

## Application-based Questions

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**[1 mark]**

**Q.1. Informal organisation is not deliberately created. Then how it is created?**

**Ans.** It emerges out of mutual relations and tastes.

**Q.2. Identify the type of suitable organisation structure for a large scale organisation having diversified activities requiring high degree of specialisation in operations.**

*[CBSE 2013]*

**Ans.** Functional structure.

**Q.3. Can accountability be delegated?**

**Ans.** No, it cannot be delegated.

**Q.4. How 'effective management' is possible through delegation of authority?**

**Ans.** Because it reduces the workload of a manager.

**Q.5. How 'employee development' is possible through delegation of authority?**

**Ans.** Because it provides the authority to take decision to subordinates.

**Q.6. How employees get motivated through delegation of authority?**

**Ans.** By exhibiting their talent and skill.

**Q.7. Name the activity which increases the importance of the role of subordinates.**

**Ans.** Decentralisation.

**Q.8.** *National Vritech Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs its market share is declining. To cope up with the situation CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organisation.*

**Identify the concept of management discussed above.**

*[CBSE Sample Paper 2015]*

**Ans.** Decentralisation.

**Q.9.** *Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all*

*departments are co-ordinated and interlinked and authority responsibility relationship is established among various job positions. There is clarity on who is to report to whom.*

**Name the function of management discussed above.**

[CBSE 2015]

**Ans.** Organising.

**Q.10.** *Himalaya Ltd.', is engaged in manufacturing of washing machines. The target of the organisation is to manufacture 500 washing machines a day. There is an occupational specialisation in the organisation which promotes efficiency of employees. There is no duplication of efforts in such type of organisation structure.*

**Identify the type of organisation structure described above.**

[CBSE 2015]

**Ans.** Functional Organisation.

**[3 marks]**

**Q.1. "Formal Organisation is Impersonal while informal organisation is Personal." Clarify this statement.**

**Ans. Formal Organisation is Impersonal:** Under it, personal feelings are ignored and strict discipline is observed. It is not the person but the work that happens to be important.

**Informal Organisation is Personal:** It is being personal means that under this the feelings of individuals are kept in mind and nothing is imposed upon them.

**Q.2. In which situations is divisional organisation structure more suitable?**

**Ans.** The divisional organisation structure is suitable in the following situations:

- i. where the number of main products is more than one.
- ii. where different manufacturing technologies and marketing methods are required.
- iii. where the size of the concern is large enough.

**Q.3. Under what circumstances would functional structure prove to be an appropriate choice?**

**Ans.** The functional organisation structure is suitable in the situations given below:

- i. where the size of the business unit is large.
- ii. where specialisation is required.
- iii. where there is only one product that is sold.

**Q.4.** *In an electrical goods manufacturing company, there are four main activities—production, marketing, finance and personnel. The general manager is planning to structure the organisation. Which type of organisation structure should he adopt and why? Give two reasons.*

**Ans.** Functional organisational structure is most suitable for such type of company. Following are the reasons of it:

- i. **Benefits of Specialisation:** The whole company is divided into many departments on the basis of major activities to be performed. Each department is headed by an expert manager. This results in more and better work being accomplished in much lesser time. Hence, the benefits of specialisation become available.
- ii. **Coordination is Established:** All the persons working within a department are specialists of their respective jobs. It makes the coordination easier at department level.

**Q.5.** *The marketing manager of Aditi Limited, an organisation manufacturing generators has been asked to achieve a target sale of 150 generators per day. He delegates the task to 15 sales managers working under him. Five of the sales managers could not achieve their respective targets.*

**Is the marketing manager responsible? Explain in brief the relevant principle in support of your answer.**

**Ans.** Yes, the marketing manager is responsible for it.

Here the principle of 'absoluteness of responsibility' will apply (By responsibility we mean Responsibility to/Ultimate Responsibility/Accountability). As per this principle, authority can be delegated but accountability is absolute and cannot be delegated. The person who delegates authority remains accountable to his own boss for the work he has delegated to his subordinate. In brief, it can be said that the process of delegation of authority does not relieve the manager of his own accountability.

**Q.6. Draw a diagram depicting a divisional structure.**

**Ans.** Refer to the Diagram of Q. 4 (Understanding-based Questions—6 Marks)

**[4 marks]**

**Q.1.** *The Employees of Manik Ltd. , a software company, have formed a dramatic group for their recreation. Name the type of organisation so formed and state its three features.*

*[CBSE Sample Paper 2013]*

**Ans.** It is an informal organisation. The main features of it are the following:

- i. **Based on Formal Organisation:** This is based on formal organisation where people also have informal relations. (It means first of all the formal organisation is established and then informal organisation is created out of it.)
- ii. **It has no Written Rules and Procedures:** In this organisation, there are no written rules and procedures to govern inter-relationship. But there are group norms which have to be observed.
- iii. **Independent Channels of Communication:** In this organisation relations among different people are not defined because a person at the lowest rank can have direct contact with the person at the highest level. The flow of communication cannot be specified.

**Q.2.** *Aman Ltd. is manufacturing toys and has production, sales, purchase and finance departments.*

**Which type of organisational structure would you suggest to them? State any three advantages of this type of organisational structure.**

**Ans.** Functional organisational structure is most suitable for such type of company. The main advantages of it are the following:

Refer to Q. 6 (Remembering-based Questions—5 Marks)

**Q.3.** *Sahil Ltd. is manufacturing shirts and has production, marketing, finance and personnel departments in the organisation.*

**Name the type of organisational structure that Sahil Ltd. is following. State any three advantages of this organisation structure.**

**Ans.** Sahil Ltd. is following the functional organisation structure. The main advantages of it are the following:

Refer to Q. 6 (Remembering-based Questions—5 Marks)

**Q.4.** *A Fashion Design House has the following main jobs:*

- i. *Manufacturing*
- ii. *Finance*
- iii. *Marketing*
- iv. *Personnel*
- v. *Research and Development*

**Which organisational structure will you prefer for this type of a company and why?**

**Ans.** For this company functional organisation structure will be more appropriate. It has the following advantages: Refer to Q. 6 (Remembering-based Questions—5 Marks)

**[5 marks]**

**Q.1.** *Aman, Avneesh and Amrish have decided to start a business of manufacturing toys. They identified the following main activities which they have to perform:*

- i. *Purchase of raw materials*
- ii. *Purchase of machinery*
- iii. *Production of toys*
- iv. *Arrangement of finance*
- v. *Sale of toys*
- vi. *Identifying the areas where they can sell their toys*
- vii. *Selection of employees*

*In order to facilitate the work they thought that four managers should be appointed to look after:*

- a. *Production*
- b. *Finance*
- c. *Marketing*
- d. *Personnel.*

1. **Identify the function of management involved in the above mentioned para.**
2. **Quote the lines from the above para which help you in identifying this function.**
3. **State the steps followed in the process of this function of management.**

**Ans.**

1. Organising
2. 'They identified the following main activities which they have to perform.'
3. Steps in the process of organising:
  - i. Identification and division of work
  - ii. Departmentalisation
  - iii. Assignment of duties
  - iv. Establishing reporting relations

**Q.2. "Authority can be delegated but accountability cannot." Explain this statement.**

**Ans. Meaning:** The basic principle of delegation of authority is the principle of 'Absoluteness of responsibility' (here by responsibility we mean Responsibility to/Ultimate Responsibility/Accountability). As per this principle, authority can be delegated but accountability is absolute and cannot be delegated. The person who delegates authority remains accountable to his own boss for the work performance of his subordinates.

**Example:** A Chief Manager assigns jobs to a Departmental Manager who in turn assigns it to his subordinate. Departmental manager along with assigning the job, will also delegate authority but this will not terminate his accountability. He will always be answerable to his boss for the work-performance of his subordinates. On the basis of this, there would be no anomaly to say that just authority can be delegated but not accountability. Thus, accountability is always of the person who delegates authority.

**[6 marks]**

**Q.1. How will it be appropriate to say that the attitude of management towards informal organisation should be positive?**

**Ans.** No doubt, formal organisation is helpful in attaining the objectives of the enterprise very easily but it has its limitations as well. On the other hand, the informal organisation is not less important if used properly. This can be made clear through the help of limitations of formal organisation and advantages of informal organisation. Hence, it will be appropriate to say that the attitude of management towards informal organisation should be positive.

**Limitations of Formal Organisation:**

- i. **Delay in Work:** Every activity is bound by rules which causes unnecessary delay in the completion of work.
- ii. **Lack of Initiative:** In this organisation, the employees have to do what they are asked to do and they do not have a chance of some independent thinking. This, therefore, kills initiative.
- iii. **Mechanisation of Relations:** The relationship of all the people are defined. This leaves no chance of any mutual interplay and thus the knowledge of other people and their experience cannot be exploited.

**Advantages of Informal Organisation:** Following are the advantages of Informal Organisation:

- i. **Effective Communication:** In the absence of any definite course, it is an effective system of communication. Messages can be quickly conveyed from one place to another with the help of this system.
- ii. **Fulfills Social Needs:** In the informal organisation, people having similarity of thoughts and ideas form a group of their own. All the people in the group stand by one another in all the organisational or personal matters.
- iii. **Fulfills Organisational Objectives:** In the informal organisation, the subordinates put their ideas before the superiors without any fear or hesitation. It helps the superiors to understand their difficulties and immediate solution of the problem is sought out. Since the problems are easily solved it becomes easier to achieve the objectives of the organisation.

**Q.2. What is meant by Divisional Organisation Structure? How is it beneficial for multi-product companies?**

**Ans.** Dividing the whole enterprise according to the major products to be manufactured is known as divisional organisation structure. This type of organisation structure is most suitable for multiproduct companies as it provides equal importance to all products. Except this, it is beneficial for multi-product companies in the following ways:

- i. **Development of Divisional Heads:** The head of each division looks after all the functions connected with their product, that is, purchase, sale, advertisement, production, finance, etc. This thing helps in the development of varied skill in a divisional head.
- ii. **Divisional results can be Assessed:** All the activities of each division are carried out independently. Hence, the divisional results (profit/loss) can be assessed easily. On this basis, an unprofitable division can be closed.
- iii. **Quick Decision-making:** Every division is independent in itself. The divisional manager can take any decision regarding his division independently without consulting other divisional managers. Hence, decisions are quick and effective.
- iv. **Easy Expansion:** For every product a separate division is opened. If a company wants to introduce a new product, it can be introduced easily without disturbing the existing divisions. Hence, it is easy to expand the concern.

**Q.3. Surekha runs a shoe manufacturing factory. She wants to expand her business. For expansion she contemplates to enter into the manufacturing of leather bags and western formal wear apart from the running business of shoes. By doing this her company will be able to provide many products to working women under one roof.**

**Which organisation structure will you suggest her and why?**

**Ans.** In this situation, divisional organisation structure will be suitable as it provides equal importance to all products. Except this, it is beneficial in the following ways:

Refer to Points (i) to (iv) of Q. 2 above.