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FOUNDATION COURSE EXAMINATION

(SYLLABUS 2008)

SUGGESTED ANSWERS TO QUESTIONS

DECEMBER 2012

Paper-1 : ORGANISATION AND MANAGEMENT FUNDAMENTALS

Time Allowed : 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.

SECTION - I

Answer Question No. 1 which is compulsory and
any one question from the rest of Section I.

Q. 1. (a) Do you agree with the following statements? Write 'Yes' or 'No' giving proper reasoning in support of your answer. No mark will be awarded for just mentioning 'Yes' or 'No' : [2×6=12]

- (i) Under functional organisation structure mental and manual functions are separated.
- (ii) A functional manager tends to have a limited perspective.
- (iii) Taylor's Scientific Management Theory is called the 'Machine Theory'.
- (iv) In a Project Organisation there is considerable fear among personnel that the completion of a project may result in loss of job.
- (v) Matrix organisation structure demotivates the project staff.
- (vi) Informal groups tend to perpetuate the status-quo.

2 ♦ *Suggested Answers to Question — OMF*

(b) Match the following : [1×12=12]

Column I	Column II
(i) Elton Mayo	(A) Kelly
(ii) Systems Theory	(B) Gives direction to the resources
(iii) Decentralisation	(C) Combination of two or more organisations
(iv) Coalition	(D) Behavioural Theory
(v) Learning	(E) Systematic and consistent delegation of authority
(vi) Applied research in behavioural science	(F) Inter-relationship
(vii) Values	(G) Authority-level Principle
(viii) Vision	(H) Change in behaviour
(ix) Multiple objectives	(I) Transfer
(x) Exception Principle	(J) Do not change with time or place
(xi) Conflict at the group level	(K) Hawthorne Experiments
(xii) Internal Source of Recruitment	(L) Galbraith and Morris

Answer 1. (a)

- (i) **Yes:** In functional organisation structure the organisation is divided into a number of functional areas. Each function is managed by functional expert in that area therefore workload on each expert gets reduced. Thus mental and manual functions are separated.
- (ii) **Yes:** A functional manager tends to have a limited perspective. He thinks only in terms of his own department rather than of the whole enterprise.
- (iii) **Yes :** Because F. W. Taylor stressed upon the division of labour, standardisation of tasks, analysis and measurement of jobs, etc., to make effective use of human being in industrial organisations. That is why Taylor’s Scientific Management is often called ‘Physiological Organisation Theory’ or ‘Machine Theory’. Taylor gave rigid and machine made model of organisation.
- (iv) **Yes :** In an project organisation structure the feeling of insecurity and varying status creates considerable worry about career progress. There is considerable fear among personnel that the completion of a project may result in loss of job.
- (v) **No :** Matrix provides motivation to the project staff as they can focus directly on the completion of a particular project.
- (vi) **Yes :** An informal group is bound by convention and custom. In order to maintain equilibrium it resists innovation and change in work methods.

Answer 1. (b)

Column I	Column II
(i) Elton Mayo	(D) Behavioural Theory
(ii) Systems Theory	(F) Inter-relationship
(iii) Decentralisation	(E) Systematic and consistent delegation of authority
(iv) Coalition	(C) Combination of two or more organisations

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| (v) Learning | (H) Change in behaviour |
| (vi) Applied research in behavioural science | (K) Hawthorne Experiments |
| (vii) Values | (J) Do not change with time or place. |
| (viii) Vision | (B) Gives direction to the resources. |
| (ix) Multiple objectives | (L) Galbraith and Marris |
| (x) Exception Principle | (G) Authority-level Principle |
| (xi) Conflict at the group level | (A) Kelly |
| (xii) Internal Source of Recruitment | (I) Transfer |

Q. 2. Explain the following :

[2×3=6]

- (a) Sunk Costs;
- (b) Vestibule Training;
- (c) Scalar Principle.

Answer 2. (a)

Sunk Costs : Historical costs incurred in the past are known as sunk costs. These are retrospective costs. These costs are 'sunk' because these are one time costs and cannot be recovered once expended. These costs play no role in decision making in current period. For example, in case of decision relating to the replacement of a machine, the written down value of the existing machine is a sunk cost.

Similarly, some employees may be retained despite their out dated skills and experience, their pay and other benefits represent sunk costs and therefore not considered.

Answer 2. (b)

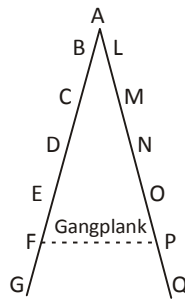
Vestibule Training : In this method a training centre called vestibule is set up and actual job conditions are duplicated or simulated in it. Expert trainers are employed to provide training with the help of equipment and machines which are identical with those used at the workplace.

Merits. The main advantage of vestibule training is that the trainee can concentrate on learning without disturbance of the workplace noise. *Secondly*, the interest and motivation of the trainee are high as the real job conditions are duplicated. *Thirdly*, this method is essential in cases where on-the-job training might result in a serious injury, a costly accident, or the destruction of valuable equipment and material, e.g., aeronautical industry. *Fourthly*, correct method can be taught effectively by the trained instructor who knows how to teach. *Fifthly*, it permits the trainee to practice without the fear of being observed and ridiculed by the superior/co-worker. *Lastly*, it is a very efficient method of training a large number of employees of the same kind of work at the same time. This method is also useful when it is not advisable to put the burden of training on line supervisors and when special coaching is needed. It is often used to train clerks, bank tellers, inspectors, inactive operators, testers, typists, etc.

Demerits. Vestibule training is the most expensive method because of additional investment in classroom, equipment and expert trainers. *Secondly*, the training situation is somewhat artificial and the trainee does not get a feel of the real job. *Thirdly*, separation of training from the supervisory responsibilities may lead to problems in the organisation.

Answer 2. (c)

Scalar Principle : Scalar chain refers to the chain of superiors ranging from the ultimate authority to the lowest rank. It is a line of authority. It serves as a means of delegation of authority (command), communication (feedback) and remedial action (decisions). It is a chain of superiors from the highest to the lowest ranks. The subordinates should ordinarily follow the line of authority if the scalar chain flows from the top to bottom, it will ensure the proper functioning of organisation. It implies that communication should flow from the highest level to the lowest level. Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action. His scalar chain and gang plank can be presented as follows :



Scalar chain and gang plank

Q. 3. Discuss the meaning of the word attitude and give different techniques of measuring it. [6]

Answer 3.

Meaning of Attitude :

Attitude means a predisposition to respond in a positive or negative way to someone or something in the environment. It represents the way a person feels about someone or something. According to Allport, "attitude is a mental state of readiness, organised through experience, exerting a specific influence upon a person's response to people, objects and situations with which it is related."

Some of the popular techniques used to measure attitudes are given below :

- 1. Thurstone attitude scale :** In this scale a large number of statements relating to the area in which attitudes are to be measured are collected. The statements, both favourable and unfavourable are placed into eleven piles-I representing the most favourable and II representing the most unfavourable. Individuals are then asked to check those statements with which they agree. The average of the scale values which they agreed is calculated. If the average is low, this means high degree of favourableness in attitudes. If the average happens to be high, this indicates low degree of favourableness in attitudes.
- 2. Likert's scale :** Rensis Likert's scale consists of five boxes ranging from strongly agree to strongly disagree. For each statement, the respondent is required to check one of the five boxes. All the ratings are then summed up. The sum measures the intensity of one's attitude. Likert's scale is relatively easy because for every aspect only one statement is required which shows both positive and negative degrees. Some experts believe that Likert's scale is more reliable and more valid than Thurstone's scale.

- 3. Opinion Survey :** Attitude scales help to measure the attitudes of employees by summarising the data. Such scales are useful to measure employee morale. *But* they do not help to identify the specific causes of unrest or dissatisfaction among employees. Opinion surveys provide information about specific factors such as company policies and facilities, working conditions, etc.

A questionnaire is used in opinion surveys. Generally, a single response in the form of 'Yes' or 'No' is obtained to each question. It is possible to develop questionnaire that can serve both the purposes of obtaining opinions of employees and measuring their attitudes.

- 4. Interviews.** A consultant or academician may conduct interviews to judge the attitudes of employees in the company. In a guided interview, a series of questions are asked in such a way that these can be answered by a simple 'Yes' or 'No'. In the unguided interview, employees are allowed to express their views about specific matters such as job involvement, job satisfaction, etc.

SECTION - II

Answer Question No. 4 which is compulsory and any three questions from the rest of Section-II.

Q. 4. (a) Match the following :

[1×12=12]

Column I	Column II
(i) Dismissal	(A) Energetic behavior towards specific goals, which begets enthusiasm and cooperation in others
(ii) Midvale Steel Company	(B) Overcoming resistance to change
(iii) Administration Industrielle at Generale	(C) Tannenbaum and Schmidt
(iv) Strategy	(D) George Terry
(v) Training	(E) The determination with which a manager tackles difficult and even thankless tasks, grit and endurance
(vi) Leadership Continuum	(F) Is a set of unified, integrated and comprehensive action plan
(vii) Contingency Approach to Leadership	(G) Henry Fayol
(viii) Democratic Leadership	(H) F. W. Taylor
(ix) Anticipation	(I) The ability to express ideas clearly throughout with precision and at the right
(x) Courage	(J) Giving opportunity of being heard
(xi) Dynamism	(K) Reduces supervision
(xii) Communication	(L) The proactive attitude by which a manager can successfully forestall the events likely to occur

(b) Fill in the blanks with appropriate word/words :

[1×10=10]

- (i) Groups are _____ in all organisations.
- (ii) Response leads to _____ .
- (iii) Every system has a _____ that separates it from its environment.
- (iv) A _____ leader provides freedom of thinking and expressing.
- (v) _____ persons depend more on feelings and judgments.
- (vi) Formal organisation is not a _____ frame.
- (vii) Project organisation provides _____ attention that a complex project demands.
- (viii) Functional structure is a permanent feature of the _____ organisation and retains authority for the overall operation of the functional units.
- (ix) Attitudes are not _____ rather these are learnt.
- (x) Each sub-system derives its strength by its _____ with the other sub-systems.

(c) Expand the following abbreviations :

[1×7=7]

- (i) CMA;
- (ii) ERG;
- (iii) Registered AD;
- (iv) ABC;
- (v) FMT;
- (vi) GNP;
- (vii) NSDL.

(d) Do you agree with the following statements? Write 'Yes' or 'No' giving proper reasoning in support of your answer. No mark will be awarded for just mentioning 'Yes' or 'No' :

[1×4=4]

- (i) There should not be a gap of more than 3 months between two board meetings.
- (ii) Development is more akin to training than to education.
- (iii) A Managing Director is the employee of a company.
- (iv) There is no limit on the term of office of a whole-time director.
- (v) Behavioural science enables a manager to manipulate people.
- (vi) Bargaining is not a zero-sum game.

(e) Define the following in one sentence each :

[2×5=10]

- (i) Indecisiveness;
- (ii) Perpetuation by Committees;
- (iii) Anthropology;
- (iv) Latent Conflict;
- (v) Human Relations School.

Answer 4. (a)

Column I

- (i) Dismissal
- (ii) Midvale Steel Company
- (iii) Administration Industrielle
at Generate
- (iv) Strategy
- (v) Training
- (vi) Leadership Continuum
- (vii) Contingency Approach to Leadership
- (viii) Democratic Leadership

Column II

- (J) Giving opportunity of being heard
- (H) F. W. Taylor
- (G) Henry Fayol
- (F) is a set of unified, integrated and comprehensive
action plan
- (K) Reduces supervision
- (C) Tannenbaum and Schmidt
- (D) George Terry
- (B) Overcoming resistance to change

8 ♦ *Suggested Answers to Question — OMF*

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| (ix) Anticipation | (L) The proactive attitude by which a manager can successfully forestall the events likely to occur. |
| (x) Courage | (E) The determination with which a manager tackles difficult and even thankless tasks, grit and endurance. |
| (xi) Dynamism | (A) Energetic behavior towards specific goals, which begets enthusiasm and cooperation in others. |
| (xii) Communication | (I) The ability to express ideas clearly throughout with precision and at the right. |

Answer 4. (b)

- (i) Inevitable
- (ii) Rewards
- (iii) Boundary
- (iv) Democratic
- (v) Impulsive
- (vi) Static
- (vii) Concentrated
- (viii) Matrix
- (ix) Inborn
- (x) Association / Interaction

Answer 4. (c)

- (i) **CMA** : Cost and Management Accountant
- (ii) **ERG** : Existence, Relatedness and Growth
- (iii) **Registered AD** : Registered Post with Acknowledgement Due
- (iv) **ABC** : Always Better Control
- (v) **FMT** : Future Management Task
- (vi) **GNP** : Gross National Product
- (vii) **NSDL** : National Securities Depository Limited

Answer 4. (d)

- (i) **No** : Board meeting in a company should be held at least once in three calendar months. For example, A board meeting is held on 2nd April, 2012 and second board meeting is held on 12 August, 2012, the provisions of the companies act are not violated.
- (ii) **No** : Development is more akin to education than to training.
- (iii) **Yes** : A Managing Director is the employee of a company.
- (iv) **Yes** : There is no statutory limit on the term of office of a whole-time director.

- (v) **Yes** : Powerful people in organisations may use the knowledge provided by behavioural science to manipulate people without regard for human welfare.
- (vi) **No** : Bargaining is a zero-sum game. If in the bargaining exercise one party's gain results in the other party's loss resulting in a zero-sum game.

Answer 4. (e)

- (i) Indecisiveness is a state of mind where the decision maker is in a fix and is unable to make any decision. He fails to make decision quickly.
- (ii) Committees have a tendency to perpetuate themselves even after the purpose is served. It is the science of man. Similarities and differences among people are studied in it.
- (iii) It is the science of man, similarities and differences among people are studied in it and it is particularly concerned with study of civilisation, forms of cultures and their impact on individuals and groups.
- (iv) When conflict promoting conditions tend to appear. This may also be called as phase of anticipation of conflict.
- (v) Human relations school is a socio psychological approach to management.

Q. 5. (a) Discuss the concept of committee organisation structure and its merits and demerits. [5]

(b) What are the different bases of Departmentation? [4]

Answer 5. (a)

Committee Organisation Structure :

A committee is a group of persons appointed or elected to meet on an organised basis for the consideration of matters brought before it. It is formally assigned some task or problem for taking or recommending decisions on it. According to Hicks, "a committee is a group of people who meet to plan, to discuss or make a decision for a particular subject".

Merits :

1. Pooling of knowledge and experience.
2. Improved communication.
3. Facility of coordination.
4. Better motivation.
5. Executive development.
6. Democratic management.
7. Representation of interests.
8. Consolidation of authority.
9. Avoidance of action.

Demerits :

1. Indecisiveness.
2. High costs.
3. Compromised decisions.
4. Diffused responsibility.
5. Domination by few.

6. Perpetuation.
7. Lack of secrecy.

Answer 5. (b)

The different bases of Departmentation are :

1. Functions
2. Products
3. Territory
4. Customer
5. Process or Equipment
6. Time and Number
7. Composite departmentation.

Q. 6. (a) Discuss the guidelines for securing better delegation. [5]

(b) Discuss the power of Board of Directors under section 292 of the Companies Act, 1956. [4]

Answer 6. (a)

1. Authority should be commensurate with responsibility.
2. Interference should be minimum.
3. Mistake should be tolerated.
4. Adequate controls should be established.
5. Goals should be predetermined and clearly defined.
6. Policies, rules and procedures should be established to guide decisions.
7. Upward delegation should not be allowed.
8. Delegation should be rewarded.

Answer 6. (b)

A Director has no power to act in his individual capacity unless he is vested with the authority to do so by the Board. The directors have two sets of powers, namely, (i) statutory powers and (ii) executive powers

A Director has following powers under section 292:

- (a) To make calls in respect of money unpaid on shares;
- (b) To issue debentures;
- (c) To borrow money other than on debentures;
- (d) To make loans;
- (e) To invest the funds of the company;
- (f) To delegate the above functions to any Committee of Directors.

Q. 7. Give a brief description of the Likert's four management systems. [9]

Answer 7.

A brief description of the Likert's four management systems is given below :-

System 1 - Exploitative Autocratic : The managers under this system make all work related decisions and order their subordinates to carry out the decisions. The managers also define standards and methods of

performance. The subordinates have absolutely no say in the decision-making process. The communication between the manager and his subordinates is highly formal in nature and downward in direction. Such managers believe in threats and punishments to get things done. They exercise strict supervision and control over the subordinates.

System 2 - Benevolent Autocratic : System 2 managers are also autocratic but they are not exploitative. They adopt a paternalistic approach towards the subordinates. They allow some freedom to subordinates to carry out their tasks within the prescribed limits. The managers adopt patronising attitudes towards the obedient and faithful subordinates. They are rewarded for accomplishment of goals. But the subordinates who do not perform their tasks satisfactorily are treated harshly. Thus carrot and stick approach to motivation is adopted under this system.

System 3 - Consultative : Managers under this system set goals and issue orders after discussing them with the subordinates. They take major decisions themselves and allow subordinates to take the routine decisions. Subordinates are free to discuss the work-related matters with the managers. Thus there is two-way communication in the organisation. Managers trust subordinates to carry out their tasks. Greater emphasis is placed on rewards than on penalties to motivate the subordinates. The control system tends to be goal-oriented and flexible.

System 4 - Democratic : Under this system, goals are set and work related decisions are taken by the subordinates. Supervision and control are group-oriented. Managers are friendly and supportive in their attitudes towards the subordinates. Subordinates are permitted self-appraisal on the basis of mutually set goals. In addition to economic rewards, subordinates are given a sense of purpose and feeling of worth. The communication system is completely open.

Q. 8. Distinguish between :

- (a) Formal and informal organisation; [5]
- (b) Leadership and Management. [4]

Answer 8. (a)

Distinction between Formal and Informal Organisation :

Basis	Formal Organisation	Informal Organisation
Origin	Created deliberately	Arises spontaneously
Nature	Planned and official	Unplanned and unofficial
Size	Large	Small
Continuity	Stable	Unstable and dynamic
Focus	Built around jobs	Built around people and their roles
Structure	Definite structure mechanical and rational	Structureless impersonal and emotional
Goals	Profits and service to society	Satisfaction of members
Influence processes	Legitimate authority	Power
Control process	Rigid rules and regulations	Group norms and values
Communication	Official and well-defined paths. One way and slow flow of information	Unspecified channels. Two-way and fast flow of information-grapevine
Authority	Positional-flows top down	Personal-flows bottom up
Charting	Shown on organisational chart	Not shown on organisational chart

Answer 8. (b)

Leadership and management are different from each other. Following are the two points of distinction:

- (1) Leadership is a part of management. Leadership is one of the managerial functions.
- (2) Management is for the formal and organized groups while leadership can be of completely unorganized, informal groups. Leader can be formal as well as informal.