

CBSE Test Paper - 03
Chapter - 4 Planning

1. A fine or penalty can be charged only on the violation of _____ (1)
 - a. Rules
 - b. Method
 - c. Strategy
 - d. None of these
2. Planning is concerned with _____ (1)
 - a. Looking forward
 - b. Looking old records
 - c. Looking back
 - d. Looking new records
3. Which one of the following is a limitation of planning? (1)
 - a. Planning helps in decision making
 - b. Planning leads to rigidity
 - c. Planning provides directions
 - d. Planning reduces risk of uncertainty
4. Main purpose of Rule is: (1)
 - a. To Maintain Discipline
 - b. To decide that when is to be done
 - c. To set the organizational objectives
 - d. To choose the best alternative
5. State how planning 'leads to rigidity'? (1)
6. Give the meaning of 'objective' as a type of plan. (1)
7. Name the feature of planning which says planning is a forward looking function? (1)

-
8. A company needs a detailed plan for its new project, “Construction of a Shopping Mall”. What type of plan is it? **(1)**
 9. Explain how does planning facilitate decision-making. **(3)**
 10. What is meant by procedures? **(3)**
 11. Planning provides the basis of control. Explain briefly. **(4)**
 12. Explain methods and rules as types of plan. **(4)**
 13. Explain 'Procedure' as a type of plan. **(4)**
 14. Why does planning sometimes fail inspite of the best efforts of management? **(6)**
 15. Explain the external limitations of planning. **(6)**

CBSE Test Paper - 03
Chapter - 4 Planning

Answer

1. a. Rules

Explanation: Rules are rigid, stringent and compulsive in nature. They must be followed and if are not followed then strict action can be taken. A fine or penalty can be charged on violation.

2. a. Looking forward

Explanation: It means planning is futuristic. Managers make predictions for future not for the past. The past is used as basis to make assumptions for future.

3. b. Planning leads to rigidity

Explanation: All others are the importance of planning except this. Because Plans can not change with the dynamic business environment. Thus they lead rigidity.

4. a. To Maintain Discipline

Explanation: Rules are the code of conduct or general instructions in any organisation. It specifies what to do and what not to do. Thus rules maintain discipline in the organisation.

5. Plans are formed by top level managers and they do not allow rest of the organisation to deviate from the plans thus, planning leads to rigidity.

6. Objectives are those end points which managers strive to achieve. Being expressed in measurable terms, every activity in the organisation is directed towards the attainment of these objectives. For e.g. increase sales by 10%

7. Forward means looking into the future since planning is concerned with future activities, "futuristic" feature of planning is being referred here.

8. Detailed plans involving steps, order, timing and departments involved is included in "programme".

9. Planning facilitates decision-making:

i. Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action.

ii. The manager has to evaluate each alternative and select the most appropriate plan

after analysing all alternatives.

iii. Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions. Thus, by selecting the best amongst many alternatives, Planning shows decision making.

10.
 - Procedures are those statements which determine the sequence of any work performed.
 - It defines the fixed path along which the repeating actions shall take place.
 - It specifies a chronological order for performing the course of action.
 - For e.g., there is a procedure of recruitment and selection of employees in the organisation.
 - The main purpose of procedure is to simplify the operations and to eliminate duplication of work.
 - These are framed within the settings provided by the policies.
11. Planning provides the basis for controlling by:
- A. Planning is a function under which goals are being set.
 - B. Planning provides the goals or standards against which actual performance is measured.
 - C. If there were no goals and standards, then finding deviations which are a part of controlling would not be possible.
 - D. Under Controlling function the managers try to match their current output with the planned performance or targets.

Thus, In the absence of plans, a manager will have no standards for controlling the actual- performance. It means, controlling is not possible without planning.

12. **Methods Rules**

- These provide the best possible way in which a task has to be performed considering the objective.
- It deals with a task comprising one step of a procedure and specifies how this step is to be performed.
- The method may vary from task to task.
- Selection of proper method saves time, money and effort and therefore, increases efficiency.
- For example, for the valuation of the stock, the organisation must decide in advance which method has to be adopted (LIFO or FIFO), so that everyone

must follow the same.

- These are specific statements that inform what is to be done and what not to be done.
- These do not allow any flexibility or discretion.
- It reflects a managerial decision that a certain action must or must not be taken.
- These are the simplest type of plans.
- For example, wearing gloves while working on machines

13. 'Procedure' a standing type of plan is defined as a set of steps arranged in a chronological or sequential way. These type of plan determines the steps to be followed to complete a certain task in advance.

- i. A procedure specifies the tasks to be done sequentially for completing a piece of work. It lays down the process of doing routine and repetitive activities for the guidance of those who will be carrying out such activities.
- ii. Examples of such Plan include recruitment and selection of manpower, purchase of raw materials for the manufacturing department, passing vendors' bills for payment, settlement of workers' grievances, hiring manpower for the office, sanctioning earned leave, and so on.

Thus, Policies and procedures are interlinked with each other.

14. It is absolutely right that sometimes the best efforts of management cannot stop the failure of planning. The limitations of planning are the main causes of it. These are the following:

- i. **Planning is costly:** On account of heavy costs involved in planning, small and medium concerns find it difficult to make comprehensive plans. Since these concerns are already short of capital, it is difficult for them to spare money for the collection of information, forecasting, developing alternatives and appointing experts. One of the essentials of a good plan is that it must give more contribution than the cost involved in it, i.e., it should justify its existence. So, planning may be uneconomical in case of small concerns. The more detailed is a plan, the more expensive it is.
- ii. **Planning is a time-consuming process:** Planning requires too much of time and the decision-making process may get delayed especially where immediate decisions are to be taken. Time is a serious limitation where prompt actions are

-
- required. In such cases, it is not possible to follow the detailed process of planning.
- iii. **Planning reduces initiative of employees:** Planning tends to bring rigidity in the methods of work as employees are required to work according to predetermined policies, “it is believed that planning provides a strait (i.e., narrow or difficult) jacket for the subordinate and makes his managerial work more difficult.” (Theo Haimann).
 - iv. **Reluctance to change:** The employees become accustomed to a set method of doing work and resist the change wherever it is suggested to them. The unwillingness of the employees results in the failure of the new plans. Since planning implies changes, most of the employees resist it as they think that the new plans will not be successful. The employees of the concern think that the present plan is better than the proposed plan.
 - v. **Capital invested in fixed assets limits planning:** The decision regarding the purchase of fixed assets puts a limit on the future action as huge amount is invested in the fixed assets. The manager cannot do anything about this investment in the future. It is, therefore, very essential that investment in fixed assets is made very carefully.
 - vi. **Inaccuracy in planning:** It is not possible to free planning from human bias. Planning is based on forecasts which cannot be accurate. Forecasts relate to future which is very difficult to predict. There can only be a guess-work about what will happen in the future. Similarly, statistical data on which plans are based may be wrong. Future is very uncertain and there are many factors which are uncontrollable. Similarly, a wrong assumption by the planner, on account of his incompetence or error in judgment etc., can result in inaccurate planning and its value may be lost altogether. No perfect assurance can be given by planning for future risks and uncertainties.
 - vii. **Planning is effected by external limitations:** Planning is also affected by certain factors which are not within the control of the planners. These factors are political, social, economic and technological. Political situations at the national and international level put a limitation to planning. The various policies of the Govt, (i.e., trade policy, tax policy, import policy, state trading) may make plans of a business concern worthless. Strong trade unions also tend to restrict planning. Similarly, technological developments are taking place very rapidly making the

existing machines obsolete. All these factors are external and management has least control over them.

15. Managers have little or no control over the events which arises because of some uncertainties of future. Such limitations, related to outer environment are considered as External Limitations. Some external limitations have been described below:

i. **Natural Calamities:** Sometimes plans do not come up to the expectations because of natural calamities, such as flood, famine, earthquake etc. are beyond the control of managers and can cause failure of planning.

ii. **Political climate/Change in government policies:**

Political climate, sometimes, puts obstacles in the way of successful planning. Government policies plays a significant role in influencing business activities. Managers have no control over these policies. For example, change in taxation policy, bank rate, industrial policy etc. may makes the plans ineffective.

iii. **Technological changes:**

Technological changes may also upset the plan. Such changes bring about improvements in technology and quality of products and may reduce the cost of production. The costlier and outdated products lose their market. The plan of an enterprise using old technology and producing old-styled products will face a setback.

iv. **Strategies of competitors:**

Sometimes the effective policies of the competitors make the plan ineffective. For example, introduction of an improved model of an existing product by the competitor may make our plans useless.

v. **Changes in fashion, tastes and preferences:** Unexpected changes in the fashion, tastes and preferences of consumers may affect the sales forecast of a firm.

Conclusion : External limitations are beyond the control of organisation. Manager cannot avoid such limitations but of course can take preventive measures in advance which may help to reduce the loss in future.