

Understanding-based Questions

[1 marks]

Q.1. 'Organisation is a mechanism of management.' What does this statement indicate?

Ans. It indicates about the importance of organisation.

Q.2. How 'effective administration' is possible through organising?

Ans. It makes clear the activity of every employee and also of their extent of authority.

Q.3. What is the meaning of 'Departmentalisation' as a step of organising process?

Ans. At this step, the activities of similar nature are assigned to a particular department.

Q.4. Name the organisation which is based on rules and procedures.

Ans. Formal organisation.

Q.5. Name the organisation which is deliberately created.

Ans. Formal organisation.

Q.6. Out of formal and informal organisations which one is established first?

Ans. Formal organisation.

Q.7. Name the organisation which is directed by 'Group Norms'.

Ans. Informal organisation.

Q.8. Distinguish between formal and informal organisations on the basis of 'leadership'.

Ans. Under formal organisation, managers also perform the role of leaders but under informal organisation they are chosen by the group.

Q.9. What does the term 'Span of Management' refer to?

Ans. Span of management means that number of employees on whom a superior can successfully put his control. Often, a superior can successfully control 5-6 subordinates.

Q.10. 'Difficulty in inter-departmental coordination' is one of the limitations of which organisation structure?

Ans. It is the limitation of functional organisation structure.

Q.11. Name the type of 'organisational structure' which promotes efficiency in utilisation of manpower.

[CBSE 2016]

Ans. Functional structure.

Q.12. Name the type of organisational structure which promotes flexibility and initiative. [CBSE 2016]

Ans. Divisional structure.

[3 marks]

Q.1. How effective administration is possible through organisation?

Ans. Effective Administration: It has generally been observed that there is always a condition of doubt about the authority of the managers among themselves. The process of organising makes a clear mention of each and every activity of every manager and also of their extent of authority. It is also made clear as to whom shall a manager order for a particular job. Everybody also knows as to whom they are accountable. In this way, the confusion about authority is put to end. Consequently, effective administration becomes possible.

Q.2. Distinguish between Formal and Informal organisations (give any three points).

Ans.

Basis of Difference	Formal Organisation	Informal Organisation
1. Meaning	An organisation created by the management in the form of structure of authority is called formal organisation.	An organisation born out of mutual relations is called informal organisation and it emerges automatically.
2. Origin	It is established because of the rules and policies of the organisation.	It is established because of social relationship.
3. Authority	Authority is born out of the post established in the organisation and moves downwards.	Authority comes into existence because of individual virtues. Authority moves downwards or it can be horizontal.

Q.3. How is accountability related to authority? Explain.

Ans. When an officer assigns some work to his subordinate, he also gives necessary authority to perform the work. After getting the authority it becomes the responsibility of the subordinate to complete it. And at the same time he is accountable to his superior for his performance. Thus, accountability and authority are related to each other.

Q.4. Explain by giving any three reasons why decentralisation is important in an organisation.

[CBSE 2010]

Ans. Following are the main points which highlight the importance of decentralisation:

- i. **Develops Initiative among Subordinates:** Under decentralisation, authorities are delegated in large amount. Authority is a kind of power which compels a person to think/contemplate or to do something new. This inculcates in him the ability to take initiative. Decentralisation not only gives authority but also makes it possible to convert great ideas into valuable creative work.
- ii. **Develops Managerial Talent for Future:** Under decentralisation, decision making authority is given even to the lower level managers. In this way, by getting opportunities to take decisions, knowledge and experience of all levels of managers increases. This develops talent in the managers to bear extra responsibility in the future.
- iii. **Quick Decision Making:** The burden of all managerial decisions is no more confined to some limited people but is distributed among many people. This not only leads to quick decision making but also results in better decision making. All the people are well aware of the problems faced by their unit or division and for this reason they are capable of taking the best possible and quick decisions.

[4 marks]

Q.1. Kiran Industries is a company manufacturing office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives Sukhvinder, the Managing Director of the company decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.

[CBSE Sample Question Paper 2016] [4 marks]

Q. Name the framework, which the diversified organisation should adopt, to enable it to cope with the emerging complexity? Give one reason in support of your answer.

Ans. Divisional Structure: It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

Q. State any two limitations of this framework.

Ans. Limitations of the Divisional Structure:

1. Conflict may arise among different divisions with reference to allocation of funds.
2. It may lead to increase in costs since there may be a duplication of activities across products.

[6 marks]

Q.1. Differentiate between formal and informal organisation on the basis of the following:

- i. Meaning
- ii. Origin
- iii. Authority
- iv. Behaviour
- v. Flow of communication
- vi. Nature

[CBSE 2014]

Ans.

Basis of Difference	Formal Organisation	Informal Organisation
1. Meaning	An organisation created by the management in the form of structure of authority is called formal organisation.	An organisation born out of mutual relations is called informal organisation and it emerges automatically.
2. Origin	It is established because of the rules and policies of the organisation.	It is established because of social relationship.
3. Authority	Authority is born out of the posts established in the organisation and moves downwards.	Authority comes into existence because of individual virtues. Authority moves downwards or it can be horizontal.
4. Behaviour	Behaviour is pre-determined. It means that it is known beforehand who will do what and how will he do it; who will be the boss and who will be the subordinate.	Behaviour depends on individual attachment which means it is not predetermined.
5. Flow of Communication	Communication is defined. It moves according to the scalar chain of authority.	Communication is not defined. It can move in any direction.
6. Nature	It is more stable. Forecasting is possible in it.	It is temporary and less stable. Forecasting is not possible in it.

Q.2. Explain the concept of 'Functional Structure'. Also, explain any four disadvantages of functional structure.

[CBSE 2014]

Ans. Meaning of functional structure: It refers to the division of the whole enterprise according to the major functions/activities to be performed by it.

Disadvantages of Functional Organisation: The following are the main disadvantages of functional organisation structure:

1. **Ignorance of organisational objectives:** Each departmental head works according to his sweet will. They always give more importance to their departmental objectives. Hence, overall organisational objectives suffer. For example, to establish its image, the production department may produce quality product ignoring the fact that market trend favours accepting medium quality product.
2. **Difficulty in interdepartmental coordination:** All departmental heads may work as per their own wish. No doubt this facilitates coordination within the department but it makes interdepartmental coordination difficult.
3. **Conflict of interest:** Every departmental head wants to become a functional empire. To satisfy their ego every one demands maximum resources for their department. This situation leads to conflicts among the various departmental heads.
4. **Hurdle in complete development:** This system is a hurdle in the way of the complete development of the employees. Each employee specialises only in a small part of the whole job.

Q.3. Explain the concept of 'Divisional Structure.' Also, explain any four advantages of divisional structure.

[CBSE 2014]

Ans. Meaning of divisional structure: Divisional organisation structure means division of the whole enterprise according to the major products to be manufactured by it.

Advantages of divisional organisation: The following are the advantages of divisional organisation structure:

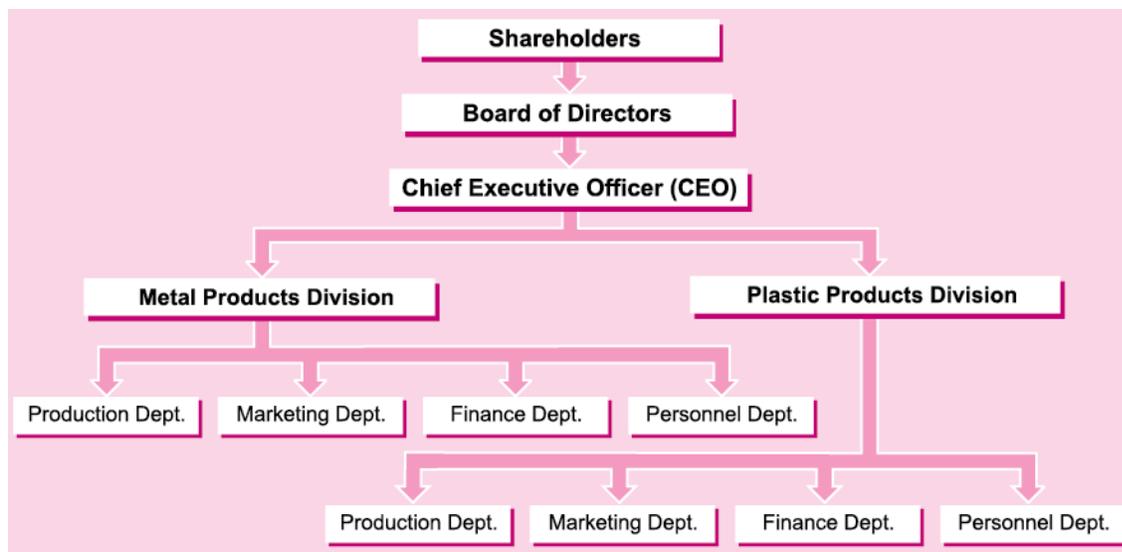
- i. **Development of divisional heads:** The head of each division looks after all the functions connected with their product, that is, purchase, sale, advertisement, production, finance, etc. It helps in the development of varied skills in a divisional head.
- ii. **Divisional results can be assessed:** 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 division. Hence, it is easy to expand the concern.

Q.4. With the help of a diagram, give the meaning of 'Divisional Structure'. Explain any three advantages of this structure.

[CBSE 2012]

Ans. Meaning: Dividing the whole enterprise according to the major products to be manufactured is known as divisional organisation structure.



Advantages: Refer to Points (i) to (iii) of Q. 3 above.

Q.5. With the help of any four points explain the importance of 'Decentralisation' in an organisation.

[CBSE 2014]

Ans. Importance of decentralisation:

- i. **Develops initiative among subordinates:** Under decentralisation, authorities are delegated in large amount. Authority is a kind of power which compels a person to think/contemplate or to do something new. This inculcates in him the ability to take initiative.
- ii. **Develops managerial talent for future:** Under decentralisation, decision-making authority is given even to the lower-level managers. In this way, by getting opportunities to take decisions, knowledge and experience of all levels of managers increases. This develops talent in the managers to bear extra responsibility in the future.

- iii. **Quick decision making:** The burden of all managerial decisions is no more confined to some limited people but is distributed among many people. This not only leads to quick decision making but also results in better decision making. All the people are well aware of the problems faced by their unit or division and for this reason they are capable of taking the best possible and quick decisions.
- iv. **Relief to top management:** Under decentralisation, authority related to take monotonous decisions is delegated to the subordinates. As a result, top management relieves itself from trivial affairs and consequently the workload is quite reduced. This saves their valuable time which is then utilised to brighten the future of the organisation and to establish coordination.