

ISC Paper 2015

Commerce

Maximum Marks: 80

Time allowed: Three hours

- Candidates are allowed additional 15 minutes for only reading the paper. They must NOT start writing during this time.
 - Answer Question 1 (Compulsory) from Part I and five questions from Part II, choosing two questions from Section A, two questions from Section B and one question from either Section A or Section B.
 - The intended marks for questions or parts of questions are given in brackets [].
 - Transactions should be recorded in the answer book.
 - All calculations should be shown clearly.
 - All working, including rough work, should be done on the same page as, and adjacent to the rest of the answer.
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Part-I (20 Marks)

Answer all questions.

Question 1.

Answer briefly each of the questions (i) to (x)

- (i) Enumerate the components of macro environment of a business concern.
- (ii) What is meant by capital gearing ratio ?
- (iii) Explain the meaning of gross working capital.
- (iv) Distinguish between NEFT and RTGS.
- (v) Distinguish between Unity of Direction and Unity of command.
- (vi) Explain the term span of control.
- (vii) What are the steps involved in the process of recruitment ?
- (viii) What is meant by the term place in marketing mix ?
- (ix) Explain branding.
- (x) What is mobile banking ? State any two banking services available on mobile phone.

Answer :

(i) Macro environment is basically referred to the area of external business operations of a particular organization. The components of a macro environment have to be well analyzed before planning the course of marketing programmers as it affects the very performance of a product or an organization. All the factors affecting the performance of a firm in the macro environment are referred to as the components which could be economic, demographic, technological, natural, social .cultural, legal and political.

(ii) Capital gearing ratio is the ratio between the capital plus reserves i.e.. equity and fixed cost bearing securities. Fixed cost bearing securities include debentures, long-term mortgage loans etc.

(iii) Gross working capital is sum of current assets of a company and does not account for current liabilities. Gross working capital includes assets such as cash, checking and savings account balances, accounts receivable, short-term investments, inventory and marketable securities.

(iv) NEFT: NEFT- National Electronic Funds Transfer service can be used for sending funds inter-bank and intra-bank. The limit of remitting funds is from ₹ 1 to limitless.

RTGS : RTGS – Real Time Gross Settlement service can also be utilized for sending funds inter-bank and intra-bank, but the minimum amount is ₹ 2 lakh and no upper limit.

NEFT: Timings : 09:00 hours to 19:00 hours (Monday to Friday)
09:00 hours to 13:00 hours (Saturday)

RTGS: Timings : 09:00 hours to 16:30 hours (Monday to Friday)
09:00 hours to 13:30 hours (Saturday)

(v)

Basis of Difference	Unify of Command	Unity of Direction
Definition	A sub-ordinate must have one superior and receive orders only from him.	Means activities aimed at the same objective.
Objectives	Preventing dual subordination and creating accountability.	All the activates aimed of the elected goal or plan.
Subject matter	Activates and decisions made in light of the plan and objectives.	One head and one plan for a group of activities with the same objective.

(vi) The span of control is the number of subordinates for whom a manager is directly responsible. Some companies also have an ideal span of control, which is the number of reports they feel a manager can effectively manage. In this case, if a manager has fewer reports than the ideal, they may feel he or she is not being effectively used, while if he or she is handling more they may feel that the manager is over-stretched and the reports will not receive enough direction.

(vii) Steps in Recruitment Process

- Identify vacancy
- Prepare job description and person specification
- Advertising the vacancy
- Managing the response
- Short-listing
- Arrange interviews
- Conducting interview and decision making

(viii) Place is the element of the marketing mix that ensures that the product is distributed and made conveniently available for the consumer – at the right location at the right time. It is imperative that, when the consumer comes into the store to purchase a product, that product is readily available without any issue. Whenever consumers are faced with issues involving the availability of a product, it is almost certain that they will take their business somewhere else,

(ix) A brand basically serves as an identify for a company . This is much more than logos and names. The identity has to be created based on a different and unique idea and put through a compelling story . You have to make sure that it connects well with the all the potential customers and this should also form strong bonds with the customers.

(x) Mobile banking means banking through mobile phone. Mobile banking allow s you to bank anytime anywhere through your mobile phone. You can access your banking information and make transactions on your Savings Account. Loan Accounts and Credit Cards at absolutely no cost. With the new mShop facility on iMobile. you will now be able to recharge your mobile phone and book movie tickets.

Part-II (20 Marks)
(Answer any five questions)

Question 2.

- (a) Explain any three features of business environment. [3]
(b) Discuss in brief any four factors that affect the working capital requirement of a company. [4]
(c) Explain any five rights of consumers as provided under the Consumer Protection Act. 1986. [5]

Answer:

(a) All the external forces : Business Environment includes all the forces, institutions and factors which directly or indirectly affect the business organizations.

Specific and general forces : Business environment includes specific forces such as investors, customers, competitors and suppliers. Non-human or general forces are Social, Legal, Technological, Political, etc. which affect the business indirectly.

Inter-relation : All the forces and factors of business environment are inter-related to each other. For example with inclination of youth towards western culture, the demand for fast food is increasing.

Uncertainty: It is very difficult to predict the changes of business environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

(b) Nature of Business : The requirement of working capital of an enterprise depends upon the nature of business. A trading concern like a garments show-room, a service concern like an electricity undertaking or a transport corporation have a short operating cycle. Their requirement for working capital is small. A manufacturing concern like cotton textiles or woollen factory will have a long operating cycle specially if they are selling their goods on credit. Hotels and restaurants have minimum requirement of working capital 10 to 20% whereas trading and construction industries have highest working capital requirement 80 to 90%.

Size of the Enterprise: An enterprise working on a high level of activity has a higher level of working capital requirement and vice-versa. An increase in production from time to time will tend to increase the need of working capital.

Seasonality of Operations: Those firms which have marked seasonality in their operations have fluctuating working capital requirements. A firm manufacturing refrigerators will have maximum sales during summer seasons and minimum sales during winter seasons thus affecting its working capital. Such firms have a need of higher working capital during summers and lower in winter season.

Firms also experience cyclical fluctuations in the demand of their product and services. During upward swing in the economy, sales will increase and hence, debtors too. Under boom, the firms generally do substantial borrowing to increase their productive capacity. Whereas a decline in the economy results in low level of sales, inventories, debtors etc. Rather, firms try to reduce their short-term borrowings.

Market Conditions : When competitive conditions are prevailing in the market, a larger inventory of finished goods is needed as customers may not be inclined to wait. Further, a liberal credit policy may be offered to the customer by the competitors. Both the conditions demand higher level of working capital, more investment in finished goods and debtors as well. A higher collection period will also imply tie-up of larger funds in

book debts. Similarly, delayed payments, if not checked in time, may increase the working capital requirements much to the detrimental of the entrepreneur.

- (c) (i) Right to be protected against the marketing of goods and sendees which are hazardous to life and property.
(ii) Right to be informed about the quality, quantity, potency, purity, standard and price of goods or sendees so as to protect the consumer against unfair trade practices.
(iii) Right to be assured , wherever possible , access to a variety of goods and sendees at competitive prices.
(iv) Right to be heard and to be assured that consumers interests w ill receive due consideration at appropriate forums.

Question 3.

- (a) What is meant by trade credit ? Mention two advantages of trade credit as a short-term source of finance. [3]
(b) Explain any four types of debentures through which a public limited company can collect its borrow ed capital from the public. [5]
(c) What is retained earning 9 Explain any two of its merits and two of its demerits. [5]

Answer:

(a) Trade credit is an important external source of working capital financing. It is a short-term credit extended by suppliers of goods and sendees in the normal course of business, to a buyer in order to enhance sales. Trade credit arises when a supplier of goods or sendees allow s customers to pay for goods and sendees at a later date. Cash is not immediately paid and deferral of payment represents a source of finance.

Advantages:

- There are no formal legal instruments/acknowledgements of debt.
- It is an internal arrangement between the buyer and seller.
- It is a spontaneous source of financing.

(b) Redeemable Debentures: Redeemable debentures carry a specific date of redemption on the certificate. The company is legally bound to repay the principal amount to the debenture holders on that date.

Irredeemable (Perpetual) Debentures:

On the other hand, irredeemable debentures, also known as perpetual debentures, do not carry any date of redemption. This means that there is no specific time of redemption of these debentures. They are redeemed either on the liquidation of the company or w hen the company chooses to pay them off to reduce their liability' by issues a due notice to the debenture holders beforehand.

Convertible Debentures : Convertible debenture holders have an option of converting their holdings into equity' shares. The rate of conversion and the period after which the conversion will take effect are declared in the terms and conditions of the agreement of debentures at the time of issue.

Non-Convertible Debentures: Non-convertible debentures are simple debentures with no such option of getting converted into equity. Their state will always remain of a debt and will not become equity' at any point of time. .

(c) Like an individual, companies too, set aside a part of their profit to meet future requirements. The portion of profits not distributed among the shareholders but retained and used in business is called retained earnings. It is also referred to as ploughing back of profit. This is one of the important sources of internal financing used for fixed as well as working capital. Retained earnings increase the value of shareholders in case of a growing firm.

Merits:

Cheaper Source of Financing: The use of retained earnings does not involve any acquisition cost. The company has no obligation to pay anything in respect of retained earnings.

Financial Stability: Retained earnings strengthen the financial position of a business and thereby give financial stability to the business.

Demerits:

Improper Utilization of Funds : If the purpose for utilization of retained earnings is not clearly stated, it may lead to careless spending of funds.

Over-capitalization: Conservative dividend policy leads to huge accumulation of retained , earnings leading to over-capitalization.

Question 4.

- (a) Distinguish between equity shares and preference shares. [4]
 (b) Explain any four facilitating functions of marketing. [8]

Answer:

(a)

Basis of Difference	Equity' Shares	Preference Shares
Definition	Shares who do not enjoy any preference as regards payment of dividend and repayment of capital.	Shares which enjoy preference as regards payment of dividend and repayment of capital.
Why chosen	Voting rights only possible with equity shares.	With preference shares investors enjoy: Liquidation preference Conversion(1:1. 1:0.5. 1:2)can be decided upon performance of the company.
Rate of Dividend	Fluctuating, depending on the availability of profits and recommendations made by the Board of Directors.	Fixed.
Payment of Dividend	No priority.	Enjoy priority.

(b) Facilitating Functions of Marketing:

Selling : Selling is the core of marketing. It is concerned with the prospective buyers to actually complete the purchase of an article. It involves transfer of ownership of goods to the buyer. Selling plays an important part in realizing the ultimate aim of earning profit. Selling is enhanced by means of personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling determines the volume of company's profits and profitability.

Buying and Assembling: It involves what to buy, of what quality', how much from whom, when and at what price. People in business buy to increase sales or to decrease costs. Purchasing agents are much influenced by quality, service and price.

The products that the retailers buy for re-sale are determined by the needs and preferences of their customers. A manufacturer buys raw materials, spare parts, machinery, equipment's, etc. for carrying out his production process and other related activities. A wholesaler buys products to resell them to the retailers.

Assembling means to purchase necessary component parts and to fit them together to make a product. 'Assembly line' indicates a production line made up of purely assembly operations. The assembly operation involves the arrival of individual component parts

at the work place and issuing of these parts to be fastened together in the form of an assembly or sub-assembly .

Transportation: Transportation is the physical means by which goods are moved from the places where they are produced to those places where they are needed for consumption. It creates place, utility. Transportation is essential from the procurement of raw material to the delivery of finished products to the customer's places. Marketing relies mainly on railroads, trucks, waterways, pipelines and air transport.

The type of transportation is chosen on several considerations, such as suitability, speed and cost of transportation services. Transportation may be performed either by the buyer or by the seller.

Storage: It involves holding of goods in proper (i.e.. usable or saleable) condition from the time they are produced until they are needed by customers (in case of finished products) or by the production department (in case of raw materials and stores): storing protects the goods from deterioration and helps in carrying over surplus for future consumption or use in production.

Goods may be stored in various warehouses situated at different places, which is popularly known as warehousing. Warehouses should be situated at such places from where the distribution of goods may be easier and cheaper. Situation of warehouses is also important from the view of prompt feeding of emergency demands. Storing assumes importance when production is regional or consumption may be regional. Retail firms are called "stores".

Standardization and Grading : The other activities that facilitate marketing are standardization and grading. Standardization means establishment of certain standards or specifications for products based on intrinsic physical qualities of any commodity .

This may involve quantity (weight or size) or it may involve quality (colour, shape, appearance, material, taste, sweetness etc.) Government may also set some standards, for example, in case of agricultural products. A standard conveys a uniformity of the products. Grading means classification of standardized products into certain well defined classes or groups. It involves the division of products into classes made of units possessing similar characteristics of size and quality. Grading is very important for raw materials, marketing of agricultural products, mining products and forest products. Branded consumer products may bear grade labels A. B. C.

Question 5.

(n) Mention three remedies available to consumers under the Consumer Protection Act, 1986. [3]

(b) Explain any four merits of borrowing funds from financial institutions. [4]

(c) Explain any five ways of overcoming barriers to communication. [5]

Answer:

(a) Remedies Granted under the Act. The District Forum / State Commission / National Commission may pass one or more of the following orders to grant relief to the aggrieved consumer

- to remove the defects pointed out by the appropriate laboratory from goods in question.
- to replace the goods with new goods of similar description which shall be free from any defect;
- to return to the complainant the price or, as the case may be, the charges paid by the complainant;
- to pay such amount as may be awarded by it as compensation to the consumer for any loss or injury suffered by the consumer due to negligence of the opposite party.

(b) Merits of Borrowing Funds from Financial Institutions:

Immediate Infusion of Cash:

The main benefit of borrowing money from a financial institution is the ability to obtain a large amount of money quickly. This money can be used for necessary purchases and investments, including investments in your own education. Financial institutions can lend more money than most friends and family members can.

Interest Rates:

Financial institutions attach interest rates to the principal amount borrowed. An interest rate can either be a positive or a negative. Borrowers with good credit can attain a loan with a lower interest rate. This, in turn, makes the loan less expensive in the long run. Borrowers with poor credit scores can likely only attain a loan at higher interest rates. This can make borrowing money an expensive decision and possibly unattractive as a financial option. Interest rates also fluctuate. As such, borrowers should watch interest rates to borrow when rates are low. A strong credit score and favorable market interest rates produce a favorable borrowing environment.

Collateral:

Collateral is a legal interest, otherwise known as a lien, that a financial institution places on an asset in case you default on your loan. A common form of this interest is the home mortgage. Collateral removes the risks a financial institution takes on when

lending out large sums of money (a house mortgage or car loan, for example). Upon defaulting, the financial institution takes control of the asset and sells it for a profit to cover any losses. This secures the institution against losses and creates the freedom to lend out larger amounts. Loans backed by collateral, also known as secured loans, offer lower interest rates but present the clear danger of losing your property.

Traditional Banks and Credit Unions:

Traditional banks and credit unions offer different benefits to borrowers. Traditional banks offer services to all potential customers. Even though anyone can potentially use the financial services of traditional banks, these financial institutions often offer loans at high interest rates. Credit unions, on the other hand, are open to specific groups of people, usually people who live in a specific geographical location or those who belong to certain professions. These financial institutions often offer their members lower interest rates, but, unlike a bank, not everyone can become a customer.

(c) Ways of overcoming barriers to communication

All the communication barriers as identified above, can be overcome with a conscious effort by observing the following rules.

- Before initiating an interaction our ideas must be planned and clarified. In order to make our ideas clear, we may discuss them with others. Build a climate of trust and confidence between the participants.
- A time sense must be observed between the speaker and the listener so that the listener may understand and appreciate the speaker's ideas
- Our speech and gestures must be consistent with each other.
- In order to eliminate misunderstanding or miscommunication the speaker must adopt question-answer technique. The feedback from the listener is necessary to clear doubts.
- Use simple language understandable to the listener.
- The message must have a purpose and must be addressed to the listener.

Question 6.

(a) Explain any three internal factors of micro environment of a business organization.

[4]

(b) Explain the objective of marketing. [4]

(c) Planning is beneficial to all. In the light of this statement, discuss the importance of planning. [5]

Answer:

(a) Internal Environment

Internal environment includes all those factors which influence business and which are present within the business itself. These factors are usually under the control of

business. The study of internal factors is really important for the study of internal environment.

Internal micro-environment factors are:

The general vision of the company : This is developed by the management and leads the company 's activities to operations focused on production, technology, sales or market. It's very important that the focus is on marketing, trying to appease both company's and market's objectives.

Marketing integration : Related to the general vision of the company . The marketing function must be an integrator function for all other functions, so that the marketing concept can be promoted.

Organizational culture : It represents a series of values and beliefs promoted company wide, being a result of cultural elements that characterize the people that run the business or support it: employees, managers, shareholders, union. Development of organizational culture is crucial.

Employees: This is the main internal micro-environmental factor that influences the company. considering that the employees are involved in all company's operations. Employees' satisfaction is important because it results in customer satisfaction.

(b) Objectives of Marketing

Creation of Demand : The marketing management's first objective is to create demand through various means. A conscious attempt is made to find out the preferences and tastes of the consumers. Goods and services are produced to satisfy the needs of the customers. Demand is also created by informing the customers the utility of various goods and ser-vices.

Customer Satisfaction : The marketing manager must study the demands of customers before offering them any goods or services. Selling the goods or services is not that important as the satisfaction of the customers' needs. Modern marketing is customer-oriented. It begins and ends with the customer.

Market Share: Every business aims at increasing its market share i.e.. the ratio of its sales to the total sales in the economy. For instance, both Pepsi and Coke compete with each other to increase their market share. For this, they have adopted innovative advertising, innovative packaging, sales promotion activities, etc.

(c) Importance of Planning:

Focuses attention on objectives and results: Every organisation exists to achieve certain objectives Planning concentrates attention on the dominant goals of the organisation.

Reduces uncertainty and change : Uncertainty and risks are inevitable and planning cannot eliminate them. But planning enables an organisation to cope with uncertainty and change.

Planning helps to identify potential threats and opportunities. It also keeps management alert to the changing environment of business. In this way, planning provides additional strength to the organisation for survival and growth in the face of turbulence.

Provides sense of direction : Planning saves an organisation from drifting and avoids aimless activities. Planning makes work more meaningful and activities more orderly.

Helps in coordination : Planning is the best stage for the integration of diverse forces at work. Sound planning inter-relates all the activities and resources of an organisation.

The activities and efforts of various departments and divisions can be harmonized with the help of an overall plan, planning makes for balance and consistency in efforts. Planning leads to a consistent and coordinated structure of operations.

Provides economy in operation : Planning facilitates optimum utilization of available resources. It makes it possible for things to occur which would not otherwise happen. It improves the competitive strength of an organization by helping it to discover and exploit opportunities. A rational solution to problems, planning results in the use of most efficient methods of work.

Question 7.

- (a) Differentiate between functional organization and divisional organization [3]
- (b) What is meant by service ? Mention three features of service. [4]
- (c) Coordination is the essence of management. Explain. [5]

Answer:

(a) Functional Structure : In a functional structure, positions are grouped based on the type of work they do and the skills required to complete that work. Organizations employing this kind of structure divide themselves into functional areas like marketing, engineering and accounting.

Each functional area is usually led by an administrator with expertise in that field. The strengths of the functional structure include fostering, supervising and efficiently utilizing specialized resources.

Divisional Structure: In a divisional structure, an organization divides itself not into functional areas but into divisions. These divisions, which can be created around

product lines, markets or geographic region, usually are given more independence and sometimes even act like separate companies. This structure is usually employed by businesses whose growth into new products, markets or regions makes the functional structure too complex and cumbersome. By creating these pseudo-sovereign divisions, decisions can be made more quickly and employees can specialize in the unique aspects of the division in which they work, providing for a more efficient use of resources.

(b) A service is an act or performance offered by one party to another. They are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing desired change.

Intangibility:

Services are activities performed by the service provider. Services cannot be seen, tasted, felt, heard or smelt before they are consumed.

Inseparability:

Services are typically produced and consumed simultaneously. Inseparability of production and consumption increases the importance of the quality in services.

Perishability:

Services are deeds, performance or act whose consumption take place simultaneously; they tend to perish in the absence of consumption. Hence, services cannot be stored. The services go waste if they are not consumed simultaneously.

(c) Coordination is not only a function of management but it is also an essence of the management process. Coordination is required in each and every activity and in each and every function of the management. Coordination is maintained in all the activities of the department, so that enterprise can be run efficiently and effectively. The concept of essence is related to the intrinsic nature of the object. Every function of management must in itself be coordinated. So it becomes the central task of the manager to reconcile the differences in approach, timing, effort or interest and to harmonize cooperative and individual goals. The reasons for treating coordination as the essence of management is as follow :

Coordination and Planning: Planning cannot prove effective if the sub plans of the organisation does not match with the overall or main plan. Coordination reconciles the policies and programmes of the various departments with the policies and programmes of the organisation, so that overall objectives can be achieved. Proper coordination as well is required when plans of the organisation are prepared with the participation of all the people who are involved in it. Further, coordination can be achieved through planning by integrating the plans of different departments.

Coordination and Organizing: Organisation would be poor if there is lack of harmony in vertical and horizontal authority relationships. Coordination helps in simplifying the organizational structure as well as reduces the conflicts. Coordination is required at the time of division of work i.e., delegating authority and creating responsibility. So for successfully performing the function of organizing, there is great need of coordination.

Coordination and Staffing: Staffing must be consistent with the needs and the resources of the enterprise. Even manager requires coordination for performing the function of recruitment, selection, training, development, performance appraisal, transfers, demotion, promotion etc. Placing the right person at the right place and at the right time requires coordination. So coordination is required for effectively performing the function of management.

Coordination and Direction: Direction cannot be proved effective if the orders and instructions given to the employees are not consistent with the requirements of the circumstances. Coordination promotes effective communication, leadership, supervision and motivation. Similarly, effective communication, leadership, motivation and supervision enhance coordination in the enterprise.

Coordination and Controlling : Controlling creates harmony between planning and the performance. For the measurement of actual performance, comparing it with the standards and taking the corrective action requires coordination of the different activities and the units in the organisation. So, coordination is required for the performance of the controlling function efficiently.

Question 8.

- (a) What is a market ? Explain the meaning of capital market and money market. [3]
- (b) Differentiate between traditional concept of marketing and modern concept of marketing. [4]
- (c) What is meant by indirect channels of distribution ? Explain the types of indirect channels of distribution. [5]

Answer:

(a) A market is a place where regular gathering of people for the purchase and sale of provisions, livestock and other commodities, takes place.

Capital Market:

The capital market is a market which deals in long-term loans. It supplies industry with fixed and working capital and finances medium-term and long-term borrowings of the central, state and local governments. The capital market deals in ordinary stock are shares and debentures of corporations and bonds and securities of governments.

The funds which flow into the capital market come from individuals who have savings to invest, the merchant banks, the commercial banks and non-bank financial intermediaries, such as insurance companies, finance houses, unit trusts, investment trusts, venture capital, leasing finance, mutual funds, building societies, etc.

Money Market:

Money market is the trade in short-term loans between banks and other financial institutions. Money markets allow banks to manage their liquidity as well as provide the central bank means to conduct monetary policy. Money markets are markets for debt instruments with a maturity up to one year. The most active part of the money market is the call money market (i.e., market for overnight and term money between banks and institutions) and the market for repo transactions. The former is in the form of loans and the latter are sale and buyback agreements – both are obviously not traded. The main traded instruments are commercial papers (CP's), certificates of deposit (CD's) and treasury bills (T-Bills).

(b)

Basis of Difference	Traditional Marketing	Modern Marketing
Complexity	Traditional market is not complex.	Modern marketing is a complex thing.
Distribution Channels	Less distribution channels.	More and more distribution channels of marketing are coming up.
Movement of the Purchaser	Consumers have to visit the market place for purchasing the products.	Consumers don't need to visit the supermarkets. They can place orders over the internet and have the goods delivered to their homes.
Middlemen	Traditional marketing depends on the services of middlemen.	Modern marketing does not depend on the services of the middlemen.

(c) Indirect Channel:

If the producer is producing goods on a large scale, it may not be possible for him to sell goods directly to consumers. As such, he sells goods through middlemen. These middlemen may be wholesalers or retailers. A wholesaler is a person who buys goods in large quantities from producers; where as a retailer is one who buys goods from wholesalers and producers and sells to ultimate consumers as per their requirement. Involvement of various middlemen in the process of distribution constitute the indirect channel of distribution. Let us look into some of the important indirect channels of distribution.

This is the common channel for the distribution of goods to ultimate consumers. Selling goods through wholesaler may be suitable in case of food grains, spices, utensils, etc. and mostly of items, which are smaller in size.

Under this channel, the producers sell to one or more retailers who in turn sell to the ultimate consumers. This channel is used under the following conditions –

- When the goods cater to a local market, for example, breads, biscuits, patties, etc.
- When the retailers are big and buy in bulk but sell in smaller units, directly to the consumers.

Question 9.

Write short notes on :

- (a) Directing [4]
- (b) Formal organisation. [4]
- (c) Internal sources of recruitment [4]

Answer:

(a) Directing is certainly a part of controlling function. However, motivation is not a controlling function completely, it is an influencing factor. For motivation, we should first know the need of the other person. Encouraging someone to excel in his actions amounts to motivation but not a control function. Motivation is a complex activity. It includes shades of controlling activity, though in a positive mode. Threat is also amounts motivation, of course in a negative way. Motivation is the core of management. Before a manager or business owner can make any decisions, he needs to know how it affects his bottom line. It is crucial that the staff be motivated by the proper direction.

(b) Formal Organisation : When the managers are carrying on organizing process then as a result of organizing process an organisational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organisational structure. The salient features of formal organization are as follows :

- Organization structure is laid down by the top management to achieve organizational goals.
- Organization structure is based on division of labor and specialization to achieve efficiency in the operations.
- Organization structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.
- The organization does not take into consideration the sentiments of organizational members.

- The authority and responsibility relationships created by the organization structure are to be honored by every one.

(c) Internal Sources:

Best employees can be found within the organisation. When a vacancy arises in the organisation, it may be given to an employee who is already on the pay-roll. Internal sources include promotion, transfer and in certain cases demotion. When a higher post is given to a deserving employee, it motivates all other employees of the organisation to work hard. The employees can be informed of such a vacancy by internal advertisement.

Methods of Internal Sources:

The Internal Sources are given below:

Transfers : Transfer involves shifting of persons from present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The numbers of persons do not increase with transfers.

Promotions : Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The higher positions falling vacant may be filled up from within the organisation. A promotion does not increase the number of persons in the organisation.

A person going to get a higher position will vacate his present position. Promotion will motivate employees to improve their performance so that they can also get promotion.

Present Employees: The present employees of a concern are informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. Management is relieved of looking out prospective candidates.

The persons recommended by the employees may be generally suitable for the jobs because they know the requirements of various positions. The existing employees take full responsibility of those recommended by them and also ensure of their proper behavior and performance.