

Maharashtra state board of technical education

[Business](#), [Management](#)



MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous)
(ISO/IEC - 27001 - 2005 Certified)

Subject Code : 12219 Q. 1 (A) a) WINTER — 12

EXAMINATION Model Answer Scientific Management is defined as “ Art of knowing exactly what is to be done and 04 the best way of doing it. ”

Scientific Management is the result of applying scientific knowledge and scientific methods to the various aspects of management and the problems that arise from them. It tries to make the best use of production resources i. e. manpower, machines, materials, money etc.. It discovers the economical and efficient methods of production so as to reduce effort and eliminate wastage of time and motions. It investigates work on scientific basis,

selecting the best worker for a task and training him further to acquire desired skill, developing co-operative spirit between management and workers. Thus with use of Scientific Management, greater efficiency is achieved in industrial operations and productivity increased. b) c) The partnership deed contents are following - (Any Eight) 1) Name of the firm 2) Nature of business 3) Date of starting partnership 4) Duration of partnership 5) Money contributed by each partner 6) Share of profit and loss 7) The basis of the inclusion of any new partners 8) Accounts of the firm and authority for signing cheques, bills of exchange etc. 9) Salary if any allowed to managing partners. 10) The manner in which it can be dissolved. Various causes of

accidents are (Any Eight) Mechanical Factors 1) Unguarded or improper guarded machines or equipments. 2) Unsafe design and construction of building structures. 3) Improper material handling system. 4) Improper plant

layout. 5) Untested boilers or pressure vessels. 6) Violation of prescribed safety practices. 7) Power lines may be poorly insulated. Environmental Factors 1) Too low temperature to cause shivering. 2) Too high temperature to cause headache and sweating 3) Too high humidity to cause uncomfourt and fatigue. 4) Defective and Inadequate Illumination. 5) Poor housekeeping, bad plant layout or arrangement of machines. 6) High speed of work because of huge work load. 7) Inadequate rest pauses or breaks between the working hours. 04 04 Page 1 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer 8) Noise, bad odour and flash coming from the nearby machinery. d) PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method) are the scheduling techniques which are used to plan, schedule and control a project consisting of number of inter-related activities. These techniques provide a frame which defines the jobs to be done integrates them in a logical sequence and provides a system of control over the progress of the plan. 02 PERT uses three time estimates to make allowances for uncertainties and suitable for defence projects, R and D activity. CPM uses single time estimate and Suitable for problems in industrial plant 02 maintenance, civil construction project. Q. 1.(B)

Importance of Globalization of Indian Industries a) Globalization is a concept by which the globe becomes one unified entity cutting across the political, economic and regional barriers. Initially the investment of foreign companies was restricted, due to that Indian 06 industry was unable to open up ways in

international market. This resulted in reduction in exports and increase in imports and consequently reduction in foreign exchange. The industrial Policy Resolution 1990 and that of 1991 were the prime documents of economic liberalization and bold steps taken for globalization of Indian industry. The collaboration of foreign companies was promoted. Since 1991, more and more foreign collaborations are coming up. Multinational companies are coming in India and Indian products are getting tremendous international market. Our foreign exchange reserves have increased, exports are getting higher and overall industrial growth also increased. Customers will have a free choice to select the products as per their likings. Indian firms are competing with the other firms outside the country. The Indian firms adopting recent technologies to become internationally competitive. Indian customers are getting better quality products at reasonable rates.

Line and Staff organization... b) The line and staff is a duplex organization, dividing the whole work into creative plan and action plan. The creative plan is concerned with original thinking and action plan take care of execution of work. Line executives therefore, have enough time to organize, control and supervise the production effectively. 06 The staff with expert knowledge provided opportunities to the line officer for adopting rational multidimensional views towards a problem. So that line executives can take sound decisions. This type of organisation possesses good features of both line as well as functional organizations. Specialized staff can devote their time for planning, method study research, collection of data etc. There is less wastage of material and quality of product is

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Model Answer also better. Therefore, line and staff organization is most suitable for progressive and flourishing manufacturing concern. Principles of Management (Any eight) Q 2 a) 1) Division of Work : Division of work means dividing the work on the principle that different workers are best fitted for different jobs. 2) Authority and Responsibility: An executive can do justice with his responsibility only when he has proper authority. Responsibility without authority is 08 meaningless. 3) Discipline : No organization can work smoothly without discipline, it is the very core of administration. Discipline is imposed by administration. 4) Unity of Command: In order to avoid confusion and conflict, each individual should receive orders and instructions only from one superior and should be accountable to one superior only. 5) Unity of Direction: All members of an organization must work together to accomplish common or same objective. Their efforts shall be directed towards one goal. 6) Subordination of Individual to General Interest : It means that the common interest of the organization must be given more importance than the interest of the individual 7) Remuneration: The persons working in organization should be paid suitably and adequately. Exploitation of employees in any manner must be eliminated. 8) Centralization of Authority: It means that the authority is in the hands of centre. The degree of centralization is decided by size and complexity of the business. 9) Scalar Change: An organization chart should be prepared for better communication and effective co ordination. 10) Equity of Treatment: Manager should have fairness in treatment for all his

subordinates. 11) Stability of Workers: Security of income and employment is pre requisite of sound organization and management. This will reduce unnecessary labour turn over and increase efficiency by having stable working force. 12) Initiative: This principle allows subordinates to utilize their initiative. Initiative is freedom to think, plan and execute. Page 3 of 23
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Model Answer Departmentation is the process of breaking down of enterprise into various departments in other words identifying and grouping of similar activities on some logical basic or points so that the operations may be organized in order to attain the objectives of the enterprise is called Departmentation. Departmentation is one of the primary tasks in designing organization structure. 02 Aims of Departmentation: (Any Three) 1) 2) 3) 4) Smooth and efficient administration & working To attain common goals Division of work in groups and subgroups Specialization 03 Advantages of Departmentation : (Any Six) 1) Increases efficiency 2) It leads to benefits of specialization 3) Effective administration control 4) Fixation of responsibility 5) Development of managerial talents 6) Helps in independent decision and initiative 7) Easy evaluation of work 8) Basis for co-ordination c) 03 Industrial health ... Workmen's compensation act applies to all workers employed in Railways, Factories, Mines, mechanically propelled vehicles, construction work and other hazardous occupations except persons employed in a clerical or administrative capacity or in armed forces. 08 If a personal injury is

caused to a workman by accident in the course of his employment, the employer shall be liable to pay compensation in accordance with the provision of this act. Workmen's compensation act provides compensation to certain categories of workers for the loss of working capacity due to accidents. This act prevents the exploitation of workers in case of payment of compensation. It safeguards the workers and their families in case of death or disablements of workers arising from accidents. The object of awarding compensation is to replace the actual loss suffered by the worker. Thus, Workmen's compensation act helps to maintain Page 4 of 23

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Model Answer industrial health. Q. 3 a) Compare Joint Stock Company and partnership. Joint Stock Company Partnership 01 Is an association of individuals, called 01 It may be defined as the relation between shareholders persons who have agreed to share the profits of a business. 02 In joint stock company 02 In partnership two or more (max20)persons can carry the business i) Private limited company- Number of members is between 2 and 50 ii) In public limited company Minimum shareholders not less than 7 and there is no limit to maximum number 03 Company's life is not affected by the 03 Partnership may dissolve if a partner dies. death of share holder 04 It is difficult to maintain secrecy 04 Secrecy is maintained 05 Team spirit is lacking 05 There is a team spirit 06 A huge sum of money can be raised 06 Investors hesitate to provide money because of the lack of stability of a

partnership firm Any 4 Points, 1 M for each point b) 04 M State the different benefits provided in ESI act. 1) Sickness benefit : -It is in the form of periodical payment to any insured person. 2) Maternity benefit : - An insured woman employee is entitled to periodical Page 5 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer payment in case of confinement or miscarriage. 3) Disablement benefit :- An insured person suffering from disablement as a result of injury in course of employment. 4) Dependents benefit :- Where insured person dies of employment injury, dependents benefit shall be payable. 5) Medical benefit :- An insured person whose condition demands medical treatment. Any 4 Points, 1 M for each point C) 04 M Write the functions and objectives of financial Management Functions : 1) Financial forecasting :- In estimating the financial requirement of the concern, various budgets are prepared. 2) Investment policy decisions :- It is very necessary to decide how much cash will be invested in fixed assets and how much in current assets. 3) Divident policy decision or Allocation of Net Profit :- After paying all taxes, the available net profits of the concern can be allocated. 4) Cash flows and Requirements :- To see that an adequate supply of cash is available at proper time for the smooth running of the business. 5) Deciding upon Borrowing policy 6) Record keeping and reporting. 7) Cash planning and credit management Any 4 points 2M Objectives : 1) 2) 3) 4) 5) Checking upon financial needs. Profit Maximization. Deployment of finance Deciding

methods of financing Dividend decisions Any 4 points 2M Page 6 of 23

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Model Answer Explain concept of break even analysis. (Diagram preferred but not essential) Break even analysis implies that at some point in the operations, total revenue equals total cost. Basically breakeven analysis is concerned with finding the point at which revenues and costs agree exactly. The breakeven point is therefore, the volume of output at which neither a profit is made nor a loss is incurred. The breakeven analysis can be carried out algebraically or graphically. It enables to solve following problems. 1) 2) 3) 4) To find out a reasonable return on capital employed. Computing costs and revenues for all possible volumes of output to fix budgeted sales. To find out the price of an article to give the desired profit. To determine variable cost per unit. Description e) Define : i) 4M Quality control : Page 7 of 23

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Model Answer The operational techniques and activities that are used to fulfill requirements for quality is quality control. Conceptually quality control aims at prevention of defects at the very source, relies on effective feedback system and corrective action procedure. In the broad sense, quality control is the mechanism by which products are made to measure up to specifications

determined from customers. It is concerned with making things right rather than discovering and rejecting those made wrong. Quality control may be defined as that industrial management technique by means of which products of uniform acceptable quality are manufactured. The above pts or any other suitable descriptions covering above 2M ii) Quality assurance : All those planned and systematic actions necessary to provide adequate confidence that a product or service will satisfy given requirements for quality. It includes i, Developing personnel with adequate understanding and training. i, Checking the accuracy of test / measuring equipment. i, Evaluating and controlling the quality of product in the field. i, Establishing a feedback link about quality related information to the management. The above pts or any other suitable description covering above f) 2M What are the objectives of TQM ? The production of an item in an organization involves a series of processes. In order to produce a quality product, every process from the beginning to the end has to be correct. The function of TQM(Total Quality Management)is to improve the quality of work of all the people at all the functional Ares of the organization. Implementing TQM calls for a complete change in the behaviour of people working in the organization. The implementation of quality reduces cost, reduces hassles and improves delivery performance. Quality thus has developed as the most important competitive tool and is widely appreciated. The route to achieve this competitive edge is " Total Quality Management" Above points or any other suitable description covering related meaning 4M Q. 4 A) a) Explain the concept of profit and loss account. The profit and loss account is prepared for ascertaining whether the business earned profit or incurred loss during

particular period of time called accounting period. All nominal accounts are entered into profit and loss account. As a rule, all expenses and losses are shown on the debit side and all incomes and gains are shown on the credit side of the profit and loss account. Then, the totals of debit side and credit side are compared for ascertaining profit or loss of the business during Page 8 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer the accounting period. If the total of credit side exceeds the total of debit side, The excess will be profit earned during the period on the contrary, if the total of debit side exceeds the total of credit side, the excess will be loss during the period. The net result whether profit or loss, is transferred to the balance sheet for example(Example is preferred but not essential). Profit & loss account (for the period ended on

-----) Dr Cr Particulars Amount (Rs.) Particulars To

Purchases 7000 To salaries 800 Net profit Amount (Rs.) By sales 10, 000

2200 10, 000 10, 000 Description 4Marks b) Compare management and

organization. Management Organization 01 It is the art of getting work done through 01 It is the frame work of management people 02 For management to function effectively, 02 It is a structure of relationships among there must be proper structuring of the the individuals working together for a enterprise common goal 03 Management is an execution function 03 Organization is an effective machinery for accomplishing company objectives. 04 Management is an art because 04 Organization is a system. It is a group of persons.

management means coordinating and getting work done through others

Above points or any other suitable description 1 M to each point 4M Page 9

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Model Answer Draw the network and mark the critical path and find total

project duration. Activity 1-2 1-3 2-4 3-5 3-6 4-6 5-7 6-8 7-8 Time in days 10

10 10 20 10 20 20 10 10 2 M for network 1 M — for critical path 1 M —

project duration of critical path 4M Page 10 of 23 MAHARASHTRA STATE

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Model Answer d) Write the procedure to prepare a Balance sheet. The

balance sheet is primarily prepared to know the financial position of the

business the balance sheet shown what the business owns and what it owes

to others or say, how much assets and how much liabilities it has. Personal

and real accounts are shown in the balance sheet The amount showing debit

balances represent assets and the accounts showing credit balances

represent liabilities. All assets and liabilities are then shown on their

respective sides in the balance she et. Balance sheets are prepared at least

annually but may be done so more often and on specific occasions. Format :

Balance Sheet Date -----Liabilities Assets Current Liabilities :

Current assets : Creditors for expenses ----- Cash in hand

----- Trade creditors -----
 Cash at bank -----Billy payable
 ----- Bills receivable -----
 Bank overdraft ----- Debtors
 -----Inventory -----
 Long Term Liabilities : Fixed assets : Long term loan
 ----- Furniture & Fitting -----
 Mortgage on property ----- Plant & Machinery
 ----- 4M Page 11 of 23 MAHARASHTRA STATE BOARD OF
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Model Answer B) a) Explain the following functions of management i)

Planning :- Planning involves the formulation of what is to be done, how, when and where it is to be done, who is to do it. Planning means looking ahead, it is selecting from among many choices. Steps for Planning. 1) lay down the company objectives / targets 2) Collect and classify the information relating to company objectives. 3) Develop alternative course of action to do the things. 4) Compare the alternatives in terms of objectives. Feasibility and consequences. 5) Select the optimum course of action giving maximum benefit. 6) Establish policies, methods, systems, standards for the optimum course of action selected 2M ii) Organizing :- After determining the course, the next step is to distribute the necessary work in order to accomplish the task. The process of organizing involves. 1)Divide the work into component activities 2)Assign people to task 3) Define responsibilities 4)Delegate

authority 5) Establish structural relationship to secure coordination 2M

iii)Controlling :- Controlling means checking up to ensure that the planned work is progressing as per schedule and if not, then to apply corrective action to achieve the pre-determined objectives. The process of controlling involves. 1) Observe continuously 2) Compare this performance with the present standards 3) Pinpoint deviations if any 4) Find out exact causes of deviations 5) Initiate and implement the corrective action. 2M Page 12 of 23

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Model Answer b) Explain Maslow's theory of motivation and its significance.

One of the most popular theories of motivation has been profounded by Maslow a famous social scientist. According to him the behavior of an individual at a particular moment is usually determined by his strongest needs, Need have a certain priority or hierarchy. As the more basic needs are satisfied, an individual seeks to satisfy the higher heeds. If his basic needs are not met, efforts to satisfy the higher needs should be postponed. Once a need is satisfied it loses its capacity to induce the man to work. Only unsatisfied needs can motivate persons to work. T he hierarchy is as follows.

1) Physiological Needs :- These needs are basic for human survival and include need for food, water, air, shelter, sleep etc. 2)Safety needs :- These are needs for physical safety as well as psychological security and include safety of person & property. 3)Social needs :- These are needs for belong ingress. Friendship love, affection, attention and social acceptance. 4)Esteem

or Ego needs :- There are needs for self esteem self esteem needs include needs for self respect, self confidence reputation, prestige, power, stator, recognition. 5)Self actualization needs :- Need for development of potential abilities, knowledge and skills, need to be creative. Significance :- Maslow's theory is a landmark in the feed of motivation. The hierarchical concept of need help the management in understanding the behavior of men at work. Satisfied needs can not be motivators and therefore management should satisfy the higher level needs of the employees. (04 marks) Page 13 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer Q. 5 a) Explain following modern techniques in material management. i) SAP :- SAP means system analysis and programme development. The name was later changed into systems, application and products in the data processing. SAP creates a common centralized database for all the application running in an organization. The application has been assembled in such a variable way that it handles all the functional department within an organization. SAP'S products are generally focused on enterprise resource planning (ERP) SAP'S applications are built around R/3 system which provide the functionally to manage product operations, cost accounting, assets, materials and personnel. SAP — Is well known for its ERP solution, under following applications area. i) Financial system. ii) Project system iii) Logistic system. iv) Human Resource v) Consumer relation Management vi) Development system. 04 Marks 02) ERP :- ERP (Enterprise

Resource Planning) System specially includes following characteristics. a) An integrated system that operates in real time, without relying on periodic updates. b) A common database, which supports all applications c) Consistent look, and feel throughout each module functional areas covered in an ERP system as follows. i) Financial system. ii) Human Resources iii) Manufacturing Page 14 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer iv) Supply chain Management v) Supply chain Management vi) Project management vii) Customer relationship management viii) Data services ix) Access control 04 Marks (Brief elaboration of above point is expected) Q. 5 b) What is ABC Analysis. Find out percentage of high, medium and low valued items, high valued items normally contribute for 70 % or so of the total inventory cost and medium and low valued items, 20 and 10 % respectively. A graph can be plotted between % age items and percent of total inventory cost. Page 15 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer It is seen from graph that, A-Items are high valued but are limited or few in number. They need careful and close inventory control. Minimum and maximum limit and reorder point is set for A- Items. A Items generally account for 70 — 80 % of the total inventory cost and they constitute about 10 % of total items. B- Items are medium valued and their

number lies in between A and C - items. Such items need moderate control. They are more important than C-Items. These items about 20 to 15 % of total inventory cost and constitute about 15 to 20 % of the total items. C-Items are low valued but maximum numbered items. These items do not need any control, rather controlling them is uneconomical. These are the least important items like clips, pins, washers, rubber bands, stationary etc. C — Items generally accounts 10 to 5 % of the total inventory cost and they constitute about 75% of the total items. 04 marks GRAPHICAL

REPRESENTATION OF EOQ Page 16 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer EOQ is one which permits lowest cost per unit and is most advantageous. The procurement costs and inventory carrying costs have been plotted with respect to quantity in lot. Total cost is calculated by adding procurement cost and carrying cost. Total cost is minimum at the point ' A' and thus ' A; represents the economic order quantity or economic lot size. 04 marks C) State the provision in factory act regarding. 01) Health Provision :- Following are the provisions for maintaining the health of workers and reducing the possible of injures. a) Cleanliness :- Every factory should be kept clean and free from gases arising from any drain and their nuisance. b) Ventilation and temperature :- Effective and suitable provision shall be made for securing and maintaining adequate ventilation, by circulating fresh air in the workroom, and securing reasonable conditions of comfort and preventing injury to health of workers. c) Artificial Humidification: - If there is artificial

humidification it shall be maintained by clean and fresh air. Page 17 of 23

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Model Answer d) Overcrowding :- No room in the factory shall be overcrowding. At least 350 cubic feet of space has to be provided for every worker in factory. e) Lighting :- Sufficient and suitable lighting, Whether natural or artificial, or both shall be maintained at workers place. f) Drinking water :- Drinking water shall be made available to all the workers at all working hours if workers capacity is more the 250 workers, provisions shall be made for cooling drinking water during hot weather. g) Bathrooms, Latrines and Urinals: - Separate enclosed Bathrooms and Latrines and urinals shall be provided for male and female workers. There are specified No. of latrines urinals shall be provided as per workers density at work place. 02) Welfare Provisions :- a) Washing facilities: - Adequate and suitable washing facilities shall be provided separately for male and female workers. b) First Aid appliances: - First Aid Boxes shall be kept near the work place. c) Canteens :- A canteen facilities shall be provided in every factory where in more than 250 workers are employed. d) Shelters, crunches etc. :- Separate shelters and crunches for female workers shall be provided it more them 50 female workers are employed. 3) Safety provision :- a) Fencing of Machinery :- Every moving part of m/c must be guarded by fencing and properly safe guard. b) Hoist and lifts :- Every hoist and lift shall be of good mechanical construction of adequate strength, it should be frequently

calibrated and examined thoroughly at least once in a year. c) protection to eyes :- To protect eyes, screen or goggles shall be provided to person engaging welding or cutting of metals, Riveting, dressing of metal or tools, etc. Gloves shall be provided to persons working with hazardous chemical. 4) Working Hours : Page 18 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer a) Hours of work :- No adult worker shall be required or allowed to work in a factory, for more than 48 hrs in a week and for more than 9 hrs in a day. No worker shall work continuous 5 hrs in a day without an interval of half an hrs. b) Holidays :- No worker shall work continuously for more than 10 days without a holiday. c) Overtime wages :- When worker works for more than 9 hrs in any day or for more than 48 hrs in a week, he shall be entitled to wages at the rate of twice his ordinary rate of wages in respect of overtime work. d) Restriction on double employment :- No workers shall be allow to work in no. of factories at a time. e) Employment of women :- No women shall be employed in any factory except between 6 a. m. and 7 p. m. (State govt. may vary this limit) (02 Marks for each provision)

Q. 6 a) Define Budget : Budget may be defined as financial statement, prepared and approved prior to a defined period of time, Budget is also called as written plan of action. Types of Budgets : i) Fixed Budget ii) Variable Budget iii) Functional Budget Fixed budget depends upon certain fixed types of expenditures i. e. research project, Hospitals, schools & colleges etc. Variable or flexible budget recognizes the unreliability of

income or sales predictions and makes provisions in advance for variations in production and expenditures in accordance with variations in sales. A functional budget is one which relates to any of the functions of an undertaking, i. e. sales, production cash etc. Frequently used functional budgets are a) Sales budget Page 19 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer b) Production and manufacturing budget c) Capital expenditure budget d) Material and purchase budget e) Direct labor budget f) Selling and distribution budget g) Cash budget (Brief explanation of any one of the above) a) Sales budget is an estimate of the quantity of product that will be sold and the rupee revenue that will be received during the budgeted period. b) Production and manufacturing budgets :- Production and mfg budget is number of units to be produced during a time schedule. c) Capital Expenditure budget :- It is estimated expenditure on a fixed assets during a budgeted period. d) Material and purchase budget : Quantity of raw material required during production period and purchase budget is a total purchasing to be made during budget period. e) Direct labor budget :- Planning for labor requirement during stipulated budget period. It may be skilled, semiskilled or Administrative or managerial type of manpower. f) Selling and distribution budget : It represent cost of selling and distribution of quantity as per sales budget. g) Cash budget :- To meet daily cash requirement cash budget is essential, It represent daily cash receipt and payments and estimated cash balance (Deflnition-02 mark, Types-03 marks,

Explanation- 03marks) Page 20 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer Q. 6 b) i) Importance of Excise Service Tax : It is indirect type of tax, the burden of which is passed on by the person on whom it is imposed, to other persons, Indirect taxes are imposed on goods and services and so they are sometimes known as outlay taxes, Indirect taxes like excise service taxes are levied on clothes, petrol, kerosene oil may agitate public, but when applied on intoxicating liquors and drugs, do a distinct social service by restricting their consumption. Indirect taxes make no distinction between rich and poor, and thus poor people have to make a bigger sacrifice. ii) Income Tax.: It is most important source of direct tax. It is levied on annual income of both individuals and companies. Income below certain minimum value are exempted from tax and as the income increases the rate of charging the tax also increases. Income tax deducted from salary and collected at source by employer who then deposits deposit all the collection with the government. Income tax rates are modified time to time. (04 marks for each) Q. 6 C) What are functions of purchasing deptt. ? Following are the functions of purchasing deptt. (04 marks for each) a) Keep records :- Indicating possible materials and their substitutes. b) Maintain the record of reliable sources of supply and prices of materials. c) Review material specifications with an idea of simplifying and standardizing them. d) Making contact of right sources of supply. e) Procure and analyze quotations f) Place and follow up purchase orders g) To make sure of right quality, quantity

material has been purchased. h) To act Liasoning between vendor & departments. i) To prepare purchasing budget. Page 21 of 23 MAHARASHTRA STATE BOARD OF TECHNICAL EDUCATION (Autonomous) (ISO/IEC - 27001 - 2005 Certified)

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Model Answer To keep good relation with vendors & firm. Steps involved in purchasing (04 marks for each) i) Recognition of need, receipt and analysis of purchase requisition. ii) Selection of possible potential sources of supply iii) Making request for quotation iv) Receipt and analysis of quotations. v) Selection of Right source of supply vi) Issuing the purchase order. vii) Follow up and expediting the order. viii) Analyzing receiving reports and processing discrepancies and rejections. ix) checking and approving vendors invoices for payment x) Closing completed orders. xi)