

# Chapter 3

# Business Environment

## Introduction

The success of any business enterprise depends not only on its internal management but also on many external forces (or environmental conditions) such as decisions of government, consumers and other business firms. Therefore, a good understanding of business environment by business managers is quite useful.

### 1. \*What is business environment?

**Ans:** Business environment means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may effect its performance.

**Note:** [(1) The 'individuals' (likely to influence the performance of a business enterprise) include individual customers and competitors.

(2) 'Institutions' include Govt., competing institutions, courts, media and other institutions.

(3) 'other forces' include, the economic, social, political, technological and legal forces.

(4) Examples of environmental influence on the working of a business enterprise:

(i) Increase in taxes by government can make things expensive to buy.

(ii) Technological improvements may render existing products obsolete

(iii) Political uncertainty may create fear in the minds of investors.

(iv) Changes in tastes and fashions of consumers may shift demand in the market from existing products to new ones.

(v) Increased competition in the market may reduce profit margins of firms.

## Features of Business Environment

### 2. \*Explain any four features (or characteristics) of business environment.

**Ans:** Business environment has the following features.

(1) **Totality of external forces:** Business environment is the sum total of all things external to business firms. It is aggregative in nature.

(2) **Specific and general forces:** Business environment includes both specific and general forces. Specific forces such as customers, suppliers, competitors and investors affect individual enterprises directly and immediately in their day to day working. General forces such as social, political, legal and technological conditions affect an individual firm indirectly.

(3) **Inter – relatedness:** Different elements or parts of business environment are closely inter related. For example, increased awareness for health care has increased the demand for many health products and services like fat free cooking oil and health resorts.

- (4) **Dynamic nature:** Business environment is dynamic in nature. It keeps on changing. For example, there may be shift in consumer preferences, there may be entry of new competitor in the market and so on.
- (5) **Uncertainty:** Business environment is largely uncertain. In some areas like information technology and fashion industries, environment changes are taking place too frequently making it very difficult to predict future happenings.
- (6) **Complexity:** Business environment is a complex phenomenon. It is easier to understand in parts but difficult to grasp in its totality. For example, it may be difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on change in demand of a product in the market.
- (7) **Relativity:** Business environment is a relative concept since it differs from country to country and even region to region. For example, demand for sarees is fairly high in India while demand for sarees is almost nil in France.

### 3. \*State any two features of business environment.

**Ans: Two features of business environment are:**

- (1) **Totality of external forces:** Business environment is the sum total of all things external to business firms.
- (2) **Specific and general forces:** Business environment includes both specific forces (such as customers and suppliers) and general forces (such as social and technological conditions)
- (3) **Dynamic in nature:** Business environment is dynamic in nature. It keeps on changing.
- (4) **Uncertainty:** Business environment is largely uncertain.
- (5) **Complexity:** Business environment is a complex phenomenon.
- (6) **Relativity:** Business environment is a relative concept

**Note:** Those students who find it difficult to study the answer to Q. 2 may study this answer which is simple and can write these points to Q.No. 2)

## Importance of Business Environment

### 4. \*Explain any four points to explain how important the understanding of business environment for manager is.

**Ans: Importance of a good understanding of business environment:**

A good understanding of business environment by business managers helps them in the following ways.

- (1) **It enables the firm to identify opportunities and getting the first mover advantage:** Understanding of business environment helps to identify the business opportunities at the earliest. Early identification of opportunities (positive external change that will help a firm to improve its performance) helps an enterprise to be the first to exploit them instead of losing them to competitors. For example, Maruti Udyog became the leader in the small car market because it was the first to recognize the need for small cars in an environment of rising petrol prices and a large middle class population in India. Similarly early identification of online business opportunities (e-commerce) in India helped Flipkart to become a leader in e-commerce.
- (2) **It helps the firm to identify threats and early warning signals:** Environmental awareness can help managers to identify various threats (i.e., external environment changes that will hinder a firm's performance) on time and serve as an early warning signal.
- (3) **It helps in tapping useful resources:** Better understanding of environment helps managers to assemble various resources such as finance, machines, raw materials, power, water, labour etc. from its environment.



**(4) It helps in coping with rapid changes:** Better understanding of business environment helps managers to develop suitable courses of action to run the business successfully even in the midst of rapid changes in the business environment such as turbulent market conditions, bargaining customers, changes in technology and intense global competition.

**(5) It helps in planning and policy formulation:** Understanding and analysis of business opportunities and threats (i.e., business environment) will assist the managers in planning (deciding the future course of action) and in formulation of policies.

**(6) It helps in improving performance:** Continuous monitoring and understanding of business environment helps managers to adopt suitable business practices which improves their present as well as future performance.

Thus, understanding of business environment helps managers to achieve success in their business.

## Dimensions of Business Environment

5. \*Briefly explain any four dimensions (or elements) of business environment.

**Ans:** Dimensions (or factors or elements) of business environment consists of economic, social, technological, political and legal conditions which are considered relevant for decision making and improving the performance of an enterprise.

- (1) Economic environment:** Interest rates, inflation rates, changes in disposable income of people, stock market indices, and the value of rupee are some of the economic factors that can affect management practices in a business enterprise. For example, in case of construction companies and automobile manufacturers, low longterm interest rates are beneficial because they result in increased spending by consumers for buying homes and cars on borrowed money.
- (2) Social environment:** The social environment of business include the social forces like customs and traditions, values, social trends, societies expectations from business etc. For example, the celebration of Diwali, Id and Christmas in India provides significant business opportunities for greetings card companies, sweets and confectionary manufacturers, tailoring outlets and many other related business.
- (3) Technological environment:** Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business. For example, there was shift in demand from typewriters to computers due to technological improvement.
- (4) Political environment:** It includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business. Political stability builds up confidence among business people, while political instability can shake that confidence.
- (5) Legal environment:** It includes various legislations passed by the government, administrative orders issued by government authorities, court judgements as well as the decisions rendered by various commissions and agencies at every level of the government – centre, state or local. The management of every enterprise has to obey the law of the land. In India a working knowledge of the Companies Act, 2013, Consumer protection Act, 1986, Factories Act, 1948 and host of other legal enactments is important for doing business.

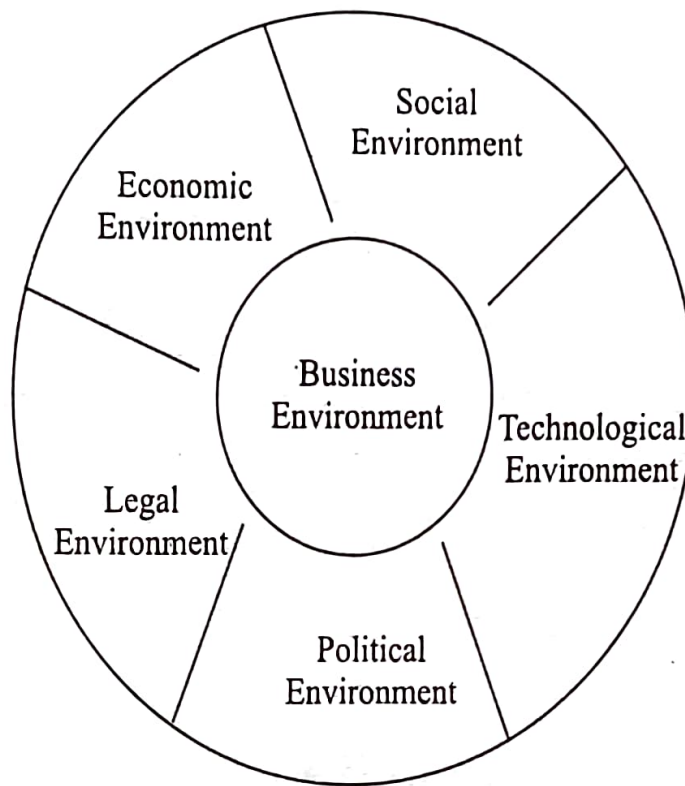
6. State any two dimensions of business environment.

**Ans:** Write any two points of Q. 5 above in brief.

## Practical Oriented Question

7. \*Show the different elements of business environment that influence the success of business enterprises with a neat diagram.

Ans: Elements of business environment



**Economic Environment in India:** It consists of various macro level factors related to the means of production and distribution of wealth which have an impact on business and industry. The economic environment in India has been steadily changing since independence mainly due to govt. policies.

As a part of economic reforms the Govt. of India announced a new industrial policy in July, 1991, which sought to liberate the industry from licensing system (liberalization), drastically reduce the role of public sector (Privatisation) and encourage foreign private participation in industrial development (Globalisation)

## Liberalisation

8. \*What is liberalization?

Ans: Liberalising the Indian business and industry from all unnecessary controls and restrictions is called liberalization. Liberalization signaled the end of licensing system.

## Privatisation

9. \*What is privatization?

Ans: Privatisation is the process of transfer of ownership and management of public sector enterprises to private sector through the process of disinvestment.

## Globalisation

10. \*Give the meaning of globalization.

Ans: Globalisation means the integration of the various economies of the world leading towards the emergence of a global economy.



### Impact of Govt. policy changes on Business and Industry

The policy of liberalization, privatization and globalization of the govt. has made a significant impact on the working of enterprises in business and industry. The Indian corporate sector has come face-to-face with several challenges due to govt. policy changes.

11. Explain any four challenges that were to be faced by business and industry due to changes in Govt. policy.

OR

Briefly explain the impact of government policy changes on business and industry. (any four points).

Ans: Business and industry has to face the following challenges due to changes in govt. policy (i.e., The impact of govt. policy changes on business and industry):

- (1) **Increasing competition:** Competition for firms has increased due to the entry of foreign firms (which is the result of liberalization) especially in service industries like telecommunications, airlines, banking, insurance etc.
- (2) **More demanding customers:** Being well informed about govt. policy and competition which is present in the market, customers have become more demanding. They expect better quality goods and services.
- (3) **Rapidly changing technological environment:** Increased competition forces the firms to develop new ways to survive and grow in the market. The rapidly changing technological environment creates tough challenges before smaller firms.
- (4) **Necessity for change:** After the introduction of the policy of liberalization (After 1991), the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.
- (5) **Need for developing human resource:** The new market conditions require people with higher competence and greater commitment. It calls for the development of human resources.
- (6) **Market orientation:** The government policy changes requires the firms to study and analyse the market first and then produce goods accordingly.
- (7) **Loss of budgetary support to the public sector:** The central government's budgetary support for financing the public sector outlays has declined over the years. The public sector enterprises have to be more efficient and generate their own resources for the purpose.

On the whole, the impact of government policy changes particularly in respect of liberalization, privatisation and globalization has been positive. Indian enterprises have developed strategies and adopted business processes and procedures to meet the challenge of competition.

# Chapter 4

# Planning

## Introduction

Every organization whether it is government owned, a privately owned business or a company in the private sector requires planning. The government makes five year plans for the country, a small business has its own plans, while other companies have big plans (e.g., production plans, sales plans etc.), All of them have some plans.

All business firms would like to be successful, increase their sales and earn profits. All managers dream of these and strive to achieve their goals. Dreams can be turned into reality only if business managers think in advance on what to do and how to do it. This is the essence of planning.

## Concept (i.e., Meaning of Planning)

### 1. \*What is planning?

**Ans:** Planning means setting objectives and targets and formulating an action plan (i.e., determining appropriate course of action) to achieve them.

In simple, planning is deciding in advance what to do and how to do.

It is one of the basic managerial of functions.

### 2. Define planning.

**Ans:** Planning is the process of setting objectives for a given time period, formulating various courses of action to achieve them, and then selecting the best possible alternative from among the various courses of action available.

## Features of Planning

### 3. \*Explain any four features of planning.

**Ans: Features (or nature) of planning:**

Planning function of the management has the following features.

- (1) **Planning focuses on achieving objectives:** Planning is purposeful function of management. It is concerned with setting up of objectives along with the activities to be undertaken to achieve the objectives.
- (2) **Planning is a primary function of management:** Planning is a primary function of management as it lays down the base for other functions of management. All other managerial functions are performed within the framework of the plans drawn.
- (3) **Planning is pervasive:** Planning function is performed by all levels of management as well as in all departments of the organization.
- (4) **Planning is continuous:** Planning is a continuous process. One plan, after its implementation, is being followed by another plan (which is drawn on the basis of new requirements and future conditions).



- (5) **Planning is futuristic:** Planning involves looking ahead and preparing for the future. The purpose of planning is to meet future events effectively to the best advantage of an organization. Thus, planning is a forward looking function based on forecasting. For example, based on sales forecasting, a business firm prepares its annual plan for production and sales.
- (6) **Planning involves decision making:** Planning essentially involves choice from among various alternatives and activities. Each alternative is evaluated and finally the decision is taken to select the best alternative.
- (7) **Planning is a mental exercise:** Planning requires application of the mind. It is basically an intellectual activity of thinking. Thus, planning involves logical, systematic and orderly thinking based on the analysis of facts and forecasts which is necessary for determining the action to be taken. (Write any four points)

4. **State any two features of planning.**

Ans: **Two features of planning:**

- (1) Planning focuses on achieving objectives.
- (2) Planning is a primary function of management

5. **State any one features of planning.**

Ans: Planning is a primary function of management.

6. **\*Which function of management involves decision making?**

Ans: Planning

## Importance of Planning

7. **\*Explain the importance of planning with any four points.**

Ans: **Importance of planning:**

Planning is deciding in advance what is to be done and how it is to be done. The benefits of planning are:

- (1) **Planning provides direction:** Planning provides direction for action by stating in advance how a work is to be done. Planning ensures that the goals or objectives are clearly stated so that the employees of the organization are aware of what the organization has to do and what they must do to achieve these goals.
- (2) **Planning reduces the risk of uncertainty:** Planning helps business enterprise to predict (i.e., foresee) its future uncertain events and enables the organization to face these uncertainties in the best possible manner. Thus, planning helps to develop a remedial action against future uncertainties and reduce the risk of business.
- (3) **Planning reduces overlapping and wasteful activities:** Planning facilitates the co-ordination of the activities and efforts of different divisions, departments and individuals and avoids duplication of activities. Thus, useless and wasteful activities are minimized or eliminated.
- (4) **Planning promotes innovative ideas:** Planning is basically thinking and decision making process. During the process of planning, many new ideas come to the minds of managers. These innovative ideas can take the shape of concrete plans leading to growth and prosperity of the business.
- (5) **Planning facilitates decision making:** Planning targets, objectives and courses of action provide the managers criteria and guidance for the evaluation of the alternatives. It reduces mistakes in decision making. Thus, planning facilitates managers to take rational decisions.
- (6) **Planning establishes standards for controlling:** Planning facilitates control. Planning determines in advance the work to be done, the person responsible for doing it, the time to be taken to do the work and the cost to be incurred. This makes it easy to compare the actual performance with the planned performance. In case there are deviations, corrective actions are taken to remove the deviations. Thus, planning provides the base for control.

8. State any two benefits of planning.

Ans: Two benefits of planning are:

(1) Planning provides direction for action.

9. State a benefit of planning.

Ans: Planning provides direction for action.

## Limitations of Planning

10. \*Explain any four limitations of planning.

Ans: Limitations of planning:

- (1) **Planning leads to rigidity:** Planning makes the subordinate managers to work according to plans. They cannot change the plans even if the circumstances have changed. This kind of rigidity in plans may create difficulty.
- (2) **Planning reduces creativity:** Planning reduces the creativity of the subordinate managers as they have to just implement the plans given by the top management. They are not allowed to deviate from plans and are not permitted to act on their own.
- (3) **Planning involves huge cost:** Planning is a costly process. Huge costs are involved in the formulation of plans. Collection and analysis of different information, determination and evaluation of the alternative courses of action and selection of the best course of action involve huge expenses. (e.g., expenses on boardroom meetings, discussions with professional experts etc.) Sometimes, the cost incurred on planning may exceed its benefits.
- (4) **Planning is a time consuming process:** Planning process is time consuming. Collection and analysis of the facts and information, determination and evaluation of the alternative courses of action and selection of the best course of action involves much time.
- (5) **Planning may not work in a dynamic environment:** Business functions in a dynamic environment. Therefore, planners cannot foresee everything. Further, planners do not have control over certain dynamic environmental factors like economic, political, legal, social and technological conditions. Any change in these factors (e.g., change in technology) will affect the course of action (i.e., plan).
- (6) **Planning does not guarantee success:** The success of an enterprise is possible only when the plans are properly drawn up and implemented. But planners formulate the plans for the future which is unpredictable. Further, planning based on any wrong information may lead to difficulties. Therefore, planning does not guarantee success.

Despite of its limitations, planning is not a useless exercise. It provides a base for analyzing future course of action.

11. State any two limitations (or disadvantages) of planning.

Ans: Two limitations (disadvantages) of planning are:

- (1) It is a time consuming process.
- (2) It involves huge cost.

12. State a limitation of planning.

Ans: Planning is a time consuming process.



# Planning Process

13. \*Explain the first two steps taken by management in planning process.

**Ans:** Planning is deciding in advance what to do and how to do. It is a decision making process. Every manager has to follow the following logical steps in planning process.

- (1) **Setting up of objectives:** The first step in planning is setting up of objectives (i.e., the end results to be achieved). The objectives should clearly specify what the organization wants to achieve. E.g., earning a profit of 30% on investment. The objectives are set by the top management. The objectives should be set for the entire organization and for each department within the organization. They must be specific, realistic and in measurable terms.
- (2) **Developing planning premises:** Planning is concerned with accomplishment of objectives in uncertain future. Therefore, while formulating plans the manager is required to make certain assumptions (i.e., Planning premises) about the future. For example, manager may assume that tax rate may go up by 2% within a month. Similarly, he may assume that interest rate may go down by 1% in the next week. Accurate forecasting is important in developing planning premises. Forecasts can be made about the demand for a particular product, policy change, interest rates, tax rates etc. Plans should be formulated by the management within the framework of the planning premises.
- (3) **Identification of alternative courses of action:** Once objectives are set and assumptions are made, then alternative courses of action are to be identified to achieve the set objectives. In fact, there will be more than one way for achieving the same objective. E.g., if a company wants to increase the profits by 20% over last year's profit, it can do so by increasing the sales volume or by reducing the cost or by increasing the selling price or by introducing a new product or by a combination of two or three of these factors. Therefore, in the light of the analysis of the information gathered, the management must identify all possible courses of action.
- (4) **Evaluating alternative courses of action:** After identifying the possible alternative courses of action, each of the possible courses of action has to be evaluated. That is, the strengths and weaknesses (i.e., the positive and negative aspects) of each of the possible alternative course of action must be examined against factors like cost including interest and tax, benefits like earnings per share and dividend, risk, availability of facilities etc.
- (5) **Selecting the best alternative:** This is the real point of decision making. After evaluating the positive and negative aspects of each and every possible course of action, the best possible course of action is to be selected. The ideal or best course of action must be feasible, profitable and with minimum negative consequences.
- (6) **Implementing the plan.** The next step is to implement the selected plan. This involves putting the plan into action (i.e., doing what is required) to achieve the set goals. Implementation of plan requires the formulation of policies, procedures, budgets and programmes. Further, it requires delegation of the requisite authority and responsibility to the subordinates. It also requires the co-operation, participation and commitment of the subordinates.
- (7) **Follow up action:** Planning process involves follow up action. It is necessary to check the progress in the implementation of plans and to note down deviation for taking necessary action. Follow up action will ensure that objectives are achieved effectively and efficiently. Thus, starting from setting of objectives till follow up action, planning process involves performance of many important activities.

**14. State the different steps taken by management in planning process.**

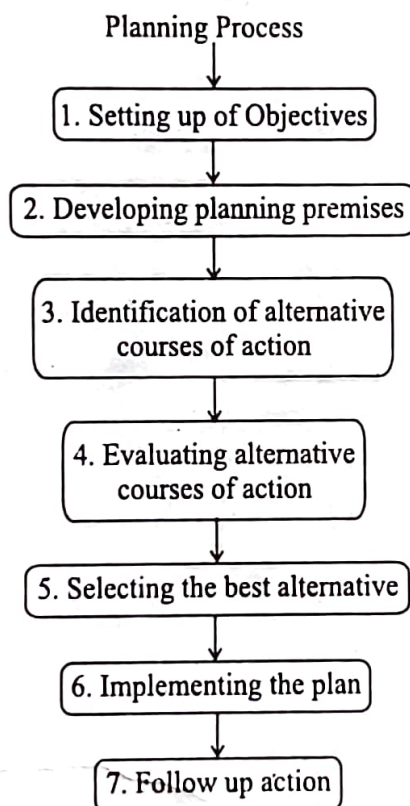
**Ans:** Every manager has to follow the following logical steps in planning process.

- (1) Setting up of objectives
- (2) Developing planning premises
- (3) Identification of alternative courses of action
- (4) Evaluating alternative courses of action
- (5) Selecting the best alternative
- (6) Implementing the plan
- (7) Follow up action

### **Practical Oriented Question**

**15. \*As a manager what logical steps you follow in planning process before executing a project.**

**Ans:** As a manager, I would like to follow the following logical steps in planning process before executing a project.



**16. \*State the function of management which determines the objectives of an organization.**

**Ans:** Planning

**17. \*Mention the first step of planning process.**

**Ans:** Setting objectives

**18. State the first two steps in planning process.**

**Ans:** First two steps in planning process are:

- (1) Setting objectives
- (2) Developing planning premises.



19. \*What are 'planning premises'?

Ans: Planning premises are the assumptions about the future conditions and events like trends in population, changes in political and economic environment, variation in production cost and prices, government and legal regulations. These assumptions are the base material upon which plans are to be drawn. Based on forecasts made about the demand for a particular product, policy change, interest rate, tax rate etc., planning premises are developed (i.e., assumptions are made)

20. What is 'decision making' in planning?

Ans: Decision making is a process of selecting the best course of action from various available alternatives after evaluating each one of them.

21. \*Which function of management involves decision making?

Ans: Planning

## Types of Plans

**Single use and standing plans:** Depending upon the use and length of the planning period, the plans can be classified into:

- (1) Single-use plan, and
- (2) Standing plan.

22. \*What is single – use plan?

Ans: A plan developed for a one-time event or project is called a single – use plan. e.g., budgets

(Note: These plans are prepared for non-recurring situations, the duration of this plan may be a day, a week or a month, depending upon the type of the product. For example, a plan to organize an event or a seminar or conference may be for only one day).

23. \*Give an example for single use plan.

- Ans:
- (1) Budgets
  - (2) Programmes
  - (3) Projects

24. \*What is standing plan?

Ans: A plan designed and used for activities that occur regularly over a period of time is called standing plan e.g., policies.

(Note: It is usually developed once but is modified from time to time to meet business needs as required. It enhances efficiency in routine decision making)

25. \*Give an example for standing plan.

- Ans:
- (1) Policies
  - (2) Procedures
  - (3) Methods
  - (4) Rules

26. \*Give an example for a plan which is neither a single – use plan nor a standing plan.

Ans: (1) Strategy

(2) Objectives

27. \*Explain any two types of plans.

Ans: Based on what the plans seek to achieve, the plans can be classified as:

(1) **Objectives:** Objectives are the desired end result which the management of an organization seeks to achieve by its operations.

In simple, an objective is what the management of an organization wants to achieve, i.e., the end result of activities. For example, an organization may have an objective of increasing sales by 20%, or it may have an objective of earning a 30% profit on investment and so on. All other managerial activities are directed towards achieving these objectives. Objectives are usually set by the top management. They serve as a guide for overall business planning.

The objectives should be specific, realistic and in measurable terms. Usually objectives are put in the form of written statement of desired results to be achieved in a given period of time.

(2) **Strategy:** Strategy is a comprehensive plan for achieving (i.e., accomplishing) the objectives of an organization. This comprehensive plan includes three dimensions:

(i) Determining long term objectives.

(ii) Adopting a particular course of action to achieve the objectives, and

(iii) Allocating resources necessary to achieve the objective

Major strategic decisions will include decisions like whether the organization will continue to be in the same line of business, or combine new lines of activity with the existing business.

Strategies are formulated by the top management for the successful accomplishment of the objectives in the competitive environment.

(3) **Policy:** Policies are general statements that guide thinking of decision makers. They are guides to managerial action and decisions in the implementation of strategy. For example, the company may have a recruitment policy, pricing policy, purchase policy, sales policy etc. within which objectives are set and decisions are made.

Policies define the broad parameters within which a manager may function. For example, sales policy of a company states that goods should be sold only on cash basis, then sales manager cannot permit salesman to sell goods on credit basis. Thus, a policy makes it easier to resolve problems or issues.

Thus, by providing guidelines for thinking and action, policies enable the decision makers to take decisions without any confusion.

(4) **Procedure:** Procedures are routine steps on how to carry out activities. They provide details about the exact manner in which any work is to be performed. They are specified in a chronological order. For example, there may be a procedure for requisitioning supplies before production. Thus, procedures are specified steps to be followed in particular circumstances. e.g., (1) Procedure for purchase of materials. (2) Procedure for recruitment of staff.

(5) **Method:** Methods provides the prescribed ways or manner in which a task has to be performed. 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 increases efficiency.



For imparting training to employees, different methods can be adopted. For example, for higher level management - orientation programmes, lecturers and seminars may be organized; whereas for the supervisory level - on the job training methods are appropriate.

- (6) **Rule:** Rules are specific statements that inform what is to be done. It reflects the managerial decision that a certain action must or must not be taken. In simple, rules are the specific statements which prescribe the code of behaviour to the people of the organization. E.g., Wear ID cards in the work place.
- (7) **Programme:** Programmes are detailed statement about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action. E.g., Programme for opening 10 new branches by the end of the year 2018.
- (8) **Budget:** A budget is a statement of expected results expressed in numerical terms. It is a plan which quantifies facts and figures. For example a sales budget may forecast the sales of different products in each area for a particular month.

#### Examples of budgets:

- (1) Cash budget
- (2) Sales budget
- (3) Production budget

#### 28. Mention any two types of plans.

Ans: Two types of plans

- (1) Objectives
- (2) Strategy

#### 29. State a type of plan.

Ans: (1) Objectives

#### 30. \*What do you mean by 'objectives'?

Ans: Objectives are the desired end results which the management of an organization seeks to achieve by its operations.

e.g., an organization may have an objective of increasing sales by 20%. OR

Objectives are the desired future position that the management would like to reach.

#### 31. \*What is a strategy?

Ans: Strategy is a comprehensive plan for accomplishing (i.e., achieving) the objectives of an organization. It is a course of action which helps to beat the competition.

#### 32. \*What is a policy?

Ans: Policies are general statements that guide thinking or channelize energies towards a particular direction. They are guides to managerial action. They define the broad parameters within which a manager may function.

Example of policies

- (1) Pricing policy,
- (2) Recruitment policy

#### 33. \*Give an example for policy.

Ans: (1) Pricing policy, (2) Recruitment policy,  
(3) Purchase policy

**34. What is procedure?**

**Ans:** Procedures are routine steps on how to carry out activities. They provide details about the exact manner in which any work is to be performed.

**35. What is 'method' under planning?**

**Ans:** Method is the prescribed ways or manner in which a task has to be performed.

**36. \*State the meaning of 'Rule'.**

**Ans:** Rules are specific statements that inform what is to be done. They are simplest type of plans.

**37. Give the meaning of programme.**

**Ans:** Programmes are detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.

**38. \*What is a budget?**

**Ans:** A budget is a statement of expected results expressed in numerical terms. It is a type of plan. E.g., sales budget.

**39. \*Give an example of budget.**

**Ans:** (1) Sales budget  
(2) Cash budget