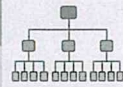


Chapter 2 Introduction to Management

Section I Management Functions



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|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. C | 2. D | 3. A | 4. A | 5. C | 6. A | 7. A | 8. D | 9. A | 10. B |
| 11. C | 12. C | 13. B | 14. C | 15. D | 16. D | 17. C | 18. A | 19. B | 20. C |
| 21. A | 22. D | 23. B | 24. C | 25. D | 26. B | 27. A | 28. C | 29. C | 30. B |
| 31. A | 32. A | 33. B | 34. C | 35. A | 36. B | 37. D | 38. B | 39. D | 40. A |
| 41. D | 42. A | 43. B | 44. B | 45. A | 46. B | 47. A | 48. D | 49. D | 50. D |
| 51. D | 52. D | 53. C | 54. D | 55. D | 56. A | 57. C | 58. B | 59. D | 60. B |
| 61. A | 62. D | 63. A | 64. B | 65. B | 66. C | | | | |

1. **C**
The correct procedure of management is as follows:
(2) planning → (1) organising → (4) leading → (3) controlling

2. **D**
(2) is correct. Efficiency is the ability to fully utilise all resources available in achieving goals. When a company achieves its objective, it might be done in an inefficient way in the sense that it wastes a lot of resources.
(3) is correct. Effectiveness is the ability to achieve goals while efficiency means getting the most output from the least amount of input.
(1) is incorrect. Efficiency means doing the things right while effectiveness means doing the right things.

3. **A**
Only (1) is correct.
The correct answer is as follows:

<u>Management Functions</u>	<u>Tasks</u>
(1) planning	deciding objectives of the firm
(2) organising	completing different tasks in order to achieve the objectives of the firm
(3) leading	guiding work efforts to implementing the action plans

4. **A**
(1) is correct. Through management, resources are efficiently coordinated to meet targets set. Managers decide the mission and vision of the company and allocate existing resources to fulfil organisational goals.
(2) is incorrect. Management is done by managers but not shareholders. The two groups are normally fulfilled by different people.
(3) is incorrect. Management concepts can help both profit-making organisations and non-profit-making organisations to achieve goals.

5. **C**
(1) is correct. Middle management reports to the top managers and ensures the business plans formulated by the top management are implemented.
(2) is incorrect. It is the first-line management who monitors the frontline employees but not the middle management.
(3) is correct. First-line management has to deal with problems in daily operations.

6. **A**
(1) is correct. The plan made in planning clarifies the roles and responsibilities of each person in the organisation.
(2) is correct. In the process of planning, potential problems are anticipated. Precautionary measures and alternative arrangements to handle these problems are prepared.
(3) is incorrect. Organisational structure is created and designed in the process of organising instead.
7. **A**
In the process of planning, top management establishes goals and objectives. It makes plans which spell out the best way to achieve the organisational goals.
8. **D**
(1) is correct. Planning is the process of setting goals and formulating plans to achieve them. By doing so, all members in the company can clearly understand the goals and act to achieve them.
(2) is correct. During the planning process, potential issues can be identified when formulating feasible ways to achieve organisational goals. Planning can therefore act as an outline that guides management in implementing business strategies and fulfilling those goals.
(3) is correct. Planning can help a company improve its flexibility and cope with uncertainty by anticipating the company's strengths, weaknesses, opportunities and threats.
9. **A**
(1) is correct. Theoretically, having fewer levels in the organisational structure enables the firm to improve the management flexibility. Managers have a wider span of control, as the number of subordinates reporting to them is larger. Thus, they have more human resources and can coordinate them without heavily relying on other managers.
(2) is correct. Communication can be improved as subordinates can directly communicate with the top managers. Communication cost is also lower compared with companies adopting a tall structure.
(3) is incorrect. Adopting a flat organisational structure does not necessarily result in better decisions made. Number of levels has no direct relation with the quality of decisions made.
10. **B**
Organising is the process of creating an organisational structure which specifies the responsibilities for each job position. The structure identifies how tasks are to be done and arranged.
11. **C**
(1) is correct. In organising, workers collaborate to attain goals by utilising resources.
(2) is incorrect. Different organisational structures suit different companies' needs and leadership styles. Thus, there is no perfect model for organisations to follow.
(3) is correct. By definition, organising is a process determining what tasks are to be done by different departments and how they are to be grouped.

12. **C**
Information flow is faster in a flat structure. Employees can seek approval and receive orders from managers more quickly and implement new decisions responding to the environment more quickly. It means higher flexibility.
A is incorrect. A tall structure has more layers than a flat structure.
B is incorrect. As there are more levels in a tall structure, the communication process will slow down.
D is incorrect. Spans of control are wider under a flat structure.
13. **B**
(1) and (3) are incorrect. Staff managers do not have more authority than line managers, or vice versa. Thus, staff managers do not give order to nor monitor line managers.
(2) is correct. The role of staff managers is to assist line managers to accomplish company goals. They give advice to line managers to make decision.
14. **C**
A multinational company produces and sells goods all over the world. It usually sets up departments in different regions such as Asia, Europe and Africa for its business operation.
15. **D**
The sales department, marketing research department and product development department are responsible for performing different functions in organising marketing activities.
16. **D**
(1), (2) and (3) are correct. A tall structure has more levels than a flat structure. Due to the complexity of the former, the decision-making process is slower as the decisions made have to pass through many layers. Thus, a higher administration cost is incurred and the management flexibility is lowered as well.
17. **C**
(1) is incorrect. When subordinates are passionate about taking up responsibilities, participative leadership style should be adopted in order to give more room for development to subordinates.
(2) is correct. If superiors dislike the idea of delegation in fear of the loss of control, they will adopt autocratic leadership to limit the authority of employees.
(3) is correct. Autocratic style is appropriate to be adopted when quick decisions need to be made. The superior can make decisions without the consent of the subordinates.
18. **A**
Participative leadership involves both managers and workers in decision-making. If workers are willing to take up additional job responsibilities, adopting participative leadership gives them more room for demonstrating their ability to work and this enhances their commitment to work.
B is incorrect. Laissez-faire leadership should be adopted, or managers may give pressure to subordinates so that freedom of expression is ruined.
C and D are incorrect. If workers are inexperienced and passive, or information being available only to managers, they may not have motives or enough information to join the decision-making process.

19. **B**
The correct order of the steps for the controlling process is (2) → (3) → (1) → (4).
20. **C**
Efficient production activities are cost-effective, in which output is maximised and no resources are wasted. Thus, the organisation can get the most output from the least input.
21. **A**
(1) and (2) are correct. When a company is not well managed, managers are not able to lead the subordinates, and subordinates may lose incentives to perform their tasks. If the management functions are not performed well, there will be some confusing policies made, like conflicting goals.
(3) is incorrect. No unity of command is a characteristic of poor management but not the effect of poor management.
22. **D**
Sandy is the CEO of the company, and she makes important decisions for it, like running a new programme and taking over other companies. Frankie is the department head of the company and manages the stores located in Kowloon, and he is responsible for executing the plan decided by top managers.
23. **B**
Since Frankie is a middle manager, he needs to carry out plans made by Sandy, the top manager.
A is incorrect. It is a duty performed by first-line managers.
C is incorrect. The newly launched programme is decided by Sandy, the top manager, but not by Frankie. He is just responsible for carrying out the plan in reality.
D is incorrect. As front-line managers work closely with workers and manage the stores, they need to handle problems in stores. Therefore, Frankie, the middle manager, does not need to handle the problems. He may only give advice to the shop managers.
24. **C**
Leading includes guiding and motivating employees to work towards organisational goals. Rewarding outstanding staff is a motivation given by managers to employees. This can be regarded as the process of leading.
25. **D**
It is the responsibility of first-line managers to deal with conflicts between workers in the shops. Joseph, a top manager, seldom engages in production lines.
A, B and C are incorrect. They are tasks performed by Joseph. As a top manager, he has to make company-wide decisions, and think about the direction and goals of the firm.
26. **B**
The characteristics are specific, measurable, attainable, realistic and time-based.
(1) and (3) are correct. An effective goal should be expressed in numerical values in order to measure the actual performance. Also, a reasonable time frame is needed.
(2) is incorrect. A remarkable yet unattainable goal is not said to be effective.

27. **A**
(1) and (2) are correct. Laissez-faire leaders provide much room for their subordinates to make their own decisions and perform tasks on their own. Competent and experienced workers are capable of finishing tasks independently. Besides, if the task requires high level of creativity, the subordinates need much room to decide what they want to do and how they complete tasks. In this regard, laissez-faire leadership is appropriate.
(3) is incorrect. If workers are not willing to take up job responsibilities, laissez-faire leadership will not be appropriate because they do not have the incentive to work hard under little supervision. In the worst scenario, workers may fail to cooperate with others and it leads to the failure in completing the tasks.
28. **C**
(1) is incorrect. It is met. An effective goal should have a valid time frame for workers. If the time frame is too short or too long, workers will not be motivated and they will ignore the goal. Yuri's target has a reasonable time frame.
(2) and (3) are correct. They are not met. Goals should be stated clearly and measurable, so that workers can know what they actually have to do to achieve the goals. Yuri's goal is not measurable since it cannot be expressed in numbers. It is not specific enough to ask workers to improve customer services. It is better to ask workers to aim at lowering the number of complaints from customers.
29. **C**
Autocratic leadership will not slow down the decision-making but will speed it up instead. Autocratic leaders make decisions on their own and thus little time is needed for discussing with others.
A, B and D are incorrect. They are disadvantages. Under the autocratic leadership, subordinates can only obey orders from the leaders who make all decisions. This makes them become passive and lower their motivation, as well as job satisfaction.
30. **B**
(1) and (3) are correct. A first-line manager engages in the daily operation of the business. He deals with problems in production lines. Thus, a first-line manager should resolve conflicts among workers and handle customer complaints.
(2) is incorrect. Creating mission and vision is a company-wide decision which involves a long-term planning for the company. It should be done by top managers.
31. **A**
James should use autocratic leadership since a prompt decision is needed to be made. The decision made by him is more likely to be opposed by workers. Therefore, he should possess all the power to make this decision.
B and C are incorrect. They are not suitable leadership styles used in this situation as the decision is unfavourable to employees.
D is incorrect. It is not a kind of leadership style.
32. **A**
(1) is incorrect. A general manager is a top manager who makes company-wide essential decisions, like laying off a lot of employees. Therefore, James is a top manager.
(2) is incorrect. Even though workers may oppose the decisions made by James, he should consider the ability of the employees rather than their response to company's policies.
(3) is correct. When workers are inexperienced, they cannot take up extra jobs and responsibilities. It is also difficult for them to make decisions on their own. Therefore, it is not suitable for James to exhibit these two leadership styles when workers are not experienced.

33. **B**
The correct order of the planning process is as follows:
(2) establish goals and objectives
(4) conduct analysis of the business resources
(3) develop and implement action plans
(1) monitor the progress towards goal completion
34. **C**
Given that Banjo is the shop supervisor, he monitors the daily operation of the shop and tackles operational problems. Thus, he engages in the first-line management.
35. **A**
(1) and (2) are correct. Since Banjo is the shop supervisor, he is directly responsible for assisting salesmen to perform their tasks. Whenever they encounter problems such as having disputes with customers, Banjo plays a role in solving those problems with them.
(3) is incorrect. Planning for the development for the store chain should not be regarded as a task done by the shop supervisor who engages in first-line management. Instead, it should be carried out by the top management.
36. **B**
(1) is correct. Setting sales targets is the process of setting up performance standards in controlling.
(2) is incorrect. Grouping salesmen into different teams is a process of organising as it involves the setting up of organisational structure.
(3) is correct. Recording sales of salesmen is the process of measuring actual performance while adjusting sales target is the process of taking corrective actions in controlling.
37. **D**
Performance indicators refer to the factors used to measure the actual performance of workers. These factors can help determine how well they perform their tasks. The quality of products cannot be controlled by Joe. As a salesman, he is only responsible for selling them but not producing them.
A, B and C are correct. As a salesman, Joe is responsible for persuading customers to buy smartphones. In this regard, number of complaints received from customers, sales volume and the number of times being late for work can all show how well Joe performs his tasks.
38. **B**
Span of control refers to the number of subordinates a supervisor has. The span of control in a flat organisational structure is wider because it has fewer levels but more departments in each level. Thus, the superior has more subordinates in a flat organisational structure.
A is incorrect. A tall organisational structure has more layers than a flat organisational structure.
C is incorrect. Decision-making in a flat organisational structure is faster since problems are discussed through fewer levels. Having more levels in an organisational structure slows down decision-making.
D is incorrect. Administration costs in a flat organisational structure are usually lower as there are fewer levels in it.

39. **D**
(1) is correct. The superiors have regular meetings with their subordinates to review their performance and evaluate how well the objectives are accomplished. Some companies may reward employees who achieve the objectives.
(2) and (3) are correct. Under MBO, a company's overall organisational goals are translated into specific objectives for each level. Each individual thus knows how his work can contribute to the accomplishment of the organisation's objectives. Given clearer objectives, workers of different levels are better coordinated to carry out the organisation's plans.
40. **A**
(1) is correct. Since each worker will be assigned a simple and repetitive task, it helps develop workers' familiarity with the task. "Practice makes perfect" is an advantage of division of labour.
(2) is incorrect. As workers can only learn part of the production process, they will be fed up with the monotonous tasks. It will arouse job dissatisfaction.
(3) is incorrect. Since workers can learn skills for performing a few simple tasks only, it is hard for them to find another job when the industry declines. It takes time to retrain them for another job.
41. **D**
(1) is correct. Under the division of labour, workers specialise in doing parts of the tasks. They are not familiar with other parts of the whole production process. It is difficult to change tasks among workers.
(2) is correct. Job processes are interdependent on one another. Problems or delays in a certain part can affect the whole production process.
(3) is correct. Under the division of labour, workers are required to complete their tasks repeatedly. This makes them feel bored and leads to a low job satisfaction.
42. **A**
(1) is correct. Unity of command is defined as the situation that each person receives orders from and reports to one superior only.
(2) is incorrect. The main aim of adopting unity of command in management is to reduce conflicting command given by superordinates. Under (2), orders given by different superiors can still be contradictory.
(3) is correct. Employees should have the same goal and work towards achieving it.
43. **B**
(1) is incorrect. Adopting unity of command but not unity of direction helps avoid conflicting instructions from being given by two or more superiors.
(2) is correct. With unity of direction, the efforts of all subordinates are directed towards achieving the same organisational goals. It prevents conflicting goals that may act against each other in an organisation.
(3) is incorrect. It is delegation that ensures that the subordinates have sufficient power to complete their assigned duties, not unity of direction.

44. **B**
(1) is correct. By definition, unity of direction implies that each plan is led by a single person only.
(2) is incorrect. It is the purpose of unity of command that each subordinate receives instructions only from one superior to avoid conflicting instructions, but not unity of direction's.
(3) is correct. It is the advantage of unity of direction. Under unity of direction, each plan is led by one person only. The person directs and coordinates the efforts of all workers towards achieving a particular organisational goal. It avoids conflicting directions of the efforts of workers.
45. **A**
(1) is correct. In effective management, a reward system and delegation are applied. Workers are motivated and more committed to the company. Staff morale can be enhanced as a result.
(2) is correct. Operational efficiency can be increased through adopting principles of effective management such as unity of command and division of labour.
(3) is incorrect. Profits of a company are NEVER ensured. It is possible for companies which have effective management to suffer losses due to external factors such as financial tsunamis.
46. **B**
By definition, authority is the formal right to order someone to perform tasks.
47. **A**
By definition, responsibility is the obligation to complete an assigned task.
48. **D**
Division of labour refers to specialisation, which means workers concentrate on doing parts of the production process.
A is incorrect. Under division of labour, workers may specialise in one or a few tasks of the whole production process. The tasks to be specialised does not change when the job changes.
B is incorrect. Workers are not required to finish the entire job.
C is incorrect. Although division of labour allows managers to supervise workers more easily, individual workers are not necessarily supervised strictly.
49. **D**
(1) and (2) are correct. In the process of delegation, both authority and responsibility are transferred from the managers to the subordinates.
(3) is correct. Even though delegation is carried out, the superior is still responsible for the final results of the tasks. He should oversee the tasks carried out by subordinates.
50. **D**
(1) is correct. Managers should delegate their authorities only if their subordinates are capable of accomplishing the tasks assigned.
(2) is correct. Managers who adopt autocratic leadership style delegate their authority to subordinates to a smaller extent than those who adopt participative leadership style. The former are more inclined to make decisions and complete tasks on their own.
(3) is correct. If the task is important, managers may prefer doing it themselves rather than delegating the tasks to subordinates.

51. **D**
(1) is correct. The superior delegates his authority to subordinates to complete tasks. It can be seen as a training for them to improve their work performance.
(2) is correct. Since managers have limited knowledge about certain tasks, they cannot finish the tasks themselves. Thus, they need to delegate their authority to subordinates who specialise in those tasks to complete them.
(3) is correct. Managers sometimes cannot complete all tasks themselves due to time constraints. Thus, they delegate their authority to subordinates in order to reduce their own workload.
52. **D**
(1) is correct. Management by Objectives (MBO) provides more chances for managers and subordinates to communicate with each other. A closer relationship can be developed.
(2) and (3) are correct. There is a regular and frequent communication between managers and employees via meetings if MBO is adopted. The performance of both of them can improve because of better communication and closer collaboration. Subordinates can gain a better understanding about the objectives they are required to achieve.
53. **C**
Management by Objectives increases the burden of managers because they have to organise more regular meetings with their subordinates and review the performances of staff more frequently.
A, B and D are incorrect. They are benefits of applying Management by Objectives (MBO) in a company. MBO fosters a closer relationship between managers and workers because of more frequent communication. Workers are motivated and better supervised.
54. **D**
(1) is correct. Given that each worker only concentrates on a specialised task, managers can supervise workers more effectively.
(2) is correct. Under division of labour, workers concentrate on one or a few tasks and understand the tasks. They can invent some new and more efficient ways to perform the tasks.
(3) is correct. Workers can better their skills by repeating their tasks.
55. **D**
Bouki can reject delegation if he believes he lacks the ability to accomplish the task assigned.
A, B and C are correct. Superiors are responsible for the final results of the tasks even if they delegate the authority and responsibility to their subordinates. Assistance should be provided as subordinates may not be able to solve all problems encountered in their assigned tasks. If they cannot manage to finish the tasks, the superiors can take back the authority.
56. **A**
(1) is correct. In the process of MBO, a company's overall goals are translated into specific goals for different departments. In this regard, workers in all departments have a clear understanding about their roles played in achieving the company's goals.
(2) is incorrect. MBO mainly focuses on short-term goals instead of long-term goals.
(3) is incorrect. MBO does not help managers share workload. Instead, it increases the burden of managers.

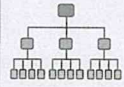
57. **C**
Unity of command has been violated. The shop assistant takes orders from two supervisors whose commands contradict each other. It is impossible for the shop assistant to handle the inventory in the shop and go out to take the purchased inventory at the same time.
58. **B**
(1) is correct. Commands given by two superiors can contradict each other. It is possible that the subordinates cannot finish both tasks at the same time.
(2) is incorrect. The problem that staff efforts are not directed towards the same plan results from the violation of unity of direction.
(3) is correct. The violation of unity of command leads to the confusion of employees because it is difficult for them to determine the priority of commands.
59. **D**
(1), (2) and (3) are correct. They are the duties of managers. Authority allows managers to perform their duties.
60. **B**
(1) is incorrect. Some risks can be anticipated, but it is impossible to eliminate the unpredicted ones. Some risks can be anticipated but will not be eliminated due to high cost.
(2) is incorrect. Selecting employees to attain goals is a part of organising.
(3) is correct. Plans specify the details on courses of action so that employees can understand clearly about what they should do to complete the tasks.
61. **A**
By definition, departmentalisation by function means grouping activities of similar functions into one department.
B is incorrect. It refers to departmentalisation by product.
C and D are incorrect. There is no specification for the staff function and organisational structure for departmentalisation by function.
62. **D**
John's authority is related to the daily production and services, so he is a line manager. Terry has IT expertise and he uses this expertise to maintain IT systems and supports other departments. Therefore, he is a staff manager.
For reference, organisational structures can be classified based on authority and level.
63. **A**
International Beverage has its departmentalisation done by product because it has departments based on different beverage products. Function departmentalisation means activities of similar production functions are gathered in one department, but there is no relevant information in the question. Departmentalisation by location is especially for multinational companies in which different departments are responsible for the operations in different locations.

64. **B**
- (1) is incorrect. Management by Objectives means that managers set objectives together with subordinates, but not managers themselves setting goals together.
- (2) is correct. Subordinates' performance is assessed regularly under Management by Objectives. Thus, managers can monitor and control subordinates' performance better.
- (3) is incorrect. Management by Objectives is rather time-consuming as more people are involved in objective-setting. Discussion time is longer.
65. **B**
- (1) is correct. The goal only mentions "to shorten the waiting time drastically" but fails to specify the actual figure. Thus, the goal is not measurable.
- (2) is incorrect. The objective of developing the application is to attract customers. Shortening the waiting time is a way to attract customers. Thus, the goal is relevant.
- (3) is correct. The goal only mentions "in the future" but does not specify the time when the goal is to be achieved. Thus, the goal is not time-framed.
66. **C**
- The principle of effective management that was adopted is Management by Objectives (MBO). Salespeople receive feedback and support from their managers on a regular basis. They are motivated to accomplish their tasks.
- A is incorrect. It is the main advantage of unity of command but not MBO.
- B is incorrect. MBO focuses primarily on the firm's short-term objectives rather than long-term objectives.
- D is incorrect. It is an advantage of division of labour but not MBO.

Chapter 2 Introduction to Management

Section 2

Key Business Functions



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|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. D | 2. D | 3. D | 4. D | 5. B | 6. D | 7. A | 8. A | 9. D | 10. B |
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| 31. A | 32. B | 33. B | 34. D | 35. C | 36. B | 37. A | 38. B | 39. C | 40. A |
| 41. B | 42. A | 43. C | 44. C | 45. B | | | | | |

1. **D**

(1) is correct. By carrying out a market research, a company knows whether there are similar products and there is a keen competition in the market.

(2) and (3) are correct. Through market research, a company can understand the tastes and preferences of their target groups of customers. This can be used to estimate the popularity and reputation of the products launched.
2. **D**

(1) is correct. Human resources managers have to ensure that the employees are equipped with necessary skills, knowledge and aptitudes to perform their job duties.

(2) is correct. Human resources managers have to assess the labour market and the business environment to plan for the workforce needed for the organisation in the future.

(3) is correct. Human resources managers need to assess the performance of employees in order to adjust the appraisal system and help them find means to improve their performance.
3. **D**

(1) is correct. Good human resources management can establish a fair and effective compensation and promotion system. This motivates workers to perform better and enhances their loyalty to the company. Thus, staff turnover rate can be reduced, and the company can retain a stable workforce.

(2) is correct. Employees will be provided with training which can improve their skills.

(3) is correct. A company with good human resources management observes labour regulations and handles grievances from employees well. This helps maintain a better relationship with trade unions, improving the company's image.
4. **D**

(1) is correct. A financial manager needs to determine the optimal sales growth rate and assess different investment proposals like the acquisition of a factory.

(2) is correct. A financial manager is responsible for working capital management, which includes the cash outflows like employees' monthly salaries.

(3) is correct as a financial manager has to decide the way to raise funds to finance the investment decision.
5. **B**

(1) and (3) are correct. Debt financing refers to obtaining funds from outsiders, such as suppliers and bank institutions, by means of acquiring loans payable in the future.

(2) is incorrect. Issuing shares to existing shareholders is an example of equity financing, in which funds are supplied by the owners of the firm.