

CBSE Test Paper - 05
Chapter - 4 Planning

1. Which of the following is not true about planning? **(1)**
 - a. Planning is a mental exercise
 - b. Planning is necessary
 - c. Planning reduces creativity
 - d. None of these
2. Programmes are _____ **(1)**
 - a. Rules
 - b. Policies
 - c. Detailed Statements
 - d. Not Detailed Statement
3. Plans can be implemented after the _____ **(1)**
 - a. Selecting an alternative
 - b. Setting objectives
 - c. Developing premises
 - d. Follow up action
4. Which of the following is not a feature of planning? **(1)**
 - a. Planning is futuristic
 - b. To achieve objectives
 - c. Planning is pervasive
 - d. Planning is time consuming
5. Attractive rate of interest on home loans have increased the demand for homes and has given a boost to the business of builders and property dealers. Which aspect of business environment is discussed in the given case? **(1)**
6. An unstable government is one of the major causes of weak industrial base. Identify

the key component of business environment highlighted in the given statement. **(1)**

7. What is included in 'Technological Environment' of business? **(1)**
8. Which environment describes characteristics of the society in which the organisation exists? **(1)**
9. “Planning restricts creativity”. Explain. **(3)**
10. Differentiate between 'Method' and 'Budget' as types of plans. **(3)**
11. An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower-priced models for mass consumers who are price sensitive. For quality conscious consumers, the company is introducing new models with added features and new technological advancements.

Questions

- i. Prepare a model business plan for C Ltd. to meet the existing challenge. You need not to be very specific about quantitative parameters. You may specify which type of plan you are preparing.
 - ii. Identify the limitations of such plans.
 - iii. How will you seek to remove these limitations? **(4)**
12. Differentiate between 'Rules' and 'Methods' as types of plans. **(4)**
 13. Give the meaning of ‘strategy’ and ‘rule’ as types of plans. **(4)**
 14. Explain 'Strategy' as a type of plan. **(6)**
 15. **Planning is a continuous process.** State and explain the various steps of the planning process. **(6)**

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Answer

1. c. Planning reduces creativity

Explanation:

Planning is an intellectual process. The planners make prediction for future by using their expertise, innovative ideas and creativity. Thus planning promotes creativity.

2. c. Detailed Statements

Explanation:

Programmes are the detailed statement of a project which is prepared for various activities. It comprises of objectives, procedures, policies and rules etc.

3. a. Selecting an alternative

Explanation:

Implementation of plan means putting the plans into action. It can only be possible after **selection of an alternative**.

4. d. Planning is time consuming

Explanation:

It is the limitation of planning.

5. **Economic Environment.**

It includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupees etc.

6. **Political Environment.**

Political stability builds up confidence among business class. On the other hand instability shakes that confidence.

7. Technological environment includes new approaches to producing goods and services, new procedures as well as new equipment. It also includes scientific improvements and innovations, new methods and techniques etc. Technological changes always bring quality improvement and more benefits for the customers.

8. Social Environment.

It includes standard of living, taste, preference and education level of people in society etc.

9. Planning restricts creativity because it is usually done by the top level management and rest of the organisation just implements it. All organisational activities are preconceived and predetermined at the stage of planning so there is no or very little scope for middle and lower level managers to deviate from the plan. The existence of plans makes managerial operations inflexible and thus discourages creativity. Everybody work as they have been directed to do. They are not allowed to think of any new alternatives other than those which are stated in the plans.

10.

Methods	Basis	Budget
Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.	Meaning	A budget is a statement of expected results expressed in numerical terms.
It is not a control device as it is not compared with results achieved.	Control device	It is a control device as budgeted targets are compared with actual results.
It is a standing type of plan.	Type of plan	It is a single use plan type.
There are many methods for a particular task. But, after a extensive study a most suitable method has to be selected.	Selection	Planning and controlling both are the instrument of budget, thus, no selection process is required.
Vestibule Training and Internship	Example	Cash Budget and Sales Budget

11.

- a. Determining the long-term objectives
- b. Adopting a particular course of action
- c. Allocating the resources
 1. The type of plan, which the company needs to prepare, is “Strategy”.
 - Steps involved in this plan are:
 1. The limitations of such plan are:
 - i. It leads to rigidity
 - ii. It may not work in a dynamic environment
 - iii. It reduces creativity
 - iv. It involves huge costs
 - v. It is a time-consuming process
 - vi. It does not guarantee success
 2. The above limitations can be removed through the following measures:
 - i. The company must specify its time limit to achieve the desired objectives.
 - ii. A proper budget should be prepared to meet the requirement of the plan.
 - iii. Business Environment should be carefully analyzed.
 - iv. SWOT Analysis(Strength, Weakness, Opportunities, Threats) should be applied by the managers.
 - v. Plans made should be flexible.

12.

Rules	Basis	Methods
Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion.	Meaning	Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.
Rules are designed to achieve order and discipline.	Purpose	Methods are designed to achieve efficiency and save time and money.
Penalty is attached to violation of Rules.	Penalty for Violation	No penalty is attached to violation or for discretion of methods.

Rules are rigid and there is no scope for deviations.	Flexibility	Methods are flexible statements.
It reflects a managerial decision that a certain action must or must not be taken.	Application	For imparting training to employees at various level from top management to supervisory, different methods are adopted.

13. Strategy

Rules

- A strategy is a comprehensive plan to achieve organisational objectives.
- The dimensions of strategy are:
 - a. Determining long-term objective.
 - b. Adopting a particular course of action.
 - c. Allocating resources for achieving the objectives.
- A strategy is formulated after scanning the business environment.
- It tries to fix a match between organizational's resources and environmental opportunities and threats.
- These are specific statements that inform what is to be done and what not to be done.
- They do not allow any flexibility or discretion.
- They reflect a managerial decision that a certain action must or must not be taken.
- Rules serve as guides and do not leave any scope for discretion.
- For e.g. No smoking in the factory area.

14. Strategy is a comprehensive plan for accomplishing organizational objectives.

It includes three dimensions:

- a. Determining long-term objectives
- b. Adopting a particular course of action, and

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- c. Allocating resources necessary to achieve the objective.

Whenever a strategy is formulated, the business environment needs to be taken in consideration. The changes in the economic, political, social, legal and technological environment of an organisation will affect an organisation's strategy.

Major strategic decisions will include decisions like whether the organisation will continue to be in the same line of business, or combine new lines of activity with the existing business or seek to acquire a dominant position in the same market.

15. Following are the steps of planning process:

- i. **Recognizing Need for Action:** An important part of the planning process is to be aware of the business opportunities in the firm's external environment as well as within the firm. Once such opportunities get recognized the managers can recognize the actions that need to be taken to realize them. A realistic look must be taken at the prospect of these new opportunities and a SWOT analysis should be done.
- ii. **Setting Objectives:** This is the second and perhaps the most important step of the planning process. Here we establish the objectives for the whole organization and also individual departments. Organizational objectives provide a general direction, objectives of departments will be more planned and detailed.
- iii. **Developing Premises:** Planning is always done keeping the future in mind, however, the future is always uncertain. So in the function of management certain assumptions will have to be made. These assumptions are the premises. Such assumptions are made in form of forecasts, existing plans, past policies etc.
- iv. **Identifying Alternatives:** The fourth step of the planning process is to identify the alternatives available to the managers. There is no one way to achieve the objectives of the firm, there is a multitude of choices. All of these alternative courses should be identified. There must be options available to the manager.
- v. **Examining Alternate Course of Action:** The next step of the planning process is to evaluate and closely examine each of the alternative plans. Every option will go through an examination where all there pros and cons will be weighed. The alternative plans need to be evaluated in the light of the organizational objectives.
- vi. **Selecting the Alternative:** Finally, we reach the decision making stage of the

planning process. Now the best and most feasible plan will be chosen to be implemented. The ideal plan is the most profitable one with the least amount of negative consequences and is also adaptable to dynamic situations. The choice is obviously based on scientific analysis and mathematical equations. But a managers intuition and experience should also play a big part in this decision. Sometimes a few different aspects of different plans are combined to come up with the one ideal plan.

- vii. **Formulating Supporting Plan:** Once you have chosen the plan to be implemented, managers will have to come up with one or more supporting plans. These secondary plans help with the implementation of the main plan. For example plans to hire more people, train personnel, expand the office etc are supporting plans for the main plan of launching a new product. So all these secondary plans are in fact part of the main plan.
- viii. **Implementation of the Plan:** And finally, we come to the last step of the planning process, implementation of the plan. This is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization. The tools required for such implementation involve the types of plans- procedures, policies, budgets, rules, standards etc.