



BUSINESS STUDIES

CHAPTER 4 – PLANNING

Very Short Answer Questions

1. Give the meaning of "Method" as a type of plan.

Ans: The prescribed approach or manner in which a work must be completed is referred to as the method.

2. What is planning?

Ans: Planning entails deciding what to do and how to do it ahead of time. It is a fundamental managerial function.

3. What all qualities are required for doing planning?

Ans: Intelligence, creativity, foresightedness, and sound judgement are few qualities required for planning.

4. Name and state the aspect of financial management that enables to foresee the fund requirements both in terms of 'the quantum' and 'in terms of the timings'. (CBSE BOARD 2016).

Ans: "Financial Planning" is the component of financial management that provides foresight of fund requirements both in terms of "quantity" and "timings."

Financial planning is creating a blueprint for a company's entire financial operations so that the appropriate quantity of funds are available for various operations at the appropriate time.

5. How does planning create rigidity?

Ans: Planning imposes rigidity by limiting managers' ability to take initiative.

6. What is the basis for creating future

course of action?Ans: Forecasting.

7. Give one limitation of planning

function.Ans: Planning does not guarantee success.

8. Which is the most crucial step in

planning process?Ans: Setting objectives for the organization.

9. Define 'Objective'?

Ans: Objectives are desired future positions that the management would like to reach. These are quantitative and measurable in nature.

10. Define 'Strategy'.

Ans: A strategy refers to future decisions and actions, defining the organization's direction and scope in the long run.

Short Answer Questions

11. It is deciding in advance what to do and how to do. It is one of the basic managerial functions. It requires that before doing something, the manager must formulate an idea of how to work on a particular task. This function is closely connected with creativity and innovation. It seeks to bridge the gap

State any three limitations of planning function of management.

Ans: The following are the limitations of planning.

Planning leads to rigidity: A well-defined plan is put up in an organization with specified goals to be completed within a specific time frame, but management may not be able to change it. As the business environment is, dynamic managers between where we are and where we want to go and is performed at all levels of management.

In spite of this, the function of management referred above has a number of limitations

Explain any two such limitations.

- need to be given some flexibility to cope up with the changed circumstances.
- **Planning may not work in a dynamic environment:** Since planning is dependent on anticipating future events, and because the future is uncertain and dynamic, the organization must react to changes. However, planning will not be able to adequately predict future events.
- **Planning reduces creativity:** Top management does Planning and middle management does implementation of plan but they are not allowed to deviate from the plan and thus creativity of these managers are reduced.

12. Enumerate six points of importance of planning

Ans: Importance of planning is as under:

- a. Planning provides direction:** Planning provides guidance for action by defining how the task will be done in advance. Planning ensures that goals are clearly specified so that the best course of action may be devised. Once the strategies are in place, the department and individuals may work together.
- b. Planning reduces the risk of uncertainty:** Planning is a task that allows the management to see into the future and predict changes. Changes and occurrences cannot be avoided, but managers may anticipate them and adapt their strategies accordingly by deciding plans and courses of action ahead of time.
- c. Planning reduces overlapping and wasteful activities:** The basis for coordinating the actions and efforts of several divisions, departments, and individuals is planning. It eliminates ineffective and unnecessary activities, prevents misunderstandings, and assures clarity of thinking and action.
- d. Planning promotes innovative ideas:** The first role of management is planning. Managers are given the opportunity to generate fresh ideas, which can then be turned into tangible strategies. It directs all future actions that will lead to the company's growth and prosperity.
- e. Planning facilitates decision making:** Setting goals and forecasting future situations are all part of planning, which aids in

making sensible judgments among various options.

- f. **Planning establishes standards for controlling:** Planning establishes the benchmarks against which actual performance is assessed. As a result, planning is a must for controlling.

13. Explain the first three steps in the process of 'Planning'.

Ans: The following are the first three steps involved in the planning process.

1. **Setting the objectives:** Any business enterprise needs to decide upon its objectives, and the first step in the planning process is to set the objectives. Managers are required to define objectives clearly, so that they can take the right action to achieve the goals.
2. **Establishing the premises:** Planning is based on specific future assumptions. Premises are the terms used to describe these assumptions. The assumptions concern future forecasts, which serve as the foundation for the planning process. For successful strategies, forecast accuracy is required.
3. **Identifying alternatives:** The next step is to identify alternative courses of action. Managers must identify all the alternative courses of action for achieving the objectives of the organization. This involves innovation and creativity.

14. Explain any three features of "Planning."

Ans: The features of planning are highlighted in the following point.

- a. **Planning is centered on accomplishing goals:** General and particular goals, as well as strategies and activities to attain these goals, are established by organizations. Management should create plans with specific objectives in mind. These strategies must ensure that the desired result is achieved.
- b. **Foundation:** Planning is the foundation for all other management responsibilities. That is, planning comes before everything else, including organizing, directing, staffing, and managing. This is because the objectives are stated in the plans, and all other functions are carried out in accordance with the stated objectives. After the plans are set, the roles of various interconnected functions are assigned. As a result, planning serves as the foundation for all of an organization's other functions.
- c. **Organizational Pervasiveness:** Planning is essential at all levels of management as well as in all departments. At different levels and for different departments, the extent of planning varies. For example, top-level managers must lay down policies for general

management, while middle-level managers must map out the authority to be delegated to subordinates. Lower-level managers, on the other hand, set tiny goals for day-to-day operations.

15. "Planning focuses on achieving objectives", Explain.

Ans: Planning is a goal-oriented process that aids in the definition of objectives and the creation of action plans to attain those objectives. As a result, planning focuses on defining what has to be done and how it should be done. If the planning isn't focused on achieving predetermined organizational or corporate goals, it's pointless.

16. Somnath Ltd. is engaged in the business of export of garments. In the past, the performance of the company had been up-to the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds, he is trying to find out alternative sources from outside.

Justify the financial concept discussed in the above para. Also, state the objectives to be achieved by the use of financial concept, so identified.

(CBSE BOARD 2017)

Ans: The concept stated is Financial Planning. It involves designing the blueprint of the overall financial operations of a company such that the right amount of funds are available for various operations at the right time. That is, it tends to forecast what amount of funds would be required at what time as per the growth and performance of the company.

Objectives of Financial Planning

Proper financial planning is a prerequisite for the successful growth of any organization, regardless of whether they are new or existing ones. The two main objectives of financial planning are as given below:

- **Ensure timely availability of funds:** Financial planning involves estimating the right amount of funds required for various business operations and the time when these funds would be required. It also entails determining the most likely sources of funding.
- **Appropriate financial management:** This entails avoiding both insufficient and surplus financial circumstances. On the one hand,

insufficient funds impede the firm's smooth operations; on the other hand, surplus funds increase the cost of doing business and encourage excessive and wasteful spending. As a result, financial planning guarantees that funds be used to their full potential.

17. What do you mean by planning premises?

Ans: The planning premises are assumptions about future conditions and events that are expected to affect goal attainment. These are the pillars around which the entire planning framework is built. Every strategy is built on a foundation of assumptions. The premises must be based on accurate estimates, existing plans, or any past information regarding policies, among other things, to make planning effective.

For instance, demand for a product, raw material costs, financing rates, technological advancements, competition intensity, government policies and so on.

18. Give the meaning of 'procedure' and 'rule' as types of plans.

(CBSE BOARD 2017)

Ans: The meanings are given below:

- **Procedure:** A procedure is a set of routine steps defined in a chronological order to be followed for the enforcement of a policy. It includes a detailed description of the exact manner in which a task is to be performed. Generally, procedures are developed for the insiders, i.e. the employees of the organization. They consist of steps in a sequential manner, which are undertaken to implement a policy or a particular work. In short, we can say that procedures are the steps that require to be carried out within a broad policy framework.
- **Rule:** A rule refers to a standard or specific statement that gives information about what is to be done and what is not to be done. Rules are the most basic plans and do not allow for any flexibility. They denote a managerial decision on whether or not to carry out a specific task or action. Such rules do not allow any scope for compromise or change unless the managers take a policy decision.

19. Ramnath Ltd. is dealing in import of organic food items in bulk. The company sells the items in smaller quantities in attractive packages. Performance of the company has been up to the expectations in the past. Keeping up with the latest packaging technology, the company decided to upgrade its machinery. For this, the Finance Manager of the company, Mr. Vikrant Dhull, estimated the amount of funds required and the timings. This will

help the company in linking the investment and the financing decisions on a continuous basis. Therefore, Mr. Vikrant Dhull began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources. For the remaining funds he is trying to find out alternative sources.

Identify the financial concept discussed in the above paragraph. Also, state any two points of importance of the financial concept, so identified.

(CBSE BOARD
2017)

Ans: Financial planning is the financial idea addressed in this paragraph. Its significance can be seen in the following factors:

- a. **Assists in dealing with unforeseen circumstances:** Financial planning aids in projecting future events. As a result, an organization will be more prepared to deal with adverse scenarios.
- b. **Assists in avoiding surprises and shocks:** Financial planning allows an organization to detect future situations of fund shortages or surpluses. As a result, it trains managers for such scenarios ahead of time.

20. Give the meaning of 'Strategy' and 'Rule' as types of plans.

(CBSE BOARD
2017)

Ans: The meanings are:

- a. **Strategy:** Strategy refers to long-term decisions that define an organization's direction and scope. Setting goals, deciding on a path of action, and allocating the necessary resources, all these are frequently defined as future decisions that in the end, reveal the organization's direction and scope. A management must analyze all components of the corporate environment while establishing a strategy, and then make strategic decisions based on all of these considerations.
- b. **Rule:** A rule is a particular statement that tells you what to do and what not to do in certain situations. They denote a managerial decision on whether or not to carry out a specific task or action.

There is no room for compromise or reform under such standards.

21. "Planning reduces creativity'. How?

Ans: In most organizations, top management is in charge of planning, while the rest of the team is responsible for putting the plans into action. As a result, middle management and other members are not allowed to deviate from plans nor they are granted authority to act on their own. As a result, they lose a lot of their initiative and originality.

22. What is meant by budget?

Ans: A budget is a numerically based strategy that quantifies desired data. A budget is a numerical description of projected results for a specific time period in the future. A sales budget, for example, aids in estimating the sales of a specific product in several places over the course of a month.

Long Answer Questions

23. Two years ago Nishant, completed his degree in Textile Engineering. He worked for sometime in a company manufacturing readymade garments. He was not happy in the company and decided to have his own readymade garments manufacturing unit. He set the objectives and the targets and formulate action plan to achieve the same. One of his objectives was to earn 80% profit on the amount invested in the first year. It was decided that raw materials like cloth, thread, buttons etc, will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets.

He appointed Ritesh as a production manager, who decides the exact manner in which the production activities are to be carried out. Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year. Nishant informed Ritesh about his sales target for different products area wise for the forthcoming quarter.

A penalty of Rs. 200 per day was announced for the workers who found smoking in the factory premises.

Quoting lines from the above para identify and explain the different types of plans discussed.

Ans: The different types of plans discussed in the paragraph are listed

below.

- a. Objective:** The final results that management aims to attain through its activities are referred to as objectives. It is to be expressed in specific terms i.e., they should be measurable in quantitative terms, in the form of a written statement of desired results to be achieved within a given time period.

Quotation: "One of his objectives was to earn 80% profit on the amount invested in the first year"

- b. Policy:** Policies are broad pronouncements that steer people's thoughts or energies in a specific direction. It serves as the foundation for interpreting strategy. It expresses a general attitude or a plan of action to take in a specific situation.

Quotation: "It was decided that raw materials like cloth, thread, buttons etc. will be purchased on two months credit."

- c. Procedure:** A process is a set of routine steps that must be done in a specific order in order to enforce a policy.

Quotation: "He also decided to follow the steps required for marketing the products through his own outlets."

- d. Method:** Methods define the prescribed ways or manners in which a work can be completed in light of the goal. It evaluates one stage of a larger operation and specifies the next step to complete the given task.

Quotation: "Who decides the exact manner in which the production activities are to be carried out."

- e. Rule:** A rule is a set of instructions or a precise declaration that specifies what should be done and what should not be done. The simplest sort of plan is a rule.

Quotation: "A penalty of Rs. 200 per day was announced for the workers who found smoking in the factory premises."

- f. Budget:** A budget is a numerical description of projected results for a specific time period in the future.

Quotation: "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year"

24. Is planning actually worth the huge costs involved? Explain.

Ans: Planning comes at a high price in terms of both time and money. It

involves analysis, research and scientific calculations that involve huge costs. However, despite being an expensive function, it is a very basic and essential function of an organization.

Despite the astronomical expenditures, we may assert that planning is a critical action due to the emphasized factors.

- I. **Renders Direction:** The aims and objectives that must be met are clearly stated in the planning. As a result, it serves as a guide for future activities. It directs the activities of several departments inside the organization. They advise managers on what has to be done, what path to take, and how to attain the goals. It ensures that the path taken to achieve objectives is the proper one. Planning also ensures that the organization's many departments work together to attain the desired goals.
 - II. **Risk Prevention:** By steering an organization in the proper path, it empowers its leaders to analyze and predict changes. As a result, the probability of the anticipated events is reduced. Planning shows how to deal with situations, which may arise in the due course of management, though it does not fully eliminate the problems.
 - III. **Minimize Overlapping:** As the managers are well comprehended with the policies and plans of the organization, they coordinate the activities together to reach the objectives. As a result, work overlap is reduced. Furthermore, any resource waste that occurs as a result of overlapping is decreased. Planning ahead of time ensures that there will be no misunderstandings and that the activity will be completed successfully.
 - IV. **Promotes Creativity:** Planning is an important part of any organization's success. It entails establishing strategies and plans, which necessitates creativity. It is a key activity that necessitates the highest thinking talents and inventiveness from managers. It encourages management to come up with fresh ideas in order to achieve the objectives.
 - V. **Assists in Decision Making:** Planning is the foundation for making decisions. Planning entails analyzing the future, evaluating potential courses of action, and selecting the best option based on the goal. As a result, managers can make more sensible judgments by following a proper planning procedure.
 - VI. **Planning Is Necessary For Controlling:** Planning lays out the goals that must be met. As a result, it establishes the benchmarks against which the performance is measured. It also aids in detecting whether there is any divergence from the stated objectives, making remedial action easier. As a result, we may conclude that, notwithstanding the expenditures, planning is a
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critical role in management that is well worth the investment.

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