UNIT 2.ACCOUNTING FOR PARTNERSHIP FIRMS-FUNDAMENTALS

Partnership	Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
Partners and firm	Persons who have entered into partnership with one another are called individually partners and collectively a firm, and the name under which their business is carried on is called the firm name.
Partnership Deed	The document which contains terms and conditions of partnership is known as *Partnership Deed*
Fixed capital account	The **capital** of the partner shall remain **fixed** unless additional **capital** is introduced or a part of the **capital** is withdrawn.
Fluctuating Capital	Capital account of partner will not remain fixed rather it will keep fluctuating from time to time. In this all the entries related to drawings, interest on capital and share of profit and loss of partner are recorded in capital account, hence in this method there is no need for current account.
Partner Current Account	Partner current account is prepared when capital is fixed. Transactions such as drawings, salary, and **interest** on capital and drawings are recorded. The balance of this account fluctuates every year. The balance can be both credit or debit.
Profit And Loss Appropriation Account	The *profit and loss appropriation account* is an extension of the *profit and loss account*. The main intention of preparing a *profit and loss appropriation account* is to show the distribution of profits among the partners after appropriations in respect of partners' salary,commission,interest on capital,interest on drawings,reserve, if any.
Divisible Profit	The profits available for the distribution among the partners of a firm as are called divisible profits. Divisible Profit is calculated by preparing *Profit And Loss Appropriation Account.*
Past Adjustments	Sometimes, after the final accounts of a firm have been closed, it is found that certain matters have been left out by mistake. In such cases, instead of altering the final accounts which have already been closed, the firm rectifies the error or omission by passing an **adjustment** entry in the beginning of the financial year.
Guarantee Of Profit	**Guarantee** means the surety of a particular amount of **profits** by one or more partners and in some cases by the firm, where the burden of **guarantee** is borne by the party providing such a **guarantee**.
Goodwill	An amount representing the added value to a business of such factors as customer loyalty, reputation, market penetration, and expertise.
Average Profits Method	Under this **method**, goodwill is calculated on the basis of the **average** of certain agreed number of past years' **profits**. The **average** is then multiplied by the agreed number of years of purchase.
Super profit method	**Super profit** is the excess of average **profits** over normal **profits**. Under this **method**, goodwill is calculated on the basis of **super profits**. Normal rate of return on the capital employed is compared with the actual average **profits** to find out the **super profits**.
Capitalization Method	Goodwill, under this **method**, is ascertained by deducting the actual capital employed from the **capitalized** value of business.Goodwill can be calculated by capitalising super profit i.e super profit X 100/NRR

UNIT 3. RECONSTITUTION OF A PARTNERSHIP FIRM

Reconstitution of a Partnership Firm	It means a change in the nature of relationship amongst members, effected through a fresh agreement under which the existing business continues.
Sacrificing Ratio	The **ratio** in which the existing partners agree to **sacrifice** their share of profits in favour of the incoming **partner** is called the sacrificing **ratio**.
Gaining ratio	*Gaining ratio* is calculated at the time of retirement or death of a partner. It is the *ratio* in which the remaining partners acquire the outgoing partner's share of profit.
New profit sharing ratio	The ratio in which the partners are to share the profits in future on reconstitution is known as New profit sharing ratio.
Premium for goodwill	*Premium for goodwill* means amount to be paid by new partner for gaining a share in the *goodwill* of the firm.
Revaluation Account	**Revaluation Account** is prepared only when there is any change in the value of asset and liabilities of the partnership firm, at the time of admission, retirement, and death of a partner.
Accumulated profits	*Accumulated profits* are the earnings of a business that have piled up since its inception, rather than being paid to owners. It can also be called retained earnings, earned surplus or retained capital.
workmen compensation fund	It is create out of revenue profits.The purpose of the *Fund* is to replace employer's liability and to give prompt and equitable protection. against injury, disease, disability or death resulting from employment.
Hidden goodwill	**Hidden goodwill** is the excess of desired total capital of the firm over the actual combined capital of all partner. Value of **Hidden Goodwill** =Capitalised value of firm -Net worth. ***Capitalised value of firm = Capital of new partner ×Reciprocal of new partner's share*** ***Net worth = Total capital of new firm (including new partner's capital) + accumulated profits and reserves (if any).*** If a firm agrees to pay a sum which is more than retiring partner's balance in capital also after making all adjustment with respect to resaves, revaluation of assets and liabilities etc. then excess amount paid is treated as his share of goodwill (known as hidden goodwill).
Employee Provident Fund	The **Employee Provident Fund**, popularly known as **PF** is the retirement saving scheme available to all the salaried employees, is backed by the government on which fixed interest is paid. ***Employee Provident Fund is a statutory liability under Employees Provident fund Act therefore it cannot be distributed among partners.***
Dissolution of a firm	Dissolution of a firm means that the firm closes its business and comes toan end.
***Realization Account*:**	In the event Of dissolution of a firm, all its assets are sold away and liabilities are paid off. A *Realization Account* is opened in order to find profit or loss on realisation of assets and making payment of liabilities.
Realisation Expenses	Those expenses which have been occurred in the process of doing realisation.
Unrecorded assets	Assets which are not shown in the books of accounts.

Unit 2 :Accounting for Partnership : Basic Concepts

One Mark Questions :

Q. 1. Can a partner be exempted from sharing the losses in the firm?
If Yes, under what circumstances?
Q. 2. Give the meaning of partnership deed? 1
Q. 3. Which act is applicable on partnership business?
Q. 4. What is maximum limit of number of partners in a partnership business?
Q. 5. What are the circumstances under which the balance of the fixed capital accounts may change?
Q. 6. Distinguish between fixed and fluctuating capital account on the basis of number of accounts?
Q. 7. What do you understand by mutual agency characteristic of partnership?
Q. 8. If partners are not having any deed then interest on loan will be given or not?
Q. 9. Why it is considered desirable to make the partnership agreement in writing?
Q. 10. List two contents of partnership deed.

Four Marks Questions:

Q. 1. Discuss the main provisions of the Indian Partnership Act 1932 that are relevant to partnership accounts if there is no partnership deed.
Q. 2. Explain why it is considered better to make a partnership agreement in writing.
Q.3. Illustrate how interest on drawings will be calculated under various situations.
Q. 4. Write a note on guarantee of profit to a partner.
Q. 5. How will you deal with a change in profit sharing ratio among existing partners? Take imaginary figures to illustrate your answer?
Q. 6. What is partnership? What are its chief characteristics? Explain.

Q. 7. Amit, Babita and Sona form a partnership firm, sharing profits in the ratio of 3 : 2 : 1, subject to the following :
(i) Sona's share in the profits, guaranteed to be not less than Rs. 15,000 in any year.
(ii) Babita gives guarantee to the effect that gross fee earned by her for the firm shall be equal to her average gross fee of the proceeding five years, when she was carrying on profession alone (which is Rs. 25,000). The net profit for the year ended March 31, 2017 is Rs. 75,000. The gross fee earned by Babita for the firm was Rs. 16,000.
You are required to show Profit and Loss Appropriation Account (after giving effect to the alone).

Q. 8. The net profit of X, Y and Z for the year ended March 31, 2016 was Rs. 60,000 and the same was distributed among them in their agreed ratio of 3 : 1 : 1. It was subsequently discovered that the under mentioned transactions were not recorded in the books :
(i) Interest on Capital @ 5% p.a.
(ii) Interest on drawings amounting to X Rs. 700, Y Rs. 500 and Z Rs. 300.

(iii) Partner's Salary : X Rs. 1000, Y Rs. 1500 p.a.
The capital accounts of partners were fixed as : X Rs. 1,00,000, Y Rs. 80,000 and Z Rs. 60,000. Record the adjustment entry.

Q. 9. Anupam and Abhishek are partners sharing profits and losses in the ratio of 3 : 2. Their capital accounts showed balances of Rs. 1,50,000 and Rs. 2,00,000 respectively on Apr. 01, 2013. Show the treatment of interest on capital for the year ending March 31, 2016 in each of the following alternatives:
(a) If the partnership deed is silent as to the payment of interest on capital and the profit for the year is Rs. 50,000;
(b) If partnership deed provides for interest on capital @ 8% p.a. and the firm incurred a loss of Rs. 10,000 during the year;
(c) If partnership deed provides for interest on capital @ 8% p.a. and the firm earned a profit of Rs. 50,000 during the year;
(d) If the partnership deed provides for interest on capital @ 8% p.a. and the firm earned a profit of Rs. 14,000 during the year.
Q. 10. Mohan, Vijay and Anil are partners, the balance on their capital Accounts being Rs. 30,000, Rs. 25,000 and Rs. 20,000 respectively. In arriving at these figures, the profits for the year ended March 31, 2007 amounting to Rupees 24,000 had been credited to partners in the proportion in which they shared profits. During the tear their drawings for Mohan, Vijay and Anil were Rs. 5,000, Rs. 4,000 and Rs. 3,000, respectively. Subsequently, the following omissions were noticed:
(a) Interest on Capital, at the rate of 10% p.a., was not charged.
(b) Interest on Drawings: Mohan Rs. 250, Vijay Rs. 200, Anil Rs. 150 Was not recorded in the books.
Record necessary corrections through journal entries.

Q. 11. Ram, Shyam and Mohan have started business in partnership on April 1, 2016 with capital of Rs. 30,000, Rs. 40,000 and Rs. 60,000 respectively. They have decided to share profit and losses in the ratio of 2 : 2 : 1. Ram is to be paid on salary of Rs. 500 per month and Mohan a commission of Rs. 3,000. Interest on capital was allowed @ 10% per annum. The drawings for the year were Ram Rs. 5,000, ShyamRs. 4,000 and Mohan Rs. 2,000. Interest on drawings of Rs. 200 was charged on Ram's drawings, Rs. 150 on Shyam's drawings and Rs. 80 on Mohan's drawings. The net profit as per profit and loss account for the year ending 31st March, 2017 was Rs. 32,000. Prepare the profit and loss appropriation account to show the distribution of profit among the partners.

Q. 12. Gautam and Shankar were partners in a firm. Their capitals as on April 01, 2014 was Rs. 6,00,000 and Rs. 9,00,000 respectively. On Ist July, 2014, Gautam introduced an additional capital of Rs. 1,50,000 and Shankar Rs. 1,80,000. On Ist October, 2014 Gautam withdrew Rs. 90,000. On Ist January, 2015, Shankar withdraws Rs. 45,000 from their capitals. Interest is allowed @ 8% p.a. Calculate interest that will be paid to both the partners on their capitals during the financial year 2014-2015.

Q. 13. From the following balance sheet of A and B, calculate interest on capital @ 10% per annum payable to A and B for the year ended 31st December, 2015.

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
A's Capital	14,000	Sundry Assets	30,800

B's Capital	11,200		
Profit and Loss Approp.			
A/c 2014-2015	5,600		
	30,800		30,800

During the year B's drawings was Rs. 4,200 and profits during the year ended 31st December, 2015 were Rs. 8,400.

Q. 14. A, B and C are partners in the ratio of 5 : 3 : 2. Accounting to the agreement C was given a guarantee of minimum amount of Rs. 30,000 as his share of profit every year. The profit for the year 2012 was Rs. 1,20,000. Divide the profit among A, B and C by preparing profit and loss appropriation account.

Unit 3 Reconstitution of a Partnership Firm – Admission of a Partner, Retirement, Death of a Partner, Dissolution

One Mark Questions:

Q. 1. What do you mean by sacrificing ratio?
Q. 2. How is a new partner admitted to a firm?
Q. 3. Why is goodwill considered an intangible assets? But not a fictitious.
Q. 4. What is the nature of revaluation account?
Q. 5. Do all business organizations prepare a profit and loss appropriation Account?
Q. 6. Give the formula of valuation of goodwill by capitalization of super profit method.
Q. 7. What do you mean by revaluation of assets and liabilities?
Q. 8. What is the recommendation of accounting standard ten in case of goodwill?
Q. 9. State any one right acquired by new partner in a partnership firm.
Q. 10. What do you mean by gaining ratio?
Q. 11. State any two matters that need adjustment at the time of retirement of a partner.
Q. 12. In which ratio goodwill will be treated at the time of retirement /

Q. 13. X, Y and Z are partners in the ratio of 4:2:1. Why retires? State the new ratio.
Q. 14. Give one difference between sacrificing and gaining ratio.
Q. 15. What do you mean by dissolution?
Q. 16. Give one difference between dissolution of firm and dissolution of partnership.
Q. 17. What are the two modes of dissolution?
Q. 18. Give one difference between revaluation and realization account.
Q. 19. A and B were partners in the ratio of 5:3. They admit C for 1 / 4 share. What will be the sacrificing ratio?
Q. 20. What are the various method of valuation of goodwill?
Q. 21. How will calculate the hidden goodwill?

Four Marks Questions:

Q. 1. Ram and Rahim are partners in a firm sharing profits and losses in the ratio of 3:2. Rahul is admitted into partnership for 1/3 share in profits.

He brings in Rs.10,000 as capital, but is not in a position to bring any amount for his share of goodwill which has been valued at Rs. 30,000.

Give necessary journal entries under each of the following situations:

(a) When there is no goodwill appearing in the books of the firm;
(b) When the goodwill appears at Rs 15,000 in the books of the firm; and
(c) When the goodwill appears at Rs. 36,000 in the books of the firm.

Q. 2. A) Capital employed in a business is Rs. 2,00,000. The normal rate of return on capital employed is 15%. During the year 2018 the firm earned a profit of Rs.48,000. Calculate goodwill on the basis of 3 years purchase of super profit?

B) Rajan and Rajani are partners in a firm. Their capitals were Rajan Rs. 3,00,000; RajaniRs. 2,00,000. During the year 2018 the firm earned a profit of Rs.1,50,000. Calculate the value of goodwill of the firm assuming that the normal rate of return is 20%?

Q. 3. Verma and Sharma are partners in a firm sharing profits and losses in The ratio of 5:3. They admitted Ghosh as a new partner for 1/5 share of profits.Ghosh is to bring in Rs. 20,000 as capital and Rs. 4,000 as his share of goodwill premium. Give the necessary journal entries:

a) When the amount of goodwill is retained in the business.
b) When the amount of goodwill is fully withdrawn.
c) When 50% of the amount of goodwill is withdrawn.
d) When goodwill is paid privately.

Q. 4. A) Kumar, Lakshya, Manoj and Naresh are partners sharing profits in the ratio of 3 : 2 : 1 : 4. Kumar retires and his share is acquired by Lakshya and Manoj in the ratio of 3:2. Calculate new profit sharing ratio and gaining ratio of the remaining partners.

B) Ranjana, Sadhna and Kamana are partners sharing profits in the ratio 4:3:2.Ranjana retires; Sadhna and Kamana decided to share profits in future in the ratio of 5:3. Calculate the Gaining Ratio.

Q. 5. A) Alka, Harpreet and Shreya are partners sharing profits in the ratio of 3:2:1. Alka retires and her share is taken up by Harpreet and Shreya in the ratio of 3:2. Calculate the new profit sharing ratio.

B) Murli, Naveen and Omprakash are partners sharing profits in the ratio of 3 / 8,1 / 2 and 1 / 8 . Murli retires and surrenders 2 / 3rd of his share in favour of Naveen and the remaining share in favour of Omprakash. Calculate new profit sharing and the gaining ratio of the remaining partners.

Q. 6. What journal entries will be recorded for the following transactions on The dissolution of a firm:

(a) Payment of unrecorded liabilities of Rs.3,200.
(b) Stock worth Rs.7,500 is taken by a partner Rohit.
(c) Profit on Realisation amounting to Rs.18,000 is to be distributed between the partners Ashish and Tarun in the ratio of 5:7.
(d) An unrecorded asset realised Rs.5,500.

Q. 7. A and B were partners in the ratio of 3 : 2. They admit C for 1 / 4 share which he acquire from A and B in the ratio of 2 : 1 respectively. Calculate the new profit sharing ratio of A, B and C.

Q. 8. A, B and C were partners in the ratio of 3 : 2 : 1. They admit D for 20% of share in the profits which the acquires from A, B and C in the ratio of 2 : 2 : 1 respectively. Calculate the new profit sharing ratio.

Q. 9. A and B are partners in a firm sharing profits in the ratio of 3 : 2. C is admitted as a partner A and B surrender 1 / 2 of their respective shares in favour of C. Find the new profit sharing ratio and also the sacrificing ratio.

Q. 10. P, Q and R were partners in the ratio of 2 : 3 : 5. Goodwill exists in the balance sheet Rs. 1,80,000. P retires and on the date of retirement goodwill of the firm is valued at Rs. 1,35,000. Furniture ratio of Q and R will equal. Pass necessary journal entries for the adjustment of goodwill.

Q. 11. A, B, C and D are partners in the ratio of 1 : 4 : 3 : 2. D retires. At the time of retirement goodwill was valued at Rs. 1,00,000. New ratio of the partners will be 4 : 3 : 3. Pass necessary journal entries for the adjustment of goodwill.

Q. 12. P, Q and R were partners in the ratio of 3 : 2 : 1. P retires. On the date of retirement balance sheet was as follows:

BALANCE SHEET

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Creditors	75,000	Plant and Machinery	4,50,000
General Reserve	1,35,000	Stock	45,000
Capital Accounts:		Cash	22,500
P 1,50,000			
Q 82,500			
R 75,000	3,07,500		
	5,17,500		**5,17,500**

Pass necessary journal entry for the treatment of the general reserve.

Eight Marks Questions:

Q. 1. Given below is the Balance Sheet of A and B, who are carrying on Partnership business as on March 31,2017. A and B share profits in the ratio of 2:1.

Balance Sheet of A and B as at March 31, 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Bills Payable	10,000	Cash in Hand	10,000
Creditors	58,000	Cash at Bank	40,000
Outstanding	2,000	Sundry Debtors	60,000
Expenses			40,000
Capitals:		Stock	1,00,000
A 1,80,000		Plant	1,50,000
B 1,50,000	3,30,000	Buildings	

	4,00,000		**4,00,000**

C is admitted as a partner on the date of the balance sheet on the following terms:

1. C will bring in Rs 1,00,000 as his capital and Rs 60,000 as his share of goodwill for 1/4 share in profits.
2. Plant is to be appreciated to Rs 1,20,000 and the value of buildings is to be appreciated by 10%.
3. Stock is found overvalued by Rs 4,000.
4. A provision for doubtful debts is to be created at 5% of debtors.
5. Creditors were unrecorded to the extend of Rs 1,000.

Record revaluation Account, partners' capital accounts, and the Balance Sheet of the constituted firm after admission of the new partner..

Q. 2. A and B are partners sharing profits and losses equally. They decided to dissolve their firm. Assets and Liabilities have been transferred to Realisation Account. Pass necessary Journal entries for the following.

a) A was to bear all the expenses of Realisation for which he was given a commission of Rs 4000.
b) Advertisement suspense account appeared on the asset side of the Balance sheet amounting Rs 28000
c) Creditors of Rs 40,000 agreed to take over the stock of Rs 30,000 at a discount of 10% and the balance in cash.
d) B agreed to take over Investments of Rs 5000 at Rs 4900
e) Loan of Rs 15000 advanced by A to the firm was paid off.
f) Bank loan of Rs 12000 was paid off.

Q. 3. A and B are partners in a firm sharing profits in the ratio 2:1. C is admitted into the firm with 1/4 share in profits. He will bring in Rs. 30,000 as capital and capitals of A and B are to be adjusted in the profit sharing ratio. The Balance Sheet of A and B as on March 31, 2017 (before C's admission) was as under:

Balance Sheet of A and B as at March 31,2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	8,000	Cash in hand	2,000
Bills payable	4,000	Cash at bank	10,000
	6,000	Sundry debtors	8,000
General Reserve		Stock	10,000
Capitals: A 50,000	82.,000	Furniture	5,000
B 32,000			25,000
		Machinery	40,000
	1,00,000	Building	**1,00,000**

Other terms of agreement are as under:

1. C will bring in Rs. 12,000 as his share of goodwill.
2. Building was valued at Rs. 45,000 and Machinery at Rs. 23,000.
3. A provision for bad debts is to be created @ 6% on debtors.

4. The capital accounts of A and B are to be adjusted by opening current Accounts.

Record necessary journal entries, show necessary ledger accounts and prepare fund's Balance Sheet after C's admission.

Q. 4. Dinesh, Ramesh and Suresh are partners in a firm sharing profits and Losses in the ratio of 3:3:2. They decided to share the profits equally w.e.f. April 1, 2017. Their Balance Sheet as on March 31, 2017 was as Follows:

Liabilities		**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Sundry Creditors		1,50,000	Cash at Bank	40,000
General Reserve		80,000	Bills Receivable	50,000
Partner's Loan :				60,000
Dinesh	40,000		Sundry Debtors	1,20,000
Ramesh	30,000	70,000	Stock	2,80,000
Partners' Capital :			Fixed Assets	
Dinesh	1,00,000			
Ramesh	80,000			
Suresh	70,000	2,50,000		
		5,50,000		**5,50,000**

It was also decide that:

1. The fixed assets should be valued at Rs. 3, 31,000.

2. A provisions of 5% on sundry debtors be made doubtful debts.
3. The goodwill of the firm at this date be valued at 4 $^{1}/_{2}$ years purchase Of the average net profits of last, five years which were Rs. 14,000; Rs. 17,000; Rs. 20,000; Rs. 22,000 and Rs. 27,000 respectively.

4. The value of stock be reduced to Rs. 1, 12,000.
5. Goodwill was not to appear in the books. Pass the necessary journal Entries and prepare the revised Balance sheet of the firm.

Q. 5. Azad and Babli are partners in a firm sharing profits and losses in the ratio of 2:1. Chintan is admitted into the firm with 1/4 share in profits. Chintan will bring in Rs. 30,000 as his capital and the capitals of Azad andBabli are to be adjusted in the profit sharing ratio. The Balance Sheet of Azad and Babli as on December 31, 2016 (before Chintan's Admission) was as follows:

Balance Sheet of A and B as on 31.12.2016

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**

Creditors	8,000	Cash in hand	2,000
Bills payable	4,000	Cash at bank	10,000
	6,000	Sundry debtors	8,000
General reserve		Stock	10,000
Capital accounts:		Funiture	5,000
Azad 50,000	82,000		25,000
Babli 32,000		Machinery	40,000
	1,00,000	Buildings	**1,00,000**

It was agreed that:

i) Chintan will bring in Rs. 12,000 as his share of goodwill premium.

ii) Buildings were valued at Rs. 45,000 and Machinery at Rs. 23,000.

iii) A provision for doubtful debts is to be created @ 6% on debtors.

iv) The capital accounts of Azad and Babli are to be adjusted byopening current accounts. Record necessary journal entries, show necessary ledger accounts and prepare the Balance Sheet after admission.

Question Bank of Business Studies Class 12

CHAPTER 1 – NATURE AND SIGNIFICANCE OF MANAGEMENT

Q1. What is management?

Ans) Management. is an art of getting things done through the others and with the aim of achieving the objectives efficiently and effectively.

Q2. What are the features of management?

Ans) Goal oriented – Management. helps business to achieve goals effectively and efficiently.

- Universal – Management. is pervasive. It means that it is applicable everywhere.
- Continuous process – Never ending activity.
- Flexible – Management is dynamic in nature.
- Intangible – Cannot be seen (Invisible)
- Multidimensional – Management of work, people and operations.

Q3.Differentiate between effectiveness and efficiency.

Effectiveness – Completion of job on time to achieve goal.

Efficiency – Doing work correctly with minimum cost.

Q4. What is the nature of management.?

Ans) Management is a science

Management is an art.

Managementis a profession.

Q5.Management. is science as well as an art. Explain.

Ans) Management as a science

- Like science management is also a systematic body of knowledge
- Like science management. principles are also based on experiments.
- Like science management. principles are also universal.

  Conclusion – Management. is not an exact or pure science. It is soft or social science because its principles are flexible and can be changed according to the human needs.

1) Management as an art

- Like an art management is also based on theories.
- Like an art management also have personalised application. (Every manager develops his own style)
- Like an art management is also based on practice and creativity.

  Conclusion – Management is an art of getting things done through and with others.

Q6.Management is a fullfledged profession. Comment
.Ans) No, this statement is not true. Management is not a fullfledged profession.

- Like profession management is also a systematic body of knowledge.
- In profession entry is restricted (specific qualification is required)
  Examples – Doctor (MBBS), Lawyer (LLB) etc.
  But in management entry is not restricted. Anyone can be called as a manager irrespective of his qualification.
- All professions have a professional association which gives certificate of practice. But in management it is not compulsory for a manager to be a member of management association.
- Code of conduct – All professions strictly follow code of conduct formulated by their association. Management associations have formulated code of conduct but it has no legal support.

Q7. What are the levels of management?
Ans.TOP LEVEL – Board of directors, Chairman, President, Vice president, CEO, General Manager etc.,

Functions – 1. Formulate overall objectives
2. Framing policies
3. Arrange resources (Man, machine, material and money)
4. Overall co-ordination
5. Overall control

MIDDLE LEVEL – Departmental heads, Purchase manager, Production manager, Finance manager , Marketing manager, Plant superintendent etc.,

Functions -1. Interpreting policies
2. Smooth functioning of their departments
3. Assign duties and responsibilities to persons working in their departments
4. Motivating employees
5. Co-operate with other departments

LOWER LEVEL – Also known as supervisory level or operative level and first line managers

It includes supervisors, foreman, superintendent, section officers etc.,
Functions – 1.Supervision of workers.
2. Giving instructions to workers.
3. Ensure quality of production.
4. Provide safe and proper working conditions to the workers.
5. Represent workers problems.

Q8. What are the functions of management?
Ans)

- Planning
- Organizing
- Staffing
- Directing
- Controlling

Q9. Coordination is an essence of management. Comment.
Ans) Coordination means synchronizing efforts of employees to achieve common goal. It is like a thread in garland which binds all the functions of management.

- It is required in all the functions of management.
- It is required at all the levels of management
- It brings unity of action
- It integrates group efforts
- Continuous process
- Universal process
- It is the responsibility of all managers
- Intangible force

Q10. What are the objectives of management?
Ans)

Organizational	Social	Personal
Survival	Employment opportunities for weaker sections	Good salary
Profit	Protection of environment	Personal growth and development
Growth	Provide quality goods at reasonable price	Health &working conditions
	Conducting business in lawful manner	Fulfill social needs
	Avoid unfair trade practices	

Q11. What is the importance of management?
Ans)

- Goal oriented – It helps business to achieve pre determined goals effectively and efficiently.
- Optimum use of resources – No wastage
- Create healthy environment – Brings coordination
- Adaptability – Helps business to change itself according to the business environment
- Helps in the development of the society

CHAPTER 2 – PRINCIPLES OF MANAGEMENT

Q12.Differentiatebetweenmanagement principles and scientific principles
Ans) Management principles are flexible whereas Scientific principles are rigid.

Q13. How management principles are derived?
Ans) Through Observations and experiments
Q14. What are the principles of scientific management?
Ans)

- Science not rule of thumb – Replace trial and error method with scientific method
- Harmony not discord – Proper understanding between management and workers
- Cooperation not individualism – Cooperation between management and workers. Competition should be replaced by cooperation

Q15. What are the techniques of scientific management?
Ans)

- Functional foremanship – It is a technique to improve quality of supervision. It puts a worker under eight supervisors who are experts in different fields.
  So it is contradictory to unity of command.
- Motion study – It is to find out the best way of doing a work. It eliminates unproductive movements.
- Fatigue study – It helps to determine number of rest intervals required by workers in completing a work. It helps worker to regain energy.
- Time study – It determines the standard time taken by a worker to perform the job correctly.
- Method study – Finding one best way of doing a job.
- Differential piece wage system – In this system efficient and inefficient workers are paid at different rates.
  Example – Standard output 10 units per day, standard output or more wagerateRs. 50 per unit ,below the standard Rs.40 per unit
  Worker A – Produces 10 units then he will get 10x50
  Worker B – Produces 12 units then he will get 12x50
  Worker C – Produces 9 units then he will get 9x40; wage rate will decrease