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Part II

Question no 2

Management is defined as:

"An art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals can co-operate towards attainment of group goals."

According to F.W Taylor:

"Management is an art of doing things that to do, when to do and see that it is done in best and cheapest way"

Nature and Scope of management:

Nature of management is explain in terms of its feature i.e

- 1- **Universal:** Management is crucial as its common and crucial in all organizations. Its universality implies that its skills are transferable from one person to another which allows them to get trained and develop those skills. You can apply the principles of management in all situations regardless of the nature, location and size of the enterprise.
- 2- **Social:** It involves handling people in organized in a group.
- 3- **Intangible:** Its a abstract concept. Its not a thing or object which you can touch but you can feel its presence through the results of its output i.e employee satisfaction and work output.
- 4- **Dynamic:** Its dynamic as it must remain equipped to face various changes in the corporate environment caused by social, economic, technological, political or human factors.
- 5- **Goal oriented:** All the activities performed in management are goal oriented - i.e focusing on specific goals.
- 6- **Production factor:** Managers are vital to utilizing capital and labour.

- that's why it's a significant factor of production
7. **Co-ordinating** ∴ It requires co-ordination between groups of people. All physical and human resources require efficient co-ordination to achieve optimal levels of productivity. They work in teams because no one can work in isolation
 8. **A crucial part of society**: Society has greater impact on management and similarly management has an impact on society. Managers are responsible for contributing to society through charity, organization and growth
 9. **Professional**: They conform to code of conduct and conscious of human and social responsibilities. They have proper knowledge and managerial training
 10. **Process**: It consists of sequence of actions that we conduct towards an end.

Scope of management:

The scope of management can cover -

1. **Financial management**: Its top priority of companies for effective and proper managing of finances so to enable them to stay in business and remain competitive. By applying management principles to their financial resources, companies can keep track of how they procure revenues and how they utilise them.
2. **Marketing management**: It usually covers the different marketing activities undertaken by company's marketing department like identifying consumer trends and creating appropriate business solutions to respond to them.
3. **Personnel management**: Its about managing the personnel and staff in an organization and maintaining a positive and productive business environment. It includes recruiting qualified personnel to meet organization's staffing need.

Production management ∴ It is application of management principles to different production activities in company's production department. It usually involves handling the entire manufacturing process. The main types of production

management includes job production, batch production and mass production -

5- office management : It concerns the planning, co-ordination and controlling the different activities in an office environment.
work

FOUR MANAGEMENT FUNCTIONS -

1- **Planning** It is preparatory step - which determines future course of action.

According to Koontz and O'Donnell:

"planning is deciding in advance what to do and how to do."

- It bridges the gap b/w where we are and where we want to go.

Managers are basically defining organizational goals and they can be anything like maximize profit, increase sales etc. Then they make strategies for achieving the goals which is included in planning.

Example: Company have decided to increase the sales, to maximize profit this year. Then to achieve these goals, they will set strategies like to decrease the price by 1% or adjust in some other products. Moreover, After setting goals, they are also communicated across various departments according to which they make their plans according.

"Planning is concerned with both ends (What) and means (How)."

Steps Involved in Planning

1- Establish Goals

It is the first aspect of planning. Goals are defined as :

desired outcomes / objectives / target for individuals groups or for entire organization.

- They provide direction. Bcz when plan is implemented, we get to evaluate that whether we achieve our desired outcome or goal-

If we are not able to achieve, it means that there is some loophole in the process that needs to be corrected. So Goals provide direction and evaluation Criteria.

2. Identify Resources / Planning Premises: Planning is based on certain assumptions regarding the future. These assumptions are known as premises. They are regarding the future predictions, previous ~~policies~~ plans and current policies and facts. Thus for successful planning, current premises

should be proposed by analyzing external environment.

(iii) Identify Alternatives:

Once you made all the assumptions than need arises to identify the alternatives - (number of ways to achieve a objective) The managers need to think carefully about these various routes. This involves innovation and creative mind so that new ways can be developed in order to accomplish goals. For eg you are going to launch a new product - observing market

(iv) Evaluating Alternatives - After identifying, the managers allocate weight to each product. need to evaluate them on the basis of strength and weakness - Each alternative is appraised on the basis of their weights and criteria for example; which product will incur less cost or less time - Which product would generate more cashflow - You have to do right evaluation of each product.

(v) Selection of the best

Choose the best alternative with highest total weight - The Managers should use their skill and knowledge for selecting the best alternative in terms of profitability, costs and workability.

(vi) Implementation: - Re Putting the chosen alternative into action - It requires other function of management to step into the process - It involves organizing and choosing the work according to chosen paths and policies - Every department would further make its own policy.

(vii) Establish Evaluation: Assessing the implementation of plans (matching with desired results)

- goal is achieved or not; if not how can it be effective. What went wrong - You have to keep eye on all of activities to ensure proper working of plan. It increases success of plans

and achievement of objectives -

Organizing

It is function of management which follows planning. According to Chester Barnard,

"Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination b/w authority and responsibility

- It is how you are arranging and ^{situating} _{structuring} your work to achieve objectives.

Purpose of organizing:

- It divides the work to be done in specific jobs and departments -
- It co-ordinates diverse organizational tasks.
- It establishes formal line of authority.
- Establishes relationship among individuals, groups and departments.
- Assigns tasks and responsibilities associated with individual jobs.
- Clusters jobs into units - (naye clients to unka group)
- Allocates and deploys organizational resources.

Principles of Organizing (Organizational design) Structure

Organizational structure empowers managers for getting things done to accomplish goals. They help in formal arrangement of jobs, deployment of resources and co-ordination among departments. ^{It}

First element to design organizational structure is

(a) Principle of Specialization:

According to this principle, the whole work should be divided among sub-ordinates on

the basis of Qualifications, skills and abilities. It is through division of work - specialization can be achieved which results in effective organization -

(b) Principle of function (Departmentalization by type) :

It is the 2nd element of organizational structure.

- Individuals are divided into groups and according to groups they are placed in specific departments. Moreover how they also and department adjustment of departments in overall organization.

3. Chain of Command (Principle of chain of Command) / Unity of Command

It implies one subordinate one superior relationship. / unbroken line of authority that extends from upper level of an organization to lower level of organization - In other words: "Who reports to whom"

Every subordinate is answerable and accountable to one boss at one time
In this, everyone is clear that who he will be answerable way.

It includes Scalar chain of command i.e. there is a clearly defined line of authority and all individuals of an organization know who they are going to report -

Example: Managing director → Marketing Manager → Sales manager
Salesman

4. Span of Control/Supervision

According to this principle, span of control is a span of supervision which depicts number of employees who can be efficiently and effectively controlled by a single manager -
According to this principle:

"A manager should be able to handle what number of employees under him should be decided"

It determines how closely a supervisor can monitor sub-ordinates. This decision can be taken by choosing either from a wide or narrow span. There are 2 types of span of control:

1- Wide span of Control: It is the one in which manager can supervise and control effectively a large group of persons at one time.

(b) Narrow Span of Control : limited no of people (selected no of employees at a time)

features — Work which requires tight control and supervision is required e.g handicrafts, ivory, craftsmanship.

- Co-ordination is difficult
- specialization work can be achieved
- communication gap

Leading

It is the 3rd function of management - Manager spends time connecting with his/her employees at an interpersonal level.

"Leading is the use of influence to motivate employees to achieve organizational goals."

Three components make up the leading function.

- (a) Motivating employees and subordinates
- (b) Influencing employees to reach the desired goal of an organization.
- (c) Forming effective groups in organization.

Importance:

- (a) Leaders start an action.
- (b) Provide instructions to conduct and finish a job.
- (c) Motivate their subordinates.
- (d) Build an efficient working environment.
- (e) Co-ordinate activities.
- (f) Improve confidence when employees are de-motivated.

There are different types of leaders for example

- (i) **Laissez-faire**: It gives authority to employees - It is found to be least satisfying and least effective management style
- (ii) **Autocratic**: It is characterized by individual control over all decisions and little input from group members -
- (c) **Transformational**: leader works with subordinates to identify needed change
- (d) **Participative**: It invites input from employees on all company

decisions.

- (iv) **Transactional:** It motivates sub-ordinates by exchanging rewards for performance.

Controlling

It is an important function because it helps to check the errors and take corrective action so that deviation from standards are minimized and stated goals of an organization are achieved in a desired manner.

Characteristics.

- (i) It is continuous process
- (ii) It is embedded in each level of organization hierarchy
- (iii) controls actual performance with planned performance.
- (iv) It is a tool for achieving organizational activities
- (v) It is closely linked with planning
- (vi) It is forward looking

Steps Involved in Controlling

It is following action which involves:

- (1) **Measuring the performance:**

Standards are appropriately drawn. Most organizations prepare formal reports of performance measurements that managers review regularly. It can be measured only by attitude of workers, communication with the superiors, morale to work etc

- (2) **Compare performance with standard:**

Standards are placed along actual performance and variance is calculated. If there are deviants than maybe due to erroneous planning, lack of co-ordination etc.

- (3) **Taking remedial action.** After comparing, we should take

Question no 8 part b

Accounts receivable =

Inventory =

Cash =

Plant and Equipment =

Total Assets = ?

Long term debt = ?

Total liabilities and shareholder equity.

long term debt

$$\text{Debt to Equity} = \frac{\text{Total debt}}{\text{Total Equity}}$$

$$0.5 = \frac{\text{Total debt}}{2,00,000}$$

$$\text{Total debt} = 100,000$$

Total liabilities and shareholder's equity

$$= \text{Notes payable} + \text{long term debt} + \text{common stock} + \text{retained earnings} = 400,000$$

As total Assets = total liabilities and equity

then total Assets = 400,000

$$\text{Asset turnover ratio} = \frac{\text{Revenue (sales)}}{\text{total Assets}}$$

$$2.5 = \frac{\text{Sales}}{400,000}$$

$$\text{Sales} = 1,000,000$$

Accounts Receivable = $\frac{\text{Collection period} \times \text{Sales}}{\text{Days 360}}$

$$A/R = \frac{18 \times 1000000}{360}$$

$$\boxed{A/R = \$500000}$$

Given As ~~CGS = 90%~~ Gross profit = 10%.

$$\text{Gross profit} = \text{Sales} - \text{CGS}$$

$$\text{CGS} = \text{Sales} - \text{Gross profit}$$

$$\text{CGS} = 90\% \text{ sales}$$

$$\text{CGS} = \frac{90}{100} \times 1000,000$$

$$\text{CGS} = 900,000$$

Inventory = ?

$$\text{As Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

$$9 = \frac{900,000}{A \cdot I}$$

$$\text{Average Inventory} = \frac{900,000}{9}$$

$$\boxed{\text{Inventory} = 100,000}$$

Cash
Accounts Receivable 50,000
Inventory 1,00,000
Plant and Equipment
Total Assets 40,0,000

Notes Payable 100,000
long term Debt 100,000
Common Stock 100,000
Retained Earnings 100,000
Total liabilities and
Shareholder's Equity 400,000