

**CLASS 12 BUSINESS STUDIES**  
**CHAPTER-4**  
**PLANNING**

**IMPORTANT QUESTIONS**

**VERY SHORT ANSWER QUESTIONS (1 or 2 Marks)**

**QUESTION 1.**

**Give the meaning of 'Method' as a type of plan.**

**(CBSE BOARD 2015)**

**Answer.** Method is the prescribed way or manner in which a task has to be performed.

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**QUESTION 2.**

**What is planning?**

**Answer.** Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions.

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**QUESTION 3.**

**What all qualities are required for doing planning?**

**Answer.** Intelligence, Imagination, Foresight, Sound Judgment.

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**QUESTION 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)**

**Answer.** The aspect of financial management that enables to foresee the fund requirements both in terms of 'the quantum' and in terms of 'the timings' is "Financial Planning". Financial planning involves designing the blueprint of the overall financial operations of a company such that right amount of funds are available for various operations at the right time.

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**QUESTION 5.**

**How does planning create rigidity?**

**Answer.** Planning creates rigidity by putting adverse effect on initiative taken by the managers.

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**QUESTION 6.**

**What is the basis for creating future course of action?**

**Answer.** Forecasting

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**QUESTION 7.**

**Give one limitation of planning function.**

**Answer.** Planning does not guarantee success

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**QUESTION 8.**

**Which is the most crucial step in planning process?**

**Answer.** Setting objectives for the organisation.

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**QUESTION 9.**

**Define 'Objective'?**

**Answer.** Objectives are desired future position that the management would like to reach.

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**QUESTION 10.**

**Define 'Strategy'.**

**Answer.** A strategy refers to future decisions and actions, defining the organisation's direction and scope in the long run.

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## SHORT ANSWER QUESTIONS (3 or 4 Marks)

### QUESTION 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 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.

(CBSE BOARD 2015)

or

State any three limitations of planning function of management.

(CBSE BOARD 2016)

**Answer.**

The following are the limitations of planning.

**1. Planning leads to rigidity:** In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a specific time but managers may not be in a position to change it. As the business environment is, dynamic managers need to be given some flexibility to cope up with the changed circumstances.

**2. Planning may not work in dynamic environment:** Planning is based on anticipation of future happenings and since future is uncertain and dynamic, so the organisation needs to adapt itself to changes. However planning cannot foresee the future events effectively.

**3. 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.

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### QUESTION 12.

Enumerate six points of importance of planning.

**Answer.** Importance of planning is as under:

- i. It provides direction for action.

- ii. It reduces the risk of uncertainty
  - iii. It facilitates decision making.
  - iv. It establishes standards for controlling.
  - v. It promotes innovative ideas.
  - vi. It reduces overlapping and wasteful activities.
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#### **QUESTION 13:**

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

**(CBSE BOARD 2016)**

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

**i. 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.

**ii. Developing the premises:** Planning is based on certain assumptions regarding the future. These assumptions are known as premises. The assumptions are regarding the predictions of the future, which form the basis of the planning process. Accuracy of forecast is necessary for successful plans.

**iii. 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 organisation. This involves innovation and creativity.

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#### **QUESTION 14:**

**Explain any three features of 'Planning.'**

**(CBSE BOARD 2017)**

**Answer.** The following points highlight the features of planning.

**i) Planning focuses on achieving objectives:** Organisations set up with general goals and specific goals along with the plans and activities to be undertaken to achieve these goals. Any management should formulate plans keeping in view the specific goals in mind. These plans must ensure that the desired objective is attained. The managers must make sure that the plans made are purposeful. For example, if sales target is to be achieved then the plans must be made in sync with this objective.

**ii) Stepping Stone:** Planning lays down the base for other functions of management. That is, planning precedes all other functions such as organising, directing, staffing and controlling. This is because plans states the objectives and all other functions are in accordance with the said objectives. Once the plans are determined, the role of other interrelated functions comes into place. Thus, planning sets the basis for other functions of an organisation.

**iii) Pervasiveness:** : Planning is required at all levels of management as well as in all departments of the organisation. The scope of planning is different at different levels and for different departments.

For example, the top level managers have to chalk out the policies regarding the overall management whereas the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

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#### **QUESTION 15.**

**'Planning focuses on achieving objectives'. Explain.**

**Answer.** Planning is a goal oriented process which helps in defining objectives, and preparation of necessary plans of action to achieve goals. Thus, planning is focused on clarifying what is to be done and how is that to be done. The planning holds no purpose if it does not focus on achievement of preset organizational or corporate objectives.

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#### **QUESTION 16.**

**'Planning is the basic function on of management'. Comment.**

**Answer.** Every management starts with planning. All other functions like organizing, staffing, directing and controlling are based on planning. It precedes the execution of all other managerial functions and allows mangers to organize the staff and direct and control the activities in a better way to achieve organizational goals. All the activities are created in such a way that plans are easily carried out. This is also referred to as primacy of planning.

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#### **QUESTION 17.**

**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)

**Answer.** The concept stated in the question is **Financial Planning**. It involves designing the blueprint of the overall financial operations of a company such that right amount of funds are available for various operations at the right time. That is, it tends to forecast what amount of fund 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 organisation, regardless of whether they are new or existing ones. The two main objectives of financial planning are as given below:

- 1. 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 involves identifying the probable sources of raising funds.
- 2. Proper utilization of funds:** It implies ensuring that situations of both inadequate funds as well as surplus funds are avoided. While on the one hand, inadequate funds hinder the smooth operations of the firm; on the other hand, excess funds add to the cost of business and encourage unnecessary and wasteful expenditure. Thus, financial planning ensures that the funds are optimally utilised.

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### **QUESTION 18.**

**What do you mean by planning premises?**

**Answer.** Planning premises are assumptions relating to future conditions and events which are likely to have an effect on achievement of goals. These are the bases upon which the entire structure of planning is built. Every plan is drawn with certain assumptions. To make planning effective, it is necessary that the premises should be based on accurate forecasts, existing plans or any past information about policies etc.

For example, demand for a product, cost of raw materials, interest rates, state of technology, intensity of competition, government policies etc.

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#### QUESTION 19:

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

(CBSE BOARD 2017 )

**Answer.**

**(i) Procedure:** A procedure is a set of routine steps defined in a chronological order to be followed for the enforcement of a policy. It include 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 organisation. 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.

**(ii) 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 simplest type of plans that do not allow any kind of flexibility. They signify the managerial decision that a particular task or action has to be performed or not. Such rules do not allow any scope for compromise or change unless the managers take a policy decision.

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#### QUESTION 20:

**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)

**Answer.** The financial concept discussed in the paragraph is Financial Planning. Its importance can be highlighted from the following factors:

**a. Helps in facing eventual situations:** Financial planning helps in forecasting the future situations. In this way, it prepares an organisation to cope with the adverse situations in a better manner.

**b. Helps in avoiding surprises and shocks:** Through financial planning, an organisation can detect situations of shortage or surplus of funds that may arise in future. Therefore, it prepares the managers in advance for such situations.

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#### QUESTION 21.

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

**(CBSE BOARD 2017)**

**Answer.**

**a. Strategy:** Strategy refers to future decisions defining the organisations direction and scope in the long run. Objectives, adopting the required course of action and allocating the necessary resources. They are often defined as the future decisions, which display the direction and scope of the organisation in the end. While formulating a strategy, a manager must consider all the different aspects of the business environment and based upon all factors, should finally take up the strategic decisions.

**b. Rule:** Rules are specific statement that inform what is to be done and what not to be done in various circumstances. They signify the managerial decision that a particular task or action has to be performed or not. Such rules do not allow any scope for compromise or change.

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#### QUESTION 22.

**'Planning reduces creativity'. How?**

**Answer.** Usually in an organisation, the top management performs planning function and the rest of the members are required to implement these plans. 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. Hence, most of the initiative and creativity in them is reduced.

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#### QUESTION 23.

**What is meant by budget?**

**Answer.** Budget is a plan in numerical terms, which quantifies desired data. A budget is a statement of expected results expressed in numerical terms for a definite period in the future. For example, a sales budget helps in forecasting the sales of a particular product in different areas during a particular month.

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#### **QUESTION 24.**

**How can (i) Political climate and (ii) Policies of competitors obstruct planning?**

**Answer.**

**(i) Obstruction in planning due to political climate**

When the government regulates the business practices or introduces new trade policies, the plans of business enterprises may get upset. In addition, political instability affects business plans. For example, change in the taxation policy.

**(ii) Obstruction in planning due to policies of competitors**

The policies of competitors may lead to change in business policies. . For example, discounting policies of the competitors may lead to change in pricing policy of a business enterprise.

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#### **LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)**

**QUESTION 25:**

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.**

**Answer.** The different types of plans discussed in the paragraph are listed below.

**1. Objective-** "One of her objective was to earn 80 % profit on the amount invested in the first year"

Objectives are the end results, which the management seeks to achieve, by its operations. 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.

**2. Policy-** "It was decided that raw materials like cloth, thread, buttons etc. will be purchased on two months credit."

Policies are general statements that guide thinking or channelize energies towards a particular direction. It provides a basis for interpreting strategy. It forms the general response or a course of action to be followed in a particular situation.

**3. Procedure-** "Decided to follow the steps required for marketing of the products through her own outlets"

A procedure is a set of routine steps defined in a chronological order that are to be followed for the enforcement of a policy.

**4. Method-** "The exact manner in which the production activities are to be carried out"

Methods provide the prescribed ways or manner in which a task can be performed considering the objective. It considers one step of an entire procedure and defines the step to be taken for the completion of the given task.

**5. Rule-** "A Penalty of Rs 200 per day was announced for the workers who found smoking in the factory premises"

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 simplest type of plans.

**6. Budget-** "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year"

A budget is a statement of expected results expressed in numerical terms for a definite period in the future.

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## QUESTION 26:

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

**Answer :**

Planning involves huge costs in terms of time and money. It involves analysis, research and

scientific calculations that involve huge cost. However, despite being an expensive function it is a very basic and essential function of an organisation. Following are some of the highlighted factors due to which we can say that planning is a very significant action despite of the gigantic costs.

(i) **Renders Direction:** Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for the actions to be taken. It provides a direction to the actions of different departments of the organisation. They guide the managers about things to be done, what route to take and how the objectives are to be achieved. It ensures that the path taken for accomplishment of goals is righteously chosen. Planning also ensures that various departments of the organisation work in a coordinated manner towards the achievement of the desired objectives.

(ii) **Subdued Risk:** By guiding an organisation in the right direction, it accredits its managers to analyse and anticipate changes. This leads to a reduction in uncertainty of the foreseen events. 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) **Minimized Overlapping:** As the managers are well comprehended with the policies and plans of the organisation, they coordinate the activities together to reach the objectives. Thus, overlapping of the work is reduced. In addition, any wastage of resources that takes place due to overlapping is reduced. Proper planning ensures that there is no confusion and misunderstanding and the work proceeds smoothly.

(iv) **Encourages Creativity:** Planning serves as the stepping-stone of any organization's success. It includes formulating policies and plans which requires innovation. It is a crucial activity, which demands the best of managers thinking capabilities and creativity. It calls out for new ideas by the management to attain the goals.

(v) **Helps in Decision Making:** Planning serves as the basis for decision making. Planning involves analysing the future, evaluating the various courses of action and choosing best alternative as per the objective. Thus, following a proper planning process helps the managers in taking rational decisions.

(vi) **Essential for Controlling:** Planning states the objectives that are to be achieved. Thus, it sets the standards against which the performance is evaluated. It also helps in determining whether there is any deviation from the said objectives and thereby, facilitates the corrective measures.

Hence, we can infer that despite the costs involved, planning is a very important function in management and worth the costs incurred.