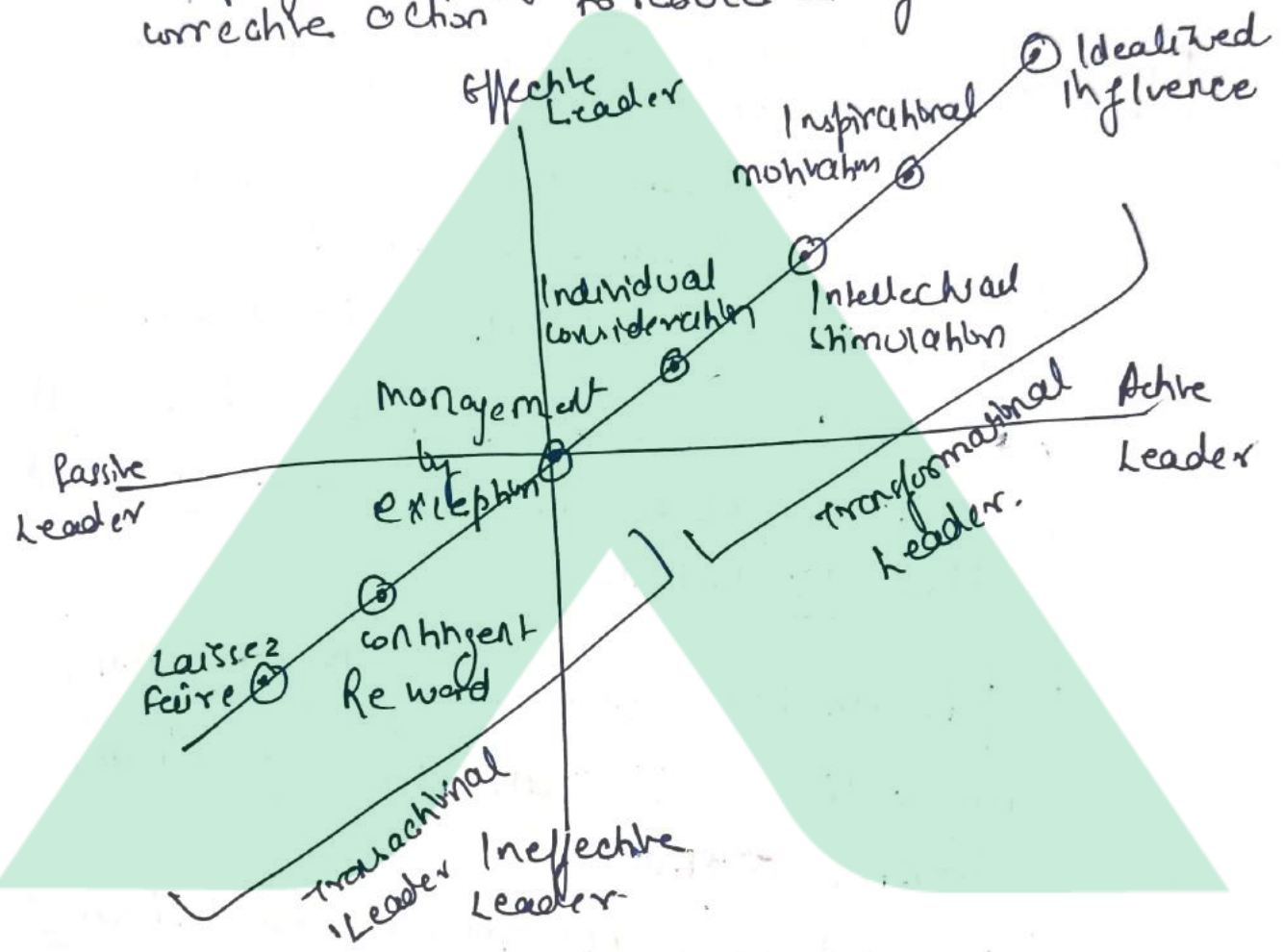
→ The key objective is to achieve better results by defining roles and responsibilities of people.

→ Rewards are then provided by measuring the performance against set benchmarks.

Types → laissez faire where any leader abdicates from his/her responsibility and the onus is on the employee.

Contingent Reward where rewards are provided based on higher performance

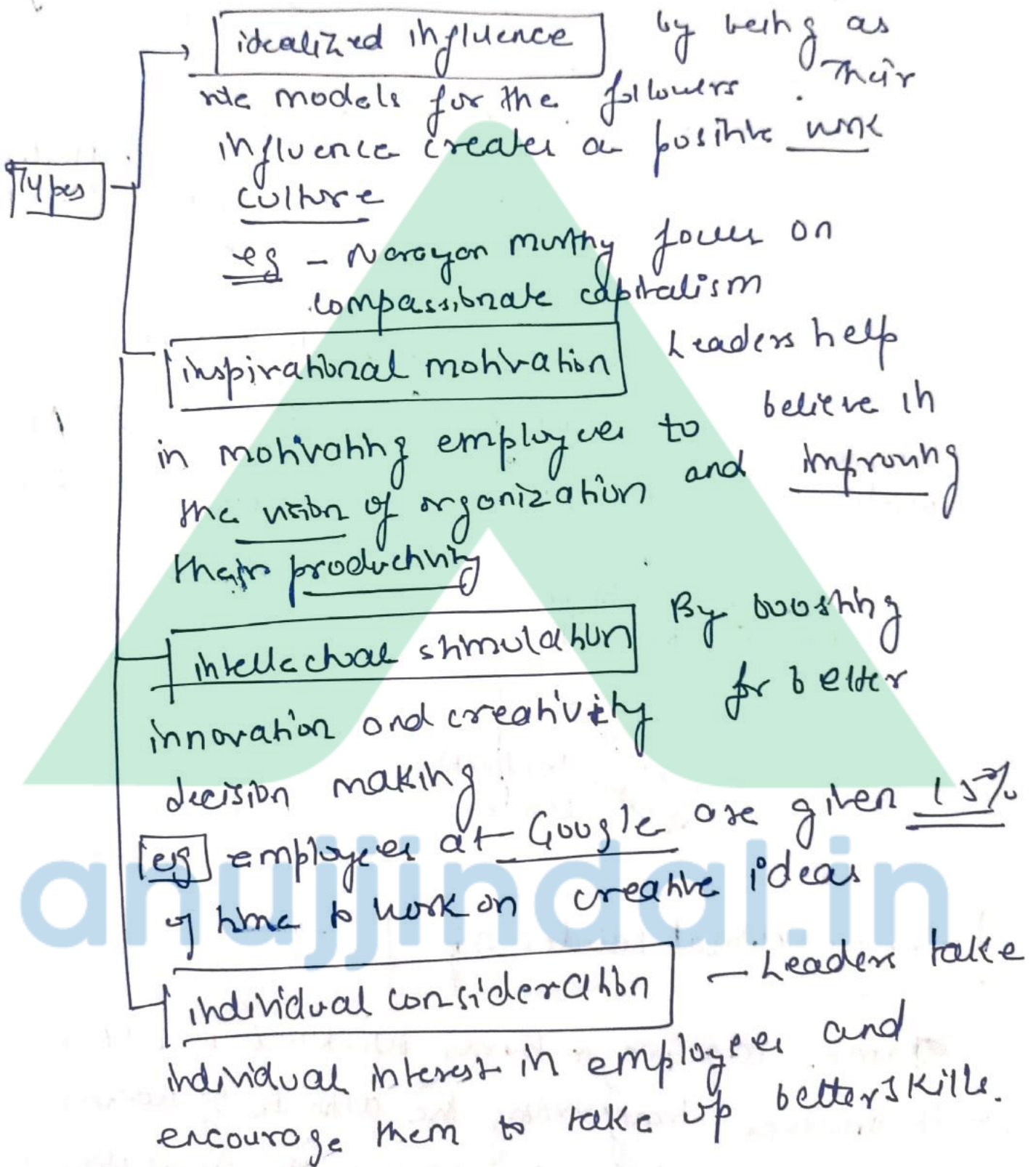
management by exception by measuring the performance of employees and taking corrective action to reduce divergence.



Transformational Leadership

- James MacGregor Burns introduced it in 1978
- It involves transforming the attitude of workers and inspiring them to believe in their abilities

— Leaders act as role models for the workers which inspires them to take up challenges and go out of comfort zone to achieve better results.



Transformational Leadership thus helps in communicating the vision of top leadership to all the employees thereby improving the coordination among employees and boosting their productivity.



Q2
(a) Singh Bros' situation highlights the lack of workers which are needed to contribute to organization's goals and objectives.

① Staffing function of management is being performed by Singh Bros in the above situation

Staffing is concerned with managing the workforce by hiring right number of people for ensuring ~~and~~ allocation of equal work to all the employees. It leads to no employee being overburdened to maintain organizational productivity.

The above case involves staffing function by asking present employees to recommend or refer candidates suitable for job

② The concept used to attract more workers for the firm is called Recruitment.

This is a process of inviting as many applications as possible to apply for the jobs. This is a positive process since it encourages more people to apply for hiring.

— The firm is utilizing external source of recruitment by asking present employees to refer prospective candidates.

③ Singh Bros is following below mentioned values :->

① Effective Utilizing resources The leftover jute pieces from jute factories are utilized to manufacture lampshades. It is thus adopting principle of Responsible Recycling by ~~not~~ reducing waste.

② Employment Generation from nearby villages and thus empowering poor and

marginalized people

further, it is also asking present employees to refer eligible candidates which would lead to higher employment and provide boost to economy.

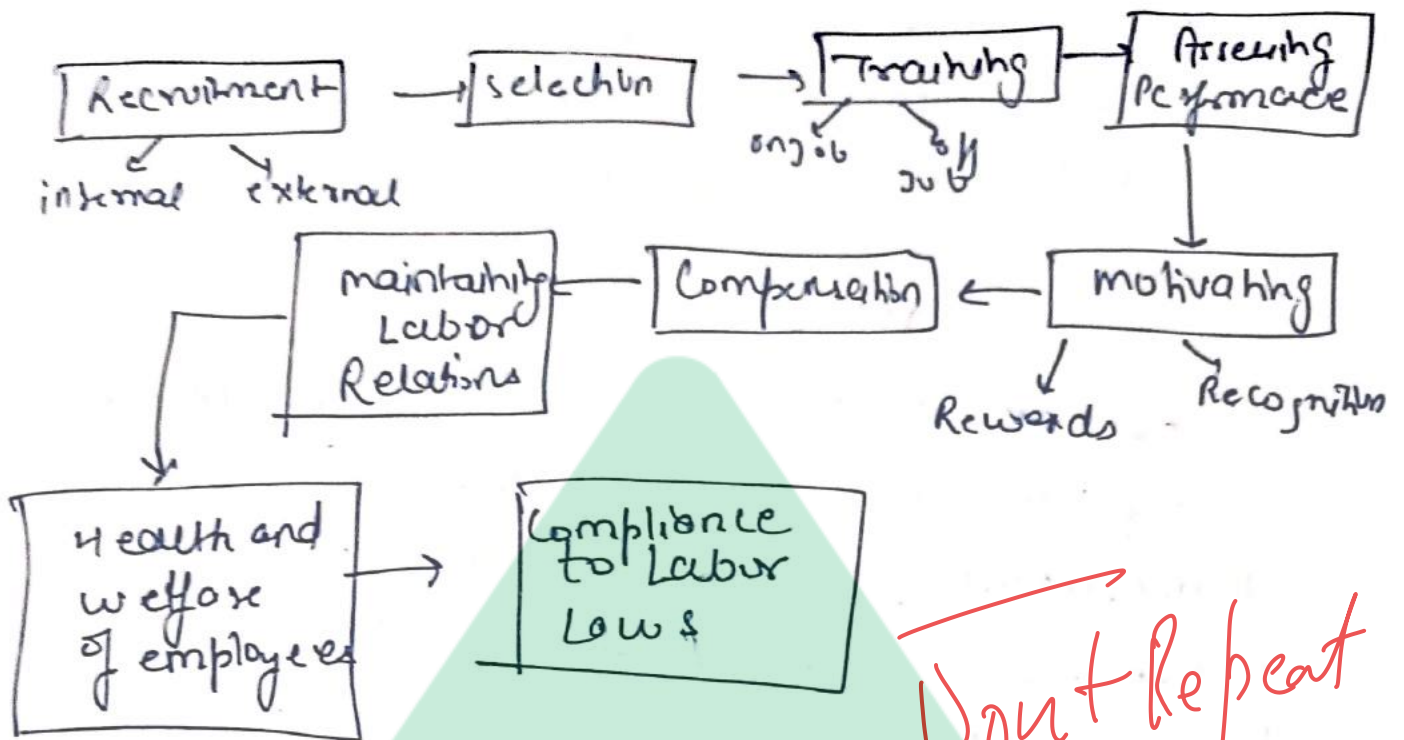
11

Recruitment thus helps in enhancing the productivity of an organization by better management of organizational tasks wherein each employee can contribute to the best of his/her abilities.

b) Human Resource management (HRM) is a process of managing employees in an organization that helps in effective utilization of resources to achieve organizational goals.

This is a whole set of activities from recruitment and selection to better welfare of employees for achieving organizational objectives.

HRM Process



Don't Repeat
Same Diagram

Importance of HRM

i) Individual Level

- HRM provides adequate opportunity for an individual to become part of organization and help in better career prospects
- It helps in promoting employee morale and productivity through fair compensation and fringe benefits for a stable life.
- It also provides for better skills, training and development programs that empowers an

individual to achieve higher success,

2) Organizational Level

- HRM provides best of talent pool and resources that understands the vision of organization and achieve organizational objectives

- It promotes high team spirit and loyalty by providing adequate compensation and rewards motivating employees through rewards and recognitions

eg Google provides high compensation, employee autonomy and friendly workplace which leads to high efficiency of the company

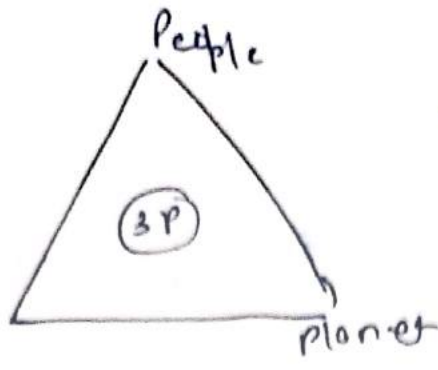
3) Society Level

- Sustainable HRM practices help in societal growth by integrating societal objectives into firm's activities

- CSR is a major aspect of contribution to the society.

- HRM helps in providing a vision of ethical business practices to promote societal well being.

[eg]



3P approach promotes sustainable growth for all

[eg]

- Concept of compassionate capitalism provided by Narayan Murthy promotes an ethical way of doing business

[eg]

Ratan Tata's pledge of providing ^{lifelong pension} job to every employee's family that loses life during COVID

(4)

National Level

- better HRM practices generates employment opportunities for the workforce leading to higher GDP

- it leads to formalization of economy in a country where only 5% of population is in formal domain.

HRM is thus a comprehensive process of holistic development of every stakeholder. It must be provided more resources and autonomy to function to maximize attainment of organizational objectives.

(1) William Ouchi in his book Theory Z:
How American Business can meet Japanese Challenges propounded Theory Z by composing Japanese and American management styles.

Theory Z assumes that employees have strong loyalty and interest in their teams. A combination of job security, better workplace environment and autonomy can motivate employees to be more productive.

Features of Theory Z

① Mutual Trust

→ Trust and openness are essential to increase efficiency of an organization.
→ Increased trust reduces friction among employees
→ It leads to better coordination and teamwork

② No formal structure

This is essential to focus on better sharing of information and resources which are scarce.

- employees develop more cooperation and team spirit when they are not restricted in formal structure

③ Employee Involvement

- employee involvement is essential to stay committed to organization's vision and goals
- Better empowerment of employees lead to rational decision making

④ Strong Bond

- to improve loyalty and faith in the organization, strong bonds are essential.
 - Also leads to better career prospects
- eg Promotions and job security ensure a conducive work environment where people are encouraged to perform better

⑤ Coordination

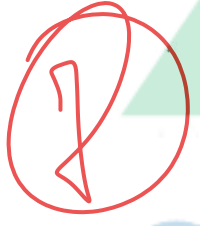
- Coordination helps in employee communication and improved flow of information.

Limitations of Theory Z

1) An organization ~~cannot~~ cannot stay without a structure. While mutual trust, cooperation and teamwork are essential, it is difficult to rely solely on interpersonal relationship.

2) Participation of employees in decision-making is not easy to implement. Not every employee will be comfortable with their opinions and ideas.

3) Long term career planning may not be feasible. In the current market of job hopping and wave of great resignation, provision of lifetime job security may lead to less motivated employees.



Despite its limitations, Theory Z is

characterized by concern for employees that go beyond workplace. It recognizes an individual's potential and focuses on an individual's needs rather than work itself.

Q3 (a) Abraham Maslow proposed Hierarchy of Needs theory that was fundamental in defining motivation theories. As per Maslow, motivation is based on satisfying multiple level of needs.

- These needs are based on order of priority.
- As basic needs are being fulfilled, an individual attempts to satisfy higher level of needs.



1) Physiological Needs refer to basic survival of human life.

eg - Hunger, thirst, sleep.

They must be satisfied as they are basic to human survival.

An organization satisfies physiological needs by providing adequate compensation to employees

② Safety Needs safety from dangers and a sense of stability in life

eg - safe house, safe workplace

organization satisfies these needs by providing safe workplace, job security and benefits like insurance, gratuity

③ Social Needs includes feeling of belongingness to a group and social acceptance in society.

- friendship and informal relations in an organization provides social needs

④ Esteem Needs

- They are necessary for self-confidence of employees

- It leads to status and recognition in society

eg - organization promotions and rewards satisfy esteem needs

5) Self-actualization Needs

- To actually achieve the goals of a person, it means that a person becomes what he/she is capable of becoming.

organization helps the employee with autonomy and career-development process to achieve highest capability.

10

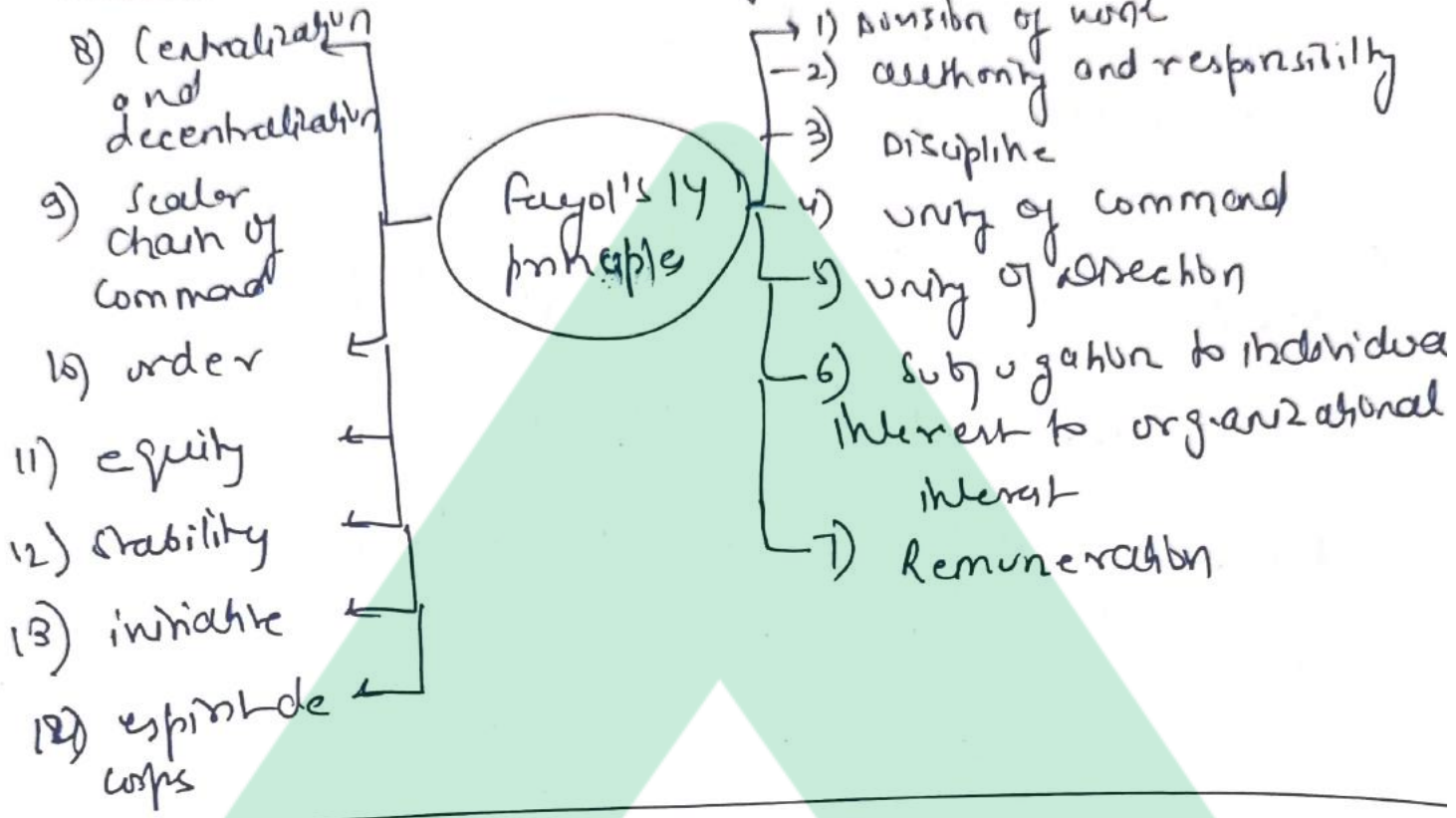
Limitations of M

Assumptions

- 1) Based on levels of hierarchy. of basic needs are essential to to the next needs. satisfaction more on
- 2) A satisfied need doesn't lead to motivation.

Maslow's hierarchy of needs was probably the first theory of motivation that set out the path of importance of motivation. Even though it has fundamental flaws, it remains one of the easily applicable theories that provide an organization a way of improving the productivity of workforce.

(1) Henri Fayol is referred to as father of general management. He propounded 14 management principles that contribute to general development of an organization



a) order Henri Fayol emphasizes that order has to be maintained in an organization for

proper scheduling of tasks.

As Rajeev doesn't design jobs in a proper way, he doesn't maintain order in an organization.

b) esprit de corps — management develops cooperation and conducive environment for employees to develop a sense of belongingness.

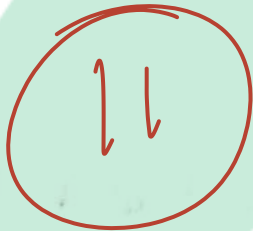
As a good manager lays emphasis on developing mutual trust and spirit of cooperation, he emphasizes esprit de corps.

c) Real enterprises follow principle of providing stability to the people in organization. ^{that}

boosts the confidence of employees.

It ensures better job security, stability of

service

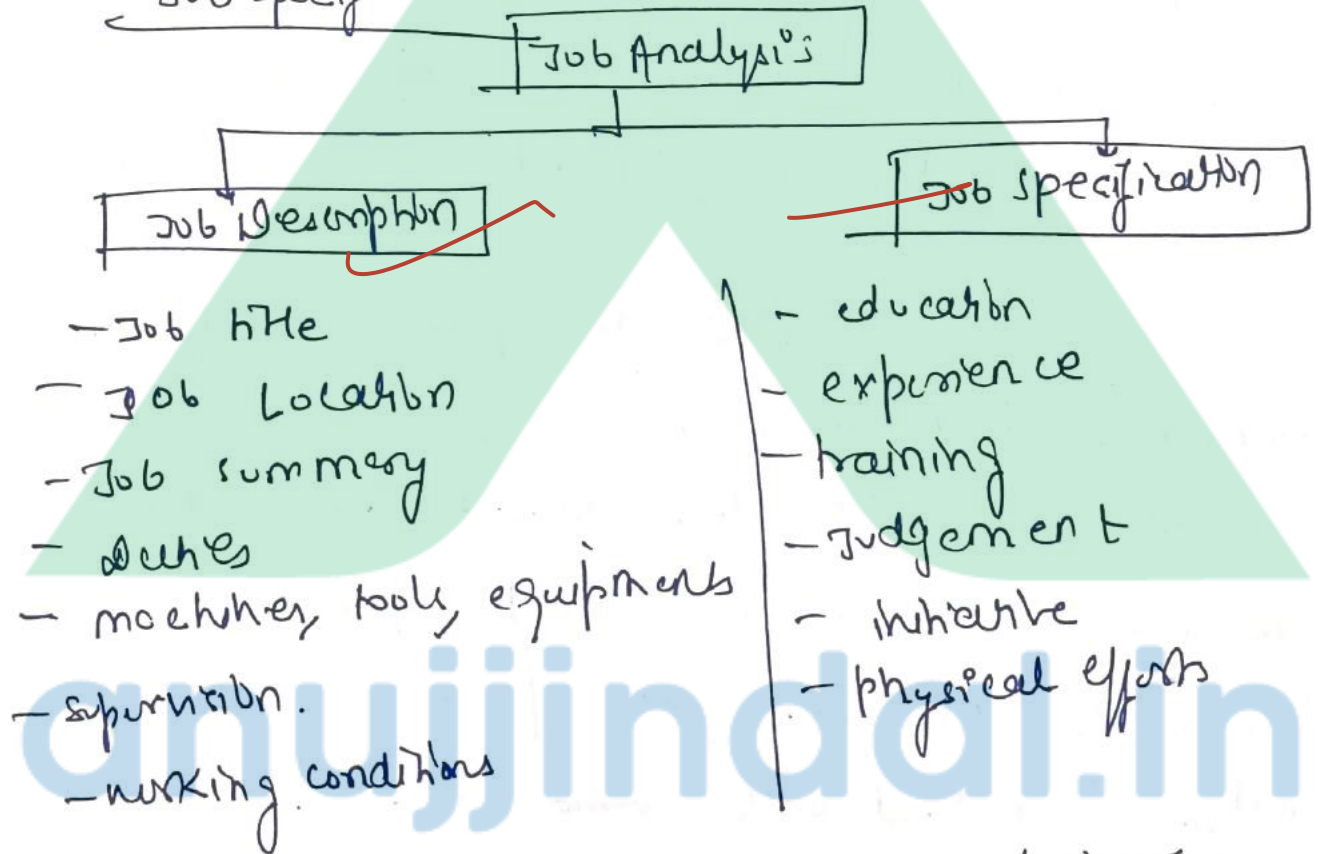


anujjindal.in

(1) Job Analysis is an essential part of HRM that involves collecting job related information. It helps in assessing the nature of jobs and describing the characteristics for prospecting candidates.

Usefulness of Job Analysis

1) helps in creating Job description and Job specification



2) It is useful for constructing the proper job-employee orientation.

3) It helps in recruitment and selection

understanding of the job roles and skills help in better ~~but~~ matching of employees to jobs. Thus, recruitment becomes more

② job oriented

4) It helps in determining adequate compensation package for the role in sync with market conditions

5) It leads to effective onboarding and placement of people on the job roles.

6) Job design can be created in a better way by understanding the demand of the team

Job Analysis thus provides competent employees which can enhance the productivity of organization. with rising competition & where companies are struggling to match up to the demands of employees, an effective job analysis can lead better ~~but~~ workforce.



Q5 (a) Cash flows refer to the regular flow of cash to cater to the day to day financing needs of a firm.

— Investments in capital assets are assessed based on initial cash outflow and the regular stream of inflows the project entails.

— Cash flow estimation is based on 3 distinct cash centres

1) Initial cash ^{or} flow — that includes investment in the capital asset, installation charges. As the asset could be long term in nature like purchase of land, it requires additional legal charges like tax, excise duty.

2) Annual cash inflows — once the asset is purchased, it involves regular supply of funds to the firm which help in recovering the initial investment

3) Terminal inflow / salvage value — once the asset is used till its end life, it may include

a salvage or scrap value on selling. It should be noted that selling an asset may entail capital gains or loss which must be compensated against the final price.

[eg]

	Rs
Purchase of farm tractor + Purchase by spare part	(10,00,000) (1,00,000)
<hr/>	<hr/>
Total cash outflow	(11,00,000)
<hr/>	<hr/>
Cash inflow Year 1	2,00,000
Year 2	2,00,000
Year 3	2,00,000
Year 4	2,00,000
Year 5	2,00,000
Year 6	2,00,000
<hr/>	<hr/>
Total cash inflow	12,00,000
<hr/>	<hr/>
+ Salvage value	2,00,000
- Tax on capital gains (at 50%)	(40,000)
<hr/>	<hr/>
Terminal cash inflow	1,60,000
<hr/>	<hr/>

Good.

(b) Payback period evaluates the time that is needed to recover the investment made in an asset.

$$\text{Payback Period} = \frac{\text{Investment made initially}}{\text{annual cash inflow}}$$

for an equal inflow of cash.

1) there are unequal inflows

$$\text{Payback Period} = \text{Number of years before the final Recovery} + \frac{\text{Balance recovery}}{\text{cash flow in final year of recovery}}$$

Decision criteria

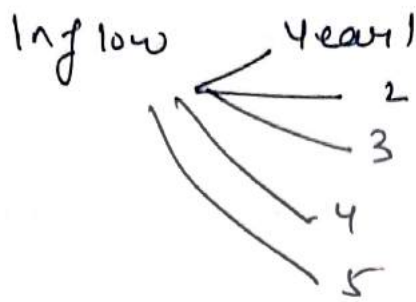
→ An organization would have set a benchmark for evaluating a benchmark payback period.

→ If actual payback period < Benchmark payback period → accept.

→ If actual payback period > Benchmark payback period → Reject.

eg

Initial Investment



(Rs)

10,00,000

2,00,000

2,00,000

2,00,000

2,00,000

2,00,000

3,00,000

$$\text{Payback Period} = \frac{10,00,000}{2,00,000} = \underline{\underline{5 \text{ years}}}$$

merits

- 1) measures the risk of investment
- 2) easier for employees to calculate
- 3) helps in evaluating 2 similar investment projects but of different inflows

demerits

- 1) Ignores time value of money
- 2) not helpful in mutually exclusive projects
- 3) Terminal cash inflows are ignored

Payback Period is one of the effective tools of managing capital returns. It must be complemented with other methods like NPV to better evaluate final decision.

(C) Financial Accounting and managerial accounting are two of the major branches of accounting that are essential to evaluate the investments made by firms

13/11/21

Financial Accounting

Managerial Accounting

1) Keeping an entry of business transactions and reporting of the data for effective financial decisions

eg - Balance sheet
Profit and Loss Account

2) It's an obligation as per the financial regulations of the regulator

3) It reflects the overall standing of business with respect to profit and loss

1) Management of financial data and analysis for the top leadership to make strategic choices

eg Forecasting report of future growth of a company vis-a-vis competitor

2) Non-optional obligation.

3) It provides individual department or Business unit contribution to profit and loss of firm

v) This past oriented as it deals with investments and profits that have already occurred

i) This done once a year as per industry standards

5) This more descriptive and needs financial background to understand

7) This more for shareholders and other outside stakeholders

4) This future oriented and helps in projecting future information

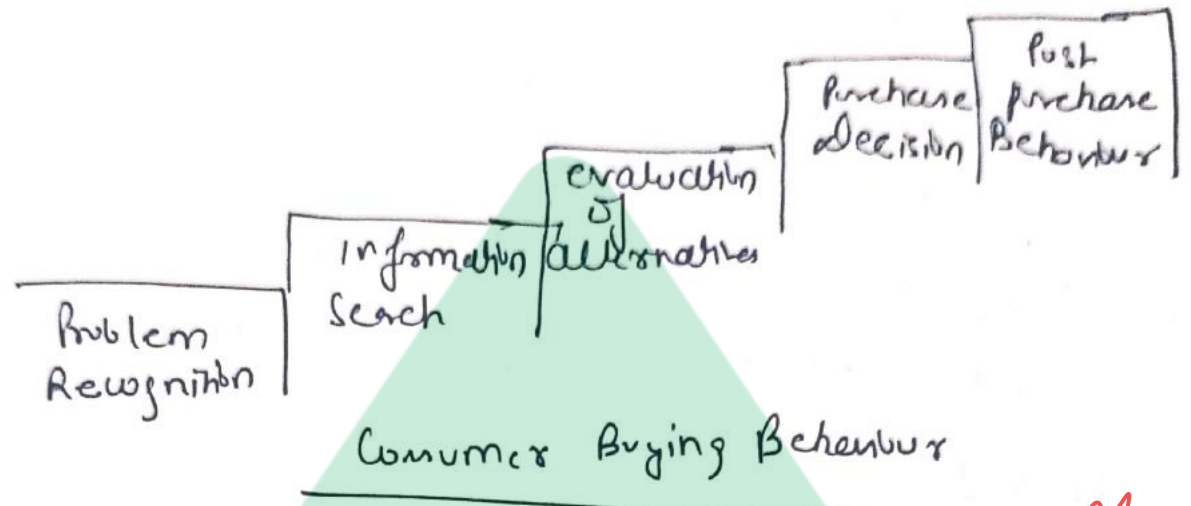
ii) It can be done frequently to gain competitive advantage

6) This more analytic and can be understood by analysis and senior management

7) This more for internal management for improving the business.

anujjindal.in

(a) Consumer Buyer Behaviour is a process of decision making by the consumer for buying a product.



Benefit of Post-purchase Behaviour

Customer Delight

1) Helps in assessing the quality of product by feedback of the customer

→ satisfied → dissatisfied

- Better quality
- improve scalability to reach more customers

- Improve quality
- work on Research and development

2) A satisfied consumer helps in improving the reach of product through word of mouth publicity

(3) It helps in promoting Brand loyalty and creating a lifetime customer

(4) As it's sometimes costly to acquire new customer, it helps in retention of customers

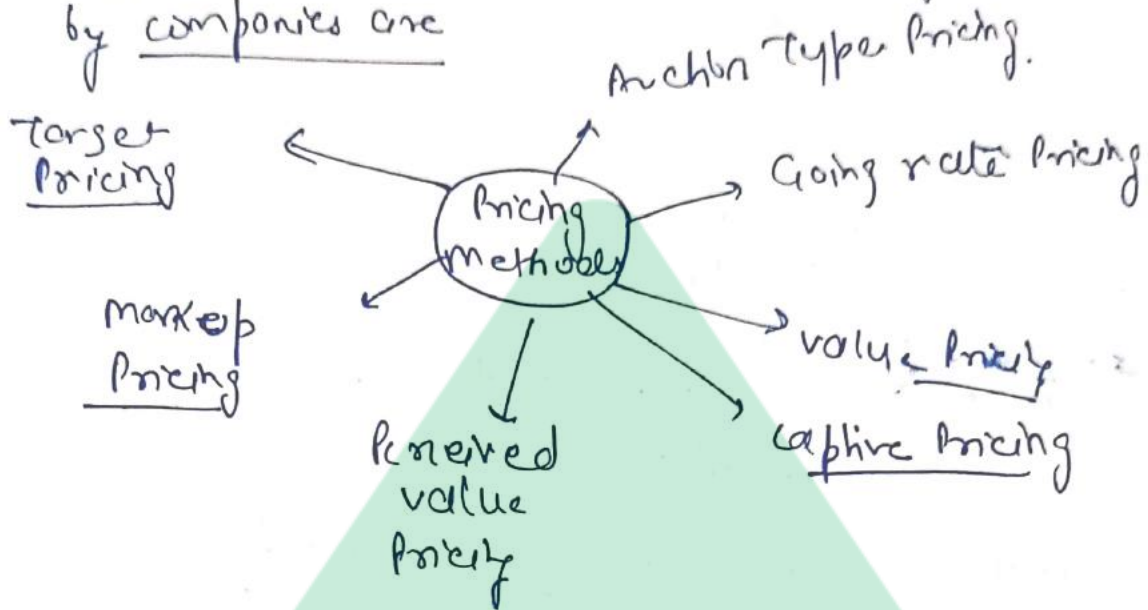
(5) Satisfied customers also promote brand growth and profitability by reducing lingering troubles

[eg] A dissatisfied consumer may approach a consumer court and include legal hassles for a company.

Consumers have become a part of a product life cycle by being the most important critic as well as a user of a product. They must be given adequate attention to maximize the success of a product

6

(e) Pricing methods are the part of product lifecycle that help in generating revenue. Different pricing methods generally adopted by companies are



(1) Going Rate Pricing

The firm bases its ~~product~~ price based on competitor's prices. This is generally used when costs are difficult to measure.

Example?

(2) value pricing

winning loyal customers by charging a fairly low price for a high quality product.

It also includes bundle pricing by providing

Amazon Prime subscription free of cost

It helps in maximizing customer market share by attracting new customers at a low cost

(3) Captive Pricing

Where the main product is sold at a low cost but the components needed regularly are charged at a higher price.

eg Printer costs are essentially low to attract computer's customers

but the cartridges are over priced to generate profits.

S

anujjindal.in

Q6

(a) Fund flow statement is a process of recording changes in the financial position of a business between a time frame. It shows the sources of funds and their utilization within a firm.

Fund Flow statement

Cash Flow statement

- Based on the wider concept of working capital and its change over a period of time
- It helps in calculating overall funds from the operation
- It shows long term position of firm
- It shows the changes in financial position of a business between previous and current accounting period

- Based on the concept of inflow and outflow of cash and cash equivalents during a particular period
- It helps in calculating overall cash
- It shows the short term position of firm
- It shows the movement of cash during the beginning and end of an accounting period.

- It's based on accrual
principle of accounting

- It's used for capital
budgeting

- It's based on cash
basis of accounting

- It's used for cash
budgeting

eg) End Flow statement of ABC Corp.

<u>Sources of funds</u>	
Funds generated from operating activities	10,000
Proceeds from issue of share capital	8,000
<hr/>	<hr/>
Total sources of funds	18,000
<hr/>	
<u>Application of fund</u>	
Purchase of fixed assets	12,000
Increase in working capital	3,000
<hr/>	<hr/>
Total application of funds	15,000

Good

7

(b) Urevaon Ltd

Project 1

Cash outlay - 10,000

life - 5 years

Tax = 50%

ROR = 10%

Project 2

Cash outlay - 10,000

life - 5 years

Project 1

Year	Profit Before Depreciation	Dep = $\frac{10,000}{5}$	Profit Before Tax	Tax @ 50%	PAT	PAT + Dep	Present value
1	4000	2000	2000	1000	1000	3000	2727
2	4000	2000	2000	1000	1000	3000	2478
3	4000	2000	2000	1000	1000	3000	2254
4	4000	2000	2000	1000	1000	3000	2049
5	4000	2000	2000	1000	1000	3000	1863
							11371

Net Present value =

Total cash inflows

Total cash outflows

$$= 11371 - 10,000 = 1371$$

Profitability Index =

PV of cash inflows

PV of cash outflows

$$= \frac{11371}{10000} = 1.137$$

Project 2								
Year	Profit before Dep	Dep	PBT	Tax @ 10%	PAT	PAT + Dep	PV	PV of Inflow
1	6000	2000	4000	2000	2000	4000	.909	3636
2	3000	2000	1000	500	500	2500	.826	2065
3	2000	2000	0	0	0	2000	.7513	1503
4	5000	2000	3000	1500	1500	3500	.6830	2391
5	5000	2000	3000	1500	1500	3500	.6209	2173
								11768

$$NPV = \frac{11768 - 10000}{1768} \text{ Rs}$$

$$\text{Profitability Index} = \frac{11768}{10000} = 1.178$$

(b) IRR Project 2									
Year	Cumulative Flow	12%	PV	14%	PV	15%	PV	16%	PV
1	4000	.892	3568	.877	3508	.869	3476	.862	3448
2	2500	.797	1993	.769	1923	.7561	1890	.743	1857
3	2000	.711	1422	.674	1348	.657	1314	.640	1280
4	3500	.6355	2224.3	.592	2072	.571	1998	.552	1932
5	3500	.567	1985	.5193	1818	.497	1739	.476	1666
			11192		10669		10417		10183
			10000		10000				
			+		+				+

Year	17%	PV
1	.854	3116
2	.7305	1826
3	.624	1248
4	.533	1865
5	.456	1596
		<u>(7951)</u>
		- <u>negative</u>
		- 49

IRR = lower discount rate + $\frac{\text{Positive NPV}}{\text{Positive NPV} - \text{negative NPV}} \times \text{diff in rate}$

$$= 16 + \frac{183}{183 + 49} \times 1$$

$$= \frac{16.78\%}{}$$

Year	Project CF	12%		15%		16%	
			PV		PV		PV
1	3000	.892	2676	.869	2607	.862	2586
2	3000	.797	2391	.7561	2268	.743	2229
3	3000	.711	2133	.657	1971	.640	1920
4	3000	.6355	1906	.591	1713	.552	1656
5	3000	.562	1701	.497	1491	.476	1428
			<u>16807</u>		<u>16050</u>		<u>9819</u>
			+		+		(181)

$$IRR = 15 + \frac{50}{(50+181)} \times 1$$

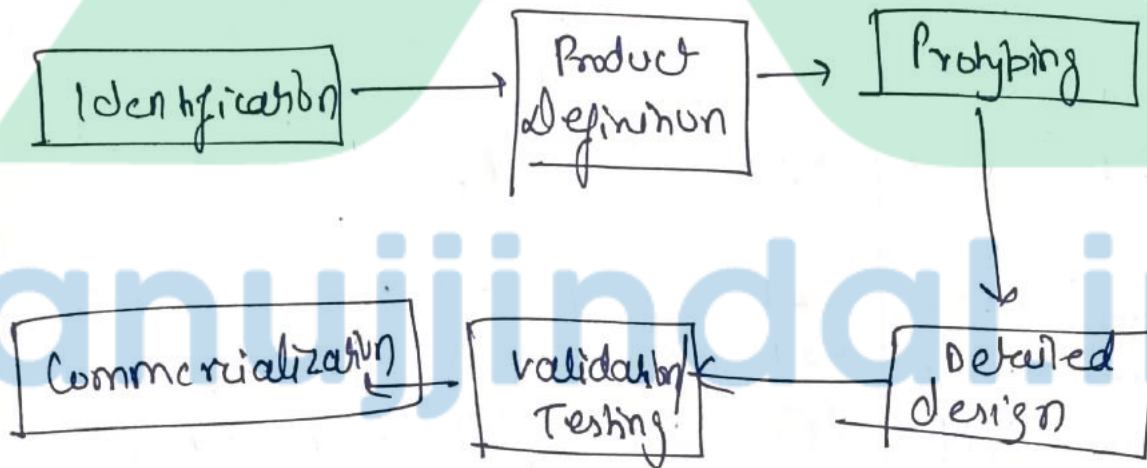
$$= \frac{15.26\%}{}$$

12

As per NPV, IRR and PI project 2 is more profitable and hence it should be selected

(c) The above case highlights the importance of a careful market research in developing a new product.

~~Process of developing a product~~
Process of developing a product



1) Idea Generation or Ideation

- where the new concepts originate
- most important stage for brainstorming new products

2) Product definition or discovery phase

- It involves refining the definition of product concept and ensuring that team understands customer requirement
- It involves developing a template or an approach

3) Prototyping

- Team develops a detailed business plan.
- The team explores the competitive market for new products and where would it fit the best
- This is critical as it reduces the market risk

4) Detailed design

- focus is on process design and refining the prototype of the product.

- It also involves getting continuous feedback from the potential users and incorporate in prototype.

② validation

- The finished product is available for the initial feedback of the potential users
- It could accommodate the feedback to tweak any designs
- This is the last step before the product is ready for the market.

Some of stay should follow

③ Commercialization

- Team designs a marketing and sales plan to bring the product in market.
- The finished product is built and sold after the final testing
- It also involves renewing the performance of product

10

In the above case, meenakshi is concerned with validating or testing the product in a small market to be sure of its scalability to be launched in the big market.