

NCERT Solutions for Class-XII Business Studies

Chapter- 4

Very Short Answer Questions

1. How does planning provide direction?

Sol. Planning is the process of creating a structure in advance regarding the work that needs to be done. It is helpful in defining the objectives and goals that needs to be achieved by an individual or company. Objectives and goal provide managers the right direction on the course of action that needs to be followed in order to achieve them.

Plan also ensures that the thoughts have clarity and the right action can be done in the right direction which will result in achieving the objectives. Planning helps in making each department know what exactly their functions are so work takes place in a coordinated manner in achieving the company common objective. If there is no planning, it will result in work being done haphazardly which results in inefficiency. Therefore, planning ensures that the company desired goals are achieved smoothly.

2. A company wants to increase its market share from the present 10% to 25% to have a dominant position in the market by the end of the next financial year. Ms Rajni, the sales manager has been asked to prepare a proposal that will outline the options available for achieving this objective.

Her report included the following options - entering new markets, expanding the product range offered to customers, using sales promotion techniques such as giving rebates, discounts or increasing the budget for advertising activities. Which step of the planning process has been performed by Ms Rajni?

Sol. The step that has been undertaken by Ms Rajni is identifying alternative courses of action. In this process Ms. Rajni has

noted down all possible course of action that can be used for increasing the market share.

3. Why are rules considered to be plans?

Sol. Rules are set of standards or statements that help us understand what needs to be done. Rules can be considered as plan because of the similarity in their nature. Rule can be considered as a simple type of plan. Planning is mostly involved with thinking and deciding about the action required for future. Similar to these, rules are also statements that help in deciding if any action needs to be carried out or not. Rules can be rigid in nature and needs to be followed. Not complying with the rules can result in disciplinary action that can be taken by company.

4. Rama Stationery Mart has made a decision to make all the payments by e-transfers only. Identify the type of plan adopted by Rama Stationery Mart.

Sol. The type of plan that is adopted by Rama Stationery is a payment policy of making all payments by e-transfer.

5. Can planning work in a changing environment? Give a reason to justify your answer.

Sol. Planning has a less chance of working correctly in a changing environment. Nature of business is dynamic and it continuously changes. For example, factors like social, political, rules and regulations are prone to changes on a continuous basis. Planning cannot detect such changes and therefore prove not that effective. For example, a company has planned to make white bread but the market demand shifted to brown bread due to people becoming more health conscious. Here the company needed to change its previous plan as market factors were not as per the plan.

Short Answer Type Questions

1. What are the main aspects in the definition of planning?

Sol. Planning is a process of analysing and deciding in advance regarding the tasks that need to be done and the way it should be done. It is a type of mental exercise in which a manager decides on the goals that need to be achieved and the means through which those goals can be accomplished. It involves looking ahead at the future. It can also be defined as setting up of objectives and goals, setting up alternatives and deciding on the appropriate action that needs to be taken.

Following are some of the main aspects of planning:

1. Planning must be done with fulfilling a certain objective. There needs to be certain objective which needs to be accomplished with the planning.

2. Plan must be defined for a certain period of time. If planning is not done within a set time period, it can become useless, as the business environment can change which will lead to changes in existing plan and new set of actions to be implemented.

3. Once an objective is decided, the next part is deciding on how the tasks needs to be achieved. Achieving the objective can be done through various alternative courses of action. Hence, those alternative options need to be determined appropriately.

4. The best alternative should be chosen among the available alternatives in order to get the best result.

2. If planning involves working out details for the future, why does it not ensure success?

Sol. Planning is regarded as a forward-looking function and it is helpful in predicting and analysing the events in future.

Future is uncertain and therefore cannot be predicted. There exist various forces that can have an impact on the way a company function. Such forces are complex and dynamic in nature, which results in changes occurring in short notice. The factors such as social, political, legal, technological, rules and regulations by government can change quickly and due to such uncertainty, one cannot be sure that success can be achieved and hence plans need to be modified in order to adapt to the ever-changing environment. Therefore, it can be said that even though planning involves preparing details of future, it does not guarantee that success will follow.

3. What kind of strategic decisions are taken by business organisations.

Sol. Following kinds of strategic decisions are taken by the business organisations

- 1. The line of business that should be followed.**
- 2. Deciding if a new line of business should be started or not.**
- 3. The position that a company should be aiming for in a existing market.**
- 4. The pricing policy that should be adopted.**
- 5. The decision to fix the advertising costs and policy.**

4. Planning reduces creativity. Critically comment. (Hint: both the points - Planning promotes innovative ideas and planning reduces creativity - will be given).

Sol. Planning always helps in promoting innovation. Formulating policies and plans is an intellectual process and it requires creativity and some innovation from the managers. Once a plan is formulated, it is not possible for a manager to change it. Such type of rigidity creates hurdles when changes are uncertain and therefore it reduces creativity.

5. In an attempt to cope with Reliance Jio's onslaught in 2018, market leader Bharti Airtel has refreshed its ₹ 149 prepaid plan to offer 2 GB of 3G/4G data per day, twice the amount it offered earlier. Name the type of plan is highlighted in the given example.? State its three dimensions also.

Sol. The type of plan that is adopted by Bharti Airtel is Strategy. Strategy is devised by keeping the business environment prevalent at the time.

The three dimensions of strategy are:

1. It helps determine long term objectives
2. It helps to determine a particular course of action
3. It guides on allocating resources which are necessary for achieving the objective.

6. State the type of plan and state whether they are Single use or Standing plan:

- (a) A type of plan which serves as a controlling device as well. (budget)
- (b) A plan based on research and analysis and is concerned with physical and technical tasks. (Method)

Sol. Budget: It is one type of plan that works as a controlling device. Budget is a single use plan developed specifically for a project of one time or any such similar event.

(a) **Method:** It is a type of plan that is based on analysis and research. It is mostly involved with technical and physical tasks. Method is a type of standing plan which happens at regular intervals.

Long Answer Questions

1. Why is it that organisations are not always able to accomplish all their objectives?

Sol. Organisations create plans in order to meet the desired objectives. It is an essential part of activity for any organisation and it forms the basis for its functioning. But sometimes it happens that not all things will go as per the plan that is done. Unforeseen situations can lead to changes in the business environment than can result in cancelling of plans that were created by the organisations. Planning has its own sets of limitations that can cause obstruction in the completion of objectives of an organisation. Some of the limitations are discussed here that can cause organisational objectives remaining unfulfilled

1. Planning is rigid by nature. Once a plan is created about the objectives that need to be achieved and the course of action that needs to be followed, the manager is unable to make any changes. This type of quality makes it difficult in times of unforeseen changes in business environment. The plans that are created need to have certain amount of flexibility so that

it can adjust according to the changing nature of the business environment. Rigidity in plans form an obstacle in completion of the organisation's objectives.

2. Business environment is highly dynamic in nature and is therefore uncertain. Planning is unable to foresee those changes and thereby fails to execute accordingly when the situation is not exactly favourable. It causes failure in accomplishing the desired objectives. Therefore, an organisation must adapt to function as per the changing business environment.

3. Formulating plans involves huge investment in form of time and money. Planning is based on future happenings; therefore, it requires a great amount of

thinking and analysis of environment. It can also involve calculations that determine the facts and figures, which will be used to determine the course of action. These activities involve high costs and it can happen that the benefits derived from the planning is less than the amount invested for planning.

4. A good plan is not going to ensure success. Managers are often seen to try out plans that have been successful in the past. It cannot be said that a plan will work well if it was shown to be successful in the past, as the

prevalent situations may be completely different than the current one. Also, sometimes it is thought that planning can prevent any issues from arising, however it is not considered that planning is not a solution for future, it is just a base for predicting future events that may or may not happen.

5. Planning is a time-consuming task; it works for determining future happenings and how to cope with them. Therefore, it involves lot of research and analysis which can be time consuming and result in actions getting delayed.

2. What are the steps taken by management in the planning process?

Sol. Planning is the process of creating a structure in advance regarding the work that needs to be done. It is helpful in defining the goals and objectives that needs to be achieved by an individual or organisation. Therefore, it involves a series of steps that are bound logically. Following are some of the steps that is involved in planning

- 1. The first step in any planning involves setting up of the defined goals and objectives. An organisation needs to have certain set of goals and objectives that need to be worked upon in order to be successful. Managers have the task of defining those objectives clearly so that the workers follow the correct direction in order to meet those goals. Objectives that will be stated in the plan must be understood by all levels of the organisation, it helps individual workers/departments to know what is expected of them so they can put all their effort in accomplishing the objectives. Without a clear definition of goals and objectives, management functions cannot perform as expected.**
- 2. Planning is based on assumptions based on the future. These assumptions are called as premises. It is about the future, previous plans and current plan and policies. Similar set of assumptions should be followed by managers at every level of organisation. Assumptions are important as they pave the path on which organisations decide the plans to be made. Therefore, for successful planning there should be correct premises.**
- 3. As the assumptions and objectives are developed, there arises a need of identifying a different course of action which can be followed. An objective can be achieved by following many ways which are different from each other. Managers need to think about those alternatives. Creativity and innovation are required so that goals can be accomplished in different ways.**
- 4. Once the different paths of action are determined, managers need to check and evaluate those paths. Evaluation will be based on the utility and the consequences of the said actions. The pros and cons of all the alternatives should be thoroughly**

evaluated and the most appropriate one should be chosen that can lessen the time required to achieve the objectives.

- 5. Selection of the best alternative can be accomplished by opting for methods that is deemed to be most feasible as per the mentioned objective. Managerial skills are required to determine the best alternative in terms of efficiency, profitability and costs. Based on the situation encountered there can one can use combination of alternatives that can get the work done.**
- 6. Implementing the alternatives requires the involvement of other management functions. It comprises of planning and organising the task as per the policy. Implementation is mostly concerned with following of the best path and determining how that action will be used in order to accomplish the objectives.**
- 7. Supervision is required in order to check the progress of the plan. By keeping note of all the activities it can be ensured that all the work is going according to plan. A follow up action helps in increasing the success rate of a plan and hence the accomplishment of objectives.**
- 3. An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements. Questions**
 - 1. Prepare a model business plan for C Ltd. to meet the existing challenge. You need not be very specific about quantitative parameters. You may specify which type of plan you are preparing.**
 - 2. Identify the limitations of such plans.**
 - 3. How will you seek to remove these limitations?**

Sol.

- 1. Plans that can be adopted for this company are policy and strategy.**

Policies are the plans that act as a guide in channelizing the efforts done by organisation in achieving an objective. They form the basis for interpreting strategies of the organisation and define broad areas of management functions. Policies are flexible in nature. Strategies help provide a broad view of the plans of the organisation and how they are going to meet the objectives. Using proper strategies and strong policies plan can be drafted for surviving in the market among competitors.
- 2. Limitations of policy and strategy are:**
 - 1. Planning is rigid by nature. Once a plan is created about the objectives which need to be achieved and the course of action that needs to be adopted, the manager is unable to make**

any changes. This type of quality makes it difficult in times of unanticipated changes in business environment. The plans that are created need to have certain amount of flexibility so that it can adjust according to the changing nature of the business environment. Rigidity in plans form an obstacle in completion of the organisation's objectives.

2. Business environment is highly dynamic in nature and is therefore uncertain. Planning is unable to foresee those changes and thereby fails to execute accordingly when the situation is not exactly favourable. It causes failure in accomplishing the desired objectives. Therefore, an organisation must adapt to function as per the changing business environment.

3. Formulating plans involves huge investment in form of time and money. Planning is based on future happenings; therefore, it requires a great amount of thinking and analysis of environment. It can also involve calculations that determine the facts and figures, which will be used to determine the course of action. These activities involve high costs and it can happen that the benefits derived from the planning is less than the amount invested for planning.

4. A good plan is not going to ensure success. Managers are often seen to try out plans that have been successful in the past. It cannot be said that a plan will work well if it was shown to be successful in the past, as the prevalent situations may be completely different than the current one. Also, sometimes it is thought that planning can prevent any issues from arising, however it is not considered that planning is not a solution for future, it is just a base for predicting future events that may or may not happen.

5. Planning is a time-consuming task; it works for determining future happenings and how to cope with them. Therefore, it involves lot of research and analysis which can be time consuming and result in actions getting delayed.

3. These steps need to be taken for removing planning limitations

1. Plan must not be rigid, so it must be having certain degree of flexibility for managers so that they can deal with events or changes that might be encountered during the planning.

2. Planning should be done knowing the fact that business environment can be highly dynamic. Therefore, plans should be of the type that can be adjusted as per the current business environment with minimum of effort.

3. During the course of planning unnecessary cost and time wastage should be stopped.

4. There should not be reliance on only the pretested plans. There should be new plans which should be drafted as per the existing situation and the prevailing circumstances.