

Business Studies 2012 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 100

1. Name the type of plan that provides the broad contours of an organisation's business. [1]

Answer : The type of plan that provides the broad contours of an organisation's business is 'Strategy'. A strategy refers to a comprehensive plan that is developed in order to achieve the desire objectives of an organisation. It includes three main dimensions *viz.*, determining long-term objectives of plan, adopting the required course of action and allocating the necessary resources in the organisation to achieve the desired objectives.

2. 'Planning always lead to success.' Do you agree ? Give reasons in support of your answer. [1]

Answer : No, planning does not always lead to success. If planning is not proper then success can not be achieved. Although, it defines the goals and objectives to be achieved and provides direction to the managers about what course of action is to be followed for achieving these objectives, planning may not work right in a changing environment. Business environment is dynamic in nature and changes continuously. Planning cannot foresee such changes and may

prove futile. Therefore, it is clear from the above discussion that planning does not always lead to success.

3. Identify the nature of management when it is practised as personal application of existing knowledge to achieve desired result. [1]

Answer : The nature of management when it is practised as personal application of existing knowledge to achieve desired results 'is art'. Management is considered an art because the manager applies the existing theories and principles based on his own knowledge, creativity and skill to achieve the desired result and objective in an organisation.

4. Name the level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organisation. [1]

Answer : The level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organization is the middle level of management.

5. Give the meaning of 'placement' as a step in the process of staffing. [1]

Answer : Placement refers to actually occupying the position by the employee for which he has been selected. It is a step that comes after selecting in the process of staffing.

6. Define 'communication'. [1]

Answer : Communication is defined as a process wherein ideas, feelings, facts, etc., are exchanged among people. Communication forms the basis of management and fosters coordination among various departments and individuals in the organisation for the smooth functioning of an organisation. Communication can be oral or written.

7. State any one 'Development function' of Securities and Exchange Board of India (SEBI). [1]

Answer : One of the development functions of securities Exchange Board of India is to conduct training and development of the intermediaries so as to promote healthy growth of the securities market.

8. State any one advantage of Over the Counter Exchange of India. [1]

Answer : One of the advantages of Over the Counter Exchange of India is that it provides a trading platform for the small and less liquid companies which are not eligible for listing on a regular stock exchange which is done through the bank.

9. State how 'self-regulation of business' acts as a means of consumer protection. [1]

Answer : Business firms should realise that it is their long-term interest to protect the interest of the customers. They must increasingly work towards customer satisfaction as customer satisfaction not only leads to repeated sales but also helps in spreading the good words about the company, thereby drawing the new customers for the business. Thus, the business firms must follow ethical values and avoid any form of exploitation towards the consumers such as unfair trade practices and adulteration can be restricted.

10. Give any one responsibility of a consumer in addition to obtaining cash receipt while purchasing a washing machine. [1]

Answer : In addition to obtaining cash receipt, the consumer must carefully read the instructions regarding the use and safety for washing machine which is provided by the manufacturer.

11. Explain how principles of management : [3]

(i) Help in optimum utilisation of resources and effective administration.

(ii) Help the managers in meeting changing environment requirements.

Answer : (i) Optimum utilisation of resources : As the resources available to an organisation are limited, they must be utilised in an optimum manner i.e., they must be able to provide maximum benefit at the minimum cost. By adhering to the principles of management, the exact cause and effect relationship of the decisions of managers can be predicted. Therefore, the wastages of resources that may be associated with the trial and error method, can be avoided or negligible.

(ii) Adapt to changes in the business environment : As the business environment is dynamic in nature, the managers must make changes in the organisation to deal with the changes in the business environment in a better manner. Principles of management guide the managers in implementing the changes as per the requirement. For instance, as today's business world is getting complex, there is an increasing need for specialisation and division of work.

12. Why is training important for the employees ? State any three reasons. [3]

Answer : Training is important for any organisation as it aims at building the skills and abilities of the employees to perform their job. Importance of training in the organisation can be seen by the following points :

(i) Systematic learning : Training is a concept that involves the systematic learning of a job. It is a more efficient way of learning than any trial-and-error method. It helps to reduce wastage of time and money in an organization can be seen by the following points.

(ii) Increase in productivity : By making employees more efficient, training enhances their productivity. This increase in both qualitative and quantitative productivity boosts the profits of the company to a large extent.

(iii) Managerial efficiency : Training prepares employees to face new challenges in different situations, thus helping them to make efficient and effective responses to various business problems. It also provides future managers to take protective steps in an emergency situation.

13. What is meant by 'financial planning' ? State any two points of its importance ? [3]

Answer : Financial Planning refers to the process of estimating the amount of funds that would

be required by a business, and determining the sources through which these funds would be obtained. The process that enables an enterprise to tackle the uncertainties regarding availability of funds is called 'Financial Planning'.

The importance of financial planning is as follows :

(i) Helps in facing eventual situations : Financial planning helps in forecasting the future. It involves preparing a blueprint and analysing the various financial situations that may occur in the future. Therefore, it helps the organisation to cope with adverse situations in a better manner.

(ii) Helps in avoiding surprises and shocks : It helps an organisation to detect such situations as shortage or surplus of funds in the future by anticipating the payments and receipts of funds. Thus, it prepares the managers in advance for such situations. It helps in avoiding element of uncertainty from investment and financing decisions.

14. Mansi, a shoe manufacturer for schools students, decided to maximize her profit by producing and distributing at large scale and thereby reducing average cost of production.

[3]

(i) Identify the marketing management philosophy adopted by Mansi.

(ii) Explain this philosophy on the basis of

(a) Main focus (b) Means and ends

Answer : (i) The marketing management philosophy adopted by Mansi is the 'Production concept'.

(ii) (a) The main focus of this philosophy is to maximise the production of goods, thereby reducing the average cost of production. In addition, it also focuses on improving the availability and affordability of the product so as to attract more customers and thus sales increase.

(b) Improving the quality product can be seen as means to achieve the end in the form of profit through quality product.

15. Explain any three assumptions of Maslow's Need Hierarchy Theory.

[3]

Answer : According to Maslow's Need Hierarchy Theory, within each individual, there exists a set of five needs that can be arranged in a hierarchy. Knowledge of these needs helps the manager in understanding the behaviour of employees. With identification of the needs of employees, appropriate motivation can be provided to them.

The three assumptions of this theory are given below :

(i) People behave as per their need. In other words, the satisfaction of people's need is guided by their behaviour.

(ii) Needs of individuals can be arranged in a hierarchical order. i.e., they can be ranked from very basic to higher levels.

(iii) An individual can move to a higher level need only when the lower level need in the hierarchy is satisfied. It is necessary.

16. Explain that technique of scientific management which is the strongest motivator for a worker to reach a standard performance. [4]

Answer : The technique of scientific management that is the strongest motivator for a worker to reach a standard performance is 'differential piece wage system'.

According to this technique of scientific management, wages of the workers are marked according to a set standard. Workers who perform better than the set standards get a higher wages than the workers who perform poorly and thus, labour is motivated in working the task. Frederick Taylor introduced this system to mark out the efficient workers from the inefficient ones and reward them accordingly. This system also act as a source of motivation for the workers who performed below standards. For instance, a standard output is set at 5 units per day. That is, the workers who will produce 5 or more than 5 units will receive ₹ 40 per unit and the workers who will produce less than 5, will receive ₹ 30 per unit. Now, if an efficient worker makes 6 units of output, he will receive ₹ 240 (40×6). In contrast to this, if an inefficient worker makes 4 units of output, he will receive ₹ 120 (30×4). Thus, giving due rewards to each worker according to the work done motivates them to work efficiently. In the above example, the difference of ₹ 120 ($240 - 120$) will act as a motivational factor for the inefficient worker and will motivate him to increase his efficiency.

17. State any four points of importance of organizing function of management. [4]

Answer : Organising refers to designing the roles and directing the employees towards the accomplishment of organisational goals. The focus of organising lies in enabling people to work together and implement the plans for successful attainment of the objectives. The following are points of importance of organising function of management :

1. Clear Definition of working relationships : Through proper organising, the working relationships in an organisation get clearly defined. It specifies how much authority is entrusted on whom. In other words, it becomes clear who is to report to whom. Such clarity in working relationships helps in avoiding any ambiguity in transfer of instructions and orders.

2. Avoids duplication of work : As the various tasks and responsibilities are clearly assigned, the chances of overlapping and duplication of work are minimised. This helps in reducing the wastage of resources in the organization.

3. Coordination : It deals with organising groups of similar activities in an organisation into different departments and units. This leads to better coordination in various tasks and thereby promotes harmony in the organisation.

4. Promotes growth : Under organising, specialisation and clear definition of working relationships enables the enterprise to deviate from its normal course of action and embark on new roles and challenges. In other words, it allows the enterprise to diversify and add new lines of activities. With proper organising, a company can easily grow and expand its operations to new geographical territories, thereby increasing its customer base, volume of sales and profits and thus growth can increase.

18. Investment decision can be long-term or short-term. Explain the long-term investment decision and state any two factors affecting this decision. [4]

Answer : The long-term investment decisions are also known as capital budgeting decisions. Such decisions involve investment decisions regarding attainment of new assets, expansion, modernisation and replacement. Long-term investments include purchasing plant and machinery, furniture, land, building, etc. It also includes such expenditure as launch of a new product, modernisation and advertising. Such decisions are very important for a business as they have the capability of changing the financial fortunes of a business. They have long-term implications on the business and are irrevocable except at a huge cost. The following are the two factors that affect capital budgeting decisions of a company :

(i) Expected cash flow : Whenever a project involves the investment of huge funds, the organisation expects some amount of regular cash flow from the investment so as to meet its daily requirements.

The amount of such cash flows must be properly analysed before taking the investment decision if expected cash flow is lower than initial investment then those projects must be ignored.

(ii) Rate of return : The rate of return forms the most important criteria for investment in any project. The returns that a project is expected to bring in the form of income to the organisation must be carefully analysed. In this regard, investment projects associated with greater rate of return are preferred over those that offer less rate of return. If the project's expected return is sufficient, the project is accepted.

19. Explain the following 'Rights of consumers.'

(a) Right to be informed

(b) Right to seek redressal

[4]

Answer : (a) **Right to be informed :** According to this, the consumer has the right to be informed of the quality, quantity, price, ingredients, weight, etc., of the goods and services. In India, it is legally mandatory for the manufacturers to provide all such information on the package and label of the goods. This enables the consumer to make a prudent and informed choice.

(b) **Right to seek redressal :** A consumer has the right to seek redressal and compensation in case of any exploitation and injury to the product. The Consumer Protection Act, 1986 provides for compensation in the form of replacement of product, cash compensation, repair/removal of defects, etc. Under this Act, consumer redressal forums have been set up at district, state and national levels where consumer can register his/her complaints.

20. Atul is working in an organisation. After every three months his manager transfers him from one department to another so that he may gain a broader understanding of all the departments of the organisation. Name and explain the method of training Atul is undergoing. [4]

Answer : The method of training that Atul is undergoing is 'Job rotation'. Under this method, the employee gets to work in every department of the organisation so that his/her knowledge can increase. This enables him to gain knowledge of the structure and working of each department and of the organisation as a whole. In addition, this method provides an opportunity to the employee to test his aptitude and ability in different areas of work. Moreover, as the employee works in different departments, he gets to interact with the members of these

departments. This in turn, promotes co-operation among various departments. Another benefit of this method is that it becomes easy for the organisation to practice transfer or replacement of the employees as the employees are already well aware with the various departments and their members.

21. Explain how management 'increases efficiency' and 'helps in development of society'. [5]

Answer : (i) **Increases efficiency :** While aiming at achievement of goals, management works upon increasing the efficiency. It aims at optimum utilisation of the available resources. Thus, it helps in achieving the desired goals with minimum cost and with minimum resources. All the functions of management namely planning, organising, staffing, directing and controlling focus towards increasing the overall efficiency. In this cost benefit analysis must be done.

(ii) **Helps in development of society :** An organisation is a part of the society. In this view, the management should work towards contributing its bit towards the society and fulfilling the social obligations as well. For instance, the management should insist on adopting environment-friendly methods and contribute towards social causes such as education of the poor and employment to the weaker sections, etc. Thus, development of society can increase.

22. State any five points that clarify how understanding of Business Environment helps the managers. [5]

Answer : Understanding of the business environment play vital role for managers. A continuous evaluation and understanding of the business environment helps a manager to take into account the various external forces that affect the business in a better manner and thereby improve overall efficiency. The following points clarify how understanding of Business Environment helps to the managers :

(i) **Identification of opportunities :** With a careful analysis, a manager can identify the possible opportunities for the business. An early identification of the opportunities helps it in taking first hand advantage in competition.

(ii) **Identification of threats :** Besides positive opportunities, a study of business environment helps a manager to identify the threats or negative signals that may adversely affect its functioning. Thus, it enables managers to take appropriate preventive measures.

(iii) **Accumulating useful resources :** The environment provides a variety of resources or inputs for the functioning of a business such as raw material, machinery and labour. On the other hand, enterprises provide the environment with output in the form of goods and services. That is, environment acts both as a source of resources as well as a source of demand for the products of the enterprises. Thus, it becomes logical for the enterprises to take those resources from the environment that can be converted into the desired output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer.

(iv) **Adjusting to changes :** Business environment is dynamic in nature i.e. it can be change as per the requirement. Changes in technology, consumers taste and preference, government policies take place continuously. A careful analysis and understanding of the environment helps a manager to deal with these changes in a better manner and take appropriate actions.

(v) **Formulating plans and policies :** A continuous study of the business environment helps an organisation in the identification of opportunities and threats. This in turn guides the manager in formulating suitable plans and policies in view of the current business circumstances.

23. State any five limitations of planning. [5]

Answer : The five limitations of planning are as follows :

(i) **Rigidness :** Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times of unforeseen changes. At times of unexpected changes, the managers may require certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) **Cannot deal with dynamic environment :** Business environment is dynamic and uncertain. However, planning cannot forecast such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives of an organization. An organization must adjust its functioning to the changing environment.

(iii) **Reduces creativity :** In any organization, planning is often done by the top level of management, while the lower and middle level

of management just follow these plans. They are not allowed to deviate from the pre-defined course. They just implement and execute the plans as stated. Thus, they tend to follow the same thinking pattern as others and lose their own creativity. It is possible that they might have better ideas for the accomplishment of the objectives. However, due to lack of involvement in decision making it remains useless.

(iv) **Huge costs** : Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analysing. Planning involves scientific calculations along with figures and facts, which are to be used in formulating the course of action. This involves high costs. Moreover, sometimes it might also happen that the benefits derived from planning fall short of the costs incurred.

(v) **False security** : Good planning may not guarantee success of an organisation. Often, managers tend to rely on pre-tested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may fail the plan. Sometimes managers think that planning can prevent problems from occurring. However, they ignore the fact that planning just provides a base for predicting the future. It does not give straight away solutions to the problems.

24. Pranav is engaged in 'Transport business'. Identify the working capital requirements of Pranav stating the reason in support of your answer. Pranav also wants to expand and diversify his transport business. Explain any two factors that will affect his fixed capital requirements. [5]

Answer : The working capital requirements for the business of Pranav would be quite less. This is because Pranav deals in transport which is a service. Such organisations involve short operating cycle and there is no processing done. Here, the sales transaction takes place immediately and therefore very less amount of working capital is required.

The following are the two factors that would affect the fixed capital requirements of Pranav in case of expansion and diversification of business:

(i) **Available alternatives for financing** : If leasing facilities are easily available in the financial market, then this would provide an easy alternative for

the business for outright purchase of fixed assets. That is, the business can easily obtain the assets on lease and use it rather than purchasing it. In this way, the need to invest a huge sum in fixed assets considerably reduces, which in turn reduces the fixed capital requirements but in some case leasing is costly thus cost/benefit analysis must be done.

(ii) **Possibility of collaboration** : At times, business organisations undergo collaboration with each other and jointly establish certain facilities. This is because at times their individual scale of operation is not such that they would be able to fully utilise the facility. In such cases, collaboration with other business organisations reduces the requirement of fixed capital for each of the organisations. But in this case ownership is diverted.

25. Differentiate between advertising and personal selling on any five basis. [5]

Answer : The difference between advertising and personal selling are as follows :

Basis of Difference	Advertising	Personal Selling
Personal communication vs. Impersonal	It is an impersonal form of communication where the seller communicates with customers	It is a personal form of communication where the seller directly interacts with the potential customers
Reach	through various mediums such as television, newspapers, radio, hoarding etc.	customers and tell them about the product.
Flexibility	Advertising has a broader reach as the advertisement reaches a large number people simultaneously.	It has a narrower reach as only a few people can be contacted directly.
	It is inflexible i.e., advertisements are standardised and cannot be adjusted as per the requirements of different customers.	It is flexible i.e., the seller can adjust the message as per the requirements of different customers.

Target Group	It is more suitable where marketing has to be done on a large scale. For example, advertising is suitable if marketing is to be done for the ultimate customers.	It is more suitable when marketing is to be done for a few selected consumers. For example, if marketing is to be done for intermediaries and retailers, personal selling is more useful.
Cost Involved	As advertising reaches the masses simultaneously, the cost per person is low.	Personal selling is relatively costly but suitable for new product.

26. What is meant by 'Formal organization'? State any three advantages and any two limitations of formal organisation. [6]

OR

Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance'. In the light of this statement identify and explain the essential elements of delegation.

Answer: Formal organisation is an organisational structure which follows a system of well-defined rules and regulations that specify the boundary of authority and responsibility. It is deliberately created by managers to achieve organizational objectives. Such a system lays more emphasis on work to be performed rather than interpersonal relationships.

The advantages of a formal organisational structure are as follows :

(i) Reduced confusion : In a formal organisation, unity of command is maintained through a defined set of relations. This chain specifies who has to report and whom reporting is done. This helps in reducing confusion within the working environment and to accomplish the goals in timely.

(ii) High stability : A formal organisation provides stability *i.e.*, it defines the rules to guide the behaviour of its employees. By doing so, the management is fairly able to predict the behaviour of the working people and can thereby provide high stability to the organisation.

(iii) Avoids duplication of work : Since the responsibilities are clearly defined in a formal organisation, there is no ambiguity in the role that any member has to play. This helps

in avoiding duplication of work and reduces wastage of efforts in the organisation.

The two limitations of formal organisation are as follows :

(i) Delay in decision-making : Each member of a formal organisation has to follow a pre-defined chain of relationships so delay in making decision. This may lead to procedural delays as everybody has to follow the established chain for each and every task. Thus, this may result in delay in decision making as well.

(ii) Limited creativity : Creativity gets limited in a formal organisation. This is because any deviation from the defined rules and procedures is restricted. This limits the creativity of the employees working in the organisation as they are not allowed to practise new ways of doing things and in this proper procedure are already defined.

OR

The following are the basic elements of delegation :

(i) Authority : It refers to the power given to an individual to command and direct his subordinates. It implies the right to take decisions regarding what is to be done and to whom the reporting is done. A scalar chain in a formal organisation facilitates authority as it entails the link between various jobs and determines the relation of who is to report to whom. It is a downward flowing channel, *i.e.*, superior commands authority over the subordinates. The extent of authority at the top level management is the highest and gradually decreases at the middle level and lower level management. However, the scope of authority delegated depends on the rules and regulations of the organisation. Assigning authority helps in maintaining submission and compliance.

(ii) Responsibility : Responsibility refers to the devotion and responsibility of the subordinate to complete the assigned task. That is, once a duty has been assigned to a subordinate, it is his responsibility to perform the task properly and within specified scheduled time. A subordinate should be dedicated and loyal towards the duty assigned to him. The superior-subordinate relationship gives rise to a sense of responsibility. As against authority, responsibility flows upward *i.e.*, the subordinate is responsible to his superior. However, care should be taken that while assigning responsibility to a subordinate,

he must be given a certain degree of authority. On the other hand, an individual who is given authority must also have some responsibility. This is because authority without responsibility may lead to the misapplication of power. On the other hand, responsibility without authority may lead to ineffectiveness.

(iii) **Accountability** : Accountability implies the responsibility of the superior for the final outcome of the work he is assigned. Although the superior delegates the work to his subordinate, the former will still be responsible for the final outcome. For this, the superior provides regular feedbacks and supervision to ensure that the subordinate performs the tasks properly and satisfactorily. The concept of being accountable arises out of responsibility itself.

27. What is meant by leadership ? Explain any four qualities of a good leader. [6]

OR

What is meant by directing as a function of management ? Describe any four points of its importance.

Answer : Leadership implies influencing the behaviour of employees in such a manner that they willingly work towards achieving the objectives of their organisation. It plays a key role in the success of an organisation as it guides the workers in the right direction. Good leadership brings out the capabilities and talents of the workers and thereby boosts their confidence.

The following are the four qualities of a good leader :

1. **Physical attributes** : People with good physical features such as height, appearance and health are attractive. A healthy and active person can work hard efficiently and thereby has the capability of being looked up to. Thus, he can induce his subordinates as well to work and perform better.

2. **Honesty** : A good leader should maintain a high degree of honesty and integrity. He should be sincere and follow ethics and values. He should be an idol for others in terms of honesty, integrity and values so that others can follow them.

3. **Intelligence** : A leader must have a good presence of mind and knowledge. He should be competent enough to effectively examine and solve the problems encountered in the course of work. He must also have required intelligence to

take proper decisions based on logic and facts.

4. **Inspiration** : A leader should be a source of inspiration and motivation to others i.e. he must be ideal in terms of work, performance and values. He must be able to develop willingness among the subordinates to work to the best of their capabilities so that goal can be achieved.

OR

Directing refers to a process where employees of an organisation are instructed, motivated and guided to achieve certain goals and objectives. The following four points highlight the importance of directing :

(i) **Initiates action** : Directing is a function that sets the ball rolling i.e. it initiates the action of any task that is to be done. The employees in an organisation cannot start working unless they are given proper instructions and directions as to what and how the task is to be performed. Moreover, in the process of performing the task, proper supervision and motivation helps the employees to achieve the desire targets and goals in the organisation.

(ii) **Integration of efforts** : Directing combines the individual efforts of the employees and channelises them towards the common goals of the organisation. Every organisation is composed of a number of employees who have different jobs assigned to them and work at different levels. It is through directing that their efforts are coordinated and integrated towards the common goals of the organisation.

(iii) **Employee development** : By guiding the employees to work in the right direction, directing promotes employee development. Proper motivation and leadership encourage the employees to work to the best of their capabilities. Directing brings about a sense of belongingness among the employees towards the organisation and thereby encourages them to give their best.

(iv) **Facilitates changes** : Directing helps an organisation to adopt the changes that occur in the working environment. Usually, people working in the organisation resist to such changes. Effective directing, through proper motivation and communication, helps in reducing the resistance of the employees towards the change.

28. What is meant by budgetary control ? State any five advantages of budgetary control. [6]

OR

What is meant by controlling ? State any

five points highlighting the importance of controlling.

Answer : Budgetary control is a technique of planning the future operations in the form of budgets. Here, 'budget' refers to a quantitative or qualitative statement which presents the objectives to be achieved in a specified period of time. These budgets are then used as standards for measuring the actual performance. Budgetary control presents time-bound policies to be used for the attainment of the objectives. It also facilitates management by exception by focussing on the activities which deviate significantly from the set budgets. However, to ensure effectiveness of the technique, estimates about the future should be as accurate as possible. In addition, the budgets should be flexible so as to adapt to the changes in business environment.

The following are the five advantages of budgetary control :

(i) **Attaining goals of the organisation :** As budgeting focuses on the targets to be achieved and the policies to be followed in a specific period of time, it helps in the accomplishment of organisational goals and objectives in a better manner. In this budget are prepared and organisation complete as per budget.

(ii) **Motivation to employees :** Through budgeting, the employees get to know clearly the standards against which their performance will be assessed. This motivates them to perform better and as per the set standards and employee also rewarded.

(iii) **Promotes coordination :** Budgeting highlights that various departments and divisions in an organisation are interrelated and interdependent on each other. Budgets of one division or department are prepared keeping in view the programmes and schedules of other departments. In this way, budgeting promotes coordination among various departments in the organisation so that desired goal achieved.

(iv) **Ensures optimum utilisation of resources :** Under budgeting, the resources are allocated to various departments based on their needs and requirements. Accordingly, the departments that command higher priority for the resources are allocated more resources. In this way, budgetary control ensures that there is optimum utilisation of the resources.

(v) **Facilitates management by exception :** As this technique emphasises on the activities that deviate from the standards, it facilitates

management by exception.

OR

Controlling is an important and indispensable function of management. It aims at controlling the managerial actions by setting standards and identifying the deviations of actual performance as against the set standards. It also ensures optimum utilisation of resources while taking corrective measures for the deviations. The following factors highlight the importance of controlling :

(i) **Achieving organisational goals :** Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and the corrective actions to be taken. It helps in moving in the right direction for attaining the set organisational objectives.

(ii) **Evaluating the standards :** Controlling helps in judging the accuracy of standards adopted by the management of an organisation. This is done by enabling the managers to check whether the set standards are accurate and feasible. It also makes it possible for the organisation to review and revise the standards according to the changing business environment.

(iii) **Optimum utilisation of resources :** A continuous controlling and monitoring system helps in the efficient and optimum utilisation of resources. As each task is performed according to the set standards, there is less wastage of resources.

(iv) **Employee motivation :** By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.

(v) **Order and discipline :** Efficient controlling helps in creating an atmosphere of order and discipline in the organisation. As employees are aware that they are being continuously observed, the dishonesty and inefficiency in behaviour is minimised.

29. Explain any four functions of 'stock exchange'. [6]

OR

Explain any four methods of floatation of new issue in the 'primary market'

Answer : 'Stock exchange' refers to a market where buying and selling of securities take place. The following are the main functions of a stock

exchange:

(i) **Provides liquidity and marketability** : Stock exchange provides a ready platform for trading of existing securities. In other words, it provides a continuous market for the sale and purchase of securities. Herein, the investors can continuously invest and reinvest. This provides marketability to the securities. Moreover, through the stock exchange, securities can easily be converted into cash whenever required. In addition, long-term securities can be converted to medium term and short term, which provides liquidity.

(ii) **Determination of prices** : A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar to the case of a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand of the funds (represented by the business firms) and the supply of funds (represented by the households), it is done with demand and supply forces. Thus, they help in determining the price of the asset being traded.

(iii) **Fair and safe market** : The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

(iv) **Facilitates economic growth** : In a stock exchange, the securities are continuously bought and sold. This continuous process of disinvestment and reinvestment helps in directing the savings and investments to the most productive channels. This enhances capital formation and facilitates economic growth of the organisation.

OR

The following are the various methods through which floating of new issues can be done :

(i) **Offer through prospectus** : The most commonly used method for raising funds in primary market is offer through prospectus. It involves inviting subscriptions from the public by issue of prospectus. A prospectus is a published document in the form of advertisements in newspapers and magazines, etc. It provides such information as the purpose for which the fund is being raised, company's background and future prospects, its past financial performance, etc. Such information helps the public and the investors to know about the company as well as the potential risk and the earnings involved.

Such issues need to be listed on one of the stock exchanges and should be in accordance with the guidelines and rules listed under the Companies Act and the securities Exchange Board of India.

(ii) **Offer through Sale** : Under the offer through sale method, the company does not issue securities directly to the public, rather they are issued through intermediaries such as brokers, issuing houses, etc. That is, under offer through sale, securities are issued in two steps. First, the company sells its securities to the intermediaries at the face value. Later, the intermediaries resell the securities to the investing public at a higher price than the face value to earn profit.

(iii) **Private placement** : Under this method, the securities are sold only to some selected individuals and big institutional investors rather than to the public. The companies either allot the securities themselves or they sell the securities to intermediaries who in turn sell to selected clients. This method saves the company from various mandatory or non-mandatory expenses such as cost of manager fees, commission and underwriter fees. Thus, the companies which cannot afford the huge expenses related to public issue often choose to go for private placement. In this no need to issue prospectus and cost are less in this method.

(iv) **Rights issue** : Under the Companies Act 1956, it is the right of the shareholders of a company to subscribe to the new shares issued by it. The existing shareholders are offered subscription of new shares of the company in proportion to the number of shares possessed by them. If the existing shareholders do not buy then company issue to public.

30. Consumer products are classified on different basis. 'Durability of the product' is one of them. Explain any three types of products in this category. [6]

OR

Physical distribution includes some components for physically moving the goods from manufacturers to the customers. Explain these components.

Answer : On the basis of durability of the product, the products can be divided into the following three categories :

(i) **Durable products** : These are the products that are tangible in nature and can be used repeatedly for a longer period of time. For

example, a television, a refrigerator, a car, and a bicycle are consumer durables. The following are the characteristics of durable goods :

- (a) These goods are generally of a higher price.
- (b) They require after-sale services.
- (c) The sellers of these products often offer a guarantee on these products.
- (d) Such products require personal selling efforts on part of the sellers.

(ii) **Non-durable products** : These are the products that can be used only once or a few times. For example, products such as vegetables and soaps are consumer non-durables. The following are the characteristics of non-durable goods :

- (a) These goods are comparatively of lower price.
- (b) For their sale, they must be made available at larger number of locations.
- (c) Usually, there exist a large number of sellers for such products. That is, there exists competition in the market. As a result, such products require heavy advertising. This is a case of oligopoly market.

(iii) **Services** : These refer to the activities that are sold. For example, services of a doctor, a teacher, postal services, etc. This is like a professional service. The following are the characteristics of services :

- (a) They are intangible in nature.
- (b) They cannot be separated from their source i.e., the service cannot be separated from the service provider.
- (c) As against durable and non-durable goods, services cannot be stored.
- (d) They are variable in nature in the sense that the type and quality of service offered varies from one service provider to another.

OR

Physical distribution refers to movement of products from the place of production to the place of consumption. The following are the components of physical distribution :

(i) **Processing of order** : Processing of order comprises of a number of steps such as placement of order, transmission of the order by the intermediaries to the manufacturer, maintenance of inventory as per the requirement, delivery of goods, etc. All such processes take time and time is specified. The physical distribution system should be such that it should ensure speedy and proper order processing. Generally, there exists a direct relationship between speed and accuracy of order processing and customer satisfaction. Fast and accurate order processing results in greater consumer satisfaction and thus increase sales.

(ii) **Transportation of products** : Transportation of products refers to the physical movement of goods from the place where they are manufactured to the place where they are consumed. To make the goods physically available to the consumers they must be transported from the place of production to the place of consumption. Proper transport facility must be done.

(iii) **Warehousing** : Warehousing refers to the process of storing the produced goods before the final act of sale. If a company has a larger number of warehouses, it will be able to readily provide the goods on time at different locations. However, maintaining warehouses involves a higher cost. Thus, a company must evaluate the relative benefits and costs associated with warehousing and maintain a balance between the two as per the requirement.

(iv) **Maintenance of inventory** : The firms maintain inventory so as to ensure timely supply of products. Similar to warehousing, maintenance of inventory also shares a positive relationship with customer service. However, maintenance of inventory involves a cost as a huge amount of capital remains tied up in the stock unless it is sold. Thus, the firms must strike a balance between customer service and cost. If proper inventory is not maintained than many difficulty take place like order, production etc.



Business Studies 2012 (Outside Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

7. Give the meaning of 'Compensation' as a step in the process of staffing. [1]

Answer : Compensation is the step in the process of staffing that is related with the remuneration given to the employees for the services rendered by them.

8. Define 'Supervision'. [1]

Answer : Supervision means monitoring the progress of the work of one's subordinates and guiding them properly.

9. State any one 'protective function' of Securities and Exchange Board of India (SEBI). [1]

Answer : The U/C of the protective functions of Securities and Exchange Board of India is to prohibit unfair trade practices such as, to supply misleading statements to cheat investors.

10. What is meant by 'Capital Market' ? [1]

Answer : The capital market refers to the market or the institutional facilities through which long-term funds, both equity and debt are raised and invested.

14. Why is training important for the organisation ?

State any three reasons. [3]

Answer : Training is important for any organization as it aims at building the skills and abilities of the employees to perform their job better. The following is the importance of training in the organization :

(i) **Less wastage :** Training is a concept that involves the systematic learning of a job. It is a more efficient way of learning than any trial-and-error method. It helps reduce wastage of time and money in an organisation, thus organisation can attain maximum utilisation of resources.

(ii) **Higher profits :** By making employees more efficient, training enhances their productivity. This increase in both qualitative and quantitative productivity boosts the profits of the company to a large extent.

(iii) **Managerial efficiency :** Training prepares employees to face new challenges in different

situations, thus helping them make efficient and effective responses to various business problems. It also provides future managers to take protective steps in an emergency situation.

15. What is meant by 'Financial Management' ? State the primary objective of financial management. [3]

Answer : Financial management refers to the effective and efficient acquisition, allocation and utilisation of company's funds. It mainly deals in procuring resources optimally from various identified resources. These funds are invested in order to earn the maximum returns on them. Financial management ensures that these funds are procured at minimum cost and minimum risk and are set up efficiently.

The primary objective of financial management is to maximize the wealth of the shareholders of a company by choosing for those financial decisions that prove profitable from the point of view of the shareholders. The shareholders are said to gain when the market value of their shares rise. The market value of shares increases when the benefits from a financial decision justify the cost involved in making the decision. Thus, a company makes financial decisions such that some value addition takes place, thereby increasing the price of its equity shares and shareholder's wealth. When a financial decision fulfils the primary objective of wealth maximisation, then other objectives such as proper utilisation of funds, maintenance of liquidity, profit maximization and meeting the financial commitments are automatically achieved.

22. Explain any five features of 'Co-ordination'. [5]

Answer : The following are the five features of coordination :

(i) **Unifies the efforts :** Coordination is said to be a group activity as it integrates the efforts of individuals in a group in order to attain set objectives and goals.

(ii) **Ensures unity :** The main purpose of coordination is to join the actions of all the individuals in a group or all the departments

of an organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organizational goals and objectives.

(iii) Creates a channel for cooperation : Coordination is a continuous process. It creates a channel between the different functions of management. Coordination starts from planning and continues till controlling, after which it restarts with planning.

(iv) Pervades all levels : Coordination is a pervasive function. This means that it is performed at all the three levels of management. It is practiced by the managers of every department in order to ensure unity of action.

(v) Involves all managers : Coordination of activities is one of the responsibilities of managers. The top-level managers ensure coordination in the interest of the overall welfare of the organization. The middle-level managers maintain coordination between the top-level and lower level managers. Finally, the operational level managers perform it to ensure that work is done as per the directions and the objectives of the organization.

23. State any five impacts of Government policy changes on Business and Industry. [5]

Answer : The five impacts of the changes in government policy on business and industry are:

(i) Increased competition : As a result of policies like dereservation and abolition of the licensing policy, the competition faced by domestic industries has increased. Indian companies are facing cut throat competition mainly in the service industry like telecommunication, banking and insurance.

(ii) Increased demand : The choice of products and services has widened for consumers with increased competition. This led to an increase in the overall demand, as consumers have gained from the quality products and greater variety available.

(iii) Rapidly changing technology : Increased competition forces the firms to develop new way to survive and growth in the market. New technologies make it possible to improve production process. The rapidly changing technological environment creates tough challenges before small business units.

(iv) Market orientation : The business enterprises

have become market oriented. In order to survive and grow in the face of increasing competition, they must understand the market first and then produce goods and service accordingly.

(v) Need for developing human resources : Indian industries have suffered for long with inadequately trained personnel. The new market conditions require people with higher competence and greater commitment. Hence there is need of developing human resources.

24. Explain any five features of planning. [5]

Answer : Following are the highlighted features of planning:

(i) Focus on objectives : Planning serves as the guidelines for what goals are to be achieved and how they are to be achieved. They ensure that the objectives of an organisation are achieved on time. For this, the management formulates plans, keeping in mind specific goals, and the managers make sure that the plans are purposeful. For example, if a sales target is to be achieved, then the organisational plans must reflect this objective.

(ii) Stepping stone : Planning serves as the stepping stone for all other functions of an organization. It precedes the other functions such as organizing, directing, staffing and controlling. This is because plans state the objectives of an organisation along with the means to achieve them. The other functions, on the other hand, are planned in accordance with the objectives. Once the plans are determined, the roles of other interrelated functions fall into places. Thus, planning sets the basis for the other functions of management.

(iii) Pervasiveness : Planning must be done at all levels of the organization. It is not a function of just the top level managers; it is a function to be performed at every level of management. However, its scope differs across the various dimensions of business. For example, the top level managers have to chalk out the policies regarding the overall management, whereas the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

(iv) Continuity : Planning is a continuous ongoing process. This is because, after the implementation of one plan, the need arises for formulating the next plan, keeping in view the new objectives and circumstances. Moreover, within a plan period, the need arises

to modify the plan as per changing needs and requirements. Thus, planning is a continuous process.

(v) **Choice-making** : Planning is a process of making choices amongst different alternatives for the attainment of the desired objectives. These alternatives are based on the path to be taken, strategies or policies to be followed to achieve the goals, etc. Managers need to evaluate these choices thoroughly and then select the most rational scheme to achieve the set objectives.

25. Differentiate between 'Marketing' and 'Selling' on any five bases. [5]

Answer :

Basis	Selling	Marketing
1. Focus	It focuses on the need of seller.	It focuses on the need of customer.

2. Objective	It is to maximize the profit and sale.	It is to earn optimum profit with customer satisfaction.
3. Scope	It is limited to exchange of goods or services.	It is wide. It includes activities like creation of demand etc.
4. Start and end	Selling starts after production and ends with the sale of product.	Marketing starts much before production and continues even after sales.
5. Demand	It assumes demand for the product.	Demand is created by producing product according to the need of customer.

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Business Studies 2012 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

15. Define 'Training' and 'Development'. [3]

Answer : Training means equipping the employees with required skills to perform the job. The selected candidate is sent to training to learn the skills and perform better in their work. Development means overall growth of the employee. It focuses on personal growth and successful employees' development.

16. Explain briefly the steps in the process of organisation. [4]

Answer : Following are the various steps involved in a successful process of organising :

(i) **Identifying and dividing the work** : The first step of organizing is to identify and divide the work at hand as per pre-defined plans. The work is further divided into different activities. A clear division of work is aimed to avoid duplication and overlapping of work so that effective work can be done and also increase revenue.

(ii) **Creating departments** : After dividing the work into activities, those activities are further

grouped into smaller sets on the basis of their similarity. Similar activities are grouped together. This process is termed as departmentalisation. Its main objective is to promote specialisation.

(iii) **Assigning duties** : The third step in the organizing process is to assign roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main aim is to assign a particular task to the person with the right skills and abilities.

(iv) **Establishing relationships** : Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he/she is working under and to whom he/she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation.

22. What is meant by co-ordination ? Explain how does co-ordination 'integrate group efforts' and 'ensure unity of action'. [5]

Answer : Coordination refers to the synchronisation of efforts from the standpoint of time and the sequence of execution.

Coordination integrates group efforts : The need

of coordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that coordination is related to group effort and not individual efforts. The question of coordination does not arise, if the job is done by one person only.

Coordination ensures unity of action : The main purpose of coordination is to join the actions of all the individuals in a group or all the departments of an organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organisational goals and objectives. For example, the purchase and sale departments have to coordinate their effort so that supply of goods takes place according to purchase orders.

23. Describe any five features of 'Business Environment'. [3]

Answer : Following are the features of business environment :

(i) **External forces :** Business environment includes all those forces which are available outside the business and over which the business has no control.

(ii) **Inter-relatedness :** Different forces acting in a business environment are closely related to each other. For example, an increase in the income of the consumers increases the demand for consumer durables such as television, refrigerator, etc.

(iii) **Dynamic nature :** Business environment is dynamic in nature *i.e.*, it can be change as per the requirement. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.

(iv) **Complex :** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand and proper study is needed to understand the same. For example, all political, social, economic, technological and legal matters affect the performance of an organisation simultaneously. While, it may be easy to understand the individual affects of these forces, their cumulative effect is quite difficult to understand.

(v) **Uncertainty :** It is very difficult to predict the changes of Business Environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

24. Explain any five points of importance of planning. [5]

Answer : Planning as a function of management

plays an important role in business enterprises. The following points support this statement :

(i) **Renders direction :** Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for different actions in the organisation. In other words, it gives direction to the tasks and activities of different departments of the organisation. It guides the managers about tasks to be performed, what route to be taken and how the objectives are to be achieved. In this way, it ensures that the path taken for the accomplishment of goals is rightly chosen and various departments of the organisation work in a line towards the achievement of the desired objectives.

(ii) **Reduces the risk :** Planning peeps into the future and accredits managers to analyse and anticipate various changes well in advance. This leads to a reduction in uncertainty of foreseen events. However, it should be kept in mind that although planning shows how to deal with various situations that may arise in the due course of management, it does not eliminate the problems.

(iii) **Minimises overlapping :** As the managers are well comprehended with the policies and plans of the organisation, they can work towards coordinating their activities in a better manner so as to better achieve the goal and objectives. In this way, planning helps in reducing the overlapping and duplication of work. Moreover, any wastage of resources that takes place due to repeatedness is also reduced. To work smoothly without any confusion and misunderstanding planning is very important.

(iv) **Helps in decision-making :** Planning serves as the basis for decision making. It involves analysing various alternatives, evaluating the various courses of action and choosing the best alternative as per the goals and objectives. Thus, following a proper planning process helps managers in taking better decisions towards the benefit of the organization as a whole.

(v) **Essential for controlling :** Planning clearly defines the objectives that are to be achieved. These objectives form the standards against which the work performance is evaluated. Without planning, the managers would not know what the final objective is and they may not have any standard against which they can judge the current performance and deficiencies. In this way, planning forms the base for the process of controlling. Without standards and objectives, there is nothing to control.

25. Explain 'Market planning' and 'Product Designing and Development' as a functions of Marketing. [5]

Answer : (i) **Market planning :** Market planning is one of the basic functions of marketing. Marketers plan the various steps required to get the goals and objectives of marketing. In order to do so, they conduct a market research to analyse the requirements and preferences of the customers. Market research helps marketers to develop a most suitable plan,

covering decisions related to the production of a product and its promotion to increase the number of customers.

(ii) **Product designing and development :** It is another function of marketing. The design of the product contributes to the target customers and also gives a competitive advantage in the market. It requires decision regarding the size, design, colour, weight, quality, and other features of product to meet the expectations of the customers.

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Business Studies 2012 (Delhi)

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. Name the type of plan which is time bound and linked with measurable outcome. [1]

Answer : Objective is the type of plan which is time bound and linked with measurable outcome.

2. 'Planning is done for achieving the organisational goals.' Do you agree ? Give one reason in support of your answer. [1]

Answer : Yes, I agree with the statement. The planning is primary function of every organisation. The objectives of organisation are set up in planning function and steps are taken in planning function to achieve the objectives.

3. Identify the nature of management when it is said to be systematised body of knowledge that explain certain general truths. [1]

Answer : Management as a science is a systematic and organised body of knowledge which is based on logically observed findings and universal truth.

4. At which level of management are the managers responsible for the welfare and survival of the organisation ? [1]

Answer : At the top level management, the managers are responsible for the welfare and survival of the organization.

5. Give the meaning of 'orientation' as a step in the process of 'Staffing'. [1]

Answer : Orientation refers to the introduction of new employees to the existing employees. Large organisations organise orientation programs to familiarize the new employees with existing

while in small companies superior takes the new employee on round and introduce them to the existing employees.

6. Define 'Formal Communication'. [1]

Answer : Formal communication refers to official communication which takes place in the organisation through a formal chain of command. Exchange of views or message related to official matter such as assignment of task, setting up of target etc., is known as formal communication.

7. State any one 'regulatory function' of Securities and Exchange Board of India (SEBI). [1]

Answer : SEBI provide the frame rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers etc.

8. State any one objective of setting up National Stock Exchange of India (NSEI). [1]

Answer : NSEI is to provide a nationwide transparent market for equity, debt and other securities.

9. How business associations act as a means of consumer protection ? State. [1]

Answer : Business associations such as Federation of Indian Chamber of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII) have framed a set of code of conducts which lay down guidelines for dealing with customers.

10. Give any one relief available to consumer who suffers due to consumption of expired date medicine. [1]

Answer : Payment of adequate cost to grieved party is the relief available to it.

11. Explain how the principles of management : [3]

(a) Provide useful insights into the reality and
(b) Help in thoughtful decision making

Set I

Answer : 1. **Provide useful insight into reality :** Principles of management act as guidelines for the managers. These principles improve knowledge, ability and understanding of managers under various managerial situations. Thus, they help managers to resolve various business issues with ease and efficiency.

2. **Helpful in thoughtful decision-making :** The principle of management helps managers in taking scientific decision based on facts and logics. They are based on the objective assessment of the situation. Thus management principles helps in thoughtful decision making.

12. **Why is training important for the organization ? State any three reasons. [3]**

Answer : The Importance of Training is as follows :

1. **Reduce learning time :** A trained employee takes less time in learning the job as compared to untrained employees. This reduces the wastage of resources.

2. **Better performance :** Trained employee performance is always better than the untrained employee is because he or she knows the tricks to handle the conditions.

3. **Help to adapt changes :** Training helps the employees to adopt environmental and changes.

14. Nisha, a school bag manufacturer decided to routine improve the product for the profit maximisation and thus added a water bottle holder to the existing design.

(i) **Identify the marketing management philosophy adopted by Nisha.**

(ii) **Main focus and means and end [3]**

Answer : 1. Nisha adopt the product concept.

2. (a) **Main focus :** Good quality of product with added features in product.

(b) **Means and ends :** Improvement of quality and ends with profit through quality of product.

15. **Explain any three qualities of a good leader. [3]**

Answer : Qualities of a good leader are :

1. **Physical qualities :** Physical features like height, weight, health and the way to attract an individual.

2. **Knowledge, intelligence and scholarship:** A leader must be able to examine every program in the right perspective or direction.

3. **Communication skills :** It is the source of information for all the members of his or her group. They must have good communicative skills through which he passes all the information

or instruction in a correct manner which is given by superiors.

16. **Explain the technique of scientific management that is the extension of 'Principle of division of work and specialisation'. [4]**

Answer : Functional foremanship is that technique of scientific management which is the extension of 'principle of division of work and specialisation', which is suggested by Taylor in this division of factory in two department, i.e., planning and production department. Taylor felt that workers must be free from the burden of planning and they must concentrate on work and production which increase the efficiency and productivity of workers.

17. **Describe briefly the steps involved in the process of organising. [4]**

Answer : The various steps involved in a successful process of organising are as follows :

(i) **Identifying and dividing the work :** The first step of organising is to identify and divide the work at hand as per the pre-defined plans so that everyone is aware of his/her works. The work is further divided into different activities. A clear division of the work is aimed at avoiding duplication and overlapping of work.

(ii) **Creating departments :** After dividing the work into activities, these activities are further grouped into smaller sets on the basis of their similarity and each group has some responsibility. Therefore, similar activities are grouped together. This grouping process is termed departmentalisation. Its main objective is to promote specialisation.

(iii) **Assigning duties :** The third step in the organising process is to assign roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main aim is to assign a particular task to the person with the right skills and abilities.

(iv) **Establishing relationships :** Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he or she is working under and to whom he or she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation and avoid chaos.

18. **Explain the following as factors affecting financial decision :**

(i) **Cost**

(ii) **Cash flow position of business**

(iii) Level of fixed operating cost

(iv) Control consideration [4]

Answer : (i) **Cost :** The cost of raising finance from various sources is different and finance managers always prefer the source with minimum cost.

(ii) **Cash flow position of business :** It helps in selecting the securities. With smooth and steady cash flow companies can easily afford borrowed fund securities.

(iii) **Level of Fixed operating cost :** If a company is having high fixed operating cost then they must prefer owners fund because due to high fixed operating cost, the company may not be able to pay interest on debt securities which create problem for company.

(iv) **Control considerations :** If existing shareholders want to retain the complete control of business then they prefer borrowed fund securities to raise funds.

19. Explain the following 'Rights of a Consumer' :

(i) **Right to safety**

(ii) **Right to consumer education** [4]

Answer : (i) **Right to safety :** The consumer right is referred to as 'right to be protected against marketing of goods and services which are hazardous to life and property'. It is applicable to specific areas like healthcare, pharmaceuticals and food processing; this right is spread across the domain having a serious effect on the health of the consumers or their well being viz. Automobiles, Housing, Domestic Appliances, Travel etc.

(ii) **Right to consumer education :** The right to consumer education gives consumers the right to be made aware of their rights and responsibilities. Knowledge of the rights and responsibilities of consumers can help them to protect themselves from exploitation and injustice. In addition, they must also be aware of the relief available to them in case of any kind of exploitation. Many government and non-government organisations are active in the field of consumer education.

20. Manu, a Chief Manager in a company using highly sophisticated machines and equipments, wants that every employee should be fully trained before using the machines and equipments. Suggest and describe the best method of training that Manu can use for training the employees. [4]

Answer : The method of training that Manu can use is 'vestibule training'. This method is

generally used in cases where the employee's day-to-day work involves heavy use of delicate and sophisticated machinery. Vestibule training takes place in a classroom away from the workplace. Here, the organisation concerned recreates the working environment with models of the actual machines and materials that the trainees would be using later at their workplace. In other words, conditions similar to the workplace environment are created, and the trainees are allowed to work on models. Only when the trainees achieve proficiency in the use of the models are they allowed to work on sophisticated machinery.

24. Neelabh is engaged in Transport business and transports fruits and vegetables to different states. Stating the reason in support of your answer, identify the working capital requirements of Neelabh. Neelabh also wants to expand and diversify his transport business, explain any two factors that will affect his fixed capital requirements. [5]

Answer : The working capital requirements for the business of Neelabh would be quite less. This is because Neelabh deals in transport which is a service. Such organisations involve short operating cycle and there is no processing done. Here, the sales transaction takes place immediately and therefore very less amount of working capital is required.

The following factors affect the fixed capital requirement of a company in case of expansion and diversification of business :

(i) **Scale of operations :** A factor determining the fixed capital requirement is the scale of operations in which the firm deals. For instance, if an organisation operates on a relatively large scale, then the requirement of fixed capital, i.e., plants, land or building increases. This is because such firms would need to maintain high stock of inventory for their large scale operations. In contrast, if an organisation is working on a smaller scale, then the requirement of fixed capital will be less.

(ii) **Alternative techniques :** There are generally two types of techniques that a company can opt for—capital-intensive or labour-intensive. The choice of these techniques differs from company to company. Herein, a company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machineries rather than manual

labour. In contrast to this, a company following labour intensive techniques would require a relatively lower amount of fixed capital.

26. What is meant by 'Informal organisation'? State the features of informal organisation. [6]

OR

What is meant by decentralisation? State any four points of importance of decentralisation.

Answer : An 'Informal organisation' refers to a network of social relationship that arises spontaneously due to the personal interaction among the employees of an organisation. The system originates from within a formal organisation when employees interact beyond their officially-defined roles and positions. In other words, when employees with different job profiles and positions in a formal organisation interact with one another beyond their boundaries of authority, informal relationships are created. These relations are based on the friendship that develops among employees with similar natures, and bring about the formation of an informal organisation. The following are the features of an informal organisation :

- (i) They evolve within a formal organisation as a result of personal interactions among employees.
- (ii) The behaviour of individuals in an informal organisation is governed by the norms of particular groups and is not dictated by official rules.
- (iii) Informal organisations emerge spontaneously.
- (iv) They facilitate the free flow of communication.
- (v) As informal organisations do not have a definite structure, they are quite complex.

OR

Decentralisation means diffusion of authority. The dispersal of authority of decision-making to the lower level management is termed as decentralisation. Decentralisation of authority is a fundamental phase of delegation. According to Fayol, "Everything that goes to increase the importance of the subordinate's role is called decentralisation."

The Importance of decentralisation is :

1. **Distribution of burden of top executive :** Decentralization enables its executive to share his burden with others at lower levels because here authority is delegated. The top executive is relieved of some burden and can concentrate on his activities for the future of the organization.

2. **Increased motivation and morale :** The morality of the employees are increased because of delegation of authority. Decentralisation helps to increase employee's morale because it involves delegation. The employees are motivated to work.

3. **Greater efficiency and output :** Decentralisation gives emphasis on care, caution and enthusiastic approach to the work which in turn, results in increased efficiency and output. This is possible because it involves delegation of authority and responsibility.

4. **Diversification of activities :** Decentralisation helps in diversification of activities. It creates more employment opportunities because new managers are to be entrusted with new assignments.

27. Give the meaning of 'Supervision' as an element of 'Directing' and any four points that explain its role. [6]

OR

What is meant by 'Motivation'? Explain Maslow's need hierarchy theory of motivation.

Answer : Supervision means instructing, guiding, monitoring and observing employees while they are performing their job in the organisation.

The following are the four basic functions of a supervisor :

1. **Facilitates optimum resource utilisation :** Continuous supervision of the workers ensures the optimum utilization of the resources available. This is because continuous monitoring encourages the workers to use the resources in the best possible manner so that goal, and objective, can be achieved.

2. **Gathers feedback from the subordinates :** As the supervisor works in a direct contact with the subordinates, he/she is in a position to receive their feedback and ascertain their grievances. The supervisor works on the feedback and tries to eliminate the problems.

3. **Maintains unity :** The supervisor plays an important role in maintaining unity among the workers in the organisation. He/she helps ensure a cordial and harmonious working environment.

4. **Ensures discipline :** Under effective supervision, the employees work in a disciplined environment. This helps in the better execution of plans, increasing efficiency in the organisation.

OR

Motivation refers to a process of inducing and motivating an individual to act in certain specified manner. In the context of an organisation, motivation implies encouraging and influences the employees to perform to the best of their capabilities and knowledge so as to achieve the desired goals and objective of the organisation.

Maslow's Hierarchy of needs

The following is the hierarchy of needs as given by Maslow :

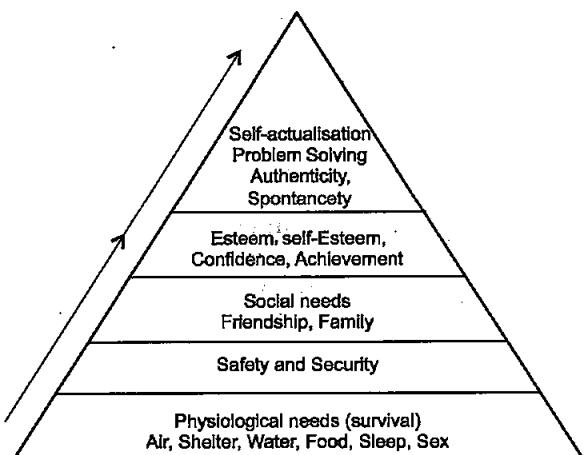
1. Physiological needs : Physiological needs consist of essential requirements for the sustenance of life. It is the basic level of the hierarchy, as the fulfillment of these needs is necessary for survival- for example, food, clothing and shelter are physiological needs. An employee requires a certain basic salary for the satisfaction of these needs.

2. Security needs : Security needs relate to the physical and economic security and well-being of an individual – for example, an employee desires job security, income stability, etc.

3. Social needs : Social needs consist of the emotional needs of an individual such as affection, acceptance and companionship. Every individual earns for social acceptance and belongingness.

4. Esteem needs : Esteem needs include respect, dignity and recognition. Every individual wants to command, respect and earn acknowledgement in his or her peer group.

5. Self-actualization needs : Self-actualisation needs refer to achieving what one aims or aspires for. It is the highest level need in the hierarchy. For an employee, such needs relate to growth, work satisfaction, etc.



Maslow's theory is widely appreciated and is used as the basis for motivation by managers.

However, sometimes it may happen that the needs of an individual do not follow the exact order as given in the hierarchy.

28. Describe the relationship between 'Planning' and 'Controlling'. [6]

OR

Briefly explain the importance of Controlling.

Answer : Planning and controlling are two closely inter-related functions of management. On one hand, planning is the psychological process of thinking about and deciding what is to be done and how it is to be done, while on the other side, controlling is a process of managing and evaluating the work done. In case of any deficiencies from the planned targets, then controlling prompts corrective measures on time. The planned targets and the standards which is the basis form of controlling are provided by planning. Thus, controlling without planning is meaningless, so there is a close and reciprocal relationship between planning and controlling. If there are no standards and no objectives, then there is nothing to control.

Similarly, planning without controlling holds no meaning. Once the plans are formulated, it becomes necessary to monitor and evaluate whether the performance and the work is correct or not. Controlling is the only technique through which the adherence to the plans can be measured and any deviations from the planned targets identified. If there exists any deviation, then controlling prompts timely corrective measures, which ensures the achievement of the planned objectives. If there is no controlling, planning cannot be accomplished. Thereby, planning without controlling is of no use they complement each other and are the inseparable twins of management.

OR

Following factors highlight the importance of controlling :

(i) Achieving organisational goals : Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and suggesting the corrective actions which are to be taken. It helps in taking the right direction for attaining the set organisational objectives.

(ii) Evaluating the standards : Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also

helps the organisation to review and revise the standards according to the changing business environment.

(iii) Optimum utilisation of resources : Continuous control and monitoring helps in the efficient and optimum utilisation of resources. As each work is done according to the set standards, there is less wastage of resources.

(iv) Employees' motivation : By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.

(v) Promoting coordination : Pre-determined standards provide a basis for better coordination for various activities. As the departments are made aware of their duties and tasks, controlling promotes coordination among them. Controlling provides unity of direction while ensuring that the organisational objectives are met. Thus, controlling is an important function performed by all the managers.

29. Explain any four functions of 'Financial Market'. [6]

OR

Explain any four functions of 'Stock Exchange'.
Answer : The following are the three functions of financial market:

(i) Facilitates transfer of savings and alternatives for investment : A financial market acts as link between savers and investors. It provides a platform for the transfer of savings between them. It also provides savers with various alternatives for investment and thereby directs the funds to the most productive investment i.e., project with positive net present value.

(ii) Establishes the price : Just as in the case of the price of a commodity, the price of a financial asset is established through the forces of demand and supply of funds and other macro factors like interest rate, inflation, government policy etc. A financial market provides a platform for the interaction of the demand for funds (represented by the business firms) and the supply of funds (represented by the households). Thereby, it helps in determining the price of the asset being traded.

(iii) Facilitates liquidity : An asset or a security can be easily purchased and sold in a financial market. This provides liquidity to assets.

(iv) Reduce the cost of transaction : It provides complete information regarding price,

availability and cost of various financial securities.

OR

The following are the four functions of a stock exchange :

(i) Provides liquidity and marketability : A stock exchange provides a continuous market for the sale and purchase of securities. Through a stock exchange, securities can be easily converted into cash when its required.

(ii) Helps to determine prices : A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar for a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand and supply of the funds. Thus, they help in determining the price of the asset being traded.

(iii) Ensures a fair and safe market : The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

(iv) Facilitates economic growth : In a stock exchange, securities are continuously brought and sold. This continuous process of disinvestment and reinvestment helps channel savings and investments to the most productive use. It also increases the capital formation and economic growth.

30. Consumer products are classified on different basis. 'Shopping Efforts Involved' is one of them. Explain any three types of products in this category. [6]

OR

Choice of channels of distribution depends on various factors. Explain any four factors which affect the choice of channels of distribution.

Answer : On the basis of the 'shopping efforts' involved, consumer products can be classified in the following three categories:

(i) Convenience products : The term 'convenience products' refers to the products that are purchased frequently and are readily available in conveniently-located outlets in every neighbourhood.

The following are the characteristics of convenience products :

(a) They are easily available at conveniently located shops.

(b) They are consumed regularly and have a

continuous demand. Generally, essential commodities come under the category of convenience products.

- (c) They are available in small units with low and standardized prices.
- (d) They require heavy advertising as the competition in the market among various brands of convenience products is high.
- (ii) **Shopping products** : The term 'shopping products' refers to the products that a consumer purchases after spending a considerable amount of time searching for and comparing the qualities, prices and suitability of comparable products.

The following are the characteristics of a shopping products :

- (a) They are durable and lasting and can be used repeatedly.
- (b) They generally have a high unit price and carry a high profit margin.
- (c) They are purchased by consumers after considerable planning; instances of impulsive buying are few.
- (d) They are bought by consumers after considerable persuasion by retailers.

(iii) **Specialty products** : Specialty products are the products with exclusive and special features, and it is because of these special features that the consumer makes special efforts to buy them.

The following are the characteristics of specialty products :

- (a) Their demand is limited as the number of buyers is relatively small.
- (b) Their unit price is very high.
- (c) They are generally available only at a very few places. The availability is limited because the number of consumer is small.
- (d) They generally require a great deal of promotion for spreading the marketing information about them.

OR

Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors. Factors which affect the choice of channel of distribution are given below :

(i) **Characteristics of the company** : The two important characteristics of a company that affect the choice of channel of distribution are its financial strength and the degree of control that the company wishes to have over the intermediaries. Shorter channels require greater funds than longer channels. It also offers greater control over the members of the channel (intermediaries). Thus, companies which are financially strong or wish to command greater control over the channel of distribution opt for shorter channels of distribution.

(ii) **Competitive factors** : The degree of competition and the channels chosen by other competitors affect the choice of distribution channel. Depending on its policies, a company may adopt a similar channel as adopted by its competitors or choose for a different channel. For example, if competitors of a company choose for sales through retail stores, it may also do the same or it can choose for a different channel such as direct sales.

(iii) **Market factors** : Many of the market factors that affect the choice of channels of distribution include size of the market, geographical concentration of the buyers and size of the purchase. For instance, in case of large markets where there are a large number of potential customers and potential buyers are located in a large geographical area, then a large number of intermediaries are required. Thus, in this case long channels of distribution are opted for rather than short ones. Similarly, if the product is purchased in large quantities, then the organisation can supply the product directly without the use of intermediaries. On the other hand, if small quantities of the product are purchased, the organisation may prefer the involvement of intermediaries such as retailers.

(iv) **Environmental factor** : Other important factors which affect the choice of channels of distribution is environmental factors such as trade policies, economic policy, etc.

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Business Studies 2012 (Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous set.

7. What is meant by 'Estimating man-power requirements' as a step in the process of 'Staffing' ? [1]

Answer : As a step in the process of Staffing, estimating manpower requirement means finding out number and type of employees needed by the organisation in near future.

8. State any one 'protective function' of Securities and Exchange Board of India (SEBI). [1]

Answer : One protective function of Securities and Exchange Board of India is to prohibit unfair trade practices such as, to prohibits misleading statements to cheat investors.

9. State any one function of Stock-Exchange. [1]

Answer : It provides liquidity and marketability to existing securities.

10. What is meant by 'Informal Communication' ? [1]

Answer : Informal Communication refers to interchange of information without following the formal line. It is based on informal relationship and arises as a result of personal, social or group relations.

16. Explain the following 'Rights of Consumers' : [4]

(a) **Right to Safety**

(b) **Right to Consumer education**

Answer: (a) **Right to safety** : It protects consumers against services and goods that are dangerous to health, property and life. For example, cooking gas cylinders or electrical appliances with manufacturing defects. The consumer has the right to be protected against such life-threatening products.

(b) **Right to consumer education** : Consumer education refers to educating the consumer constantly with regards to their rights. Its very important for the consumers to know their rights in order to save themselves from any sort of deception government and non-government organisations work actively in this regards and many programs are also conducted in this regard.

20. State any five features of 'Business Environment'.

[4]

Answer : Following are the features of business environment :

(i) **External forces** : Business environment includes all those forces which are available outside the business and over which the business has no control.

(ii) **Interrelated** : Different forces, acting in a business environment are closely related to each other. For example, an increase in the income of the consumers, increases the demand for consumer durables such as television, refrigerator, etc.

(iii) **Dynamic nature** : Business environment is dynamic in nature *i.e.*, it can be change as per the requirement. For example, consumer tastes and preferences, technology, government rules and policies keep changing continuously.

(iv) **Complex** : Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand and proper study is needed to understand the same. For example, all political, social, economic, technological and legal matters affect the performance of an organization simultaneously. While, it may be easy to understand the individual affects of these forces, their cumulative effect is quite difficult to understand.

(v) **Uncertainty** : It is very difficult to predict the changes of Business Environment. As environment is changing very fast for example in IT, fashion industry frequent and fast changes are taking place.

22. Give the meaning of Management and explain how it 'creates a dynamic Organization' and 'helps in the development of society'. [5]

Answer : Management comprises of planning, organizing, staffing, leading or directing, and controlling that coordinates the efforts of people to accomplish goals and objectives using available resources efficiently and effectively.

Management creates a dynamic organization : All organisations operate in a constantly changing environment. However, individuals in an organisation usually resist change. Management persuades people to adapt environmental changes so that the organisation can maintain its

competitive edge.

Management helps in the development of society : Management helps to provide good quality products and services, creates employment opportunities, adopts new technology and leads the path towards growth and development.

24. State any three advantages and any two limitations of 'Planning'. [5]

Answer : The three Advantages of Planning :

(i) **Integrates management function :** Planning integrates management functions. It is the basis for other management functions. It is fundamental function which integrates other functions like organising, directing, coordinating and controlling. Without plan, no manager can function well.

(ii) **Provides direction :** Planning gives direction to the total activities of an organization. A plan focuses on the future while forces an organisation to think ahead and identify potential options, problems and solution. Planning directs all functions towards achieving goal.

(iii) **Better utilization of resources :** Planning facilitates in effective utilisation of resources. It helps in rational distribution of resources among different functions. It focuses on effective utilisation of resources, controls wastages and scraps.

The two Limitations of Planning are :

(i) **Rigidness :** Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times

of unforeseen changes. At times of unexpected changes, the managers may require a certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) **Dynamic environment :** Business environment is dynamic and uncertain. Planning cannot foresee such changes; it may fail at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives.

25. Explain 'Market planning' and 'Product Designing and Development' as a functions of Marketing. [5]

Answer : Market planning: Market planning is one of the basic functions of marketing. Marketers plan the various steps required to get the goals and objectives of marketing. In order to do so, they conduct a market research to analyse the requirements and preferences of the customers. Market research helps marketers to develop a most suitable plan, covering decisions related to the production of a product and its promotion to increase the number of customers.

Product designing and development : It is another function of marketing. The design of the product contributes to the target customers and also gives a competitive advantage in the market. It requires decision regarding the size, design, colour, weight, quality, and other features of product to meet the expectations of the customers.

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Business Studies 2012 (Delhi)

Time allowed : 3 hours

Maximum marks : 100

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

14. What is meant by 'Capital Structure' ? State any two factors which affect the capital structure of a company. [3]

Answer : Capital Structures : It refers to the composition of the long term funds for an organization the mix between owner's fund (equity) and the borrowed (debt) funds.

The following factors affect the capital Structure of a company :

(i) **Return on investment (ROI) :** It refers to the earning expected from the investment. If ROI of a company is higher than interest rate on debt, it can opt for trading on equity to increase earning per share (EPS).

(ii) **Tax rate :** A higher tax rate makes the debt cheaper because interest on debt is a deductible expenses from the profit to arrive at earning after

Set III

tax. For example, cost of debt is 12% and tax rate is 50%, then after tax, the cost of debt will be $12\% - (12\% \times 50\%) = 6\%$.

15. Why is training important for the employees ? State any three reasons. [3]

Answer : Training is important for employees because of following reasons :

(i) Increased earning : Training helps the employees to acquire the required skills and hence help them to earn more.

(ii) Safety of employees : Training makes employees more efficient to handle machine and hence reduces the chances of occurrence of accident.

(iii) Employment opportunities : Trained employees have better employment opportunities as compared to untrained employees.

16. What is meant by 'Divisional Structure' of organisation ? State its any three advantages. [4]

Answer : When a company expands to supply goods or services to a variety of customers, offers a variety of different products or are engaged in business in several different markets, the company could adopt a divisional organisational structure.

A divisional structure groups its divisions according to the specific demands of products, markets or customers. Unlike the functional organisational structure, where the different organisational functions of the company conduct activities satisfying all customers, markets and products, the divisional structure focuses on a higher degree of specialisation within a specific division, so that each division is given the resources, and autonomy, to swiftly react to changes in their specific business environment. Therefore, each division often has all the necessary resources and functions within it to satisfy the demands put on the division.

Following are three of the advantages of a divisional structure :

(i) Managerial efficiency : Divisional structure provides numerous work opportunities to both managers and workers. Product specialisation which is undertaken under various divisions leads to the development of skills and knowledge of the working personnel. Similarly, the divisional head gains experience as he gets to deal with a vast variety of functions. This helps him to grow and become more proficient in his work. Thus, such a structure facilitates the development of both managers and workers.

(ii) Gauging performance : Under divisional

structure, each head is responsible for the profit and loss of his own division. This helps to clearly identify individual performances of each department. Once the head is accountable for the revenues and costs of his own department, it becomes easier to clearly gauge his actions. Accordingly, it also helps in taking the required corrective actions in case of poor performance.

(iii) Quick decision-making : The divisional managers can take any decision regarding his division independently without consulting other divisional managers. Hence, decisions are quick and effective.

22. Why is understanding of 'Business Environment' important for managers ? State any five points. [5]

Answer : Understanding of the business environment plays a vital role for managers. It helps a manager to take into account the various external forces that affect the business in a better manner and thereby improve overall efficiency. The following points clarify how understanding of Business Environment helps the managers :

(i) Identification of opportunities : A manager identifies the possible opportunities for the business. An early identification of the opportunities helps in taking first hand advantage in competition.

(ii) Identification of threats: It helps a manager to identify the threats or negative signals that may adversely affect its functioning. Thus, it enables managers to take appropriate preventive measures.

(iii) Accumulating useful resources : Environment gives an array of resources for operating a business like raw material, machinery and labour. On the contrary, companies give the environment output in the form of goods and services. Environment acts as a source of resources as well as a source of demand for the products of the companies.

(iv) Adjusting to changes : Business environment is dynamic in nature i.e. it can be changed as per the requirement. Changes in technology, consumers taste and preference, government policies take place continuously. A careful analysis and understanding of the environment helps a manager to deal with these changes in a better manner and to take appropriate actions.

(v) Formulating plans and policies : A continuous study of the business environment helps an Organization in the identification of opportunities and threats. This in turn guides the manager to formulate the suitable plans and policies in view of the current business circumstances.

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Business Studies 2013 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 90

1. To see whether plans are implemented and activities are being performed according to the schedule', is a step of planning process. Identify the step. [1]

Answer : "Follow up action" is the step of planning process discussed above.

2. Define organising as a function of management. [1]

Answer : Organising as a function of management refers to the procedure of implementing the activities in a certain order. It contains designing the roles and directing the people towards accomplishment of goals and objective in an organisation. It makes people to work together and implementing the plans by clarifying their jobs and working relationship for successful attainment of goals and objectives.

3. Identify the type of suitable organisation structure for a large organisation having diversified activities requiring high degree of specialisation in operations. [1]

Answer : Functional structure is a suitable organisation structure for a large organisation having diversified activities requiring high degree of specialisation in operations.

4. What is meant by 'Principles of Management' ? [1]

Answer : Principles of management are the statement of fundamental truth, they serve as a guide to thoughts and actions for managerial decision, actions and their execution.

5. State how staffing ensures 'continuous survival and growth of the enterprise' ? [1]

Answer : Staffing refers to the function of finding the right person for the right job in the organisation. It ensures continuous survival and growth of an enterprise by ensuring that the right person with the desired qualifications are chosen for the work. It also takes into account that the vacancies are filled and always remain occupied in the organisation.

6. Name and state the 'on-the-job method of

training' that is used to give training to the electricians. [1]

Answer : The type of on-the-job method of training is apprenticeship training. Under such training, the trainee is put under the trainer who guides the trainee to acquire higher level of skills and knowledge that the used to give tramma to the elecricians for a specified time.

7. What is meant by 'Democratic style of leadership'? [1]

Answer : Under Democratic style of leadership, the leader takes decisions in consultation with the subordinates. He/she takes inputs and suggestions from the members of the group and encourages them to participate in the decision-making process in the organisation.

8. What is meant by 'Motivation'? [1]

Answer : Motivation refers to the process of encouraging and suggesting an individual to act in a certain specified manner. In the context of an organisation, motivation implies encouraging and influencing the employees to perform to the best of their capabilities and knowledge so as to achieve the desired goals and objectives of the organisation.

9. State the essential function of a 'primary market'. [1]

Answer : Primary market is the market where securities are issued for the first time. The essential function of such a market is to support and facilitate the transfer of funds from the savers to the investors through the issue of securities. Here, the investors are the entrepreneurs who either want to establish a new business or want to expand the existing one.

10. Name two alternative mechanisms through which allocation of funds can be done. [1]

Answer : The two alternative mechanisms through which allocation of funds can be done are given below :

(a) Financial markets and (b) Banks

11. What is the advantage of registering 'trade mark'? [1]

Answer : The basic advantage of registering a trade mark is that one gets an exclusive and legal right to use it. In other words, no other person can use that trade mark except for the person who has registered it or has permission of the owner thus trade mark must be registered.

12. State the meaning of 'Product Identification' function of packaging. [1]

Answer : The packaging performs the 'product

identification' function by helping the suppliers and the consumers for easy identification of the product through its unique style and unique code of packaging. It is essential for the organisation for smooth conduct of business.

13. Explain how 'management by exception' helps in controlling process. [3]

Answer : The principle of 'Management by Exception', emphasize on the fact that an effort to control everything may end up in controlling nothing, i.e., everything cannot be controlled effectively and efficiently. According to it, rather than controlling each and every deviation in performance, an acceptable limit of deviations in various activities should be set and only those deviations that go beyond the acceptable range should be brought to the notice of the managers and it must be controlled. In other words, only the major deviations which are beyond permissible limit should be acknowledged. Thus, by emphasizing on controlling only the major things, management by exception helps in the controlling process in the organisation.

14. Explain how controlling helps in :

(a) Accomplishing organisational goals

(b) Judging accuracy of standards [3]

Answer : (i) **Accomplishing organisational goals :** Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and the corrective actions which are to be taken. It helps to move in the right direction for attaining the set organisational goal and objectives.

(ii) **Judging accuracy of standards :** Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the standards according to the changing business environment feasible.

15. Explain any three functions of financial market. [3]

Answer : A financial market is a market where the creation and exchange of financial assets such as a shares and debentures take place. The following are the three functions of financial market :

(i) **Facilitates transfer of savings and alternatives for investment :** A financial market acts as a link between savers and investors. It provides a platform for the transfer of savings between them. It also provides savers with various alternatives

for investment and thereby directs the funds to the most productive investment i.e. project with positive net present value.

(ii) **Establishes the price :** Just as in the case of the price of a commodity, the price of a financial asset is established through the forces of demand for and supply of funds and other macro factor like interest rate, inflation, government policy etc. A financial market provides a platform for the interaction of the demand for funds (represented by the business firms) and the supply of funds (represented by the households). Thereby, it helps in determining the price of the asset being traded.

(iii) **Facilitates liquidity :** An asset or a security can be easily purchased and sold in a financial market. This provides liquidity to assets. In other words, through trading in the financial market, assets can be easily converted into cash.

16. State any three 'development functions' of Securities and Exchange Board of India (SEBI).

[3]

Answer : The following are the three development functions performed by Securities and Exchange Board of India:

(i) **Training :** SEBI promotes the training and development of the intermediaries of the security market in order to promote healthy growth of the security market and proper control over it.

(ii) **Research :** By conducting research in the required and important areas of the securities market, Securities and Exchange Board of India publishes useful information. This helps the investors and other market players to make prudent investment decisions.

(iii) **Flexible approach :** SEBI has adopted a flexible and adaptive approach such as permitting internet trading, IPOs, etc. Such measures promote the development of capital market.

17. Explain any three points of importance of consumer protection from the point of view of consumers.

[3]

Answer : Consumer protection refers to the act of making consumers aware of their rights and responsibilities and educating them how they can seek redressal of their grievances and complaints.

The following points highlight the importance of consumer protection from the point of view of consumers :

(i) **Ignorance of consumers :** As consumers are

generally ignorant about their rights and various forms of relief available to them, it is important to make them aware of their rights and responsibilities and thus awareness program are also conducted.

(ii) **Exploitation of consumers :** Consumers often face exploitation in the form of unfair trade practices such as adulteration, black marketing and hoarding, and it is necessary to protect them from such misconduct and consumer can file complaint.

(iii) **Unorganised consumers :** In order to protect the interests of consumers, they must be organised in the form of consumer organisations. These organisations will help them to raise a united voice against any misconduct and unfair trade practices.

18. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods.

[3]

Answer : The following are six responsibilities of a consumer which he should keep in mind while purchasing the goods:

(i) **Awareness :** A consumer should be well aware of the availability of various goods and services so that he can choose carefully and prudently.

(ii) **Looking for quality marks :** A consumer must always look for the quality certification marks before purchase of the goods such as ISI in case of electrical goods, AGMARK in case of agricultural goods, etc. It means quality inspection are done.

(iii) **Asking for cash memo :** A consumer should always ask for cash memo or bills for the goods and services purchased. The bill acts as a proof of purchase and can be used for future references.

(iv) **Reading labels :** Labels on goods provide information regarding price, weight, expiry date of the product. The labels must be read carefully.

(v) **Honest transactions :** A consumer must always choose legal dealings and discourage illegal trade practices such as black marketing and hoarding and file complaint if anybody found engaged in all these activities.

(vi) **Ensure safety :** A consumer must carefully read the manuals and instructions provided by the manufacturer so as to ensure safe use of the product.

19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material of one of his garments units. He decided that this manufacturing unit will be

set up in a rural area of Odisha where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women.

For this he selected S. Chatterjee, Inderjeet Kaur, Aslam and Sarabjeet as heads of Sales, Accounts, Purchase and Production departments.

(i) Identify and state the next two steps that Sahil has to follow in the staffing process after selecting the above heads.

(ii) Also, identify two values which Sahil wants to communicate to the society by setting up this manufacturing unit** [4]

Answer : (i) The following are the next two steps that Sahil should follow after selecting the heads:

(a) Induction and placement: Once the selection is done Sahil should make the selected employees familiar with the working environment of the organisation. In this regard, induction involves giving a brief overview about the workplace, introducing them to other employees and the managers and making them comfortable with the work environment. Placement refers to occupying the position by the employee for which he/she has been selected.

(b) Training and development : Next step in the staffing process is training and development of the employee. Both the process emphasize on improving the employee skill and competence. Training is a process of increasing the employee's capabilities and skills required for performing the particular job. Development, on the other hand, focuses on the overall growth of the employee by enhancing his thinking and understanding capabilities. Thus, Sahil should provide training to the workers to upgrade their knowledge and increase their efficiency and effectiveness along with providing them opportunities for growth and career development.

20. Explain the concept and the objective of 'Financial Management'. [4]

Answer : Financial management refers to the effective and efficient acquisition, allocation and use of company funds. It mainly deals in procuring resources optimally from various identified resources. These funds are invested in order to earn the maximum returns on them.

Financial management ensures that these funds are procured at minimum cost and minimum risk and are set up efficiently.

The supreme objective of financial management is to maximise the wealth of the shareholders of a company by choosing for those financial decisions that prove profitable from the point of view of the shareholders. The shareholders are said to gain when the market value of their shares rise. The market value of shares increases when the benefits from a financial decision justify the cost involved in making the decision. Thus, a company makes financial decisions so that some value addition takes place, thereby increasing the price of its equity shares and shareholder wealth. When a financial decision fulfils the primary objective of wealth maximization, then other objectives such as proper utilization of funds, maintenance of liquidity, profit maximization and meeting the financial commitments are automatically achieved.

21. Explain any four factors which affect the fixed capital requirement of a company. [4]

Answer : The following factors affect the fixed capital requirement of a company.

(i) Scale of operations : A factor determining the fixed capital requirement is the scale of operations. If an organisation operates on a relatively large scale, then the requirement of fixed capital, i.e., plants, land or building increases. This is because such firms would need to maintain high stock of inventory for their large scale operations. In contrast, if an organisation is working on a smaller scale, then the requirement of fixed capital will be less.

(ii) Alternative techniques : There are generally two types of techniques that a company can choose for capital intensive or labour intensive. The choice of these techniques differs from company to company. Here company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machineries rather than manual labour. In contrast to this, a company follows labour intensive techniques would require a relatively lower amount of fixed capital.

(iii) Growth prospects: Every company has growth

plans as its long term objectives. Higher growth and expansion is related to higher production, more sales, more inputs, etc. This requires a higher level of machinery and equipments. Thus, it is clear that companies with higher growth prospects would require higher amount of fixed capital. In compare, the companies that have lesser focus on growth and expansion would require a lesser amount of fixed capital.

(iv) **Regular up-gradation of technology** : Technology plays an important role in the fixed capital requirement of a company. This is because it continuously changes or becomes obsolete over the period of time. Thus, the companies that work with machinery or equipments that become obsolete faster, require a high amount of investment in fixed capital. For instance, equipments such as computers become obsolete much sooner than the other assets such as furniture, requiring regular upgradation. In such cases, a higher amount of fixed capital is required for the company.

22. What is meant by 'Investment Decisions' ? State any three factors which affect the 'investment decision'. [4]

Answer : Investment decisions refer to the decisions regarding where to invest so as to earn the highest possible returns on investment. Investment decisions can be taken for both long term as well as short term.

Long term investment decisions also known as Capital Budgeting decisions. It affect long term earning capacity and profitability. Short term investment decisions, on the other hand, also known as working capital decisions which affect day to day working operations of the business.

The following factors affect the investment decisions :

1. **Cash flows** : Whenever a project involves the investment of huge funds, the organisation expects some amount of regular cash flow from the investment so as to meet its daily requirements. The amount of such cash flows must be properly analysed before taking the investment decision if expected cash flow is lower than initial investment than, those project must be ignored.

2. **Rate of return** : The rate of return forms the most important criteria for investment in any project. The returns that a project is expected to bring in the form of income to the organization must be carefully analysed. In this regard,

investment projects associated with greater rate of return are preferred over those that offer less rate of return. If the expected rate of return for any project is sufficient than, the project is accepted.

3. **Investment criteria** : Before selecting a particular project for investment, a company undertakes evaluation of the various other projects based on different criteria such as total amount of investment, expected rate of return, expected cash flows and interest rate. This involves a series of calculations that must be carefully considered. This helps to take final decision to invest in a project.

23. State any five features of 'Co-ordination'. [5]

Answer : The following are the five features of coordination :

(i) **Unifies the efforts** : Coordination is said to be a group activity as it integrates the efforts of individuals in a group in order to attain set objectives and goals.

(ii) **Ensures unity** : The main purpose of coordination is to join the actions of all the individuals in a group or all the departments of an organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organisational goals and objectives.

(iii) **Creates a channel for cooperation** : Coordination is a continuous process. It creates a channel between the different functions of management. Coordination starts from planning and continues till controlling, after which it restarts with planning.

(iv) **All Pervasive function** : Coordination is a pervasive function. This means that it is performed at all the three levels of management. It is practiced by the managers of every department in order to ensure unity of action.

(v) **Involves all managers** : Coordination of activities is one of the responsibilities of managers. The top-level managers ensure coordination in the interest of the overall welfare of the organisation. The middle-level managers maintain coordination between the top-level and lower level managers. Finally, the operational level managers perform it to ensure that work is done as per the directions and the objectives of the organisation.

24. Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both are working hard and

are happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal the performance of Nikita was judged better than Salman. Even then their boss, Mohammad Sharif, decided to promote Salman, stating that being a female, Nikita will not be able to handle the complications of the higher post.

(i) Identify and explain the principle of management which was not followed by this multinational company.

(ii) Identify the values which are being ignored quoting the lines from the above para. [5]

Answer : (i) The principle of management that is being violated in the given context is 'Equity'. This principle focuses on treating each employee fairly and equally *i.e.*, it states that each employee should be equal in the eyes of the manager. In addition the workers should be regarded as equal on the grounds of religion, language, gender, caste, etc. However, in this case the boss is discriminating between Nikita and Salman on the basis of gender, despite the fact that Nikita has done better than Salman, the principle of Equity is being violated by the company.

25. The court passed an order to ban polythene bags as

(i) These bags are creating many environmental problems, which affect the life of people in general.
 (ii) Society, in general, is more concerned about the quality of life. The government decided to give subsidy to jute industry to promote this business. Innovative techniques are being developed to manufacture jute bags at low rates. Incomes are rising and people can afford to buy these bags.

Identify the different dimensions of business environment by quoting the lines from the above particulars. [5]

Answer : The following are the different dimensions of business environment that can be identified from the given particulars:

(i) **Economic environment** : It comprises economic variables, such as interest rates, income and stock market indices, which affect the functioning of enterprises. The line that depicts this dimension is 'Incomes are rising and people can afford to buy these bags.'

(ii) **Social environment** : Social environment

refers to social forces such as customs, traditions, values, trends, etc. The line that shows this dimension is 'Society, in general, is more concerned about the quality of life.'

(iii) **Technological environment** : Technological environment includes technological changes and improvements. The line that depicts this dimension is 'Innovative techniques are being developed to manufacture jute bags at low rates.'

(iv) **Legal environment** : It comprises the laws and rules passed by the government, such as the Companies Act, the Trade union Act, etc. These legislations govern how an enterprise should function and behave. The line that depicts this dimension is 'The court passed an order to ban polythene bags and all the organisation must follow it otherwise it should be penalised.'

(v) **Political environment** : Political conditions such as peace, stability, law and order compose the political business environment. It directly affects the functioning of enterprises. The line that shows this dimension is 'The government decided to give subsidy to jute industry to promote this business.'

26. Explain any five features of planning. [5]

Answer : Planning anticipates what is to be done and how it is to be done. It is an essential activity that provides the basis for undertaking policies with the aim of achieving goals. The following are the features of planning :

(i) **Objective-oriented** : Planning serves the guidelines for the goals to be achieved by an organisation. It also defines how these goals are to be achieved. These guidelines ensure that the objectives of an organisation are achieved on time. For this, the management formulates plans keeping in mind specific goals and the managers make sure that the plans are purposeful and satisfied need of the organisation. For example, if a sales target is to be achieved, then the organisational plans must reflect this objective.

(ii) **Stepping stone** : Planning serves as the stepping stone for other functions of an organisation. It precedes other functions such as organising, directing, staffing and controlling. This is because plans state the objectives of an organisation along with the means to achieve them. Other functions are planned in accordance with the objectives. Once the plans are determined, the roles of other interrelated functions fall into place. Thus, planning sets the basis for the other functions of management.

(iii) Pervasive : Planning is a function that needs to be performed at all the three levels in an organisation. It is performed not just by the top-level managers but also by the people at the low level of management and middle level of management. However, its scope differs according to the various department of business. For example, the top-level managers have to check out policies regarding the overall management, the middle-level managers plan the authority to be assigned to their subordinates and the low-level managers set smaller targets for the day-to-day functioning of the organisation.

(iv) Continuous : Planning is a continuous process. This is because, after the implementation of one plan, the need arises for formulating the next plan, keeping in view the new objectives and circumstances. Moreover, within a plan period, the need arises to modify the plan as per changing needs and requirements.

(v) Choice-making : Planning is a process of making choices from the various alternatives available to achieve the desired goals and objectives. These alternatives are related to the strategies or policies for achieving organisational objectives. Managers need to evaluate these choices thoroughly and select the most rational scheme to achieve objectives.

27. Give the meaning of 'Informal Organisation' and state any five features of it. [6]

OR

Give the meaning of essential elements of 'Delegation'

Answer : Informal organisation refers to a spontaneous network of relations that arise out of the social interactions outside the office. They originate from within the formal organisation rather than being deliberately created by the management. Such relations are based on friendship that develops between the working personnel on the basis of like nature.

The following are the features of an informal organisation:

(i) Informal organisation evolves from within a formal organisation as a result of personal interactions among employees.

(ii) The behaviour of individuals in an informal organization is governed by the norms of particular groups and is not dictated by official rules.

(iii) Informal organisation emerges spontaneously. It allows the workers to interact freely outside the organization.

(iv) Informal organisation facilitates the free flow

of communication.

(v) Informal organisation does not have a definite structure; it is quite complex.

OR

Delegation implies transfer of authority and responsibility by a superior official to subordinates. The following are the basic elements of delegation :

(i) Authority : Authority means the power given to an individual to command and direct the subordinates. It gives the right to make decisions regarding what is to be done and by whom it is to be done. In a formal organisation, the scalar chain gives rise to authority. Authority flows downwards i.e. the superior official commands authority over the subordinates. The extent of authority becomes less and less as one goes down the hierarchy. That is, the top-level management commands the highest authority. Authority is less at the middle level management and is the lowest at the lower level management. Assigning appropriate authority to individuals helps in maintaining obedience and compliance in an organisation.

(ii) Responsibility : Responsibility is the adherence of the subordinate to complete a given task within schedule time. Once a task has been assigned to a subordinate, it becomes his/her official's responsibility to get the task done. The subordinate should perform the duty assigned obediently. As against authority, responsibility moves up the hierarchy—that is, the subordinate is accountable to his superior. However, along with assigning responsibility to a subordinate, this official should also be given a certain degree of authority. This is because authority without responsibility may lead to the misuse of power. On the other hand, responsibility without authority may lead to inefficiency and ineffective. Thus, there should be a proper balance between authority and responsibility.

(iii) Accountability : Accountability implies the answerability to the superior for the final outcome of the work officially is assigned. Though the superior official delegates the work to a subordinate, this higher official will continue to be responsible for the final outcome. For this the superior, provides regular feedback and improvement ideas to the subordinate so as to ensure that the subordinate performs the tasks satisfactorily. One can say that the concept of being accountable arises out of responsibility itself. Everyone working in the organisation must have some accountability.

28. Explain the following non-financial incentives.
 (i) Status
 (ii) Organisational climate
 (iii) Career advancement opportunities [6]

OR

Explain any four psychological barriers to effective communication.

Answer : The following are some of the non-financial incentives:

(i) **Status :** Rise in status in terms of power, authority, responsibility provides a psychological boost to the employees. These factors act as a major incentive to motivate them and work are done in effective and efficient manner. For example, a promotion may satisfy the esteem and self-actualization needs of an individual.

(ii) **Organizational climate :** Certain organizational characteristics such as employee freedom, recognition of performance, incentives and rewards play an important role in influencing the behaviour of employees. They serve as an incentive for employees to put in greater efforts in work. For example, if the employees get due recognition for their performance, it encourages them to work more effectively and efficiently.

(iii) **Career advancement opportunities :** Many times, a challenging job with greater responsibility and requiring higher knowledge and skills to enhances the interest of the employee. It provides him with the prospects for higher personal growth and development. Thus, it proves to be a good source of motivation for him.

OR

Sometimes psychological factors such as frustration, anger and fright may also hinders the effective communication. The following are some of the psychological barriers in communication :

(i) **Preconceived notions ideas :** Sometimes, due to preconceived notions regarding a conversation, an individual might derive conclusions even before the information is completed. This acts as barrier in effective communication. Thus, it adversely affect the communication.

(ii) **Lack of attention :** At times the individual is preoccupied with something else and therefore remains inattentive while communicating. As a result, he is not able to effectively grasp the information provided to him. This also results in ineffective communication. Thus, communication is attractive so that it can be attentively heard.

(iii) **Poor retention :** When communication passes through multiple stages, there may occur a loss of information in the process. Moreover, in cases where the information is communicated orally, it might happen that the recipient may not be able to retain the information or retain in wrong sense. Thus, act as a factor adversely affecting communication.

(iv) **Lack of trust:** In case where the communicator and the recipient do not trust each other, the message may not be perceived in the original sense by either of the two. This in turn adversely affects the communication.

29. 'Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors. Explain any three such factors.

OR

Pricing of a product is an important and effective competitive weapon in marketing which depends upon various factors. Explain any three such factors. [6]

Answer : Choice of an appropriate channel of distribution is a very important marketing decision, which depends on various factors. These factors are given below :

(i) **Characteristics of the company :** The two important characteristics of a company that affect the choice of channel of distribution are its financial strength and the degree of control that the company wishes to have over the intermediaries. Shorter channels require more funds than longer channels. It also offers greater control over the members of the channel (intermediaries). Thus, companies which are financially strong or wish to command greater control over the channel of distribution opt for shorter channels of distribution.

(ii) **Competitive factors :** The degree of competition and the channels choose by other competitors affect the choice of distribution channel. Depending on its policies, a company may adopt a similar channel as adopted by its competitors or choose for a different channel. For example, if competitors of a company choose for sales through retail stores, it may also do the same or it can choose for a different channel such as direct sales.

(iii) **Market factors :** Many of the market factors that affect the choice of channels of distribution include size of the market, geographical concentration of the buyers and

size of the purchase. For instance, in case of large markets where there are a large number of potential customers and potential buyers are located in a large geographical area, then a large number of intermediaries are required. Thus, in this case long channels of distribution are opted for rather than short ones. Similarly, if the product is purchased in large quantities, then the organisation can supply the product directly without the use of intermediaries. On the other hand, if small quantities of the product are purchased, the organisation may prefer the involvement of intermediaries such as retailers.

OR

The following are the three important factors that affect the determination of the price of a product :

1. Cost of product : The cost of bringing a product to the market plays an important role in determining its price. It consists of the costs of production, distribution cost and selling cost. The cost of a product can be classified into three broad categories.

(i) Fixed cost : Fixed cost does not vary with the number of units produced. Fixed costs remain constant at all levels of output. A few examples of fixed costs are the costs of machinery, land and building. Thus, if production is less than cost per unit can increase and vice-versa.

(ii) Variable cost : Variable cost varies in direct proportion to changes in the levels of output. If a higher number of units are produced, then higher variable costs are to be incurred and vice versa. A few examples of variable costs are labour and raw material costs. But cost per unit is same in this case.

(iii) Semi-variable cost : Semi-variable cost varies with the level of output (similar to variable cost) but not in direct proportion to it. It means some part are fixed and some part are variable in nature. For example, the commission paid to intermediaries for the sale of a product is a semi-variable cost.

Generally, firms determine the price of their products in such a way that they are able to cover all the costs and ensure a profit margin.

2. Demand for product : While determining the price of a product, a firm must also consider the demand for the product. Here, the elasticity of demand plays an important role. In case of elastic demand, a firm cannot charge a higher price as this would lead to a big fall in the demand for its

product. Thus, if price fall then demand increase and vice-versa. On the other hand, if the demand for the product is inelastic, then the firm can charge a higher price, as even at a higher price, the demand would not fall as much. Thus, depending on the elasticity of demand, firms fix lower prices for their goods with elastic demand and higher prices for goods with inelastic demand.

3. Degree of competition in the market : Generally, the higher the degree of competition in the market, the lower is the price that a firm charges for its product. This is because, in case of high competition, if a firm attempts to charge a higher price, then it would lose its customers to its competitors. On the other hand, if a firm faces very little competition for its product, then it can charge a higher price.

30. Explain the role of 'Advertising' in marketing management.

OR

Explain the role of 'Public Relations' in marketing management. [6]

Answer : Advertising refers to an impersonal, paid form of communication that is used by the marketers for the promotion of goods and services. It is an important and essential tool for promotions as it covers a wide mass of geographical area and reaches out to the maximum number of people.

The following points highlight the role of advertising :

(i) Wide reach : Advertising plays an important role in marketing as it helps in the promotion of the product by reaching out to the masses. For instance, advertising in newspapers, television and daily magazines helps in attracting customers over a large geographical area.

(ii) Enhances customer's confidence : With advertising, consumers feel safer and are assured about the quality of the product. This encourages them to buy the product and feel satisfied. Hence, advertising enhances consumer confidence and satisfaction about the product.

(iii) Product expressiveness : With evolving technology and the new ways of creating graphics, designs and art, the advertising has moved onto a different level. Today, with advertisements, even simple products can be displayed as attractive, thus advertisement playing an important role in marketing of a product.

(iv) Cost-effective : Advertising is a cheaper source of communication if the supplier wants to reach out to a large number of consumers. This is because the total cost of advertising is divided and gets spread over the communications links that are established. This in turn lowers down the per-unit cost of advertising thus maximum companies advertise their product.

OR

Public relations refer to the activities undertaken by an organisation to promote and protect its image or its products. It aims at strengthening the relations of the company with its customers, shareholders, employees, investors and various other players that are a part of the company directly or indirectly. Under this method, the company can use a wide variety of tactics to manage and promote its reputation.

The following points highlight the role of public relations in marketing management.

(i) Maintaining press relations : For any organisation, it is very important to maintain and spread positive news about the organisation to the outside world so that good relationship developed. For this, it requires to maintain good relations with the press which is maintained

through the public relations department of the company.

(ii) Publicity of the product : In case the company wants to launch a new product, the public relations department plays an important role in conducting seminars and events so as to facilitate the promotion and publicity of the product so that consumer can become aware about the product.

(iii) Maintaining corporate communication : In order to maintain goodwill and reach the target markets an organisation needs to communicate with public and employees. For this, it takes help of the newsletters, articles, brochures, etc.

(iv) Lobbying : Organisations have to deal with government officials in regards with policies in finance and trade related matters. Here also, the public relations department plays a role in promoting or defeating the regulations that affect the organisation.

(v) Counselling : The public relations department plays an advisory role by providing counselling to the management on general issues. These issues may pertain to contributing money for social causes such as education, environment and much more. It also plays an important role in the organisation.

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Business Studies 2013 (Outside Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

13. Explain how 'critical point control' helps in controlling process. [3]

Answer : An organisation cannot keep a check on all the activities of the management. Thus, the 'critical point control' technique aims at focusing on only the key result areas (KRAs) that affect the entire organisation.

For example, rise in input cost would be more important than rise in stationary cost. Thus, in this way, by emphasizing on controlling of only the key result areas, critical point control helps in the controlling process.

14. Explain how controlling helps in :

- (a) Making efficient use of resources
- (b) Improving employee's motivation

Answer : (i) **Making efficient use of resources:** Controlling helps to the organisation to make sure that the plans are working as expected and it also helps in the use of efficient and maximum utilisation of resources. While each work is done according to the pre-determined standard, there is less wastage and spoilage of resources.

(ii) Improving employee's motivation : Controlling helps to motivate employees. By this employee get to know that how much the organisation is expecting from them and also the set of standards on which their performance will be decided.

15. Explain any three functions of stock exchange. [3]

Answer : The following are the three functions of a stock exchange :

(i) Provides liquidity and marketability : The main function of stock market is to provide ready market for sale and purchase of securities. The presence of stock exchange market gives

assurance to investors that their investment can be converted into cash whenever they want.

(ii) **Pricing of securities** : The stock market helps to value the securities on the basis of demand and supply factors. The securities of profitable and growth oriented companies are valued higher as there is more demand for such securities. The valuation of securities is useful for investors, government and creditors.

(iii) **Ensure safety of transaction** : In stock market only the listed securities are traded and stock exchange authorities include the companies name in the trade list only after verifying the soundness of the company. The company which is listed they also have to operate within the strict rules and regulations. Therefore, it ensures safety and fairness in transaction.

16. State any three 'protective functions' of Securities and Exchange Board of India (SEBI).

[3]

Answer : The following are the protective functions performed by SEBI :

(i) **Checks price rigging** : Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of the securities. SEBI prohibits such practice because this can defraud and cheat the investors.

(ii) **Checks on insider trading** : Insider is any person connected with the company such as directors, promoters etc. These insiders have sensitive information which affects the prices of the securities. This information is not available to people at large but insider get this privileged information by working inside. SEBI keeps a strict check when insider buys the securities of the company.

(iii) **Regulatory functions** : These functions are performed by SEBI to regulate the business in stock exchange. SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries. These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.

18. State any six reliefs available to a consumer when the consumer court is satisfied with the genuineness of the complaint.

[3]

Answer : The following are some of the reliefs available to a consumer when the consumer court is satisfied with the genuineness of the

complaint :

1. Refund The price of the goods paid by the consumer;
2. Payment of compensation in cash for the loss or injury suffered due to the use of hazardous products;
3. Ceasing the manufacturing of hazardous goods;
4. Payment of punitive damages;
5. Removal of the hazardous goods from sale;
6. Remove the defect in the goods or replacement of the defective product.

23. State any five characteristics of management. [5]

Answer : The following are five characteristics of management :

(i) **It is pervasive** : Management is pervasive and exists in all types of organisations irrespective of their size, characteristics, geographical location, etc. All types of organisations need management. The only difference lies in the scope of management *i.e.*, how it is practiced by different organisations in different regions based on cultures and traditions.

(ii) **It is a continuous process** : Management is a continuous process. The various functions of management (planning, organizing, directing, staffing and controlling) are performed simultaneously by managers. However, their focus and priority may differ on a daily basis. On a particular day, the managers might devote more time to planning, and the next day they might invest more time in controlling.

(iii) **It is multi-dimensional** : Management is regarded as a multi-dimensional concept. This is because it is a complex process involving various dimensions. Broadly, the dimensions of management can be classified as :

- (a) Managing the work
- (b) Managing the people
- (c) Managing the operations

(iv) **It is dynamic in nature** : Management helps an organisation to adapt to an ever-changing environment. With the help of effective planning, management insulates an organisation against external changes such as changes in political, environmental and government policies and changes in technology. For example, management helps an organisation to adapt easily to any technological changes by planning and

continuously updating its information about future technologies.

(v) **It is intangible** : Management is intangible and cannot be seen. Management includes what managers think, how they carry out plans, how they handle various activities, how they coordinate their individual efforts and what their organisation achieves. Thus, only the presence of management can be felt in organisations.

25. Explain any five limitations of planning. [5]

Answer: The following are the five limitations of planning :

(i) **Rigidness** : Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times of unforeseen changes. At times of unexpected changes, the managers may require certain degree of flexibility so as to cope up with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) **Cannot deal with dynamic environment** : Business environment is dynamic and uncertain. However, planning cannot foresee such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives. An organisation must adapt its functioning to the changing environment.

(iii) **Reduced creativity** : In any organisation, planning is often done by the top management, while the lower and middle management just

follow these plans. They are not allowed to deviate from the pre-defined course. They just implement and execute the plans as stated. Thus, they tend to follow the same thinking pattern as others and lose their own creativity. It is possible that they might have better ideas for the accomplishment of the objectives; however, due to lack of involvement in decision making, they remains unheard.

(iv) **Huge costs** : Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analyzing. Planning involves scientific calculations along with facts and figures, which are to be used in formulating the course of action. This involves high costs. Moreover, sometimes it might also happen that the benefits derived from planning fall short of the costs incurred.

(v) **False security** : Good planning may not guarantee success of an organisation. Often, managers tend to rely on pre-tested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may leads to failure of plan. Sometimes managers think that planning can prevent problems from occurring. However, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away Answers to the problems.

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Business Studies 2013 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

12. State the meaning of 'Product promotion' function of packaging. [1]

Answer : The packaging is one of the 'product promotion' functions, which help the suppliers to promote the product. An attractive packaging helps to attract a large number of consumers.

13. After setting the performance standards the next step in the controlling process is the

'measurement of actual performance'. Explain this step in the process of controlling. [3]

Answer : Once the standards are set, the next step is to evaluate the actual performance of the activities. There are various techniques to measure the performance such as personal observation, sample checking, performance reports, etc. The checking should be done in reliable manner so that correct measurement is taken for comparison. Measurement can be done after the completion of work or during the work in progress. For example, while assembling

small parts of a bigger machine, the parts can be checked before assembling. This would ensure the continuous monitoring of the small parts as well as the final bigger machine.

20. What is meant by financial planning ? State any three points of its importance. [4]

Answer : Financial planning involves designing the blueprint of a company's financial functions. This ensures availability of fund within time, thereby confirming the smooth functioning of the company.

The following points highlight the importance of financial planning in an organization :

(i) **Forecasting :** The future financial requirements and finance availability can be forecasted with the help of financial planning. This helps the company to identify the probable future obstacles. It also clearly defines as to what are the steps must be follow in different situations. Thus, in this way, financial planning enables smooth functioning of the business.

(ii) **Provides cushion against adversities :** Through financial planning, managers attempt to see the future requirements. If any adverse situations such as economic fluctuations takes place then plans are drafted in a way to overcome the business operations from the adverse situations.

(iii) **Promotes coordination :** Financial planning promotes coordination between the activities and operations of various departments of a company. In this way, it identifies the chances of clashes or coincidence of financial needs among the different departments. Hence, financial planning provides a clear framework and promotes cooperation and coordination within organisation.

21. Explain any four factors which affect the working capital requirement of a company. [4]

Answer : The following are four factors that affect the working capital requirement of a company.

(i) **Nature of business :** Working capital requirement of an organisation depends upon its nature of business. An organization that deals in services or trading will not require much of working capital. This is because such organisations involve small operating cycle and there is no processing done. Herein, the raw materials are the same as the outputs and the sales transaction takes place immediately. On the other hand, a manufacturing company involves large operating cycle and the raw materials need to be converted into finished goods before

the final sale transaction takes place. Therefore, manufacturing concern required more working capital than trading concern.

(ii) **Scale of operations :** A factor determining the working capital requirement is the scale of operations. If a company operates on a large scale, the requirement of the working capital increases. This is because such company would need to maintain high stock of inventory and debtors. In contrast to this, if the scale of operation is small, the requirement of the working capital will be less.

(iii) **Fluctuations in business cycle :** Different phases of business cycle alter the working capital requirements by a company. During boom period, the market flourishes and thereby, there is high sale, high production, high stock and debtors. Thus, during this period requirement of working capital increases. As against this, in a period of depression there is low demand, lesser production and sale, etc. Thus, the working capital requirement reduces.

(iv) **Production cycle :** The time period between the conversions of raw materials into finished goods is referred as production cycle. The period of production cycle is different for different organisations depending on which the requirement of working capital is determined. If a organization has a longer period of production cycle, i.e., if there is time gap between the receipt of raw materials and their conversion into final finished goods is long, than the requirement of working capital will be high due to inventories and related expenses. On the other hand, shorter the production period lower the working capital requirement.

22. Explain any four factors which affect the 'Dividend Decision' of a company. [4]

Answer : Dividend decision of a company refers with what portion of the profits is to be distributed as dividends between the shareholders and what portion is to be kept as retained earnings. The following are four factors that affect the dividend decision.

(i) **Quantity of earning :** A company pays dividends out of its current and the past earnings. This implies that earnings play a major role in the dividend decision. A company having higher earnings may pay a higher amount of dividend to its shareholders. In contrast to this, a company having low or limited earnings would pay lower amount of dividend.

(ii) **Constant earnings :** When a company has

a constant and a smooth earning, they are in a position to pay dividend at higher rate as compared to the companies who have an unstable earning. In other words, a company having consistent and stable earnings can distribute higher amount of dividends.

(iii) **Stable dividends** : Companies normally follow the practice of stabilizing their dividends. Company should avoid frequent changes in dividend per share. Increase or decrease the value only when there is a consistent rise or fall in the earnings of the company.

(iv) **Growth prospects** : Companies always try for a higher growth level or expansion of business operation to retain a higher portion of the earnings with itself for re-investment. Thus, dividend of such a company is smaller as compared to the companies with lower growth opportunities.

23. State any five points which highlight the importance of management. [5]

Answer : Management is an integral part of all types of organisations irrespective of their size, nature of operation, geographical location, production line, etc. The following points underline the importance of management :

(i) **Helps to achieve goals** : Management aims at achieving the overall goals of an organisation. It control and direct the efforts of all the employees in one common direction. Besides organizational goals, management also helps in achieving the personal goals of individuals. Without good management organisation is not able better achieve the desire goal.

(ii) **Increases efficiency** : While aiming at achieving goals, management works to increase efficiency. Increasing efficiency and effectiveness helps to control costs and increase productivity through the best use of the resources available.

(iii) **Creates an active organisation** : Management helps an organisation to adapt to the changing business environment needs. With the help of better effective planning, management insulate an organisation against external changes such as changes in political environmental and government policies and technology changes. For example, management helps an organisation to adapt easily to technological changes by effective planning and by securing continuous updates about future technologies in advance.

(iv) **Development of Society** : Management enables an organisation to contribute to the development of society. Management ensure that organisation provide good quality products at fair prices and generate employment, thereby promoting economic growth and society's welfare.

(v) **Helps to achieve personal objectives** : Every individual working in an organisation has his or her own personal goals in terms of their career. Management motivates the individuals to achieve not only the organisational objectives but also their personal goals.

26. Explain any five points of importance of planning. [5]

Answer : Planning as a function of management. It plays an important role in large business enterprises. The following points support this statement :

(i) **Renders direction** : Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for different actions in the organisation. In other words, it gives direction to the tasks and activities of different departments of the organisation. It guides the managers about tasks to be performed, what route to be taken and how the objectives are to be achieved. In this way, it ensures that the path taken for the accomplishment of goals is rightly chosen and various departments of the organization work in a line towards the achievement of the desired objectives.

(ii) **Subdues risk** : Planning peeps into the future and accredits managers to analyse and anticipate various changes well in advance. This leads to a reduction in uncertainty of foreseen events. However, it should be keep in mind that although planning shows how to deal with various situations that may arise in the due course of management, it does not eliminate the problems.

(iii) **Minimizes overlapping** : As the managers are well comprehended with the policies and plans of the organisation, they can work towards coordinating their activities in a better manner so as to achieve the goal and objectives in a better way. In this way, planning helps in reducing the overlapping and duplication of work. Moreover, any wastage of resources that takes place due to repeatedness is also reduced. To work smoothly without any confusion and misunderstanding, planning is very important.

(iv) **Helps in decision making** : Planning serves

as the basis for decision making. It involves analyzing various alternatives, evaluating the various courses of action and choosing the best alternative as per the goals and objectives. Thus, following a proper planning process helps managers in taking better decisions towards the benefits of the organisation as a whole.

(v) **Essential for controlling** : Planning clearly defines the objectives that are to be achieved.

These objectives form the standards against which the work performance is evaluated. Without planning the managers would not know what the final objective is and they may not have any standard against which they can judge the current performance and deficiencies. In this way, planning forms the base for the process of controlling. Without standards and objectives, there is nothing to control.

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Business Studies 2013 (Delhi)

Time allowed : 3 hours

Maximum marks : 90

1. Define 'Recruitment'. [1]

Answer : Recruitment refers to the procedure of finding and stimulating the prospective candidates to apply for a particular job. It involves persuading as many persons as possible to apply for a particular job. The main purpose of recruitment is to fill the vacancy in the organisation.

2. Why motivation is called a complex process ? [1]

Answer : Motivation is a complex process because it involves dealing with many individuals with various natures. Every individual differs from another in various aspects such as nature, thinking pattern and observation. Therefore, different individuals require different types of motivation techniques because motivation technique that works on one person may not work on others which make this process complex.

3. At which level of management directing takes place ? [1]

Answer : Directing takes place at all the levels of management which are as follows :

- (1) Top level management,
- (2) Middle level management and
- (3) Lower level management.

4. What should be done while 'taking corrective action' in process of controlling, when especially in the important areas deviations go beyond the acceptable range ? [1]

Answer : Immediate managerial attention is required if the deviations go beyond the acceptable range in important areas. After the analysis of deviations and their causes, the task to remove the burdens from the actual work plan, the purpose of this step is to bring the actual performance up to the level of expectations by opting corrective action.

5. State how 'Growth Prospectus' affect the working capital requirements of a company ?

Set I

[1]

Answer : Higher growth prospects and expansion are related to higher scale of production, higher sales, higher input requirements, etc. Thus, companies with higher growth prospects require a higher amount of working capital and lower growth prospects which require lower amount of working capital.

6. What is the primary objective of 'Financial Management' ? [1]

Answer : The primary objective of 'financial management' in a company is to maximize the shareholders' wealth i.e. financial management in a company should involve financial decisions that are beneficial to the shareholders of the company.

7. Give the meaning of the 'Money Market'. [1]

Answer : The money market means where short-term securities and funds are traded. The securities traded in the money market have a very short maturity period ranging from one day to one year. These financial instruments are highly liquid and are a very close substitute to cash. It is a short term financing.

8. State any one consequence of a well performed 'allocative function' of financial market. [1]

Answer : One of the benefits of a well-performed allocative function of the financial market is high returns to households on their investments in the company.

9. Why is 'Marketing' called a social process ? [1]

Answer : In today's time, marketing is not restricted only to selling activities. In fact, it refers to a process by which sellers educate buyers regarding the types of goods and services available in the market, and influence them to make purchases as per their needs. Marketing

is not an activity to force buyers to purchase products; rather it is to make them aware of the benefits of products. Therefore, in today's time, marketing is regarded as a social process.

10. Distinguish between 'Selling Concept' and 'Marketing Concept' of Marketing Management Philosophies on the basis of 'main focus.' [1]

Answer : The main difference between the 'selling concept' and the 'marketing concept' are as follow:

Selling concept focuses on selling the existing products by using various promotional techniques, while the marketing concept focuses on maximizing customer satisfaction even after the actual sale has taken place. In other sense, selling concept is mainly concerned with the sale. On the other hand, marketing has a much wider scope than selling because it includes pre-sale and post-sale activities.

11. Under three-tier machinery where can a legal heir or representative of a deceased consumer file a complaint where the compensation claim is ₹ 25 lakhs. [1]

Answer : If the compensation claim is ₹ 25 lakh, then the legal heir or representative of a deceased consumer can file a complaint with the state commission.

12. Pragya bought an iron of a reputed brand for ₹ 1,500 but it caused an electric shock while it was being used. Pragya wants to exercise her 'Right'. Identify the 'Right' under which she can be protected. [1]

Answer : In this case pragya can be protected under the 'right to safety'. If it is genuine and pragya followed the instruction.

13. Name and explain the principle of management according to which a manager should replace 'I' with 'We' in all his conversations with workers. [3]

Answer : The principle is '*esprit de corps*'. This principle recommends that the employees of an organisation should work in a spirit of unity and common interests so that organisational goals can be achieved. They should work as a team. This spirit proves useful especially in large organisations, where achievement of objectives becomes difficult without teamwork. If a manager uses 'we' instead of 'I', then it evokes in each of his or her subordinates a greater sense of belongingness. The word 'we' enhances team

spirit by increasing mutual coordination and understanding among the employees, which in turn improves efficiency and easy achievement of the organisational goals and objectives.

14. Explain 'Harmony Not Discord' as a principle of Scientific Management. [3]

Answer : 'Harmony, not discord' means a principal where the managers and workers of an organisation should maintain a harmonious work environment. They should realise that they are dependent on each other. Only if they work in unity they will be able to perform better. Frederick Taylor, emphasized a complete mental revolution i.e. the workers should change their attitude and each should realise others' importance in the business. The management should take care of the needs of the workers on the one hand, and on the other hand, the workers should work to the best of their efficiency. Both the managers and the workers should work in harmony to achieve the common goals and objective in the organisation.

15. Explain 'objectives' as one of the types of plans. [3]

Answer : Objectives are defined as the ends that management desires to accomplish. They state what is to be done and how the organisation concerned would complete its tasks in a given specified period of time by employing the resources available. The main focus of the objectives is on the general and broader issues of an organisation. These are generally set by the top-level management and are more or less inflexible and followed in an organisation. The objectives of an organisation also act as a guide for managerial actions and for planning the overall future of the business.

16. Explain the following as features of Planning : [3]

(a) Planning is continuous process; and

(b) Planning is futuristic.

Answer : (a) Planning is a continuous process: Planning should be done continuously. This is because, after the successful implementation of a plan, the need arises for the formulation of a new plan with new objectives to take care of changed circumstances. Besides, it may so happen that within a plan period, the actual scenario turns out to be different from what was expected while framing the plan, and the existing plan has to be modified accordingly. Thus, the planning process does not conclude.

It is a continuous process all along the life of a business enterprise. It is dynamic in nature.

(b) Planning is futuristic : Planning is futuristic and is an attempt to see into the future, forecasting future conditions and framing plans accordingly. Planning helps an organisation to forecast its future projects and prepare for future conditions in the best possible manner. Further, the growth prospects of an organisation fully depend on how well and how accurately it frames its plans as per future conditions.

17. Ajay was appointed a marketing head of 'Alfa Enterprise' manufacturers of toothpaste and toothbrushes. His target sale was 2,000 units a month. Apart from thinking about various channels of distribution to achieve the target he himself started visiting schools in backward areas. He found that even after taking various steps and counseling, some school children had not started brushing their teeth. He investigated and found that they could not afford to buy toothbrush and toothpaste. So with due permission he started donating 200 toothbrushes and toothpastes every month to the school. [3]

(i) Identify the channel of distribution 'Ajay would adopt for distribution of toothpaste and toothbrushes and justify it by giving one reason.

(ii) State any two values which Ajay wants to communicate to the society.

Answer : (i) Ajay should choose 'zero level channel of distribution' because, if he choose for any other distribution channel, then all school children may not get equal access to toothbrushes and toothpaste. There is also a chance of black marketing as more intermediaries enter the distribution channel thus zero level distribution channel is more appropriate in this case.

(ii) The following are the values involved in the given scenario :

(a) Helping the economically deprived students

(b) Spreading health awareness and promoting hygienic and healthy habits

18. Though branding adds to the cost, it provides several advantages to the consumers'. In the light of the statement, state any three advantages of branding to customers. [3]

Answer : The advantages of branding from the customers' point of view are as follows :

(i) Branding helps the customers to differentiate a particular product from the another product of other firms.

(ii) By using branded goods, consumers are ensured of the authenticity of the product.

Branding helps to ensure the supply of good quality products to consumers.

(iii) Famous brands often act as status symbols.

19. State the steps in the organising process. [4]

Answer : The various steps involved in a successful process of organising are as follows :

(i) Identifying and dividing the work : The first step of organising is to identify and divide the work among the employees, so that everyone aware of his/her works. Then the work is further divided into different activity which helps in avoiding duplication and overlapping of work.

(ii) Creating departments : After distributing the work into activities, these activities are further classified into smaller sets which is based on their similarity and each group have some responsibility. Therefore, similar activities are grouped together. This grouping process is termed departmentalization.

(iii) Assigning duties : The next step in the process is to assign roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main aim is to assign a particular task to the person with the right skills and abilities.

(iv) Establishing relationships : Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he or she is working under and to whom he or she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation and avoid chaos.

20. Distinguish between 'Delegation' and 'Decentralization' on the basis of the following: [4]

(i) Purpose;

(ii) Scope;

(iii) Status; and

(iv) Nature.

Answer : The difference between 'Delegation' and 'Decentralisation' are as follows :

Basis of difference	Delegation	Decentralisation
Purpose	It reduces the burden of managers.	It communicates a greater role and autonomy to subordinates.
Scope	As it is limited to just superiors and their immediate subordinates, it is relatively narrow in scope.	As it involves delegation to the lower level management, it is relatively wider in scope.

Status	It involves sharing authority to perform tasks.	It arises from the policy decisions taken by the top-level management.
Nature	It is compulsory because a single person cannot perform all the tasks on his own.	It is optional because it arises out of the policy decisions of the top-level management.

21. What is meant by a 'long-term investment decision'? State any three factors which affect the long term investment decisions. [4]

Answer : Long-term investment decisions, also known as capital budgeting decisions, refer to the decisions regarding the allocation of fixed capital to different competent projects. It involves investment decisions regarding acquisition of new assets, expansion, modernization and replacement. The following are the factors that affect long-term investment decisions :

1. Cash flows : Whenever a project involves the investment of huge funds, the organisation expects some amount of regular cash flow from the investment so as to meet its daily requirements. The amount of such cash flows must be properly analysed before taking the investment decision if expected cash flow is lower than initial investment than, those project must be ignored.

2. Rate of return : The rate of return forms the most important criteria for investment in any project. The returns that a project is expected to bring in the form of income to the organisation must be carefully analysed. In this regard, investment projects associated with higher rate of return are preferred over those that offer lesser rate of return. If the project expected return is sufficient than, that project is accepted.

3. Investment criteria : Before selecting a particular project for investment, a company evaluates various projects based on criteria such as total amount of investment, expected rate of return, expected cash flows and interest rate. Thus, the final decision to invest in a project involves a series of meticulous calculations.

22. Explain any four points of importance of consumer protection from the point of view of business. [4]

Answer : The following points highlight the importance of consumer protection from the point of view of business :

1. Long-term interest : With the increasing

competition among companies and to survive in the market, there is need for consumer satisfaction and interest. If a business continues to take care of its customers' interest, it helps them to earn goodwill and reputation. Thus, it is advisable for a business to protect the interest of its consumers in order to enjoy long-term benefits of the organisation.

2. Use of resources : A business organisation uses society's resources for producing various goods and services. Through the sale of these goods and services to society, the organisation earns profits. Thus, it is its social obligation to supply quality goods and services for enhancing society's welfare.

3. Ethical reasoning : Moral values and ethical values play an important role in today's highly competitive business environment. Adherence to moral values and ethics, on the one hand, protects the consumers' interests and, on the other hand, helps the business organisation to earn goodwill. Thus, it becomes a moral duty of every business to avoid exploitation of consumers in any form like unfair trade practices and adulteration.

4. Responsibility to society : Without society a business organisation cannot survive and grow on its own. Society provides resources and also a demand and a market for its business. Therefore, every business organization must fulfill its social obligations, one of which is to take care of the interests and satisfaction of its consumers so that profit of the organisation can increase.

23. Describe any five reasons which clarify that management is gaining importance day-by-day. [5]

Answer : Management is important in today's world because it requires in every work. It forms an integral part of all types of organisations irrespective of their size, geographical location, production line, etc. Following are the reasons that clarifies that management is gaining importance day by day.

(i) Helps in achieving goals : Management aims at achieving the overall goals of an organisation because it organises and directs the efforts of all the employees in one common direction. Besides organisational goals management also helps in achieving the personal goals of individuals.

(ii) Increases efficiency : Management increases efficiency to achieve their goals. Increasing efficiency and effectiveness helps in reducing costs and increasing productivity through the optimum utilization of the resources available.

(iii) Creates a dynamic organisation : Management helps an organisation to adapt new environment changes as per the requirements in the market. With the help of effective planning, management insulates an organisation against external changes such as changes in political, environmental and government policies, and technology changes.

(iv) Develops society : It also enables an organisation to contribute to society's development. It helps an organisation to provide good quality products at fair prices and generate employment, thereby promoting economic growth and society's welfare.

(v) Helps in achieving personal objectives : Every individual working in an organisation has his/her own personal goals. Management motivates the individuals to achieve not only the organisational objectives but also their respective personal goals so that overall objective can be achieved.

24. The court passed an order that all schools must have water purifier for the school children as :

- (i) Society in general is more concerned about quality of life;**
- (ii) Innovative techniques are being developed to manufacture water purifier at competitive rates;**
- (iii) Incomes are rising and children at home are also drinking purified water. The Government is also showing positive attitude towards the water purifier business.**

Identify the different dimensions of business environment by quoting from the above details.

[5]

Answer : (i) **Society in general is more concerned about the quality of life :** This statement involves the social dimension of the business environment. Social environment refers to social forces such as quality of life and standard of living of the product. As society gets more concerned about the quality of life, the demand for quality products increases, which in turn increases business opportunities for the manufacturers of such products.

(ii) Innovative techniques are being developed to manufacture water purifiers at competitive rates : This statement involves the technological dimension of the business environment. The technological environment consists of technological changes and improvements in the organisation. Continuous improvements and innovations in the technologies used in production improve the quality of products.

These improvements in technology provide new business opportunities for companies.

(iii) Incomes are rising and children are drinking purified water at home. The government is also showing a positive attitude towards the water purifier business : This statement involves the economic dimension of the business environment. It consists of economic variables such as income and interest rate. An increase in the income of consumers increases the demand for products that raise the overall quality of life. Hence, in this way, an increase in economic variables (income and health) makes the government to take the positive steps and provide a favourable environment and new opportunities to the new entrants in the water purifier business so that consumer has more option to buy and quality of product also increase.

25. Nishant, the director of a garments company, is planning to manufacture bags for the utilisation of waste material from one of his garment units. He has decided that this manufacturing unit will be set-up in a rural area of Orissa where people have very few job-opportunities and labour is available at very low rates. He has also thought of giving equal opportunities to men and women. **[5]**

For this he wants four different heads for Sales, Account, Purchase and Production. He gives an advertisement and shortlists ten candidates per post after conducting different selection-tests.

- (i) Identify and state the next three steps for choosing the best candidate out of the candidates short-listed.**
- (ii) Also identify two values which Nishant wants to communicate to the society by setting up this manufacturing unit.**

Answer : (i) The following are the three steps for choosing the best candidate out of the shortlisted candidates :

1. **Personal interview :** The personal interview is an integral part of the selection process it is most important and necessary for the organisation. After the initial round of selection tests, the successful candidates are taken to the subsequent round of personal interviews. This round of screening includes a conversation between the candidate and a manager. An in-depth conversation is conducted to judge the suitability of the candidate for the job. It also helps the manager to assess the candidate in all the major aspects such as attitude, aptitude, thought process and spirit to cope with challenging tasks.

2. Background check : Once a candidate is successful in the personal interview, his or her documents are verified so that his/her background can be easily identified. In this round, the work experience and reference given by the candidate in the curriculum vitae are checked. The verification of documents and references (from the previous employer of the candidate) helps in getting additional information about the candidate, which might not have been collected at the personal interview.

3. Selection decision : After the personal interview and the background check are completed, the best and most suitable candidate is selected.

(ii) The following are the two values involved in the given situation :

1. **Employment opportunity** : Promoting equality and providing employment opportunities.

2. **Economic development** : Working towards the upliftment and economic development of the rural people.

26. 'Planning and Controlling are inseparable twins of management.' How ? [5]

Answer : Planning and controlling are two closely interrelated functions of management. Planning is the psychological process of thinking about and deciding what is to be done and how it is to be done, while on the other side, controlling is a process of managing and evaluating the work done. In case of any deviations from the planned targets, then controlling prompts corrective measures on time. The planned targets and the standards which is the basis of controlling are provided by planning. Thus, controlling without planning is meaningless, so there is a close and reciprocal relationship between planning and controlling. If there are no standards and no objectives, then there is nothing to control.

Similarly, planning without controlling holds no meaning. Once the plans are formulated, it becomes necessary to monitor and evaluate whether the performance and the work is correct or not. Controlling is the only technique through which the adherence to the plans can be measured and any deviations from the planned targets identified. If there exists any deviation, then controlling prompts timely corrective measures, which ensures the achievement of the planned objectives. If there is no controlling, planning cannot be accomplished. Thereby, planning without controlling is of no use they complement each other and are the inseparable twins of management.

27. 'The barriers to effective communication exist in all organisations to a greater or lesser degree.' State any six measures to overcome these barriers. [6]

OR

The Supervisor performs a very important role in an organisation by performing multiple functions. State any six such functions.

Answer : The following are six measures that can be adopted to overcome various barriers of communication :

(i) Communication should take place as per the level of understanding and capabilities of the receiver. The receiver should be able to clearly understand the information to be communicated.

(ii) The language, tone and content of the information communicated should be appropriately chosen. It should be easily understandable and should not harm anybody's sentiments.

(iii) In order to make communication effective, regular feedback regarding the information communicated must be taken from the receiver. During the communication process, the communicator must encourage the receiver to respond and ask questions in case of any doubt. Thus, regular feedback is necessary.

(iv) The communicator should also be a patient listener. He or she should be open to receiving communication from the receiver.

(v) The information communicated should be complete in all respects; nothing should be left ambiguous and incomplete.

(vi) The core idea of the communication must be clear to both the sender and the receiver. Before starting a communication process, both the parties involved should have a general idea of the communication.

OR

The following are the six basic functions of a supervisor :

1. Facilitates optimum utilization of resources : Continuous supervision of the workers ensures the optimum utilization of the resources available. This is because continuous monitoring encourages the workers to use the resources in the best possible manner so that goal and objective can be achieved.

2. Gathers feedback from the subordinates : As the supervisor work in a direct contact with the subordinates, he/she is in a position to receive their feedback and ascertain their grievances. The supervisor works on the feedback and tries to eliminate the problems.

3. Maintains unity : The supervisor plays an important role in maintaining unity among the workers in the organization. He/she helps in ensuring a cordial and harmonious working environment.

4. Ensures discipline : Under effective supervision, the employees work in a disciplined environment. This in turn helps in the better execution of plans, increasing efficiency in the organisation.

5. Acts as a link : The supervisor acts as a link between the subordinates and the superior officials in the organisation. On the one hand, the supervisor passes on the instructions from his superior officials to his subordinates and, on the other hand, communicates the subordinates' grievances to his superiors.

6. Maintains control : The supervisor keeps a close check on the work of the employees. He or she ensures that the output is as per the target. In case of failure to achieve the target, the supervisor takes corrective actions immediately.

28. What is meant by 'Dividend Decision'? Explain any four factors which affect the dividend decision of a company. [6]

OR

What is meant by 'Financial Planning'? Explain any five points which highlight its importance.

Answer : The dividend decision of a company involves the decision regarding the distribution of its profit to shareholder. A company can distribute its profit to the equity shareholders in the form of dividends or retain it with itself if there is project with positive net present value. Through the dividend decision, a company decides what proportion of the surplus funds to be distributed as dividend and what proportion to be kept as retained earnings.

The following are the factors that affect the dividend decision of a company.

(i) Amount of earnings : A firm pays dividends out of its current and past earnings. This implies that earnings play a key role in the dividend decision. A company with higher earnings will be in a position to pay a higher dividend to its shareholders, and one with low or limited earnings will only be able to distribute a low dividend.

(ii) Stable earnings : When a company has stable earnings, it is in a position to distribute a higher

dividend as compared to one with unstable earnings.

(iii) Stable dividends : Companies generally follow the practice of stabilizing their dividends. They try to avoid frequent fluctuations in the dividend per share and opt for increasing (or decreasing) the value only when there is a consistent rise (or fall) in their earnings.

(iv) Growth prospects : Companies aiming for a higher level of growth or expansion of operations retain a higher portion of their earnings with themselves for reinvestment. Thus, the dividends of such companies are smaller than those of companies with lower growth opportunities.

OR

The process that enables a business enterprise to tackle the uncertainties regarding the availability of funds is called '**financial planning**'. Financial planning involves designing a blueprint of the financial operations of a firm. It ensures that just the right amount of funds is available for organizational operations at the right time, thereby ensuring the smooth functioning of the organization :

The following points highlight the importance of financial planning in an organisation.

(i) Financial planning helps to forecast the future. It involves planning and analyzing the blueprint of the future financial operations of a business. Therefore, it helps in the smooth functioning of the business by defining clearly what must be done in different situations.

(ii) Financial planning enables an organisation to anticipate and avoid shocks or surprises. It also prepares the managers for adverse situations well in advance.

(iii) It helps improve coordination between various business activities and functions in the organisation. By providing a clear framework, it promotes co-operation and enables smooth work flow.

(iv) Financial planning provides clearly defined policies and procedures for carrying out tasks. This helps to reduce wastage of time and effort, which in turn avoids duplication and overlapping of tasks thus revenue of the organisation can increase.

(v) By aiming at fuller and judicious utilisation of funds, financial planning ensures that situations of inadequate funds and excess funds are avoided. Thus, financial planning ensures that

funds are properly, optimally and judiciously utilized.

29. Explain any four functions of stock exchange. [6]

OR

Explain the following money market instruments :

- (a) Call Money
- (b) Treasury Bill and
- (c) Commercial Paper
- (d) Certificate of Deposit

Answer : The following are the four functions of a stock exchange :

(i) **Provides liquidity and marketability :** A stock exchange provides a ready platform for trading in existing securities. It provides a continuous market for the sale and purchase of securities. Through a stock exchange, securities can be easily converted into cash when required.

(ii) **Helps to determine prices :** A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar to the case of a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand of the funds (represented by the business firms) and the supply of funds (represented by the households), it is done with demand and supply forces. Thus, they help in determining the price of the asset being traded.

(iii) **Ensures a fair and safe market :** The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

(iv) **Facilitates economic growth :** In a stock exchange, securities are continuously brought and sold. This continuous process of disinvestment and reinvestment helps channel savings and investments to the most productive use. It also increases the capital formation and economic growth.

OR

(a) **Call money :** It is an instrument to raise fund for short-term finance, which is also termed as 'inter-bank call money'. It is repayable on demand, and its maturity period varies from one day to fifteen days. Call money is highly liquid and is used for inter-bank transactions. The need for call money exists because of shortfall in compulsory cash reserves ratio

(CRR) that are to be maintained by commercial banks. In any deficit cash balance in the bank, these call money is used to raise funds and bridge the deficit. The interests paid on such loans are highly volatile and are known as 'call rate'.

(b) **Treasury bills :** They are also known as T-bills. It is mainly refer to promissory notes that are used for short-term borrowing by the Union Government. They are auctioned and issued by the Reserve Bank of India on behalf of the government. T-bills are available for a minimum of ₹ 25,000 and in multiples thereof. T-bills, which are also called zero-coupon bonds, help to meet the government's short-term requirements of funds. They are highly liquid with assured returns and bear negligible risk. They are issued at a discount and are redeemed at par. Normally, the Union Government issues three types of T-bills with terms of 91 days, 182 days and 364 days.

(c) **Commercial paper :** Commercial paper is a borrowing instrument used by banks and other financial companies to raise capital for short time period which is usually less than a year. The purchaser of a commercial paper buys it at the discounted rate, while he gets face value on maturity.

(d) **Certificate of deposits :** Certificate of deposits (CDs) is time deposits which are negotiable and unsecured instrument. They are bearer instruments for a short term and specified time period ranging from one month to five years. They are a secured form of investment, which are issued to individuals and corporations by commercial banks and financial institutions. Higher interests rate are offered for higher deposits. It is also secured and less risky.

30. Explain the concept of personal selling and any four qualities of a good salesman. [6]

OR

Explain any four factors which affect the determination of the price of a product

Answer : Personal selling is a personal form of promoting and selling a product by which the seller directly communicates with potential customers. It involves direct, face-to-face communication between the seller and the customer for the purpose of making a sale. The basic objective of personal selling is to create awareness about the product and induce the customer's decision making. It is more suitable in a situation where a product is to be marketed to a few and selected consumers.

The following are the four main qualities of a good sales person :

(i) **Amiability** : Good sales persons should be friendly and amiable in the sense that they should be able to create a pleasant environment to gain consumer attention and interest. They should be patient and friendly while talking to buyers and speak in a style suitable to particular customers and it differs from consumer to consumer.

(ii) **Knowledge** : Good salespersons should have the required basic and updated knowledge about the product they are selling. They must know the product holistically, in terms of its features, use, availability, etc. They must also have a good knowledge about the company in which they are working.

(iii) **Communication skills** : Good communication skills are a 'must-have' quality for good salespersons. They must know how to strike the right conversation with customers in order to secure their attention and interest. They should be convincing and confident while answering customer queries. It is said that salespersons with good communication skills can convince even uninterested consumers and complete a sale.

(iv) **Courtesy** : Good salespersons should know how to gain the buyer's confidence. They should be courteous and liberal to convince the customer to buy the product. They should be polite and should not be dominant so that product sales can be increased.

OR

The following are the four important factors that affect the determination of the price of a product:

1. **Cost of product** : The cost of bringing a product to the market plays an important role in determining its price. It consists of the costs of production, distribution and selling. The cost of a product can be classified into three broad categories :

(i) **Fixed cost** : Fixed cost does not vary with the number of units produced. Fixed costs remain constant at all levels of output but it may change if output produces beyond certain specified level. A few examples of fixed costs are the costs of machinery, land and building.

(ii) **Variable cost** : Variable cost varies in direct proportion to changes in the levels of output. If a higher number of units are produced, then higher variable costs are to be incurred and vice versa.

(iii) **Semi-variable cost** : Semi-variable cost means cost in which some portions are fixed and some portions are variable in nature. Generally, firms determine the price of their products in such a way that they are able to cover all the costs and ensure a profit margin.

2. **Demand for product** : While determining the price of a product, a firm must also consider the demand for the product. Here, the elasticity of demand plays an important role. In case of elastic demand, a firm cannot charge a higher price as this would lead to a big fall in the demand for its product because if price increases then demand falls and vice-versa. On the other hand, if the demand for the product is inelastic, then the firm can charge a higher price, as even at a higher price, the demand would not fall much. Thus, depending on the elasticity of demand, firms fix lower prices for their goods with elastic demand and higher prices for goods with inelastic demand.

3. **Degree of competition in the market** : Generally, the higher the degree of competition in the market, the lower is the price that a firm charges for its product. This is because, in case of high competition, if a firm attempts to charge a higher price, then it would lose its customers to its competitors. On the other hand, if a firm faces very little competition for its product, then it can charge a higher price.

4. **Government regulations** : With the motive to promote social welfare and to protect the interest of the people, the government needs to intervene in the price-determination process. For example, in the case of the essential commodities, the government declares a maximum price that can be charged. Thus, government regulations act as one of the factors determining the price of a product.

Business Studies 2013 (Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous set.

12. Give the meaning of 'Capital Market'. [1]

Answer : The capital market mainly deals with the securities like long term and medium term securities which have a maturity of more than one year. Capital market consists of various financial instruments like equity shares, preference shares, debentures, bonds and other long-term securities.

14. Explain 'Science-not Rule of Thumb' as a principle of Scientific Management. [3]

Answer : Science not Rule of Thumb : According to this principle decisions should be based on facts rather than rule of thumb. Rule of thumb is based on intuition, experiences, personal opinion and/or prejudice. This principle requires development and application of scientific method. Taylor advocated that the traditional 'Rule of Thumb' method should be replaced by scientific methods.

Scientific methods should be used for the following purposes :

- (i) To determine standard time required to do a job.
- (ii) To determine a fair day's work for the workers.
- (iii) To determine the best way of doing the work.
- (iv) To select standard tools and equipments etc.

15. Explain 'method' as one of the types of plans. [3]

Answer : Method is the prescribed way or manner in which a task has to be performed or it can be said that it prescribes a course of action to accomplish the desired job. It deals with a task comprising one step of a procedure. It is limited in scope than procedure. Selection of right method increases efficiency in completion of a task. Example:- Method of stock valuation.

16. Explain the following as features of Planning :

(a) Planning focuses on achieving objectives, and

(b) Planning is a mental-exercise. [3]

Answer : (a) Planning focuses on achieving objectives : Planning is basically an approach for achieving

the goals of the organisation. The management of an organisation should make plans considering the definite goals that are to be achieved. Planning should be based on a purpose it should not be vague. For instance:- if target sale of ₹ 1 crore is to be achieved, then the sales plans must be drafted with a view to achieving the proposed target.

(b) **Planning is a mental exercise :** Planning is a mental phenomenon in which managers decide how the goals to be achieved along with the alternate course of action. They will also be deciding that which objective to be achieve and how that objective will be achieved. For drafting plans, managers need to employ a thinking process that is organised and consistent.

18. Though branding adds to the cost, it provides several advantages to the marketers'. In the light of the statement state any three advantages of branding to marketers. [3]

Answer : The following are the three major advantages that branding brings to marketers :

(i) **Helps in advertising products :** Branding a term through which a firm can introduce his product. Unless branding is done, a product cannot be advertised. Advertisement basically creates understanding regarding the class of the product but it cannot promptly attract the customers towards the product. Hence, branding makes advertisement impactful. Advertising a branded product enables the producer to highlight the specific qualities and features of the product, besides distinguishing the product from those of the competitors.

(ii) **Enables differential pricing :** Good branding helps to create reliable consumers. A reliable consumer will not be affected by the price as price will change but their taste and preference will not change. This enables the firm to charge a different price from that of its competitors. E.g, if a consumer uses a particular product regularly (say, Pepsodent), then he or she would continue to buy the product despite any slight increase in price.

(iii) **Facilitates introduction of new products :** Good branding leads to a great opportunities for introducing of new product. A well-known company having a good brand name in the market can easily introduce another new product

under the similar brand name. The new product gets an initial boost due to branding of the product. This helps the new product to retain the existing customers (loyal to the same brand) and attract new customers. Currently, big companies such as ITC and Dabur have multiple products under a single brand name.

22. Explain the concept of 'Consumer Protection' and any three points of its importance from the point of view of consumers. [4]

Answer : As per the Consumer Protection Act, consumer protection means the act of making consumers aware of their rights and responsibilities and educating them to redress of their grievances and complaints.

The following points highlight the importance of consumer protection from the point of view of consumers :

(i) Ignorance of consumers : Consumers are not aware to the rights and remedy available to them, it is very important to make them aware of their rights and responsibilities.

(ii) Exploitation of consumers : Consumers are often facing exploitation in the form of unfair trade practices such as adulteration, black marketing and hoarding, and it is very important to protect them from such exploitation..

(iii) Unorganized consumers : To protect the interests of consumers, they must be organised in the form of consumer organisations, which will help them to raise a combined voice against any bad practices and unfair trade practices.

23. Explain any five characteristics of co-ordination. [5]

Answer : The five characteristics of co-ordination are as follows :

(1) Integration of group efforts: All business activities are interdependent. Therefore these shall be coordination among them. Coordination enable the business to make efficient use of its available resources.

(2) Ensures unity : The main purpose of coordination is to identify the unity of all the individuals in a group and all the departments in the organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organisational goals.

(3) Creates a channel for cooperation : Coordination is continuous process. It creates a channel between the different functions of management. Coordination starts from planning

and continues till controlling, after which it restarts with planning.

(4) Pervades all levels : Coordination is a pervasive function. This means that it is performed at all levels of management. It is practiced by the managers of every department in order to ensure unity of action.

(5) Involves all managers : Coordination of activities is one of the responsibilities of managers. It involves all the level of management together. The top-level managers ensure coordination in the interest of the overall welfare of the organisation. The middle-level managers maintain coordination between the top-level and lower level managers. Finally, the operational level managers perform it to ensure that work is done as per the directions and the objectives.

26. Explain the various steps in the process of controlling. [5]

Answer : The following are the steps involved in the controlling process.

(i) Setting standards : Standards have to be set through which actual performance can be measured. Standards can be set in both qualitative as well as quantitative terms. Qualitative benchmarks can be in the form of improvement in coordination and creation of goodwill, etc. Quantitative benchmarks can be sales targets, production targets or time to be spent on a particular action, etc.

(ii) Measuring actual performance : After setting the standards the next step to measure the actual performance. It can be done by using various techniques such as personal observation, sample checking and evaluation using performance reports. Performance should be measured in an exact and reliable manner so that the correct figures are available for comparison. Performance can only be measured after the completion of an activity or while it is in progress.

(iii) Comparing performances : After measuring the performance, it is compared with pre-established standards. This comparison helps in assessing deviations. The comparison is easier when quantitative standards are used. E.g. efficiency in work in terms of cost incurred can be measured against the standard cost.

(iv) Analysing deviation : Every organisation detects deviations when actual performance is compared with set standards. Thus, it is important to find whether the deviations detected are in the tolerable range. For analyzing deviations,

managers generally use the techniques 'critical point control' and 'management by exception'.

(a) **Critical point control** : An organisation cannot keep a check on all the activities of the management. Thus, the 'critical point control' technique aims at focusing on only the key result areas (KRAs) that affect the entire organisation and also focus on the areas to be focused.

(b) **Management by exception** : The 'management by exception' technique is based on the belief that 'an attempt to control everything results in controlling nothing'. According to this

technique, only the vital and major deviations that are outside the acceptable limits should be taken into account. Once these deviations are considered, it is necessary to acknowledge the causes, as a number of problems can cause deviations.

(v) **Taking corrective measures** : When deviations are beyond the tolerance limits, it becomes necessary for the management to take corrective actions. This is the final step of controlling, and it aims to correct the deficiencies of the organisation so that the errors do not occur again.

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Business Studies 2013 (Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. Give the meaning of 'Secondary Market.' [1]

Answer : Secondary market means sale and purchase of existing financial securities i.e., only those securities that were initially issued in the primary market are traded.

14. Explain 'Co-operation, Not Individualism' as a principle of Scientific Management. [3]

Answer : The principle of 'cooperation, not individualism' suggests that there should be a good degree of cooperation among the workers and management of a company. The workers and the management should realize that they complement each other in order to carry out the company's operations successfully. The management should follow some suggestions given by the employees and are suitable for them and also reward them back. The management should encourage the workers to participate in the decision-making process which create motivation in them. On the other hand, the workers should also cooperate with the management by refraining from going on strikes and by not making unreasonable demands. Both the managers and the workers should work in harmony to achieve the common goals and objective in the organisation.

15. Explain 'Strategy' as one of the types of plans.

[3]

Answer : A strategy provides a comprehensive plan in order to achieve organisational goal and

objectives in the organisation. It involves the following three dimensions :

(i) Determining the long term objectives and goal of the organisation concerned
 (ii) Determining the course of action to be taken.
 (iii) Allocating the resources which is required to attain the objectives. Strategies usually form the identity of the company. Some of the major strategic decisions include deciding whether the organisation would continue in the same line of business or enter a new business line or not, what would be the target customer base, etc.

16. Explain the following features of planning : [3]

(a) Planning involves decision making; and

(b) Planning is pervasive.

Answer : (a) **Planning involves decision making**: Planning is an attempt to peep into the future, analyzing future conditions, evaluating various course of action and choosing the best alternative as per the objectives and goal of the organisation. While drafting plans, managers need to evaluate various course of action, and on the basis of their rationale and logic, opt for the best alternative. Similarly, they also need to decide which objectives should be given priority and which decisions to be taken in the interest of their organisation. Planning involves a high degree of application of the mind and analytical power as various functions of management are carried out on the basis of plans.

(b) **Planning is pervasive** : Planning is required at

all the three levels of an organisation. However, the scope of planning differs at the different management levels. For example, the top-level managers have to chalk out the policies regarding the overall management, whereas the middle-level managers plan the authority to be assigned to their subordinates and the lower level managers set small targets for day-to-day operations. Thus, planning is carried out at all levels of management.

18. 'Packaging has acquired great significance in the marketing of goods.' In the light of this statement state any three functions of packaging. [3]

Answer : The following are the functions performed by packaging :

(i) **Facilitates identification :** An important function that is performed by packaging is identification and differentiation. In this regard, packaging helps the consumers to differentiate favourable products from the others.

(ii) **Protects the contents :** A good packaging performs the function of protecting the product from external damages. That is, it helps in protecting the contents of the product from spoilage, breakage, leakage or any other kind of damage.

(iii) **Facilitates use :** The packaging of a product facilitates its usage such that it is convenient to open. It ensures that the product is packed in a certain way so as to be handy while using.

22. Distinguish between 'Formal and Informal Organisation' on the basis of [4]

(i) Meaning;
(ii) Authority;
(iii) Flow of communication

Answer : The following differences between formal and informal organisation are as follows :

Basis of difference	Formal organization	Informal organization
Meaning	'Formal organization' refers to the relationship between authorities as defined by the management.	Refers to the relationship based on personal and informal relationship among the employees in the organization.
Origin	The structure originates from the rules and policies of the top level management.	The structure originates from the social interactions among the employees.

Basis of difference	Formal organization	Informal organization
Authority	Authority is defined by the profile and managerial positions.	Authority is defined by the personal qualities of the employees.
Flow of communication	Communication flows through the hierarchy.	No planned route of communication is followed.

23. Explain any five features of management. [5]

Answer : The following are five features of management :

(i) **It is pervasive :** Management is pervasive and exists in all types of organisations irrespective of their size, uniqueness, geographical location, etc. All types of organisations need management. The only difference lies in the scope of management i.e. how it is practiced by different organisations in different regions based on cultures and traditions of the country.

(ii) **It is a continuous process :** Management is a continuous and ongoing process. The various functions of management (planning, organising, directing, staffing and controlling) are performed simultaneously by managers. However, their focus and priority may differ on a daily basis. On a particular day, the managers might devote more time to planning, and the next day they might invest more time in controlling.

(iii) **It is multi-dimensional :** Management is regarded as a multi-dimensional concept. This is because it is a complex process involving various dimensions. Broadly, the dimensions of management can be classified as :

(a) Managing the work
(b) Managing the people
(c) Managing the operations
(iv) **It is dynamic :** Management is dynamic in nature i.e. helps an organisation to adapt to an ever-changing environment. With the help of effective planning, management insulates an organisation against external changes such as changes in political, environmental and government policies and changes in technology. For example, management helps an organisation to adapt easily to any technological changes by planning and continuously updating its information about future technologies.
(v) **It is intangible :** Management, as a force, is intangible and cannot be seen. Management

includes what managers think, how they carry out plans, how they handle various activities, how they coordinate their individual efforts and what their organisation achieves. Thus, it is intangible.

26. Explain any five points which highlight the importance of 'controlling' function in management. [5]

Answer : The following points highlight the significance of effective controlling.

(a) **Achieving organisational goals :** Controlling aims at the accomplishment of organisational goals by indicating the deficiencies and the corrective actions which are to be taken. It provides checks on deviations, thereby ensuring that the organisation is moving in the right direction for achieving the set objectives.

(b) **Evaluating standards :** Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling technique enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the

standards according to the changing business environment and the need of the hour.

(c) **Optimally utilising resources :** A continuous control and monitoring system ensures efficient and optimum utilisation of the resources available. By aiming at full utilisation of funds, financial planning ensures that situations of excess and shortage of funds are avoided. Thus, it ensures that the funds are properly and optimally utilised.

(d) **Motivating employees :** By exercising effective control, employees get to know well in advance, what is expected from them and the standards against which their performances will be assessed. This motivates them to achieve the assigned targets in a better and orderly manner.

(e) **Maintaining order and discipline :** An efficient controlling system helps in creating an atmosphere of order and discipline in an organisation. As the employees are made aware that their performances are being continuously observed, the probability of dishonesty and inefficiency is minimized thus revenue can be increased.

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Business Studies 2014 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 90

- 1. What is meant by 'Management of Work' ? [1]**
Answer : Management of work refers to translating work in terms of goals to be achieved and assigning the means to achieve them.
- 2. What is determined by 'Time-Study' ? [1]**
Answer : In time study, Taylor emphasized on

setting a standard time limit for completing any particular job so that organisational goal and objective can be achieved on time. This study basically aims at deciding the number of workers to be employed for the particular task, determining their wages, etc.

3. What is included in 'Legal Environment' of Business ? State. [1]

Answer : Legal environment include the legislation and rules passed by the government such as the Companies Act, Trade union Act, etc. to avoid the legal problems. A businessman has to perform his business activities under the limits of the legal environment.

4. Give the meaning of 'Method' as a type of plan. [1]

Answer : Methods are basically that type of plans that explain the way in which a particular task/job (a specific step or the procedure) can be performed. They are flexible in nature and may vary from one task to another as there can be many methods to perform a task thus it is dynamic in nature.

5. Give the meaning of 'Responsibility' as an element of delegation. [1]

Answer : Responsibility as an element of delegation refers to the obligation of the subordinates to complete the task assigned to him/her within schedule time and considering it as his/her responsibility.

6. Define 'organising' as a function of management. [1]

Answer : Organizing as a function of management refers to the procedure of aligning the activities in a certain order. It contains designing the roles and directing the people towards accomplishment of goals and objective in an organization. Focus of this function lies in enabling people to work together and implementing the plans for successful attainment of goal and objectives.

7. How are employees motivated to improve their performance when the organisation uses internal sources of recruitment ? State. [1]

Answer : When the recruitment takes place through internal sources then employees know that their promotions will take place within the organization. This motivates them to perform their best so as to get entitled for the promotions so work is done in efficient manner.

8. Providing the social security and welfare of employees' is one of the specialized activities performed by Human Resource Management. Mention any two other specialized activities of Human Resource Management. [1]

Answer : The two other activities performed by human resource management other than 'providing for social security and social welfare of the employees' are given below:

(a) Providing the required training and development to the employees in order to improve their efficiency and effectiveness.

(b) Recruiting and searching a qualified personnel for the require job.

9. What is meant by 'Decoding' as an element of communication ? [1]

Answer : Decoding refers to the process of converting the encoded message into original form which is send by the sender.

10. Give any two characteristics of 'Organizational Climate' that influence the behaviour of individuals and act as a non-financial incentive. [1]

Answer : The following are two characteristics of the organizational climate that influence the behaviour of individuals and act as a non-financial incentive are :

(a) Individual autonomy.

(b) Appropriate reward orientation

11. What is meant by 'Financial Risk' ? [1]

Answer : Financial risk refers to the probability that the company would not be able to meet its fixed financial obligations such as interest payment, preference dividend and other such repayment obligations and company may also go into liquidation in this case.

12. State the objective of 'Financial Management'. [1]

Answer : The basic objective of financial management is maximising the shareholders' wealth. It aims at reducing the cost of the funds mobilised, minimising the risk and ensuring the effective distribution of the funds for different business opportunities.

13. Huma is working in a company on a permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realized that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

(i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfill.

(ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied. [3]

Answer : (i) Huma is able to fulfill the "physiological and security needs". Physiological needs comprise of essential requirements for the sustenance of life. They are at the top of the hierar-

chy. The fulfillment of these needs is necessary for survival. For example, food, clothing, shelter are physiological needs. An employee requires a certain basic salary for the satisfaction of these needs. On the other hand, security needs relate to the physical and the economic security and well being of the organisation. Since "she has a permanent job", we can say that these two needs have been fulfilled by Huma.

(ii) The two needs that still remain to be satisfied are "belongingness/affiliation needs and esteem needs". Belongingness needs comprise of the social needs of an individual such as affection, acceptance, companionship, etc. This is because every individual desires for social acceptance and belongingness. On the other hand, esteem needs include elements like respect, dignity, recognition, etc. This is because every individual wants respect and acknowledgement in the same group. Even when Huma falls sick and takes leave, nobody shows concern towards her thus we can say that these two needs are not fulfilled by the organisation.

14. Explain any three functions performed by a supervisor that are vital to any organisation. [3]
Answer : A supervisor refers to a person who directly oversees the activities of the workers. In the organisational hierarchy he lies immediately above the worker. A supervisor performs the following functions:

(i) He/she is in direct contact with the workers and thereby, guides and supports the workers. He also helps in maintaining agreement and unity among the workers in the organisation.

(ii) He/she acts as a link between the manager and the workers. Through the supervisor, the management communicates the ideas and policies to the workers. On the other hand, the workers are also able to communicate their problems and grievances to the management through the supervisor.

(iii) Supervisor ensures that the workers are working efficiently and effectively as per the set targets to achieve the overall goals and objective in the organisation.

15. 'Stock Exchange not only contributes to the economic growth, but performs many other functions'. Explain any three such functions. [3]
Answer : Stock Exchange refers to a market where buying and selling of the existing securities take place.

** Answer is not given due to change in present syllabus

The main functions of a stock exchange are :

(i) To provide liquidity and marketability : A stock exchange provides a ready platform for trading in existing securities—it provides a continuous market for the sale and purchase of securities. Through a stock exchange, securities can be easily converted into cash as and when required.

(ii) To determine prices : A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar to the case of a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand of the funds (represented by the business firms) and the supply of funds (represented by the households), it is done with demand and supply forces. Thus, they help in determining the price of the asset being traded.

(iii) To ensure fair and safe market : The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

16. ABC Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand, the company employed people from near by villages where there is a lot of unemployment. Because of the good behaviour of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the products of ABC Crackers Ltd. because of their quality.

(a) Identify and explain the product-related decision because of which consumers preferred the products of ABC Crackers Ltd.

(b) Also identify any two values which ABC Crackers Ltd. wanted to communicate to the society. [3]**

Answer : (a) The product related decision, due to which the consumers preferred the products of ABC Crackers Ltd., is the 'quality and the brand name'. Due to the good and standard quality of the products provided by the company, it was able to maintain its brand name in the market. Hence, the consumers started to demand the

products of ABC Crackers Ltd. because of its goodwill and reputation and it needs to be maintained otherwise company may loose consumer.

17. State any six reliefs available to a consumer under the Consumer Protection Act, 1986. [3]

Answer : Following are some of the reliefs available to a consumer under the Consumer Protection Act, 1986 in case the forum passes an order in favour of the aggrieved consumer.

- (i) Repair of defective goods or elimination of the deficiency in services.
- (ii) Replacement of the defective good with a new one.
- (iii) Refunding the amount that was paid by the consumer for the goods and service.
- (iv) Payment of compensation in cash for loss or injury suffered.
- (v) To withdraw hazardous goods for sale.
- (vi) Removal of misleading advertisement and issue of correct advertisement thereafter so that company reputation are maintained in future.

18. Explain the following Rights of Consumers :

- (i) Right to Consumer Education, (ii) Right to Choose. [3]

Answer : Following are the rights of a consumer :

- (i) **Right to consumer education :** A consumer has a right to acquire knowledge about their rights and the relief available to them in case of exploitation. Many government and non-government organisations work actively in this regard and many programs are also conducted in this regard.
- (ii) **Right to choose :** A consumer has the right to choose from a variety of goods and services at competitive prices as per their requirement. The consumer has the right to have access to a variety of products at fair and competitive prices. Thus, the retailer or the supplier should offer a variety of products in terms of quality, brand, price, etc.

19. Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analyzed the reasons of less revenue. After analysis, the company decided

- (i) to reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.
- (ii) to start manufacturing solar water-heaters

and reduce the production of electric water-heaters slowly.

This will not only help in covering the risks, but also help in meeting other objectives too.

(a) Identify and explain the objectives of management discussed above.

(b) State any two values which the company wanted to communicate to the society.** [3]

Answer : (a) The objective of the management that is being discussed here is 'organizational objective'. The total revenue earned by an organisation should be such that it is able to cover atleast various costs and expenses. That is, the revenue earned should be such that the organisation is able to continue operations in the long run. In addition, it should be able to focus on growth in terms of sales, production, etc.

20. Explain the concept of 'Business Environment' and any three features of it. [4]

Answer : Business environment refers to all the external forces such as economic, social, political, technological or legal that affects the performance of a business organisation. In other words, everything that is outside the purview of an organisation but affects its performance, composes business environment.

Following are the features of business environment :

(i) **Interrelated :** Different forces acting in a business environment are closely related to each other. For example, an increase in the income of the consumers increases the demand for consumer durables such as television, refrigerator, etc.

(ii) **Ever changing :** Business environment is dynamic in nature i.e. it can be changed as per the requirement. For example, consumer tastes and preferences, technology, government rules and policies keep on changing continuously.

(iii) **Complex :** Business environment is the aggregate of different interrelated and dynamic forces. Thus, it becomes difficult and complex to understand it, and proper study is needed to understand the same. For example, all political, social, economic, technological and legal matters affect the performance of an organisation simultaneously. While, it may be easy to understand the individual effects of these forces, their cumulative effect is quite difficult to understand.

21. State any four advantages of external sources of recruitment. [4]

** Answer is not given due to change in present syllabus

Answer : External sources refer to the sources that are exogenous to the organisation, i.e. they are available outside the organisation. The following are the benefits of external sources of recruitment :

- (i) **Infusion of new talent :** As the vacancies are filled through external sources of recruitment, there is an infusion of new blood in the organisation but in internal recruitment it is not possible. In other words, with the selection of new talents in the organisation, the scope of efficiency increases to a higher level.
- (ii) **Wide range of choice :** Another benefit of external sources over the internal sources is that it provides a wider range of choices for selection because there are large number of applicants but in internal recruitment there is limited number of applicant. External sources cover a wide area. As against this, internal sourcing restricts the choice to a very few people within the organisation.
- (iii) **Fairness :** Being an open process, external recruitment provides opportunity to all prospective candidates to apply for the vacant position in the organisation. This, in turn widens its options of selection.

(iv) **Specialized personnel :** If external sources are used, then an organisation has the advantage of hiring specialised and trained candidates for particular jobs. As technology keeps changing, sometime the existing employees may not be able to handle new technologies and hiring new talent becomes a necessity.

22. Give the meaning of 'Investment' and 'Financing' decisions of financial management: [4]

Answer : The following are the two decisions of financial management. :

(i) **Investment decisions :** This term refers to the decisions regarding where to invest so as to earn the highest possible returns on investment and maximize shareholder wealth. These decisions can be taken for both long term and short term. Long term investment decisions, also known as Capital Budgeting decisions, affect a business' long term earning capacity and profitability. For example, investment in a new machine is a long term investment decision. Short term investment decisions, also known as Working Capital decisions, affect a business' day to day working operations. For example, decisions regarding cash or bill receivables are short term investment decisions. These are very important for the

company.

(ii) **Financial decisions :** Such decisions involve identifying various sources of funds and deciding the best combination for raising the funds. The main sources for raising funds are shareholders' funds (referred to as equity) and borrowed funds (referred to as debt). Based on the cost involved, risk and profitability, a company must judiciously decide the combination of debt and equity to be used. For example, while debt is considered to be the cheapest source of finance, higher debt means high financial risk thus high debt is also risky for the business. Financial decisions of a company affect its overall cost of capital and financial risk so it is also carefully taken.

23. State any five features of planning. [5]

Answer : Planning states in advance where to go and in which direction to move ahead. It is a continuous process that helps in reducing the risk of uncertainty. Planning is an essential activity that provides the rationale for undertaking policies in the direction of achieving goals. Following are the highlighted features of planning :

(i) **Focus on objectives :** Planning serves as the guidelines for what goals are to be achieved and how they are to be achieved. They ensure that the objectives of an organization are achieved on time. For this, the management formulates plans, keeping in mind specific goals, and the managers make sure that the plans are purposeful. For example, if a sales target is to be achieved, then the organisational plans must reflect this objective.

(ii) **Stepping stone :** Planning serves as the stepping stone for all other functions of an organisation. It precedes the other functions such as organising, directing, staffing and controlling. This is because plans state the objectives of an organization along with the means to achieve them. The other functions, on the other hand, are planned in accordance with the objectives. Once the plans are determined, the roles of other interrelated functions fall into places. Thus, planning sets the basis for the other functions of management.

(iii) **Pervasiveness :** Planning must be done at all levels of the organisation. It is not a function of just the top level managers; it is a function to be performed at every level of management. However, its scope differs across the various dimensions of business. For example, the top

level managers have to chalk out the policies regarding the overall management, whereas the middle level managers plan out the authority to be assigned to the subordinates. On the other hand, the lower level managers make out small targets for day-to-day working.

(iv) Continuous Process : Planning is a continuous process. This is because, after the implementation of one plan, the need arises for formulating the next plan, keeping in view the new objectives and circumstances. Moreover, within a plan period, the need arises to modify the plan as per changing needs and requirements. Thus, planning is a continuous process.

(v) Choice making : Planning is a process of making choices amongst different alternatives for the attainment of the desired objectives. These alternatives are based on the path to be taken, strategies or policies to be followed to achieve the goals, etc. Managers need to evaluate these choices thoroughly and then select the most rational scheme to achieve the set objectives.

24. Differentiate between 'Capital Market' and 'Money Market' on the basis of the following :

(i) Meaning (ii) Liquidity (iii) Safety
(iv) Expected Return (v) Duration [5]

Answer : The difference between capital market and money market are as follows :

Basis	Capital market	Money market
1. Meaning	The capital market refers to the market or the institutional facilities through which long-term funds are raised and invested.	The money market refers to the market where trading in short-term securities of maturity periods varying from one day to a maximum of one year takes place.
2. Liquidity	Capital market securities are comparatively less liquid.	Management securities are comparatively more liquid
3. Safety	Instruments are riskier both with respect to returns and principal repayment as issuing companies may fail to perform as per projection.	Instruments are generally safe due to shorter duration of investment and financial soundness of the issuers.

4. Expected Return	The expected return is higher due to the possibility of earning capital gains along with regular dividends or interest.	The expected return is lower due to the shorter duration of the instruments.
5. Duration	Securities traded are of medium term and long term wherein the maturity period is normally more than one year.	Securities traded are of short term only wherein the maturity period can vary from one day to a maximum of one year.

25. What is meant by 'Personal Selling' ? Explain any three qualities of a good salesman. [5]

Answer: Personal Selling means "Selling product personally". It refers to the tool of promotion that involves the personal presence of the buyer and the seller. It consists of oral presentation of the message in the form of conversation so as to create awareness about the product with the aim of selling it.

The qualities of good salesman are as follow :

(i) Amiable : A good salesman should be friendly and amiable in the sense that he should be able to create a pleasant environment to gain favourable attention and interest of the customers so that consumer can buy the product.

(ii) Skillful : A salesman should have the required and updated knowledge about the product that he wants to sell. In other words, he must know about its features, usage, warnings related to usage, availability, etc.

(iii) Communication skills : To be a good salesman, a person should have good communication skills so that he can give answer to consumer query. That is, he must know how to strike up the right conversation with his customers, in order to gain their interest. He should also be convincing and confident while answering customers' queries. In other words, he should ensure that the customers are satisfied with the product by providing them with the required information.

26. Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employee's compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.

Identify and explain the principles of Fayol and Taylor referred to in the above para. [5]

Answer : The two principles that are being regarded in the given paragraph are as follows :

(i) **'Harmony, Not Discord'** by Taylor : Taylor emphasized that the managers and the workers should maintain a harmonious working environment. He introduced this principle to maintain a peaceful connection among people. Often it is found that if the workers are deprived of their wishes or demands they generally go on strike. This affects the productivity and the working environment as a result organisation cannot achieve its goal. To dismiss such situation Taylor insists on mental revolution. It implies a change in the thinking of both the workers and managers. For example, if a worker is having problem with the working hours, he should talk to the manager about it, instead of letting it effect the production (by going on a strike). Similarly, the managers should listen to the worker's suggestions and demands rather than ignoring them along with sharing gains of the organisation.

(ii) **'Remuneration of Employees'** by Fayol : This can be inferred from the line that the employee's compensation should depend on the earning capacity of the company and should give them a reasonable standard of living'. According to this principle, the compensation paid to the employees should be fair i.e., the employees must be paid appropriately as per their work responsibility. They must be able to lead a reasonable and a decent standard of living. When the employees are paid adequately, they are satisfied and are encouraged to give their best to work. On the other hand, underpaid employees would remain unsatisfied and would tend to leave the firm or not work properly. As a result, the firm would face high employee turnover. Thus, in order to maintain stability and harmony in the organisation, the remuneration paid to the employees should be fair. However, it must be remembered that the compensation paid should be within the paying capacity of the organisation.

27. Differentiate between formal and informal organisation on the basis of the following: [6]

- (i) Meaning (ii) Origin (iii) Authority
- (iv) Behaviour (v) Flow of communication
- (vi) Nature

OR

With the help of any four points, explain the importance of 'Decentralisation' in an

organisation.

Answer : The difference between formal organization and informal organisation are as follows :

Basis of difference	Formal organisation	Informal organisation
Meaning	Formal organisation refers to the organisation structure in which job of every member is clearly defined.	Informal organisation refers to a network of interpersonal relationship in which each member can directly interact each other.
Origin	The structure originates from the rules and policies of the management.	The structure originates from the social interactions among the employees.
Authority	Employees are bound by hierarchical structure.	All members are equal.
Flow of communication	Communication flows through the scalar chain.	No planned route of communication is followed.
Nature	Formal organisations are rigid	Informal organisations are flexible i.e., can be change.

OR

Decentralisation refers to the dispersal of the decision making power among the middle and lower level managers. The following points highlight the importance of decentralisation.

(i) **Initiative** : With the help of decentralisation lower level of managers has sense of freedom and makes their own decision. It gives them a freedom to take initiative. Moreover, it promotes a feeling of self-confidence and self-reliance among them, thereby encouraging them to take initiative.

(ii) **Managerial competence** : Once authority is delegated to the lower level managers, it provides them with an opportunity to develop their competence. Decentralisation allows them to gain experience and thereby develop the skills and knowledge to face new challenges. It gives them a chance to prove their talent and prepare for higher positions. It facilitates the identification of future managers who are well equipped with the necessary talent required to deal with managerial problems.

(iii) Control : Decentralisation helps in analyzing and evaluating the performance of each department individually and separately. Thus, each department's achievements and contribution to the overall objectives of the organisation can be easily determined, to facilitate better control.

(iv) Quick decision-making : Since through decentralisation, the authority of making decisions is passed on to lower levels of management, decisions are taken quickly and timely. This is because the decision can be taken at the nearest points of action which thereby, helps in easy adjudication of the problems.

28. Explain the relationship between planning and controlling.

OR

Explain the various steps in the process of controlling. [6]

Answer : Planning and controlling are closely interrelated functions of management. On one hand, planning refers to the psychological process of thinking and deciding what is to be done and how it is to be done. That is, planning decides the objectives to be achieved and the course of action to be followed. On the other hand, controlling refers to the process of managing and evaluating the work done in accordance with the standards and taking corrective measures in case of deviations. These standards that form the basis of controlling are provided by planning itself. In different words, the various objectives and policies are formulated under planning serve as standards in controlling, against which the actual performance is evaluated. Thus, controlling without planning is said to be meaningless. This is because, if there are no standards or objectives, there would be nothing to control. In other words, if managers do not know what the final objective is, they will not have any standard against which they can judge current performance and deviations.

Similarly, planning without controlling also holds no meaning. This is because, once plans are formulated, it becomes necessary to monitor and evaluate whether performance is as per the desired plans and objectives. Here, controlling is required as it is a tool for measuring whether the plans are being properly implemented, whether there are any deficiencies in work and whether there is a need for taking corrective actions in order to achieve the planned goals. If there is no

controlling, planning cannot be accomplished, and thus, planning without controlling is of no use. Therefore, it can be said that both planning and controlling complement each other. The following points highlight the relationship between controlling and planning:

1. By providing the organisation with the working standards against which the actual performance is measured, planning helps in making the process of controlling a much easier and effective process.
2. As controlling provides information based on the evaluation of past performances and takes corrective actions in case of deviations, it helps in future planning.
3. Controlling without planning is meaningless. This is because, if there would be no standards or objectives, there would be nothing left to control.
4. Without controlling, planning cannot be accomplished as controlling is a requisite for measuring whether the plan is being properly implemented or not and also whether it is effective and efficient.

OR

Controlling is a systematic approach of management, which helps in taking necessary measures or preventing actions for the achievement of organisational goals.

Following are the steps involved in the controlling process :

(i) Setting standards : Setting up of standards involves developing the benchmarks against which the actual performance is to be measured. The standards can be set both in qualitative and quantitative terms. Qualitative benchmarks can be in the form of improving coordination in work, higher goodwill or increased motivation level of employees. For example, to improve the motivation level of employees, standards can be set in terms of the number of initiatives taken. Quantitative benchmarks can be in the form of sales targets, units to be produced or time to be spent on a particular action. For example, in a shirt factory, completing 10 pieces a day is a quantitative target. The standards that are set should be such that they facilitate easy comparison.

(ii) Measuring actual performance : Once the standards are set, the next step is to measure the actual performance of the activities. This

may be done through various techniques such as personal observation, sample checking, performance reports, etc. The checking should be done in an exact and reliable manner so that correct measurement is taken for comparison. Measurement can be done after the completion of an activity as well as while it is in progress. For example, while assembling small parts of a bigger machine, the parts can be checked before assembling. This would ensure the continuous monitoring of the small parts as well as the final machine.

(iii) Comparing the performances : Performances, once measured, are compared with the set standards. Such a comparison helps in assessing the deviations in the work. Thereby, it guides the managers in taking the necessary steps to improve the performance. These comparisons are easier when they are in quantitative terms. For example, efficiency in work in terms of cost incurred can be measured against the standard cost.

(iv) Analyzing Deviation : Every organisation faces deviations when comparing the actual performance with the pre-developed standards. Thus, it is important to find if the deviations that are in the permissible range. It is said that deviations in key areas should be attended first. For analyzing the deviations, the managers generally use Critical Point Control and Management by Exception.

Once the deviations are recognized and reporting the same, it is necessary to acknowledge their cause. There can be a number of elements causing deviations in work such as infeasible standards, deficiencies in process, under utilization of resources and changes in business environment. Thus, it becomes important for the management to take into consideration the causes for the concerned deviations and take necessary action.

(v) Corrective measures : When deviations go beyond the admissible limits then corrective action must be taken. This is the final step of controlling which aims at correcting the deficiencies of the organisation so that the errors do not occur again. For example, if the production target was not met duly, appropriate corrective actions such as arranging training for the workers or updating the machinery for working, etc., can be taken.

29. Explain the following as factors affecting the requirements of working capital : [6]

- (i) Nature of business (ii) Scale of operations
- (iii) Seasonal factors (iv) Production cycle

OR

Explain the following as factors affecting the choice of capital structure :

- (i) Cash flow position (ii) Cost of equity
- (iii) Floatation costs (iv) Stock-market conditions

Answer : Factors affecting the requirements of working capital are—

(i) Nature of business : An organisation that deals in services or trading will not require much of working capital. This is because such organisations involve small operating cycle and there is no processing done. In contrast to this, a manufacturing firm involves large operating cycle and the raw materials need to be converted into finished goods before the final sale transaction takes place. Thereby, such firms require large amount of working capital.

(ii) Scale of operations : If a firm operates on a large scale then it requires more working capital. This is because such firms would need to maintain high stock of inventory and debtors. In contrast to this, if the scale of operation is small, the requirement of the working capital will be less.

(iii) Seasonal factors : During the periods of high sale, there is higher production, higher stock and more debtors. Thus, during this period the need for working capital increases. As against this, in seasons of low sale, there is less production and inventories. Thus, the working capital requirement reduces.

(iv) Production cycle : If a firm has a longer production cycle or there is a long time gap between the receipt of raw materials and their conversion into finished goods, then there will be a high requirement of working capital due to inventories and related expenses. On the other hand, if the production cycle is short, then the requirement of working capital will be less.

OR

(i) Cash flow position : While making a choice of the capital structure cash flow position should be kept in mind. Debt capital should be raised only if the cash flow position is really good because a lot of cash is needed in order to make payment of interest and refund of capital.

(ii) Cost of equity : Cost of equity capital (it means the expectations of the equity shareholders from the company) is affected by the use of debt capital. If the debt capital is utilised more, it will

increase the cost of the equity capital. Simple reason for this is that the greater use of debt capital increases the risk of the equity shareholders. Therefore, the use of the debt capital can be made only to a limited level. If even after this level the debt capital is used further, the cost of equity capital starts increasing rapidly. It adversely affects the market value of the share. This is not a good situation. Efforts should be made to avoid it.

(iii) Floatation costs : Floatation costs are those expenses which are incurred while issuing securities (e.g., equity shares, preference share, debentures, etc.). These include commission of underwriters, brokerage, stationery expenses, etc. Generally, the cost of issuing debt capital is less than the share capital. This attracts the company towards debt capital.

(iv) Stock market conditions : Stock market conditions refer to upward or downward trends in capital markets. Both these conditions have their influence on the selection of source of finance. When the market is facing downward trend, investors are mostly afraid of investing in the share capital due to high risk.

On the contrary, when conditions in the capital market are cheerful, they treat investment in the share capital as the best choice to reap profit. Companies should, therefore, make selection of capital sources keeping in view the conditions prevailing in the capital market.

30. Explain the following functions of marketing : [6]

- (i) Product designing and development
- (ii) Standardisation and Grading
- (iii) Customer Support Services
- (iv) Pricing of products

OR

“Though advertising is one of the most frequently used media of promotion of goods and services, yet it attracts lot of objections.” Explain any four such objections.

Answer : The following are the functions of marketing :

(i) Designing and developing of the product: The producers should bear in mind that the design of a product acts as a vital factor for attracting the customers to the product. A good design helps in attracting a large number of customers to the product thus product design is important factor. The producers should pay more

attention towards the design and development of the product.

(ii) Standardising and grading the product: Standardisation implies the production of goods with certain specific qualities such as durability, safety and utility so that uniformity is maintained in the output. On the other hand, grading implies the classification of the product as per certain characteristics such as size and quality. It helps of realising higher prices for better quality products.

(iii) Customer support services : It involves handling complaints and feedback of the customers. This is done by developing customer care services such as credit, maintenance or technical services.

(iv) Pricing of the product : Price refers to the amount of money that is to be paid by the consumers for purchasing the goods. Pricing of a product is an important decision as it affects the demand of the product and also profit of the business. Thus, it is imperative for the producers to judiciously quote the price.

OR

Though advertising is one of the most frequently used mode for the promotion of goods and services, it caters to a lot of other objections as well.

Some of the objections of advertising are given below :

- (i) Higher cost :** Advertisement expenses add to the cost of the company but cost per unit is low. The companies in turn, pass this increased cost to the consumers in the form of higher prices.
- (ii) Weakens social values :** One of the major criticisms to advertising is that it weakens social values and instead promotes materialism in the society. Advertisement attracts customers towards new products and induces them to purchase it. With increased knowledge about the availability of new products, the customers feel dissatisfied about what they currently have. In the process, often they end up buying what they don't even require. However, such a process of discontentment and purchase of new products is never ending and materialism increases.
- (iii) Creates confusion :** It is argued that a large number of advertisements on similar

products confuse the customers. For example, advertisements of different hair oils claim that they help in the growth of healthy and long hair. With numerous advertisements, the consumer gets confused as to the product of which brand should be purchased.

(iv) **Promotes inferior goods** : It is argued that products of both superior quality as well

as inferior quality are advertised. Through advertisement, demand for inferior goods can also be increase. However, such a claim is only partially true. This is because quality is a relative concept. What is inferior to one consumer can be superior to another. Advertisements promote all kinds of products and the consumer purchases them if it suits his/her requirements.

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Business Studies 2014 (Outside Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous set.

17. State any three points of importance of consumer protection from the point of view of consumers. [3]

Answer : Consumer protection is making consumers aware of their rights and responsibilities and educating them on how they can seek redressal against unfair trade practices. The following points highlight the importance of consumer protection from the point of view of consumers:

(i) **Ignorance of consumers** : As consumers are generally ignorant about the rights and various forms of relief available to them, so it is important to make them aware of their rights and responsibilities.

(ii) **Exploitation of consumers** : Consumers often face exploitation in the form of unfair trade practices, such as adulteration, black marketing and hoarding. Therefore, it is necessary to protect them from such malpractices.

(iii) **Unorganised consumers** : In order to protect the interests of consumers, consumer organisations must be established. These organisations will help them to raise a unified voice against any malpractice.

18. Explain the following Rights of Consumers :

(i) **Right to Safety**

(ii) **Right to be Heard** [3]

Answer : (i) **Right to safety** : The right to safety protects consumers against goods and services that are hazardous to life, health and property, for example, electrical appliances and cooking

gas cylinders with manufacturing defects. The consumer has the right to be protected against such defective products and make complaint to consumer forum if any problem arises.

(ii) **Right to be heard** : In case of any grievance or dissatisfaction, a consumer has the right to file a complaint and seek redressal against any form of exploitation in appropriate forums established by the government on the basis of amount involved and issue. Many consumer organisations and associations also work in this direction.

25. Define 'Planning'. State any four points of importance of planning. [5]

Answer : Planning can be defined as a process of setting up of goals and objectives for a given period of time, formulating alternatives for the course of action to be taken, and finally deciding an appropriate action from the various alternatives. As a function of management, planning plays an important role in large business enterprises. The importance of planning are—

(i) **Renders direction** : Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for various actions in the organisation. In other words, it renders direction to the tasks and activities of different departments of the organisation. It guides the managers how the particular task is to be performed, what route is to be taken and how the objectives are to be achieved. In this way, it ensures that the path taken for the accomplishment of goals is righteously chosen and various departments of the organisation work in a coordinated manner towards the achievement of the desired objectives.

(ii) Subdues risk : Planning helps to look into the future and accredits managers to analyze and anticipate various changes well in advance. This leads to a reduction in uncertainty of foreseen events. However, it should be remembered that although planning shows how to deal with various situations that may arise in the due course of management, it does not eliminate the problems.

(iii) Minimizes overlapping : As the managers are well comprehended with the policies and plans of the organisation, they can work towards coordinating their activities in a better manner so as to achieve the objectives. In this way, planning helps in reducing the overlapping and duplication of work. Moreover, any wastage of resources that takes place due to repetition is also reduced. Proper planning ensures that the work proceeds smoothly without any confusion and misunderstanding.

(iv) Helps in decision making : Planning help in decision making. It involves analyzing the future, evaluating the various courses of action and choosing the best alternative as per the goals and objectives. Thus, following a proper planning process helps the managers in taking rational decisions towards the benefit of the organization as a whole so that revenue can increase.

26. Differentiate between 'Primary Market' and 'Secondary Market' on any five basis. [5]

Answer : The difference between 'Primary Market' and 'Secondary Market' are as follows :

Basis of Difference	Primary Market	Secondary Market
Securities Traded	Primary market deals solely in the sale and purchase of newly issued securities.	Secondary market deals in the sale and purchase of already existing securities.
Securities Issued	Securities are directly issued by the companies.	Securities are transferred between the investors only. There is no involvement of a company here.
Price of Security	The prices of securities are determined by the company and its management.	The prices of securities are determined by the forces of demand and supply and other macro factor.

Geographical Area	There is no fixed place for a primary market. That is, all institutions and companies constitute a primary market.	Under a secondary market, trading takes place at specified locations and areas.
Purchase and Sale	In this market securities can only be purchased.	In this market securities can be purchased as well as sold.
Promotion of Capital Formation	Capital formation is directly promoted as funds from savers to investors are directly channelised to their most productive uses.	Capital formation is indirectly promoted as the liquidity of securities is augmented.

29. Explain, with the help of any four points, the importance of 'Delegation' in an Organisation.

[6]

OR

'Organizing involves a series of steps in order to achieve the desired goals.' Explain these steps.

Answer : Delegation implies transfer of authority from a superior to a subordinate. It is a process that reduces the burden on the manager and allows him to extend his area of operations by delegating work to subordinates. In addition, delegation provides the subordinates with higher opportunities for growth and development. By allowing the subordinates to show their skills and to exercise initiative, delegation helps in building efficiency.

The following points highlight the importance of delegation :

(i) Managerial efficiency : Delegation of work to subordinates allows the superior to concentrate on key areas of concern. That is, with the delegation of routine work to subordinates, managers will be able to focus on higher priority areas. Besides, delegation provides the managers with the opportunity to explore new methods of working and this helps in improving the overall working efficiency in the organization.

(ii) Employee proficiency : By delegating work, a manager empowers his subordinates by providing them with opportunities to apply their skills. Therefore, the subordinates get a chance to prove their abilities, gain experience

and develop their growth and career prospects.

(iii) **Motivation** : In addition to improving the managerial and employee efficiency, delegation provides the employees with psychological benefits as well. By motivating the employees, delegation encourages them to put in their best efforts. This is because, with higher authority and responsibility, the employees gain confidence and are encouraged to work more efficiently and employee is also rewarded.

(iv) **Growth** : Delegation facilitates growth and expansion of business. It helps in the preparation of efficient and experienced managers who can take up leading positions in the organisation at the time of growth. Thus, the workers who are trained and prepared through delegation contribute to the expansion and growth of the organisation.

OR

Organizing is the procedure of aligning activities in a certain order. It involves designing the roles and directing the people to accomplish organisational goals. Human efforts along with the resources are brought together and coordinated under this function. The focus of the function lies in enabling people to work together and implementing the plans for the successful achievement of objectives. Through organizing, the working relationships in an organisation get clearly defined; this, in turn, ensures smooth functioning. Following are the various steps involved in a successful process of organizing :

(i) **Identifying and dividing the work** : The first step of organizing is to identify and divide the work at hand as per pre-defined plans. The work is further divided into different activities. A clear division of work is aimed to avoid duplication and overlapping of work so that effective work can be done and also increase revenue.

(ii) **Creating departments** : After dividing the work into activities, those activities are further grouped into smaller sets on the basis of their similarity. Similar activities are grouped together. This process is termed as **departmentalisation**. Its main objective is to promote **specialisation**.

(iii) **Assigning duties** : The third step in the organising process is assigning roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main focus is to assign a particular task to the person with the right skills and abilities.

(iv) **Establishing relationships** : Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he/

she is working under and to whom he/she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation.

30. Explain the following as factors affecting the requirements of fixed capital : [6]

- (i) **Scale of operations**
- (ii) **Choice of technique**
- (iii) **Technology upgradation**
- (iv) **Financing alternatives**

OR

Explain the following as factors affecting 'dividend decision' :

- (i) **Stability of dividend**
- (ii) **Shareholders' preference**
- (iii) **Legal constraints**
- (iv) **Access to capital market**

Answer : (i) **Scale of operations** : A factor determining the fixed capital requirement is the scale of operations in which the firm deals. For instance, if an organisation operates on a relatively large scale, then its requirement of fixed capital like plants, land or building increases. This is because such firms would need to maintain high stock of inventory for their large scale operations but if an organisation is working on a smaller scale, then the requirement of fixed capital will be less so, it depends upon scale of operation.

(ii) **Choice of technique** : There are generally two types of techniques that a company can choose for; capital intensive or labour intensive. The choice of these techniques differs from company to company. A company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machinery rather than in manual labour. In contrast to this, a company following labour intensive techniques would require a relatively lower amount of fixed capital.

(iii) **Technology upgradation** : Technology plays an important role in the fixed capital requirement of a company. This is because it continuously changes or becomes obsolete over time. Thus, the companies that work with machinery or with equipment that become obsolete faster require a high amount

of investment in fixed capital. For instance, equipment such as computers become obsolete much faster, than other assets like furniture, and require regular upgradation. In such cases, a higher amount of fixed capital is required.

(iv) Financing alternatives : If leasing facilities are easily available in the financial market, it would provide an easy alternative for the outright purchase of the fixed assets. That is, the businesses can easily obtain the assets on lease and use them, instead of purchasing them. In this way, the need to invest a huge sum in fixed assets reduces considerably; thereby, reducing the fixed capital requirements. Thus, we can say that requirement of fixed capital depend upon many factor.

OR

The factor affecting the dividend decision are—

(i) Stability of dividends : Companies generally follow the practice of stabilising their dividends. This is an important factor that affects the dividend decision of a company. Companies try to avoid frequent fluctuations

in dividend per share and opt for increasing (or decreasing) the value only when there is a consistent rise (or fall) in their earnings. This is worst case of dividend because even if earning increase dividend per share remain same.

(ii) Preference of the shareholders : A company must keep in mind the preferences of the shareholders while distributing the dividends. For instance, if the shareholders prefer at least a certain amount of dividend, then the company is likely to declare the same.

(iii) Legal constraints : Companies have to adhere to the rules and policies laid out by the Companies Act. Thus, every company needs to take care of such restrictions and policies before declaring the dividends.

(iv) Access to capital market : The companies that have a greater access to the capital market tend to pay higher dividends. This is because they can rely less on retained earnings and more on other sources due to the market access. On the other hand, the smaller companies with lower access to capital markets tend to pay lower dividends.

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Business Studies 2014 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

17. State any three functions performed by consumer organisations for protection and promotion of interests of consumers. [4].

Answer : The following are some of the functions performed by consumer organisations for the protection and promotion of interest of the consumers.

(i) Consumer education : The consumer organisations arrange various training programs and seminars to educate the consumers about their rights and duties.

(ii) Publishing journals : In addition to the training programs and workshop, they also extend awareness through journals and periodicals. These journals and periodicals provide information about various consumer problems and available legal remedies and other such matters.

(iii) Legal assistance : They also provide legal assistance and aid to the consumers and help them in seeking suitable redressal.

(iv) Encouraging protest against exploitation: They encourage the consumers to protest strongly against any form of exploitation and unfair trade practices.

18. Explain the following Rights of Consumers : [3]

(i) Right to be Informed

(ii) Right to seek Redressal

Answer : **(i) Right to be informed :** The consumer has the right to be informed of the quality, quantity, price, weight, etc. of the goods and services. In India, it is mandatory for the manufacturers to provide all such information on the package of the goods. The consumer has full right to know about the goods and the period within which it should be used.

(ii) Right to seek redressal : A consumer has the right to seek redressal. The Consumer Protection Act provides compensation in the form of

replacement of product, monetary compensation etc. to the aggrieved customer. Under this Act, consumer forums have been set up at district, state and national levels with different monetary limits.

25. Explain any five limitations of planning. [3]

Answer : The following are the five limitations of planning :

(i) Rigidity : Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times of unforeseen situations. At times of unexpected situations, the managers may require certain degree of flexibility so as to cope with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) Cannot deal with dynamic environment : Business environment is dynamic and uncertain. However, planning cannot foresee such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives. An organization must adapt its functioning to the changing environment.

(iii) Reduced creativity : In any organization, planning is often done by the top management, while the lower and middle management just follow these plans. They are not allowed to deviate from the pre-defined course. They just implement and execute the plans as stated. Thus, they tend to follow the same thinking pattern as others and lose their own creativity. It is possible that they might have better ideas for the accomplishment of the objectives; however, due to lack of involvement in decision making, remain unheard.

(iv) Involve huge costs : Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analyzing. Planning involves scientific calculations along with figures and facts, which are to be used in formulating the future course of action. This

involves high costs. Moreover, sometimes, it might also happen that the benefits derived from planning fall short of the costs incurred.

(v) False security : Good planning may not guarantee success of an organisation. Often, managers tend to rely on pre-tested plans that have worked well in the past. However, they may not work well in the future as well. Many unforeseen changes can crop up that can fail a plan. Sometimes, managers think that planning can prevent problems from occurring. However, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away answers to problems.

26. Differentiate between 'Capital Market' and 'Money Market' on the basis of the following : [5]

(i) Participants	(ii) Instruments
(iii) Duration	(iv) Investment outlay
(v) Liquidity	

Answer :

Basis for Difference	Capital Market	Money Market
Participants	Participants in this market include financial institutions, merchant bankers, stock exchanges, mutual funds, foreign investors and general public.	Participants in this market include RBI, commercial banks, principal dealers and brokers, and non-bank financial institution.
Instruments	Instruments traded consist of equity shares, preference shares, debentures, bonds and other long-term securities.	Instruments traded consist of treasury bills, commercial bills, certificates of deposits and other short-term securities.
Investment Outlay	This market deals in small value securities, i.e. securities of values ₹ 10, ₹100, etc.	This market deals in high value securities. For example, the minimum amount of call loan is ₹ 10 crores.

Duration	Securities traded are of medium term and long term wherein the maturity period is of more than one year.	Securities traded are only of short-term wherein the maturity period can vary from one day to a maximum of one year.
Liquidity	Capital market securities are liquid in nature as they are tradable on stock exchanges, but are less liquid in comparison to the money market securities.	The securities traded are highly liquid in nature.

29. With the help of any four points, explain the crucial role that organizing plays in an enterprise.

OR

Explain the concept of 'Functional Structure' of an organisation. Also, explain any four disadvantages of functional structure. [6]

Answer : Organising refers to creating roles and directing people towards completion of goals. The following points highlight the role of the organising function :

(i) **Clarity in working relationships :** Organising clearly defines the working relationships in an organization. This in turn helps in avoiding any uncertainty in transfer of instructions and orders.

(ii) **Avoids duplication of work :** It avoids duplication of work as the various tasks and activities are properly assigned, the chances of overlapping and duplication of work is neglected. This reduces the wastage of human and material resources in an organisation.

(iii) **Coordination :** Organising groups the activities into different departments and units. This leads to better coordination in various tasks and thereby promotes harmony among the departments and units. This also reduces the time, human resources and material resources of organisation.

(iv) **Promotes growth :** Organising gives a clear definition of the working relationships of an organisation. This allows the organization to diversify and add new lines of activities. Organisation can easily grow and expand its

operations to new geographical territories and thereby increase its customer base, volume of sales and profits.

OR

A functional structure involves grouping of the functions of similar nature. Each group forms a separate department that reports to one head. For example, departments may be divided on the basis of functions such as production, human resources, etc. that report to the managing director of the organisation.

The disadvantages of a functional structure are :

(i) **Less emphasis on organisational objectives :** A functional structure places more emphasis on departmental objectives over organisational objectives. Hence, functional structure may lead to the formation of functional empires where a particular function is given undue importance with respect to the overall organisational objectives.

(ii) **Problems in coordination :** As an organisation grows bigger in size, the increasing number of activities is grouped into different departments. With this, the coordination among these departments becomes difficult to achieve, thereby resulting in delayed decision-making thus loss in revenue.

(iii) **Conflicts :** It may happen that the interests of different departments are not compatible with each other and there may be some conflict. For instance, sales department may wish to introduce a new promotional scheme for the customers (say, buy one and get one free), but the finance department may not approve the same due to lack of funds. Such incompatibility often leads to conflicts among different departments.

(iv) **Inflexibility :** As each department specializes in its particular function, the employees of a department have a limited set of skills that is applicable to only one particular function. This results in a high degree of inflexibility in the organization, as over a period of time, different departments develop a narrow perspective and do not have experience in the diverse activities.

30. Explain the following as factors affecting the requirement of working capital : [6]

- (i) Business cycle
- (ii) Operating efficiency
- (iii) Availability of raw material
- (iv) Level of competition

OR

Explain the following as factors affecting dividend decision :

- (i) Stability of earnings
- (ii) Growth opportunities
- (iii) Cash flow position
- (iv) Taxation policy

Answer : (a) **Business cycle :** Different phases of business cycle alter the working capital requirements of a firm. As, at the time of boom, the market gets flourishes and that leads to the higher sales, higher production, and huge stock of raw material and also leads to more debtors. Accordingly, during this period, the need for working capital increases. As against this, during a period of recession, there is low demand, small amount of production and sale, etc. Thus, the working capital requirement decreases.

(b) **Operating efficiency :** If the organisation has high efficiency it means that the organisation is utilizing its raw material and other inputs in the optimum manner with minimum wastage. This implies that it can manage its operations even with a low inventory. Also, during operations, a firm with high efficiency incurs lower expenses. An improvement in the efficiency of an organisation leads to a higher inventory turnover ratio and a higher debtor's turnover ratio. In such cases, the organisation requires a lower working capital. On the contrary, firms that are less efficient require large working capitals.

(c) **Availability of raw materials :** If the raw materials are easily available to the company then the company need not to maintain huge amount of inventory. In this case, the company requires less working capital. On the other hand, if the raw materials are not easily available or their supply is not smooth, then the company has to maintain a huge stock of raw material to

ensure constant operations, so requiring a large working capital.

(d) **Level of competition :** As the competition in the market increases the company must maintain the large amount of stock of finished goods to provide the consistency in the market that leads to high amount of working capital requirement.

OR

(i) **Stability of earnings :** The factors affecting the dividend decisions are when a company has a stable and a smooth earning, it is in a position to distribute higher dividend as compared to the companies who have unstable earnings.

(ii) **Growth opportunities :** Companies aiming for a higher growth level or expansion of operations retain a higher portion of the earnings with themselves for re-investment. Thus, the dividend of such a company is smaller as compared to the companies with lower growth opportunities.

(iii) **Cash flow position :** Dividend payments require cash outflow. If a company has deficiency of cash, then the dividend will be lower as compared to the company which has more liquidity. Even if a company has higher profits, it will not be able to distribute high dividends if it does not have enough cash.

(iv) **Taxation policy :** Taxation policy plays an important role in deciding the dividends. If the taxation policy is such that a high rate of tax is levied on dividend distribution, then the companies are likely to distribute lower dividends. On the other hand, they might prefer to distribute higher dividends if the tax rate is low.

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Business Studies 2014 (Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. What is meant by 'Management of people' ? [1]

Answer : Management of people refers to identifying the strengths and weaknesses of individuals and placed them for the right job for achieving the organizational goals in a better manner.

2. What is the objective of 'Method Study' as a technique of scientific management ? [1]

Answer : The objective of method study is to find out the best possible method for completing a task. It takes into account every concerned activity involved in the task with a view to [reduce cost and maximize customer satisfaction].

3. What is included in the 'political environment' of business ? State. [1]

Answer : The political business environment includes political situation of a country such as peace, stability, law and order. It directly influences the functioning of any entity. For example, a particular political situation can reduce the confidence of the investors, this makes difficult for the enterprises to function smoothly.

4. Give the meaning of 'policy' as a type of plan. [1]

Answer : A policy is a blue print of organization that aims at channelizing the efforts of an organization in a particular direction. It is a course of action that is to be followed in a particular situation.

5. Give the meaning of 'Authority' as an element of delegation. [1]

Answer : Authority means the power given to an individual to control and direct subordinates. It implies the power to take decisions regarding what work is to be done and by whom.

6. State any one advantage of 'Formal Organisation'. [1]

Answer : Formal organisation is an organisational structure which follows a system of well-defined rules and regulations that specify the boundary of authority and responsibility. It is deliberately created by managers to achieve organisational objectives. Such a system lays more emphasis on work to be performed rather than interpersonal relationships.

7. Why employees become lethargic when the organisation uses internal sources of recruitment? State. [1]

Answer : Internal sources of recruitment tend to make employees lethargic. This is because the employees know that if their company follows internal sources of recruitment, then they have a higher chance of getting time bound promotions because the degree of competition is lesser as compared to what could have been in case of external source of recruitment. Consequently, this may hamper their efficiency and effectiveness.

8. 'Recruitment' is one of the specialised activities performed by human resource management. Mention any two other specialised activities of human resource management. [1]

Answer : Following are the two specialised activities performed by human resource management :

1. Selection

2. Placement and orientation

9. Give an example of 'Employee Recognition Programmes' as a non-financial incentive. [1]

Answer : One example of employee recognition programme as a non-financial incentive is Motivation. Employee can be motivated by providing achievement certificates to the employee for his/her outstanding performance so that he can perform better.

10. What is meant by 'Encoding' as an element of communication ? [1]

Answer : The process of converting the message into communicative symbol is known as encoding so that message cannot be hacked and if hacked then no one can understand what is written in message. The communication symbol in the process of encoding can be in the form of pictures, gestures, etc.

11. Define 'Capital Structure'. [1]

Answer : Capital structure refers to the combination of borrowed funds and owner's funds that a firm uses to finance its requirements. Generally, the borrowed funds comprise of loans, public deposits, debentures, etc., while the owners' funds comprise of preference share capital, equity share capital, retained earning etc. In other words, capital structure is the combination of debt and equity that a firm uses to finance its requirements.

12. How does 'Inflation' affect the working capital requirements of a company ? State. [1]

Answer : Inflation affects the working capital requirement of a company because a rise in the rate of inflation implies rise in the prices of raw material, labour, etc. This suggests that more funds would be required to maintain the existing volume of production and sales and thus, we can say that requirement of working capital increases as the inflation rate increases. On the other hand, a low rate of inflation suggests less requirement of working capital.

13. Rahim was working in an enterprise on daily wages basis. It was difficult for him to fulfill the basic needs of his family. His daughter fell ill. He had no money for his daughter's treatment.

To meet the expenses of her treatment, he participated in a cycle race and won the prize money. The cycle company offered him a permanent pensionable job which he happily accepted. (i) By quoting the lines from the

above para identify the needs of Rahim that are satisfied by the offer of cycle company. (ii) Also, explain two other needs of Rahim followed by above that are still to be satisfied. [3]

Answer : (i) The offer of the company satisfied Rahim's physiological and security needs. Physiological needs refer to essential requirements for the sustenance of life. They are at the top of the hierarchy. These needs are necessary for survival. This can be judged from the statement given below. 'It was hard for him to fulfil the basic requirements of the family's security needs related to physical, security, economic security and well-being. For example, an employee may desire job security, income stability and his well-being. In Rahim's case, this need is fulfilled because the company offered him a permanent pensionable job with economic security.

(ii) Two more needs that still remain to be satisfied are given below.

(a) **Belongingness needs :** Such needs refer to the social needs of an individual such as love, acceptance, friendship, etc. as every individual keen for social acceptance and belongingness.

(b) **Esteem needs :** These needs include elements like respect, dignity, credit, etc. as every individual wants to command respect and acknowledgement in the group.

14. How directing helps in the efficient and effective functioning of the organisation ? Explain by giving any three points. [3]

Answer : Directing is one of the important functions of management that must to be performed in every organisation. It refers to the procedure wherein the employees of an organization are instructed, motivated and guided to achieve definite goals and objectives. The managers not only guide the employees on how a particular work is to be done but also keep an eye on whether their orders are being correctly performed or not. In fact, every step in the organization is initiated through directing. Directing helps in efficient and effective functioning of the organisation because—

(i) **Accomplishment of objectives :** Directing is a function that sets the ball rolling. It helps in motivating people to perform the actions in order to fulfillment organisational goals and objectives.

(ii) **Addition of efforts :** Directing integrate the individual efforts of employees and channelises them towards achieving organisational goals. It integrates the efforts of all individuals working

in an organisation towards achievement of the common goal, which also avoid the conflicts between individuals.

(iii) **Growth of employees :** By guiding the employees to work in the right direction, better directing promotes better employees' growth. In other words, directing helps the individuals to realise their potential through effective motivation, thereby encouraging them to put in their best efforts in the work. Therefore as per above discussion we can say that directing helps in the efficient and effective functioning of the organisation, as it enable it to adapt to the changes that occur in the working environment.

15. Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions.' Explain any three functions of financial market. [3]

Answer : A financial market refers to the market where creation and exchange of financial assets such as shares and debentures etc. take place. The functions of a financial market are given below :

(i) **Transfers savings and alternatives for investment:** A financial market acts as a link between the savers and the investors. It provides a platform for the transfer of savings from the households to the investors. It also provides the savers with various alternatives for investment and thereby, directs the funds to the most productive investment.

(ii) **Determines price :** Similar to a commodity, price of a financial asset is determined through the forces of demand and supply for funds. Financial market provides a platform for the interaction of the demand (represented by the business firms) and supply of the funds (represented by the households). Thereby, it helps in determining the price of the asset being traded.

(iii) **Facilitates liquidity :** An asset or a security can be easily purchased and sold in a financial market. This renders liquidity to the assets. Thus, through trading in the financial market, assets can be easily converted into cash or cash equivalents.

16. Crackers Ltd., a firecracker-manufacturing company, launched some new products on the eve of Diwali, which attracted many buyers. To meet the increased demand, the company employed children from nearby villages. Although the product was in great demand,

appropriate safety warnings for use were not mentioned on the packets that led to many accidents. (i) Identify and explain the important product-related decision that was not taken into consideration by the company. (ii) Also, identify any two values that were violated by the company.** [3]

Answer : (i) The product-related decision that was not considered by the company is the labelling of the product. Labelling refers to developing a label or slip that is to be put on the package of a product. It provides necessary details about the use of the product. It is specifically required for the products that can prove to be harmful or dangerous. In the given scenario, no proper description was given regarding the use of the crackers, which led to accidents.

17. State any three points of importance of consumer protection from the point of view of consumers. [3]

Answer : Consumer protection is making consumers aware of their rights and responsibilities and educating them on how they can seek redressal against unfair trade practices. The following points highlight the importance of consumer protection from the point of view of consumers :

(i) **Ignorance of consumers :** As consumers are generally ignorant about the rights and various forms of relief available to them, it is important to make them aware of their rights and responsibilities.

(ii) **Exploitation of consumers :** Consumers often face exploitation in the form of unfair trade practices, such as adulteration, black marketing and hoarding. Therefore, it is necessary to protect them from such malpractices.

(iii) **Unorganised consumers :** In order to protect the interests of consumers, consumer organisations must be established. These organisations will help them to raise a unified voice against any malpractice.

18. Explain the following rights of consumers : [3]

(i) **Right to be informed** (ii) **Right to safety**

Answer : (i) **Right to be informed :** A consumer has the right to be informed about the quality, quantity, price, ingredients, weight, etc., of goods and services. In India, it is mandatory for the manufacturers to provide all such information on the package and label of the goods. This helps the consumer in making a wise choice.

(ii) **Right to safety :** The right to safety protects consumers against goods and services that are hazardous to life, health and property, for example, electrical appliances and cooking gas cylinders with manufacturing defects. The consumer has the right to be protected against such defective products.

19. XYZ Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.

(i) Identify and explain the objectives of management discussed above.

(ii) State any two values which the company wanted to communicate to the society.** [4]

Answer : (i) Social objectives have been discussed in the given situation. Since every organisation is a part of the society, it uses the resources provided by the society for its various operations. Thus, it becomes the duty of the organisation to take due care of the interests of the society at large. The social objectives of an organisation basically involve the creation of benefit and development of the society. The following are some of the social objectives of management that are being indicated in the given situation.

(a) Producing environment friendly products such as solar lanterns.

(b) Setting-up a factory of solar lanterns in order to provide electricity in rural areas.

(c) Providing employment opportunities to the needy.

(d) Developing school and creches for children in rural areas.

20. Why is the understanding of business environment important for managers ? Explain with the help of any four points. [4]

Answer : Understanding of business environment is of vital importance for successful functioning of an organisation. Any organisation cannot function independently. Its functioning and performance depends on several external

** Answer is not given due to change in present syllabus

forces as well. A continuous evaluation and understanding of the business environment helps a firm to take account of these forces in a better manner and thereby, improve its functioning. The following points highlight the importance of understanding of environment for business enterprises :

(i) **Identification of opportunities** : With a careful analysis, an enterprise can identify the positive opportunities for its business. Early identification of the opportunities helps in taking a first-hand advantage in competition.

(ii) **Identification of threats** : Besides positive opportunities, a study of business environment helps an enterprise in the identification of threats or negative signals that may adversely affect its functioning. This enables it to take appropriate preventive measures.

(iii) **Accumulating useful resources** : The environment provides a business with various resources or inputs for its functioning such as raw material, machinery, labour, etc. On the other hand, enterprises provide the environment with output in the form of goods and services. The environment acts both as a source of resources as well as a source of demand for the products of the enterprises. Thus, it becomes logical for the enterprises to take up those resources from the environment that can be converted into the desired output. This is possible only if the enterprises have an understanding of what the environment desires and what it can offer.

(iv) **Adjusting to changes** : Business environment is dynamic in nature. Changes in technology, Consumers taste and preference, Government policies etc., take place continuously. A careful analysis and understanding of the environment helps an enterprise in dealing with these changes in a better manner and take appropriate actions.

21. How is training of employees beneficial for the organisation ? State by giving any four reasons.

[4]

Answer : Training is important in every organisation, as it aims at building the skills and abilities of the employees to perform their tasks. The following points highlight the importance of training in an organisation :

(i) **Less wastage** : Training is a concept that involves a systematic learning of a particular job. It is a more efficient way of learning than any trial-and-error method. It helps in reducing wastage of time and money in an organisation, thus ensuring optimum utilisation of resources.

(ii) **Higher profits** : Training enhances the productivity of employees by making them more efficient. This increase in both qualitative and quantitative productivity boosts the profits of the company.

(iii) **Managerial efficiency** : Training prepares employees to face new challenges, thus helping them to make effective responses to various business problems. It also equips future managers to take precautionary steps in case of emergency.

(iv) **Boost employees morale** : Training not only improves the performance, but it also improves the overall attitude of the employees towards job, working conditions and organisation. It helps in reducing absenteeism, labour turnover and grievances among the employees. This increases the morale of the employees.

22. Explain any four points that highlight the importance of financial planning. [4]

Answer : A process that enables a business enterprise to tackle the uncertainties regarding the availability of funds is called '**financial planning**'. Financial planning involves designing a blueprint of the financial operations of a firm. It ensures that the right amount of funds is available for organizational operations at the right time, in order to ensure smooth functioning of the organization.

Following points highlight the importance of financial planning in an organisation :

(a) **Helps in coordination** : It helps in coordinating various business activities such as sales, purchase, production, finance etc.

(b) **Helps in optimum utilization of funds** : It ensures that situations of inadequate as well as excess funds are avoided, in order to ensure proper and optimum utilisation of funds.

(c) **Links the present and the future needs of funds in the organisation** : Financial planning acts as a link between the present *needs of funds in the organisation* and the future *needs of funds in the organisation*. This is done by providing information about future availability and requirement of funds.

(d) **Financial control** : All the financial activities are kept under control with the help of financial planning. Under it, the standard of financial performance are set. Actual performance is compared with the standards so set. Deviations and their causes are traced and corrective measures are taken.

25. Explain 'Price' as an element of marketing-mix. Also explain any four factors that affect the fixation of price of a product. [5]

Answer : Price refers to the money paid by the customers to obtain a product and this price affects its demand. Thus, pricing plays an important role in the marketing of goods. The price charged by a firm is an essential element of marketing mix as it affects both revenue and profits of the firm. In addition to this, pricing also acts as a competitive tool. Firms producing similar substitutable products compete with each other on the basis of price. Thus, the firms must pay due emphasis on proper pricing of their products. The marketers must analyse properly the various factors that determine the price and decide a suitable price for the product. The following factors affect the determination of the price of a product or a service.

1. Cost of the product : It plays an important role in determining the price, which involved in the production, distribution and sale of the product. Cost of product can be classified into three broad categories, *viz.*, fixed cost, variable cost and semi-variable cost. Fixed costs refer to those costs that do not vary with the level of output produced. For example, for the production of a good, a firm incurs cost on the purchase of machinery, land, etc. Such costs are fixed costs. On the other hand, Variable costs refer to those costs that vary in direct proportion with the volume of production. That is, as the level of output increases, the variable cost also increases.

2. Demand for the product : While determining the price, a firm must also consider the demand for its product. Thus, the elasticity of demand plays an important role. Elasticity of demand refers to the proportionate change in demand due to a given proportionate change in price. If due to a small proportionate change in price, the demand changes by a larger proportion, the demand is said to be elastic. That is, demand is said to be elastic, if a small rise (or fall) in price leads to a relatively large fall (or rise) in price. In this case, the firm cannot charge a higher price as it would lead to a large fall in the demand. On the other hand, demand is said to be inelastic, if a change in price does not affect the demand much.

3. Degree of competition in the market : Generally, higher the competition in the market, lower is the price that a firm can charge for its product. This is because in case of high competition, if a firm attempts to charge a high price, it would lose its customers to the competitors. On the other hand, if a firm faces very little competition for its product, then it has the freedom of charging a higher price.

4. Government regulations : At times, to protect the interest of public at large, the government intervenes in the determination of price. For example, in case of essential commodities, the government can declare the maximum price that can be charged.

26. Principles of Taylor and Fayol are mutually complementary. One believed that, management should not close its ears to constructive suggestions made by the employees, while the other suggested that a good company should have an employee suggestion system, whereby suggestions which result in substantial time or cost reduction should be rewarded. Identify and explain the principles of Taylor and Fayol referred in the above para. [5]

Answer : The two principles that are being regarded in the given paragraph are as follows :

(i) '**Cooperation, not individualism**' by Taylor: This can be inferred from the line that "management should not close its ears to the constructive ideas made by the employees". This principle emphasises cooperation among the managers and workers over individualism. This principle was an elongation of the principle of 'Harmony, not discord'. According to this, the workers and the manager should work with mutual understanding of each other. The manager should take care of the workers. Similarly, the labours should willingly work, giving their best contribution to the company. This will build mutual trust and belongingness. Work and responsibility should be equally divided and a sense of cooperation and coordination should be established.

(ii) '**Initiative**' by Fayol: This can be inferred from the following sentence: 'A good company should have an employee suggestion system, whereby suggestions which result in substantial time and cost reduction should be awarded'. According to this principle, workers should be given enough motivation and incentive to work. They should be inspired to come up with suggestions regarding the work. Although initiatives should be encouraged, they should be in line with the practices and rules of the organisation. For example, the managers can ask the workers for suggestions how to increase efficiency. Also, good suggestions can be rewarded.

28. Explain any four points that highlight the importance of controlling. [6]

Answer : Controlling is an important and indispensable function of management. It aims at managing the managerial actions by setting the standards and identifying the deviations of

actual performance as against the set standards. It also ensures optimum utilisation of resources while taking corrective measures for the deviations.

Following factors highlight the importance of controlling :

(i) **Achieving organisational goals** : Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and suggesting the corrective actions which are to be taken. It helps in taking the right direction for attaining the set organisational objectives.

(ii) **Evaluating the standards** : Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the standards according to the changing business environment.

(iii) **Optimum utilisation of resources** : Continuous control and monitoring helps in the efficient and optimum utilisation of resources. As each work is done according to the set standards, there is less wastage of resources.

(iv) **Employees, motivation** : By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.

(v) **Promoting coordination** : Pre-determined standards provide a basis for better coordination for various activities. As the departments are made aware of their duties and tasks, controlling promotes coordination among them. Controlling provides unity of direction while ensuring that the organisational objectives are met. Thus, controlling is an important function performed by all the managers.

29. Explain the following as factors affecting the requirements of fixed capital : [6]

- (i) **Scale of operations**
- (ii) **Choice of technique**
- (iii) **Technology up gradation and**
- (iv) **Financing alternatives**

Answer : (i) **Scale of operations** : A factor determining the fixed capital requirement is the scale of operations in which the firm deals. For instance, if an organisation operates on a relatively large scale, then its requirement of fixed capital like plants, land or building increases. This is because such firms would need

to maintain high stock of inventory for their large scale operations. In contrast, if an organisation is working on a smaller scale, then the requirement of fixed capital will be less.

(ii) **Choice of technique** : There are generally two types of techniques that a company can opt for : Capital intensive or labour intensive. The choice of these techniques differs from company to company. A company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machinery rather than in manual labour. In contrast to this, a company following labour intensive techniques would require a relatively lower amount of fixed capital.

(iii) **Technology upgradation** : Technology plays an important role in the fixed capital requirement of a company. This is because it continuously changes or becomes obsolete over the time. Thus, the companies that work with machinery or with equipment that become obsolete faster require a high amount of investment in fixed capital. For instance, equipment such as computers become obsolete much faster, than other assets like furniture, and require regular upgradation. In such cases, a higher amount of fixed capital is required.

(iv) **Financing alternatives** : If leasing facilities are easily available in the financial market, it would provide an easy alternative for the outright purchase of the fixed assets. That is, the businesses can easily obtain the assets on lease and use them, instead of purchasing them. In this way, the need to invest a huge sum in fixed assets reduces considerably; thereby, reducing the fixed capital requirements.

30. Explain the following functions of marketing :

- (i) **Gathering and analysing market information**
- (ii) **Marketing planning**
- (iii) **Physical distribution.** [6]

Answer : (i) **Gathering and analyzing market information** : Marketers collect important market information so as to suitably identify the needs of the customers. This helps the organisation to identify and analyze the various business opportunities and threats.

(ii) **Market planning** : Market planning is one of the basic functions of marketing. Marketers plan the various steps required to get the goals and objectives of marketing. In order to do so, they conduct a market research to analyze the requirements and preferences of the customers. Market research helps marketers to develop a

most suitable plan, covering decisions related to the production of a product and its promotion, to increase the number of customers.

(iii) **Physical distribution** : This element of the marketing mix basically deals with the movement of finished goods and services from producers to consumers, through middlemen and intermediaries. During this phase, the firms

undertake different distribution channels such as Zero level, First level, etc., depending on the type and nature of the goods produced. The choice of appropriate distribution channel holds prime importance, as opting for an inappropriate distribution channel may either unnecessarily raise the price of the good or deteriorate the quality of the product.

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Business Studies 2014 (Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

17. State any three points of importance of consumer protection from the point of view of business. [3]

Answer : Importance of consumer protection from the point of view of business :

1. **Long term interest of business** : In the race of competition the businessmen can win and capture a big share in the market only when they are able to satisfy its customers by designing the products keeping in mind the requirements of customers. The businessmen who ignore the interest and satisfaction of customers, lose their goodwill and clients. So it is in the long term interest of business to keep its customers satisfied.

2. **Businessman uses society's resources** : Businessmen use the resources of society. They earn profit by supplying goods and services to the members of society so it must do something for society. Businessmen are merely trustee of resources; they must use these resources for the benefits of the consumers.

3. **Government intervention** : A business engaging in any form of exploitative trade practices would invite government intervention or action. This can impair and tarnish the image of the company. Thus, it is advisable that business organisations voluntarily resort to such practices where the customers' needs and interests will be taken care of.

26. Differentiate between 'capital-market' and 'money-market' on the basis of : [5]

- (i) Safety;
- (ii) Expected return;
- (iii) Meaning;

Answer :

Basis	Capital Market	Money Market
1. Safety	Capital market instruments are riskier both with respect to returns and principal repayment as issuing companies may fail to perform as per projection.	Money market instruments are generally safe due to shorter duration of investment and financial soundness of the issuers.
2. Expected return	The expected return is higher due to the possibility of earning capital gains along with regular dividends or interest.	The expected return is lower due to the shorter duration.
3. Meaning	The capital market refers to the market or the institutional facilities through which long-term funds are raised and invested.	The money market refers to the market where trading in short-term securities of maturity periods (varying from one day to a maximum of one year) takes place.

29. With the help of any four points, explain the importance of 'delegation' in an organisation. [6]

Answer : Delegation implies transfer of authority from a superior to a subordinate. It is a process that lowers the burden on the manager and allows him to extend his area of operations by delegating work to subordinates. In addition, delegation provides the subordinates with higher opportunities for growth and development. By allowing the subordinates to show their skills and to exercise initiative, delegation helps in building efficiency.

The following points highlight the importance of delegation :

(i) **Managerial efficiency :** Delegation of work to subordinates allows the superior to concentrate on important areas of concern. That is, with the delegation of routine work to subordinates, managers will be able to focus on higher priority areas. Besides, delegation provides the managers with the opportunity to explore new methods of working and this helps in improving the overall working efficiency of the organisation.

(ii) **Employee proficiency :** By delegating work, a manager empowers his subordinates by providing them with better opportunities to apply their skills. Therefore, the subordinates get a chance to prove their abilities, gain experience and develop their growth and career prospects.

(iii) **Motivation :** In addition to improving the managerial and employee efficiency, delegation provides the employees with psychological benefits as well by motivating the employees, delegation encourages them to put in their best efforts so that work can be done in effective manner. This is because, with higher authority and responsibility, the employees gain confidence and are encouraged to work more efficiently.

(iv) **Growth :** Delegation facilitates growth and expansion. It helps in the preparation of efficient and experienced managers who can take up leading positions in the organisation at the time of growth. Thus, the workers who are trained and prepared through delegation contribute to the expansion and growth of the organisation.

30. Explain the following as factors affecting the requirements of fixed capital : [6]

- (a) Natural of business
- (b) Growth prospects
- (c) Diversification and
- (d) Level of collaboration

OR

Explain the following as factors affecting dividend decision :

- (a) Stability of dividends

(b) Shareholder's preferences

(c) Access to capital market and

(d) Legal constraints

Answer : (a) **Nature of business :** Organisations that deal in services or trading (having a small operating cycle) require less fixed capital. On the other hand, manufacturing firms, involving a large operating cycle, require higher amount of fixed capital. Thus, we can say that fixed capital depend upon nature of business.

(b) **Growth prospects :** Higher growth and expansion of a company is associated with higher production, more sales, larger inputs, etc. This requires higher level of machinery and equipment, resulting in higher fixed capital. On the other hand, companies with low growth prospects require less fixed capital.

(c) **Diversification :** Greater diversification implies larger scale of operations, which requires greater investment in plants, machinery, building, etc. Therefore, it requires greater fixed capital. On the other hand, companies with low or no diversification require less fixed capital.

(d) **Level of collaboration :** At times, business organisations undergo collaboration with each other and jointly establish certain facilities. In such cases, individual organisations' requirement for fixed capital reduces.

OR

(a) **Stability of dividends :** Companies generally follow the practice of stabilising their dividends. This is an important factor that affects the dividend decision of a company. Companies try to avoid frequent fluctuations in dividend per share and opt for increasing (or decreasing) the value only when there is a consistent rise (or fall) in their earnings.

(b) **Preference of the shareholders :** A company must keep in mind the preferences of the shareholders while distributing the dividends. For instance; if the shareholders prefer at least a certain amount of dividend, then the company is likely to declare the same.

(c) **Access to capital market :** The companies that have a greater access to the capital market tend to pay higher dividends. This is because they can rely less on retained earnings and more on other sources due to the market access. On the other hand, the smaller companies with lower access to capital markets tend to pay lower dividends.

(d) **Legal constraints :** Companies have to adhere to the rules and policies laid out by the Companies Act. Thus, every company needs to take care of such restrictions and policies before declaring the dividends.

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Business Studies 2014 (Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 90

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

17. State any three responsibilities that a consumer should keep in mind while purchasing, using and consuming goods and services. [3]

Answer : A consumer himself is responsible for safeguarding his own interest and to protect himself from exploitation.

Some of the responsibilities of a consumer are given below :

(i) **Awareness :** A consumer must be aware of the availability of various goods in the market so that he can choose a better product.

(ii) **Looking for quality marks :** Consumer must look the quality certification marks before purchasing goods. These include ISI in case of electrical goods and AGMARK in case of agricultural goods.

(iii) **Asking for cash memos :** Whenever consumer purchase any goods he or she should always ask for the cash memo or bill for the good and service purchased. The bill acts as a proof of purchase and can be used for future references.

25. State any five points of importance of planning. [5]

Answer : As a function of management, planning plays an important role in large business enterprises. These are the points which state the importance of planning for the organisation :

(i) **Renders direction :** Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for various actions in the organisation. In other words, it renders direction to the tasks and activities of different departments of the organisation. It guides the managers how the particular task is to be performed, what route is to be taken and how the objectives are to be achieved. In this way, it ensures that the path taken for the accomplishment of goals is righteously chosen and various departments of the organisation work in a coordinated manner towards the achievement of the desired objectives.

(ii) **Subdues risk :** Planning helps to look into the future and helps managers to analyze and anticipate various changes well in advance. This leads to a reduction in uncertainty of foreseen events. However, it should be remembered that

although planning shows how to deal with various situations that may arise in the due course of time, it does not eliminate the problems.

(iii) **Minimizes overlapping :** As the managers are well comprehended with the policies and plans of the organisation, they can work towards coordinating their activities in a better manner so as to achieve the objectives. In this way, planning helps in reducing the overlapping and duplication of work. Moreover, any wastage of resources that takes place due to repetition is also reduced. Proper planning ensures that the work proceeds smoothly without any confusion and misunderstanding.

(iv) **Helps in decision making :** Planning help in decision making. It involves analyzing the future, evaluating the various courses of action and choosing the best alternative as per the goals and objectives. Thus, following a proper planning process helps the managers in taking rational decisions towards the benefit of the organisation as a whole so that revenue can increase.

(v) **Promotes innovative ideas :** It is clear that planning selects the best alternative out of the many alternatives available. All these alternatives do not come to the manager on their own, but they have to be discovered. While making such as efforts of discovery, many new ideas emerge and they are studied intensively in order to determine the best out of them.

26. Explain the factors that determine the choice of channels of distribution. [5]

Answer : One of the important decisions of marketing involves the choice regarding which channel of distribution to opt for. The following factors determine the choice of channels :

(i) **Product type :** The choice of channel of distribution is based on the type of product produced. Type of product is important whether it is perishable or non-perishable, whether it is an industrial or a consumer product and whether its price is high or low. It is also required to know the level of complexity of the product. For example, for perishable goods short channel is advisable in place of long channel. Similarly, for low price products long channels are preferred. Similarly, consumer products are distributed

by long channels, and industrial products are distributed by short channels.

(ii) **Characteristics of the company** : The characteristics of a company that affect the channel of distribution are its financial strength and the control that the company wishes to hold on the intermediaries. Shorter channels need high resources with respect to longer channels and high control over the intermediaries. That's why, companies that are financially strong or have strong control over intermediaries opt for shorter channels of distribution.

(iii) **Competitive factors** : The level of competition and the channels of distribution opted by other competitors affect the choice of distribution channels. On the basis of its policies, a company can select similar or different channel selected by its competitor. For example, if competitors of a company opt for sale through retail stores, it may also do the same or can go for a different channel such as direct selling.

(iv) **Environmental factors** : Financial problems and legal policies play a vital role in the selection of channel of distribution. For example, complex legal formalities at each step of distribution force the companies to opt for shorter channels.

(v) **Market factors** : Other factors such as the size of the market, geographical distribution, behavior of buyers, quantity demanded, competition present in market etc. also affect the choice of channels. For instance, if potential buyers are concentrated in a small geographical area, then short distribution channel are used and if they are dispersed in a larger area, then long distribution channel are used.

29. Explain the concept of 'Divisional Structure'. Also, explain any four advantages of divisional structure. [6]

Answer : A divisional structure comprises of separate business units or division. Each unit has a divisional manager responsible for performance and who has authority over the unit. Generally, manpower is grouped on the basis of different product manufactured.

(i) **Skill Development** : Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions as he gains experience in all functions.

(ii) **Accountability** : Divisional heads are accountable for profit, as revenues and costs related to different department, can be easily

identified and assigned to them. This provides proper basis for performance measurement.

(iii) **Quick Decision-Making** : It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

(iv) **Facilitates Expansion** : It facilitates growth as new division can be added without interrupting the existing operations, by merely adding another divisional heads and staff for the new product line.

30. Explain the following as factors affecting the requirements of working capital : [6]

- (a) **Business cycle**
- (b) **Operating efficiency**
- (c) **Availability of raw materials and**
- (d) **Level of competition**

OR

Explain the following as factors affecting 'financing decision'.

- (a) **Cash flow position of the business**
- (b) **Level of fixed operating cost**
- (c) **Control consideration and**
- (d) **State of capital markets**

Answer : (a) **Business cycle** : Different phases of business cycle alter the working capital requirements of a firm. As, at the time of boom, the market gets flourishes and that leads to be higher sales, higher production, huge stock of raw material and also leads to more debtors. Accordingly, during this period, the need for working capital increases. As against this, during a period of recession, there is low demand, small amount of production and sale, etc. Thus, the working capital requirement decreases :

(b) **Operating efficiency** : If the organisation has high efficiency it means that the organisation is utilizing its raw material and other inputs in the optimum manner with minimum wastage. This implies that it can manage its operations even with a low inventory. Also, during operations, a firm with high efficiency incurs lower expenses. An improvement in the efficiency of an organisation leads to a higher inventory turnover ratio and a higher debtor's turnover ratio. In such cases, the organisation requires a lower working capital. On the contrary, firms that are less efficient require large working capitals.

(c) Availability of raw materials : If the raw materials are easily available to the company then the company need not to maintain huge amount of inventory. In this case, the company requires less working capital. On the other hand, if the raw materials are not easily available or their supply is not smooth, then the company has to maintain a huge stock of raw material to ensure constant operations, it require a large working capital.

(d) Level of competition : As the competition in the market increases' the company must maintain the large amount of stock of finished goods to provide the consistency in the market that leads to high amount of working capital requirement.

OR

(a) Cash flow position of the business : It generally refers to the position of a company in terms of liquid assets and cash inflows and outflows. If a company is in a stronger cash flow situation then the company can easily go for borrowing of funds without any restriction. On the other hand, if the company has scarcity of funds

then it would opt for shareholder's fund.

(b) Level of fixed operating cost : Level of fixed operating cost refers to the cost incurred by the company for running the day-to-day operations. In case a company having huge fixed operational costs, such as rent of the building or factory, salaries, etc., would go for owner's fund. This is because high fixed operational cost is associated with the risk of default on payment of interest and in the second case; a company with low operational cost would opt for borrowed funds.

(c) Control consideration : When the company issues more of equities it dilutes the control of management over the operations of the company. On the other hand, debt has no such considerations. So, companies that are worried about the dilution of control can go for high amount of debt and low amount of equity.

(d) State of capital market : During the period of a growing capital market, it is easy to take funds through equity. On the contrary, during depression, it becomes so hard to raise funds through equity. Therefore, in such a situation, it is preferable to raise funds through debt.

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Business Studies 2015 (Outside Delhi)

Set I**Time allowed : 3 hours****Maximum marks : 80**

1. **What is meant by 'Business Environment' ? [1]**

Answer : Business environment refers to sum total of all the external forces and conditions in which a business operates and which can directly or indirectly affect the business.

2. **Explain, how Management helps in the development of society. [1]**

Answer : Management aims at development

of society by giving due importance to social obligations. Efficient management improves living standard of the people by providing employment opportunities and so on.

3. **Give the meaning of 'Objectives' as a type of plan. [1]**

Answer : An objective is a goal that a management desires to achieve. By stating the

objectives a management broadly defines what is to be done.

4. 'Himalaya Ltd.', is engaged in manufacturing of washing machines. The target of the organisation is to manufacture 500 washing machines in a day. There is an occupational specialization in the organisation which promotes efficiency of employees. There is no duplication of efforts in such type of organisation structure.

Identify the type of organisation structure described above. [1]

Answer : Himalaya Ltd. is following Functional Structure.

5. How does 'cost of equity' affect the choice of capital structure of a company ? Explain. [1]

Answer : More use of debt capital increases the financial risk of equity shareholders. Debt can be used only to a certain level. More use of debt beyond that certain level increases the cost of equity. Hence cost of equity affects the capital structure.

6. 'Bharat Express' specializes in Courier Services. Its 'wide range of express package and parcel services' helps business firms to make sure that the goods are made available to the customers at the right place and at the right time.

State with reason, whether the working capital requirements of 'Bharat Express' will be high or low. [1]

Answer : Working capital of Bharat Express will be low as it is a service provider firm and working capital of a service provider firm is usually low because they do not have to keep inventory.

7. 'Maruti Vega Ltd.' entered into the market with coloured television and have now introduced products like audio systems, air-conditioners, washing machines, etc. The company is not only offering the products but also handling complaints and offering after-sales services.

Identify the element of marketing-mix discussed here. [1]

Answer : Product as an element of product mix is mentioned in the given case.

8. Himanshu purchased a new car from 'Galaxy Motors' ₹25 lakhs. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5,000 km, 10,000 km, and 15,000 km. respectively. When Himanshu took the car for the first free servicing, he was told that the car

was not new and first service had already been availed on this car. He felt cheated and filed a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file an appeal against it.

Can Himanshu appeal against the decision of the State Commission ? Give reason in support of your answer. [1]

Answer : No, he cannot appeal against the decision now as the appeal has to be filed within 30 days of passing of the order by the State Commission.

9. What is meant by 'Formal Organisation' ? State its any two advantages. [3]

Answer : Formal organisation is a system of well-defined rules and regulations that specify the boundary of all organisational jobs. It is a deliberate process that lays more emphasis on the work to be done rather than interpersonal relationship. The following are advantages of a formal organisation :

- (i) **Fixation of responsibility** : It is easier to fix the responsibility since mutual relationships are clearly defined.
- (ii) **Clarity of duties** : There is no ambiguity in the role that each member has to play as duties, are specified.

10. How do the 'Company-related factors' affect the choice of Channels of distribution ? Explain. [3]

Answer : Company related factors affect the choice of distribution channels in the following manner:

- (i) **Financial strength** : A financially strong company may conveniently opt for direct channel of distribution, whereas financially weak company has to depend on longer or indirect channel of distribution.
- (ii) **Degree of control** : When a firm wants to exercise control over distribution then direct channel is preferred and when a firm is not desirous to control over distribution then it may opt for indirect channel of distribution.

11. A.S. Ltd. is a large company engaged in assembly of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing

attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping.

[3]

- (a) Identify the function of Management discussed above.
- (b) State those steps in the process of the function identified which are discussed in the above paragraph.

Answer : (a) Controlling as function of management is being discussed in the given case.

(b) The following steps of controlling are discussed in the given case:

- (i) **Setting up of performance standards :** The first step of controlling process is to set up the quantitative standards. As in the given case assembling of 1000 units per day is quantitative standards set for the workers to achieve.
- (ii) **Measuring the actual performance :** Once the standards have been set, the next step is to measure the actual performance. The actual performance in the given case is assembling of 800 units of air conditioners.
- (iii) **Comparing the actual performance with standard :** The next step in controlling process is to compare the actual performance with standard performance. Such comparisons will reveal the deviations. In the above case the deviation is of 200 units.

12. The Stock Exchange performs many vital functions in today's commercial world." Explain any three such functions. [3]

Answer : Functions of Stock Exchanges are as follows:

- (i) **Providing liquidity and marketability to securities :** The basic function of stock exchange is to provide a ready market for sale and purchase of securities. This provides liquidity and marketability to existing securities
- (ii) **Pricing of securities :** Share prices on a stock exchange are determined by the forces of demand and supply. Stock exchange makes continuous valuation of securities and quotes prices for securities.
- (iii) **Contributes to economic growth :** A stock exchange is a market in which securities

are traded. Through this process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues. This leads to capital formation and economic growth.

13. Jaideep recently joined as the Managing Director of 'Tivori Ltd.', an apparel designing company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestions which were neither appreciated nor rewarded by the company. Instead of the company outsourced its services to some renowned fashion designers and paid them a good compensation for their services. Because of this the employees felt disheartened and stopped giving useful suggestions. [3]

- (a) Identify the communication barrier discussed above.
- (b) State the category of this communication barrier.
- (c) Explain any other Communication barrier of the same category.

Answer : (a) The communication barrier being discussed in the given situation is "lack of proper incentives". In the given situation as the suggestions of the employees were never appreciated they felt discouraged to communicate with the managers.

- (b) The category of this communication barrier is "Personal Barrier".
- (c) Another communication barrier of the same category is 'low confidence on subordinates by the superior'. When the superior has low confidence on the subordinates he is unwilling to involve them in the discussion and other matters. This leads to communication gap between the two.

14. What is meant by 'Management' ? State any three objectives of Management. [4]

Answer : Management is the process of getting the work done with the aim of achieving the organisational goals in an efficient manner. Three objectives of management are as follows:

- (i) **Organisational objectives :** Organisational objectives are those objectives which are needed to achieve the economic goals of the organisation. The main objective of any organisation is to utilise human and non-human resources in the most effective and efficient manner. Organisational objectives includes majority three objectives (a) Survival (b) Profit (c) Growth

(ii) Social objectives : Social objectives refer to those objectives which are desired to be achieved for the benefit of the society. Business makes use of scarce resources of society, so society expects something in return for its welfare. Social objectives deal with fulfilling the obligations towards society.

(iii) Personal/individual objectives : Personal objectives refer to the objectives related to the needs of the individuals working in the organisation. Individual objectives include both financial as well as social needs.

15. Explain any four points of importance of 'consumer protection' from the point of view of business. [4]

Answer : Consumer protection is not only needed for consumers but it is equally important for the business as well. Following are the reasons for it:

(i) Long term interest business : With increasing competition and the drive to survive in the market, customer satisfaction is of prime importance for any business. As, a satisfied consumer bring new customers by providing good feedback of the firm. So, the business firms can aim for long term profit maximization through customers satisfaction.

(ii) Business uses society's resources : Business uses scarce resource of society so it is the responsibility of the business to use resources for the benefit of society and consumers.

(iii) Social responsibility : A business has social responsibility towards various stakeholders. The consumer is one of the important stakeholder. So, it is the responsibility of the business to protect their interests.

(iv) Government intervention : Government is actively involved in the protection of consumers rights. Any unfair trade practices may invite government intervention which may hamper the image of the business.

16. Neeraj Gupta started a company 'YoYo Ltd.' with ten employees, to assemble economical computers for the Indian rural market. The company did very well in its initial years. As the product was good and marketed well, the demand went up. To increase production the company decided to recruit additional employees. Neeraj Gupta, who was earlier

taking all decisions for the company, had to selectively disperse the authority. He believed that people are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features.

(a) Identify the concept used by Neeraj Gupta through which he was able to steer his company to greater heights.

(b) Also explain any three points of importance of this concept. [4]

Answer : (a) The concept of decentralisation is used by Neeraj Gupta in the given case.

(b) Importance of decentralisation is as follows:

(i) Develops initiative among subordinates: Decentralisation gives individuals an opportunity to learn by doing. It enhances their morale and they feel highly motivated. It promotes self-reliance, confidence and promotes a positive work environment with greater freedom.

(ii) Develops managerial talent for future : Decentralisation provides a better means to develop as it gives them a chance to take decisions, exercise judgement and perform the activities of top level management.

(iii) Facilitates growth : Under decentralisation, managers enjoy considerable freedom to manage the affairs of their departments. Each department puts its best efforts hence overall productivity increases and this facilitates the growth of organisation.

17. The workers of 'Gargya Ltd.' are unable to work on new computerized machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers.

Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently.

Also state any three benefits that the workers will derive by the decision of the supervisor. [4]

Answer : The supervisor can provide technical training to the workers regarding the use of machines with increased and improved

knowledge, the workers will be able to work independently.

The benefits that the workers will derive by the decision of the supervisor are as follows:

- (i) **Career growth :** Training helps employees to improve their skills and knowledge.
- (ii) **Increased earnings :** Training helps to improve the performance and productivity of workers. And with improved performance workers can earn higher wages and incentives.
- (iii) **Safety of employees :** Trained Workers are less prone to accidents as they are more efficient to handle machines and materials.

18. Beni, after completing her MBA, took up a job with a multinational company named 'Fortio'. The company was paying good salary and perks to its employees. The wages were within the paying capacity of the company that provided, the employees a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates. Beni was very happy in this organisation, but due to long working hours she did not have time to cook her meal. She had to depend upon outside food, which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office goers at a reasonable price. At the end of the day she was also distributing the left-over food in the nearby night-shelters.

- (a) State the dimension of Business Environment being discussed above.
- (b) State the Principle of Management being followed by 'Fortio'.
- (c) Identify any two values being communicated by the company to the society in the above case.** [4]

Answer : (a) The dimension of business environment being discussed is 'Social Environment.'

(b) The principle of management being followed by 'Fortio' is Remuneration of employee'

as they give good salaries and perks to its employees.

19. Mission Coach Ltd.' is a large and creditworthy company manufacturing coaches for Indian Railways. It now wants to export these coaches to other countries and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

- (a) Name and explain the money market instrument the company can use for the above purpose.
- (b) What is the durations for which the company can get funds through this instrument ?
- (c) State any other purpose for which this instrument can be used. [4]

Answer : (a) The Company can use "Commercial Paper" to meet the expenses of floatation cost.

Commercial Paper is an unsecured instrument issued in the form of promissory note. It is issued only by large and credit worthy companies. The original purpose of Commercial paper was to provide short-term funds for seasonal and working capital needs.

- (b) Company can get funds through this instrument for a period of 15 days to one year.
- (c) It can be used to meet short term requirements of funds like seasonal and working capital.

20. Give the meaning of 'Organising'. State the steps in the process of Organising. [5]

Answer : Organising is a process of defining and grouping of the activities of the enterprise and establishing authority-responsibility relationship.

Process of organizing includes following steps:

- (i) **Identification and division of work :** The first step in the process of organizing involves identification and division of work that has to be done in accordance with the predetermined plans.
- (ii) **Departmentalisation :** Once the work has been divided into small and manageable activities then those activities which are similar in nature, are grouped together. Such

** Answer is not given due to change in present syllabus

group facilitate specialisation. This grouping process is called departmentalisation.

(iii) **Assigning duties** : The third step under organising deals with assigning the roles and responsibilities to the personnel. Under each department work is allocated to different members as per their skill and ability. While assigning the duties it must be ensured that the best suited and proficient person is selected for the work.

(iv) **Establishing the relationship** : Any organisation needs a proper hierachic structure to work efficiently. Every person should know whom he is working under and to whom he needs to report. Establishment of such relationship helps in smooth functioning of an organisation.

21. Anjali had been working with 'Tata Enterprises' for the last ten years. She was famous for her dedication towards the work. When the Manager who was senior to her retired, all her colleagues thought that now Anjali would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Monika.' Anjali felt demoralised and her performance started declining. She would absent herself often and could not meet her targets.

Miss Monika was a good leader who would not only instruct her subordinates, but also guide and inspire them. She noticed Anjali's behaviour and felt that her performance could be improved. She started involving Anjali in decision-making issues related to the organisation and made her a part of a high-level joint management committee. Anjali was now punctual to office and her performance started improving.

(a) Identify the function of Management being performed by Monika.

(b) Name the element of the above function of management which helped Monika to improve Anjali's behaviour.

(c) State any three features of the element identified in (b) above. [5]

Answer : (a) Directing function of management is performed by Monika in the given case.

(b) Motivation helped Monika to improve Anjali's behavior.

(c) Features of motivation are as follows.

(i) **Motivation is an internal feeling** : Motivation is a psychological concept and cannot be forced on employees. The internal

feeling like needs, desires or urges influence human behaviour to act in a particular manner.

(ii) **Motivation produces goal oriented behaviour** : Motivation influences employees behaviour in such a manner so that they can achieve their goals.

(iii) **Motivation can be positive or negative**: Employees can be motivated either by positive motivators or by negative motivators. Positive motivation offers something precious in the form of additional pay, incentives, promotion, etc. Negative motivation means making use of negative motivators like punishment, threat of demotion, etc. to influence employee's behaviour to act in a desired manner.

22. Mohit Gupta is working with 'Yellow Security Services Ltd.' He is also recruiting security guards for the company. The company provide security services in Delhi and Noida at short notice to various companies. The guards are recruited on temporary basis. The guards provided by this company are known for their honesty and punctuality. Mohit Gupta is well known in his village for providing employment to unskilled people.

(a) Name the source of recruitment used by 'Yellow Security Services Ltd.'

(b) State any one disadvantage of this source of recruitment.

(c) Identify the need of 'Security Guards' which is being fulfilled by the company as per Maslow's need hierarchy.

(d) Identify any two values communicated to the society in the above stated case. [5]

Answer : (a) Yellow Security Service Ltd. is using external source of recruitment i.e. Employee's recommendations.

(b) External source of recruitment is a lengthy and time consuming process as the vacancies have to be notified and application have to be received before selection.

(c) The 'Security Guards' are fulfilling 'Basic Physiological Needs' as per the Maslow's need hierarchy. This kind of need implies meeting the essential requirements for sustenance of life. For example, food, clothing and shelter.

(d) Values communicated are as follows:

(i) **Honesty** : The guards provided by the company are honest and committed towards their responsibility.

(ii) Social responsibility : Employment generation for unskilled people is an example of fulfillment of social responsibility by the company.

23. Explain the following principles of management :

(a) Science, not rule-of-thumb.

(b) Discipline.

[6]

Answer : (A) Science, not rule-of-thumb : According to this principle, there should be scientific study and analysis of each element of job, in order to replace the old rule of thumb approach or trial and error method. Rule of Thumb means which is not based on exact science or exact measurement. This principle encourages thinking before doing. Taylor emphasised that manager should scientifically analyse each component of work and the motions required to perform it. Scientific methods are based on cause and effect whereas rule of thumb means absolute rule of manager in taking managerial decisions.

(B) Discipline : Discipline refers to obedience of rules and regulations of the organisation, which is necessary for the systematic working of the organisation. Discipline requires good supervisors at all levels, clear and fair agreement regarding rules and judicious application of penalties. Discipline is must for all the organisations and for all the levels to achieve the organisational targets on time as working in discipline promotes working efficiency and avoids confusion and delays in work.

24. 'Abhishek Ltd.' is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organisation and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments.

It has taken a loan of ₹50 lakhs from I.C.I.C.I. Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement.

The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company.

Quoting the lines from the above discussion, identify and explain any four such factors. [6]

Answer : As per the question, the decision that is discussed above is 'dividend decision'.

The following are the factors that affect the dividend decision:

Quote 1. "It has been consistently earning good profits for many years."

Factor-stability of earnings : When a company has a stable and a smooth earning, it is in a position to distribute higher dividends as compared to the companies who have an unstable earning. In other words, a company having consistent and stable earnings can distribute higher amount of dividends.

Quote 2. "This year too, it has been able to generate enough profits."

Factor-Amount of earnings : A firm pays dividends out of its current and past earnings. This implies that earnings play a key role in the dividends decision. A company having higher earnings will be in a position to pay a higher amount of dividend to its shareholders. In contrast to this, a company having low or limited earnings would distribute low dividends.

Quote 3. "There is availability of enough cash in the company and good prospects for growth in future."

Factor-Growth prospects : Companies aiming for a higher growth level or expansion of operations retain a higher portion of the earnings with themselves for re-investment. Thus, the dividends of such companies are smaller as compared to the companies with lower growth opportunities.

Quote 4. It has many shareholders who prefer to receive a regular income from their investments."

Factor-Preference of the shareholders : A company must keep in mind the preferences of the shareholders while distributing the dividends. For instance, if the shareholders prefer at least a certain amount of dividend, then the company is likely to declare the same.

25. Radhika was a student of Business Studies of Class XII. Her father was a farmer who grew different varieties of rice and was well-versed about various aspects of rice cultivation. He was also selected by the government for a pilot-project on rice cultivation. As a project-work in Business Studies she decided to study the feasibility of marketing good quality rice at a reasonable price. Her father suggested her to use internet to gather customer's views

and opinions. She found that there was a huge demand for packaged organic rice. She knew that there were no pre-determined specification in case of rice because of which it would be difficult to achieve uniformity in the output. To differentiate the product from its competitors, she gave it the name of 'Malabari Organic Rice' and classified it into three different varieties namely-Popular, Classic and Supreme, based on the quality. She felt that these names would help her in product differentiation.

Explain the three functions of marketing, with reference to the above paragraph. [6]

Ans. Marketing is made up of numerous activities known as marketing functions. Following are the functions of marketing:

(i) **Gathering and analysing market information** : One of the important function of marketing is to collect adequate, reliable and timely information i.e. to conduct market research. Market research is concerned with studying market conditions to determine needs, priorities and preferences of the consumers. As in the given case Radhika is us-

ing internet to gather information about customer's views and opinions.

(ii) **Standardisation and grading** : Standardisation means product according to certain specific detail and grading implies classifying the goods into various classes or groups based on size, quality, etc. In the given case, Radhika found that there is no specifications regarding the rice in the market. Thus, she decided to classify her rice under three different names based on the quality. Thus, she performed the function of standardisation and grading her rice based on quality.

(iii) **Branding** : Branding refers to giving a special name to the product. In marketing the firms have to decide by what name the product should be sold in the market. Brand name distinguishes the product from competitor's product and helps in building Customer's loyalty. As in the given case Radhika decided to give Rice as Malabari Organic Rice as brand name.

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Business Studies 2015 (Outside Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 80

communication as there is no prescribed official channel. It leads to faster spread of information as well as quick feedback.

7. **What is meant by 'liberalization' ?** [1]
Answer : Liberalization refers to removal of the government regulations and restrictions on entry and growth in the private sector enterprises.

8. **Give the meaning of 'Policy' as a type of plan.** [1]
Answer : Policy is a general statement that guides or channelize energy towards a particular direction.

9. **What is meant by 'Informal Organisation' ? State its any two advantages.** [3]
Answer : Informal Organisation refers to that organisation, which emerges on its own. It is a social structure of organisation, which is opposed to formal organisation.
Advantages of informal organisation :
1. **Faster communication** : Informal organisation follows the independent channels of

2. **Fulfill social needs** : Informal organisation satisfies social needs of the members, which is not satisfied in formal organisation. It gives them a sense of belongingness, recognition, etc.

14. **State any four features of Principles of Management.** [4]
Answer : Features of principles of management:
1. **Universal applicability** : Management principles can be applied to all kinds of organisations, irrespective of size and nature. However, the extent of application may vary depending upon nature or size.
2. **General guidelines** : Management principles cannot be used as tailor-made tools, i.e., they do not provide readymade solutions. They have to be adjusted as per the demand of situation. This is so because real business situations are very complex and dynamic.

3. **Flexible** : Management principles are not as rigid as the principles of pure science. Management principles can be modified according to the demand of the situation.
4. **Behavioural** : Management principles are mainly behavioural in nature as they deal with human beings. As human behaviour is subject to change, the outcome of the principles of management would also vary from one situation to another. The managers apply these principles as per the need of the situation and their own creativity.

15. Explain the concept of 'consumer protection' and any three points of its importance from the point of view of consumers. [4]

Answer : Consumer Protection refers to the act of providing adequate protection to consumers against the unscrupulous, exploiting and unfair trade practices of manufacturers and service providers.

Importance of consumer protection for consumers :

1. **Consumer awareness** : Consumers at large are ignorant of their rights and responsibilities and various redressal mechanisms. Therefore, it is important to educate them and make them aware of the same to ensure overall consumer welfare.
2. **Unorganised consumers** : In India, consumers have not yet organised themselves to have powerful consumer movement. Owing to this there is strong need to provide adequate protection.
3. **Widespread exploitation of consumers** : The consumers are widely exploited through various unfair trade practices, such as defective and unsafe products, adulteration, misleading advertising. So consumer protection is absolutely necessary to provide protection against such malpractices of the sellers.

20. What is meant by 'Delegation' ? State any four points which highlight the importance of delegation in an organisation. [5]

Answer : Delegation implies transfer of authority, from a superior to his subordinate. It is an essential concept of an effective organisation as it lowers the burden on the manager and thereby, facilitates the manager to focus on activities that command high priority. Also, the managers can extend his area of operations once he delegates the work to subordinates. In addition to this, it provides the subordinates

with more opportunities for growth. It helps in efficient completion of tasks as the subordinates can now show their skills and exercise initiative. The following points highlight the importance of delegation in effective organising :

1. **Effective management** : Delegation gives employees more time for strategic planning and policy making. It enables the manager to assign the routine tasks to his subordinates and concentrate on broad challenges and opportunities.
2. **Employee development** : Delegation causes subordinates to accept accountability and exercise judgement for solving problems. This helps in training them and improves self confidence and willingness to take decisions.
3. **Motivation** : Delegation motivates the employees to work with greater responsibility. Delegation shows the trust and confidence of superior on his subordinates. It provides them satisfaction in terms of recognition and use of authority.
4. **Growth** : Delegation facilitates easy growth and expansion. Delegation helps in the preparation of efficient and experienced managers that can take up leading positions at times of growth of the organisation. That is, workers trained and prepared through delegation contribute to the expansion and growth of the organisation more efficiently.

23. Explain the following principles of management : [6]

- (a) **Scalar chain**.
- (b) **Harmony, not discord**.

Answer : (a) **Scalar chain** : Scalar chain is the chain of superiors ranging from highest authority to the lowest level in the organisation. It states superior-subordinate relationship and authority of superiors in relation to subordinates at various levels. Scalar chain is crucial to ensure unity of command and effective communication in the organisation. It determines the clear line of authority from top to bottom and serves as a chain of command and communication. As per this principle orders or communications should pass through this scalar chain. However in case of emergency Fayol permitted a shortcut in the chain, known as gang plank. Gang plank allows direct communication between two employees of the same level, without following the scalar chain.

(b) Harmony, not discord : According to this principle, there should be complete harmony and proper understanding between management and workers and they should work together for organisational goals.

Taylor emphasised that there should not be any disagreement or conflict between them. If any clash arise, it should be reduced to minimum.

To get harmonious relations, Taylor stressed on 'Mental Revolution' i.e. complete change in their mental outlook. Both should give up their attitude of opposition and enmity towards each other. The management should create suitable and pleasant working environment and workers should work with devotion and loyalty. In short both should have a positive feeling for each other and must cooperate to achieve efficiency.

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Business Studies 2015 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

7. Give the meaning of 'Programme' as a type of plan. [1]

Answer : Programme is a combination of objectives, policies, procedures, rules, tasks, and other elements, which are designed to get a systematic working in the organisation.

8. Define 'Coordination'. [1]

Answer : Coordination refers to orderly arrangement of group efforts to provide unity of action in order to achieve organisational goals.

9. State any three features of 'Informal Organisation'. [3]

Answer : Features of Informal Organisation

1. Informal organisation gets created on its own within the formal organisation as a result of personal interaction among employees
2. It emerges to satisfy social and cultural needs and to get psychological satisfaction.
3. In an informal organisation, Information flows/freely without following any specified path or channel.

14. State any four points which highlight the importance of Principles of Management. [4]

Answer : The following points highlight the importance of principles of management :

- (i) **Providing managers with useful insights into reality :** The principles of management improves knowledge, ability and understanding of managers under various managerial situations. They also provide timely guidance, which helps in increasing the efficiency of managers.

(2) Scientific decisions : Decision based on management principles tend to be more realistic and free from personal bias. Principles of management have been developed after repeated experiments. So, they help managers to take accurate and balanced decisions.

(3) Survival growth : In order to survive and grow, it is compulsory for an organisation to continuously adapt itself as per changing business environment. Management principles provide an effective and dynamic leadership and help the organisation to implement the changes.

(4) Optimal use of resources : Principles of management help in the optimum utilization of the available resources. It put human resources and physical resources together for optimum use of them. Thereby, the wastages of resources that may be associated with the trial and error method can be avoided.

15. Explain any two points of importance of 'consumer protection' from the point of view of business and any two points from the point of view of consumers. [4]

Answer : Importance of consumer protection from the point of view of business :

(i) **Long term interest of the business :** In this highly competitive world, business firms can exist in long run only when they satisfy the consumers. Business firms should aim for long term profit- maximisation through customer satisfaction .

(ii) **Social responsibility :** A business has social responsibility towards various stakeholders and consumer is one of the important

stakeholder. So, it is the responsibility of the business to protect their interests.

Importance of consumer protection from the point of view of consumers :

- (1) **Consumer awareness** : Consumers at large are ignorant of their rights and responsibilities and various redressal mechanisms. Therefore, it is important to educate them and make them aware of the same to ensure overall consumer welfare.
- (2) **Unorganised consumers** : In India, consumers have not yet organised themselves to have powerful consumer movement. Owing to this, there is a strong need to provide adequate protection.

20. Give the meaning of 'divisional structure' of organizing. State its any four advantages. [5]

Answer : Divisional structure refers to an arrangement where activities are separated on the basis of products. There are different units and divisions which deal with varied products. Each division has its own divisional manager who supervises the whole unit and has the authority for it. Organisations that are large in size and deals in a diversified range of products or categories opt for this type of structure.

Advantages of divisional structure :

1. **Product specialisation** : It leads to specialisation in a particular product as all activities related to one type of product are grouped under one department.
2. **Greater accountability** : In divisional structure, each product department is treated as a profit centre and is accountable for its profit and loss. This provides a base for measuring performance and helps in fixing the responsibility.
3. **Flexibility** : It promotes flexibility and initiative as each division functions as an autonomous unit. It leads to faster decision making and greater flexibility.

4. **Expansion and growth** : It facilitates expansion, diversification and growth as new divisions can be added without interrupting the existing operations.

23. Explain the following principles of management :

- (a) **Subordination of Individual Interest of General Interest**.
- (b) **Development of Each and Every Person to His or Her Greatest Efficiency.** [6]

Answer : (a) **Subordination of individual interests over general interest** : According to this principle, interest of the organisation as a whole must prevail over the interest of the individuals or employees. In an organisation every individual has his own interests. This principle demands that each individual should sacrifice his personal interests for achieving organisational objectives. Organisation is superior to individuals. In case, individual interests and organisational interests differ, it is the duty of the management to reconcile them. If reconciliation is not possible then general interests must supersede individual interests.

For e.g. If a manager's objective is to earn more salary and company is going through financial crisis and wants to cut down its expenses, then manager must sacrifice his interest.

(b) **Development of each and every person to his or greatest efficiency** : According to this principle, management should aim to develop workers to their greatest efficiency and prosperity. The concern for efficiency should start from the selection process. Every organisation should follow a scientific system of selection. The selected workers should be assigned job as per their capabilities. To increase efficiency and to achieve the maximum potential of workers, they should be provided scientific training. The increase in efficiency will be beneficial for both the workers and the organisation.

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Business Studies 2015 (Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 80

1. What is meant by 'efficiency' in management? [1]

Answer : Efficiency in management means completion of task or activity correctly within time at minimum cost, with no wastage of resources.

2. How does management help in achieving personal objectives? State. [1]

Answer : Management helps in achieving personal objective and leading in such a way that the individuals member are able to achieve personal goals while contributing to overall organisational objectives.

3. Define 'Planning premises'. [1]

Answer : Planning premises means assumptions relating to future conditions which may affect the attainment of plans.

4. Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are coordinated, interlinked, authority responsibility and relationship is established among various job positions. There is clarity on who is to report to whom.

Name the function of management discussed above. [1]

Answer: Organising as the function of management is discussed in the given case.

5. Explain how 'cost of debt' affects the choice of capital structure of a company. [1]

Answer : Cost of debt directly influence the extent of debt to be used in capital structure. If the interest rate on debt is less, more debt is preferred as compared to equity. However, in case of higher cost of debt company prefers more equity.

6. Indian Logistics' has its own warehousing arrangements at key locations across the country. Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time.

State with reason, whether the working capital requirements of 'Indian Logistics' will be high or low. [1]

Answer : The working capital requirement of 'Indian Logistics' will be high. This is because the company operates at a large scale and has its arrangement at key locations across the country. Also, it performs various activities to assist the business firms to increase efficiency and more. Thus, the working capital requirement of such a company will be high.

7. 'Beauty Products Ltd' is a natural and ethical beauty brand famous for offering organic beauty products for men and women. The company uses plant based materials for its products and is the No.1 beauty brand in the country. It not only satisfies its customers but also believes in overall protection of the planet.

Identify the marketing management philosophy being followed by 'Beauty Products Ltd. [1]

Answer: The marketing management philosophy followed by 'Beauty Products Ltd.' is 'societal marketing concept'. Under this philosophy, the organisations take care of the environment and the ecological aspects in marketing along with the consumer satisfaction as 'Beauty Products Ltd.' uses plant based material only.

8. On Sonika's birthday her mother gave her a

pair of gold earrings. After one month Sonika observed that the earrings are losing their shine. She checked the mark on the earrings and found that it was not a proper Hallmark and her mother had been cheated by the shopkeeper. So, she filed a complaint in the district forum which rejected it. Not satisfied by the decision of district forum, she was very much disturbed and after two months decided to appeal further.

Can Sonika appeal against the decision of the district forum? Give reason in supports of your answer. [1]

Answer : Sonika cannot appeal against the decision of the district forum as the maximum number of days she could appeal was 30.

9. What is meant by 'functional structure' of an organisation? State its any two advantages. [3]

Answer: Functional structure is an organisational structure formed by grouping of jobs of similar nature under functions and organising these major functions as separate departments vice production, finance etc.

Advantages of functional structure

(a) **Specialisation :** It promotes specialisation since each department has to perform a specific function. Employees perform similar tasks within a department which improves their efficiency and they attain specialisation.

(b) **Avoids duplication :** It helps in avoiding duplication of functions, efforts and resources, as one single functional department caters to the needs of entire organisation.

10. Explain how the 'product related factors' affect the choice of Channels of distribution? [3]

Answer: Product related factors affect the choice of channels of distribution in the following manner:

(i) **Industrial/consumer product :** In case of industrial products, direct or shorter channels are preferred as products are usually, technical, expensive and bulky and are purchased by few buyers. For consumer products long channels are preferred as the products are standardised, less bulky and frequently-bought products.

(ii) **Perishability :** Perishable products like fruits, vegetables are best sold through short channels, while long channel is preferred for non-perishable products like soap, toothpaste, etc.

(iii) **Unit value of the product :** When unit value

of the product is high i.e. for expensive products it is economical to choose direct or shorter channels. For products with low unit value, longer channels are preferred.

11. **Pramod was a supervisor at 'Annapurna Aata' factory. The factory was producing 200 quintals of aata every day. His job was to make sure that the work goes on smoothly and there was no interruption in production. He was a good leader who would give orders only after consulting his subordinates and work out the policies with the acceptance of the group. Identify and describe the leadership style being adopted by Pramod.** [3]

Answer : Democratic leadership is being adopted by Pramod. Under this style, the leader consults subordinates in the decision making and encourages them to give suggestions in setting goals and implementing decisions. A democratic leader only give orders after consulting the group and works out the policies with the acceptance of the group. This type of leadership wins greater confidence, cooperation, loyalty and initiative of the group. It raises morale of the employees.

12. **Financial Market plays an important role in the allocation of scarce resources in an economy by performing many important functions.**

Explain any three such functions. [3]

Answer : Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions. Some of the functions are as follows:

(i) **Mobilise the savings and channelize them into most productive uses :** A financial market helps to transfer savings from savers to investors. It gives savers the choice of different investment options and thus helps to channelize surplus funds into most productive use.

(iii) **Facilitate price discovery :** Price of anything is determined through market forces of demand and supply. In the financial market household supply funds and business firms make demand. Price of financial assets is determined through their demand and supply.

(iii) **Provide liquidity to financial assets :** Financial market facilitate easy purchase and sale of financial assets. So, it provides liquidity to financial assets.

13. **Neeraj, a sales representative of 'Omida Ltd.'**

has changed seven jobs in the last one year. He is a hard working person but is not able to finalize deals with his customers due to inadequate vocabulary and omission of needed words. Sometimes he uses wrong words because of which intended meaning is not conveyed. All this created a misunderstanding between him and his clients.

(a) **Identify the communication barrier discussed above.**
 (b) **State the category of this communication barrier.**
 (c) **Explain any other communication barrier of the same category.** [3]

Answer : (a) The communication barrier that is being discussed in the given situation is 'badly expressed message'.

(b) The category of communication barrier that is being discussed in the given situation is 'semantic barriers'. Semantic barriers of communication relate to the use or understanding of language. Sometimes, certain words, sentences or phrases are misinterpreted or misunderstood and in such cases, effective communication is obstructed.

(c) One of the semantic communication barrier is 'faulty translation'. In certain cases, the proficiency in a language differs among the workers and the managers. In such cases, a translation of the information is required in the language that is understandable to the workers. However, in the process of translation, some of the words or sentences may get misinterpreted.

14. **What is meant by 'Business Environment' ? State any three points of its importance.** [4]

Answer : Business environment refers to sum total of all the external factors which may affect the business directly or indirectly. It consists of all those conditions and forces external to a business unit, under which it operates.

Importance of business environment:

(i) **Identification of opportunities :** The external environment provides numerous opportunities for business units. The company, which is more conscious of business environment can take better advantage of opportunities instead of losing them to competitors.

(ii) **Identification of threats :** Environmental awareness helps an organisation to identify threats to its business interests and acts as

early warning signals. Timely understanding of environment helps to make suitable changes in the organisation.

(iii) **Helps in coping with rapid changes** : A systematic and continuous monitoring of business environment keeps the management updated. It enables the business to cope up with the changes in the external environment by making relevant changes in their internal environment.

15. Explain the following rights of a consumer as provided under Consumers Protection Act 1986 : [4]

- (a) Right to be informed; and
- (b) Right to seek redressal

Answer : (a) **Right to be informed** : According to this right, consumer has the right to be informed about the quality, quantity, purity, standard and price of goods or services so as to protect himself from unfair trade practices. Such information protects the consumers from deceptive advertising, misleading labelling, products with expired life, etc. Producers are under legal obligation to provide all the relevant information about the product.

(b) **Right to seek redressal** : According to this right, consumer has the right to get relief or compensation against any unfair trade practices or exploitation. For example, if a product does not confirm to the specified quantity or quality, then consumer has the right to claim compensation. This right provides number of reliefs, such as replacement of product, removal of defect, compensation for loss suffered, etc. A number of consumer courts and redressal forums have been set up for this purpose.

18. 'Aapka Vidyalaya' believes in holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its founders day, a stage performance had to be put up. A committee of ten prefects was constituted to plan different aspects of the functions. They all decided to use recycled paper for decoration. There was a spirit of unity and harmony and all members supported each other. With mutual trust and belongingness the programme was systematically planned and executed. Kartik, one of the prefects realised that unknowingly the group had applied one of the principles of management while planning and executing the programme. He was so inspired by the success

of the function that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.

- (a) Identify the Principle of Management applied for the success of the programme.
- (b) State any two features of Management highlighted in the above para.
- (c) Identify any two values which 'Aapka Vidyalaya' communicated to the society.**

[4]

Answer : (a) The principle of management applied for the success of the programme is "Esprit de corps". According to this principle, management should take reasonable steps to develop a sense of belongingness and feeling of team spirit among employees.

(b) The features of management highlighted in the given paragraph are :

- (i) **Management is a group activity** : Management is a group activity, as it involves the collective efforts of various individuals working in the group. In the given case, the efforts of all the students and prefects were pulled in with mutual trust and support.
- (ii) **Management is a goal-oriented process** : Management always aims to achieve certain organisational goals. Management integrates the efforts of all members towards achieving the clearly stated objectives.

20. State any five features of 'Planning.' [5]

Answer : (i) **Primary function** : Planning is a primary function as it is the first task of business management. All other functions of business management such as organising, staffing, directing and controlling are done after planning. Infact, whenever we are going to do any event or activity at first we make plan and accordingly we will perform to obtain desired results.

(ii) **Planning is futuristic** : Planning always means looking ahead or planning is a futuristic function. Planning is never done for the past. All the managers try to make predictions and assumptions for future and these predictions are made on the basis of past experiences of the manager and with the regular and intelligent scanning of the general environment.

(iii) **Pervasiveness** : Planning must be done at all levels of the organisation. Not only confined

** Answer is not given due to change in present syllabus

to the top level. Planning is performed at every level of management. However, its scope differs along the various dimensions of business.

(iv) **Planning is continuous** : Planning should be done continuously. This is because after the completion of one plan period, need arises for formulation of another plan, keeping in view the new objectives and circumstances. Moreover, within a plan period, need may arise to modify the plans as per the changing needs and requirements. Thus, planning does not have an end. It is a continuous process all along the life of a business enterprise.

(v) **Planning involves decision making**: Planning is a process of making choices amongst the different alternatives for the attainment of the desired objectives. Planning helps the managers to look into the future and make a choice from amongst various alternative courses of action.

22. A company was manufacturing 'LED bulbs' which were in great demand. It was found that the target of producing 300 bulbs a day was not met by the employees. On analysis, it was found that the workers were not at fault. Due to electricity failure and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed.

To meet the increased demand, the company assessed that approximately 88 additional workers were required out of which 8 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work.

(a) Identify the Functions of Management discussed above.
 (b) State the two steps in the process of each function discussed in the above para.
 (c) List any two values which the company wants to communicate to the society. [5]

Answer : (a) Staffing and Controlling functions are discussed in the given case.

(b) **Steps in Staffing function :**

(i) Estimating manpower requirements.

(ii) Recruitment and selection of suitable candidates for a job.

Steps in Controlling function :

(i) Setting-up of performance standards, In this case, target of producing 300 bulbs a day was set by the company.
 (ii) Analysing deviations to identify the causes of deviations.
 (c) The values that the company wants to communicate to the society are as follows :
 (i) Encouraging employment opportunities for destitute women and other under-privileged sections of the society.
 (ii) Using environment friendly methods of production.

23. With the help of a diagram explain 'Functional Foremanship' as a technique of Scientific Management. [6]

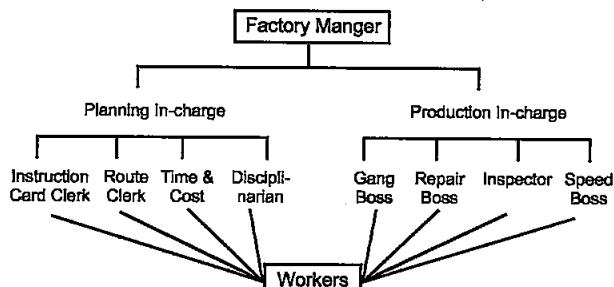
Answer : A foreman refers to a person who is in charge of the operational-level workers. Taylor focused on the importance of the foreman in an organisation. Taylor observed and identified few qualities such as intelligence, tact and judgment that a foreman should have. He found that no single person can have all the required qualities. Therefore, he suggested that instead of a single person, there should be eight persons through which the functions of a foreman should be accomplished. This technique was given the name functional foremanship. According to this technique, the planning and the production functions should be separated. That is, under the manager, there should be one planning incharge and one production incharge. Each incharge should have four personnel under him/her.

The following are the four persons that work under the planning incharge :

1. **Route clerk** : This foreman has to lay down the sequence of operations in which the work is to be carried out.
2. **Instruction card clerk** : This foreman lays down the instructions and guideline to the workers.
3. **Time and cost clerk** : This foreman records the time taken by a worker in completing a work. He also keeps a record of the work done.
4. **Disciplinarian** : He is responsible for discipline and systematic performance of the job.

The following are the four persons that work under the production incharge :

- Gang boss** : Gang boss is responsible to keep machines, materials, tools, etc., ready for the workers.
- Speed boss** : This foreman has to ensure that the work is accomplished in the right time and according to the specified speed.
- Repair boss** : This foreman is responsible for upkeep of machines and equipment in an efficient and working order.
- Inspector** : He is responsible for the quality of work. He brings a spirit of quality consciousness in the minds of workers.



25. 'Hayaram' is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales.

The above para describes the combination of variables used by Hayaram to prepare its market offering. Identify and explain the variables. [6]

Answer : Variables used by Hayaram to prepare its market offering are as follows:

- Product** : It refers to the combination of various aspects relating to the product or service to be offered for sale. It relates to decision regarding planning, designing and developing the right type of product and service for the consumers. It includes branding, labelling and packaging.
- Price** : Mix involves different Pricing Method, Pricing strategies, Pricing Policies and Price Changes. It involves decisions regarding the basic price of the product, discount allowance and terms of payment etc.
- Place/Physical Distribution** : It include activities that make firm's product available to the target customers. It consist of all the activities involved in transferring ownership and physical possession of the product to the consumers. It consists of physical distribution i.e. activities involving the movement of product or services from producers to consumers as well as channels of distribution i.e. the route through which the goods move from the producer to the consumer
- Promotion** : It consists of all activities aimed at persuading customers to buy the product through advertising, personal selling, sales promotion and publicity.

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Business Studies 2015 (Delhi)

Time allowed : 3 hours

Set II

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous set.

7. What is meant by 'coordination' in management? [1]

Answer : Coordination refers to orderly arrangement of group efforts to provide unity of action in order to achieve organisational goals.

8. Define 'Planning'. [1]

Answer : Planning is to decide in advance what is to be done. It is a process of setting up of

objectives for a given time period, formulating various course of action to achieve them and selecting the best possible alternative.

9. What is meant by 'Divisional Structure' of an organisation ? State its any two advantages. [3]

Answer : Divisional Structure refers to an organisational structure in which various departments are created on the basis of product territory or region.

Advantages of divisional structure :

- Product specialization** : It leads to speciali-

zation in a particular product as all activities related to one product are grouped under one department.

2. **Greater accountability** : In divisional structure, each product department is treated as a profit centre and is accountable for its own profit or loss.

14. **What is meant by principles of management? State any three points of their importance. [4]**

Answer : Management Principles are guidelines for taking management decision. They are the general premises that are applicable in different situations and may vary in their application by different managers.

The following points highlight the significance of principles of management :

(i) **Insights to reality** : Principles of management are based on years of experimentation and experience. Thus, these principles guide the managers when they face real-world problems. Managers can use them in different situation to solve recurring problems.

(ii) **Logistic decisions** : Decisions regarding the management should be taken carefully. They should be based on reasons and proofs rather than beliefs and ignorance. As principles of management were developed from real-life problems, they stand the test of logic and reasoning. Thus, principles of management help managers in taking logical decisions that are free from personal bias.

(iii) **Basic education of management** : These principles form the basic roots of management education. Without them, management as a discipline could not have been developed. In other words, management principles form an important part of the management curriculum. In addition, they also form the basis of further research on management techniques and methods.

15. **Explain the following rights of a consumer as provided under Consumer Protection Act 1986 : [4]**

(a) **Right to Safety**; and
(b) **Right to be Heard**.

Answer : (i) **Right to Safety** : Every consumer has a right to be safeguarded against the goods and services that are hazardous to life, health and property. It includes the right to be safeguarded against exploitation through the use of any such products. For example, manufacturing defects in electrical appliances and cooking gas cylinders can be injurious. Thus, the consumer has the

right to be protected against such products.

(ii) **Right to be Heard** : In case of any grievance or dissatisfaction, a consumer has the right to file a complaint. A consumer can file a legal complaint and seek redressal against any form of exploitation in appropriate forums established by the government, which include District Forum, State Forum and National Forum. Nowadays, many consumer organisations and associations are also working in this direction.

20. **State any five points which highlight the importance of delegation of authority. [5]**

Answer : The following points highlight the importance of delegation of authority :

(i) **Managerial efficiency** : Delegation of work to subordinates helps a manager to concentrate on other areas of concern. Besides, it provides him the opportunity to explore new work techniques. For example, if a manager delegates the basic work to his subordinate, he can put his mind into exploring ways to improve efficiency.

(ii) **Employee development** : Delegation makes subordinates to accept accountability and exercise judgement for solving problems. This helps in training them and improves self confidence and willingness to take decisions.

(iii) **Motivation** : Delegation motivates the employees to work with greater responsibility. Delegation shows the trust and confidence of superior on his subordinates. It provides them satisfaction in terms of recognition and use of authority.

(iv) **Growth** : Delegation facilitates easy growth and expansion. Delegation helps in preparing efficient and experienced managers that can take up leading positions at times of growth of the organisation. In other words, workers trained and prepared through delegation contribute towards the expansion and growth of the organisation.

(v) **Better coordination** : The three elements of delegation *viz.*, authority, responsibility and accountability help to define powers, duties and answerability related to various job positions. It provides clarity in duties to be performed and avoids overlapping and duplication of work. Such clarity helps in bringing effective coordination among the departments, levels and functions of management.

23. **Explain the following techniques of scientific management:**

(i) Differential piece wage system; and

(ii) Motion study.

[6]

Answer : (i) **Differential piece wage system:** Under this technique, wages are decided according to a set standard. The workers who perform better than the set standards get higher wages than the workers who perform below the standards. Taylor introduced this system to differentiate the efficient workers from the inefficient ones and reward them accordingly. For example, suppose the standard output of per worker per day is determined as 50 units. So, it was decided that those workers who made more than or equal to the standard will get ₹30 per unit and those who made less than the standard will get ₹25 per unit. In this way a difference is

made between efficient and inefficient workers.

(ii) **Motion study :** As the name suggests, motion study refers to the study of motion (movements) involved while undertaking a task. This technique aims at removing the unwanted action/motions so that the work can be completed in lesser time. Taylor, along with his associate Frank Gaiberth, observed the motions of a worker and categorized them as productive, incidental and unproductive. They demonstrated that by eliminating the unproductive movements, productivity can be increased. For example, in brick layering, they demonstrated that productivity increased by nearly 4 times by reducing the motions from 18 to 5.

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Business Studies 2015 (Delhi)

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

7. What is meant by 'effectiveness' in management? [1]

Answer : Effectiveness in management concerned with doing the right task/completing activities/achieving goals within the prescribed time.

8. Define 'Formal Organisation'. [1]

Answer : A formal organisation structure is a well-defined structure of authority and hierarchy that clearly specifies the boundaries of authority and responsibility in an organisation. The rules and policies to be followed are clearly stated. A formal organisation structure is deliberately created by the managers of an organisation to ensure its smooth and systematic functioning.

9. State any three limitations of 'divisional structure' of an organisation. [3]

Answer : Limitations of divisional structure are :

(a) **Departmental conflicts :** Conflict may arise among different departments with respect to allocation of funds. Particular department may seek to maximise its profit at the cost of other departments.

(b) **Costly:** Each product division has to maintain

its own facilities, equipments and personnel. It may lead to increase in operating cost.

(c) **Ignore organisational interests :** Divisional structure provides managers with the authority to supervise all activities related to a particular division. Managers focus on their own product without thinking of the rest of the organisation.

15. Explain the following rights of a consumer as provided under Consumer Protection Act 1986: [4]

(a) **Right to Choose;** and

(b) **Right to Consumer Education.**

Answer : (a) **Right to choose :** According to this right, every consumer has the right to choose from a variety of goods and services at competitive prices. This implies that the marketer should offer wide variety of products and allow the consumer to make choice from amongst those. Marketer should not force the customer to buy a particular brand. Consumer must have complete freedom to compare the various products and choose the most suitable one.

(b) **Right to consumer education :** According to this right, consumer has the right to acquire knowledge and skills to be an informed consumer. Consumer must know the rights and reliefs available to him in case a product falls short of his expectations. To promote

Set III

awareness Government has taken several measures, such as campaign of 'Jago Grahak Jago' or inclusion of consumer education in school and university courses. Many consumer organisation and business firms are also taking active part in educating consumers.

20. State any five limitations of 'Planning' function of management. [5]

Answer : Limitations of planning :

- (a) **Planning leads to rigidity** : A plan is a norm or blueprint to achieve the desired objective. The employees and manager become accustomed to a set method of doing work. So there is no scope for manager or worker to use their experience and ability, which results in rigidity.
- (b) **Planning may not work in dynamic environment** : The rapidly changing situation present a serious difficulty in the task of planning. There are continuous changes in business environment, so forecaste in difficult to forecaste in such dynamic environment.
- (c) **Involves huge cost and expensive** : Planning involves collection and analysis of data, setting planning premises, application of various forecasting techniques like trend analysis, correlation, etc. determining alternative course of action and so on. All these make planning a costly process.
- (d) **Planning reduce creativity** : It is the activity which is done by the top management and rest of the employees have to implement it. They are neither allowed to deviate from plan or permitted to act their own. Due to this the creativity in managers and employees are lost.
- (e) **Planning does not guarantee success** : Success of planning rest on its implementation. Lack of proper implementation lead to failure of

planning even if the plan has worked earlier may not work again due to no change in external environment.

25. Explain the following techniques of Scientific Management:

- (i) **Time study, and**
- (ii) **Simplification of work.**

[6]

Answer : (A) **Time study** : Time study refers to a technique, which is used to determine the standard time taken by a worker of reasonable skills and ability to perform a well defined job. It helps in determining how much work an employee should be able to do in a given period of time. Under time study, the job is divided into a series of elements and time taken to perform each element of work is recorded with time measuring devices like stop watch. The method of time study depends upon volume and frequency of the task.

Objectives of time study :

- (i) To determine standard time required for a well defined job.
- (ii) To determine fair day's work
- (iii) To determine number of workers required.
- (iv) To determine labour costs.

(B) **Simplification of work** : Simplification refers to eliminating unnecessary varieties, size and grades of the product manufactured by the organisation. It aims at fuller utilisation of the resources, reducing inventories and invering the turnover. It helps in reducing the cost of labour and machines.

For example, it is all right for a shoe manufacturing company to manufacture shoes of 0, 1, 2, 3, 4, 5, sizes but if it starts manufacturing shoes of 0, 0.5, 1, 1.25, 1.5, 1.75, 2, 2.25, 2.5, 2.75, 3, it will be simply wrong. There is no justification in the difference of such sizes. In such a situation different types of machines have to be installed, more stock have to be maintained and increased labour costs shall have to be borne.

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Business Studies 2016 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 80

1. "Is Management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost benefit" ? Give reason in support of your answer. [1]

Answer : No, management is not only concerned with doing the right task, completing activities and achieving goals but it also takes into consideration the cost benefit. It is one of the importance of management that it increases the efficiency which means management minimises the costs and increases the productivity through the optimum utilisation of resources.

2. Give the meaning of 'organising' as a process. [1]

Answer : Organising refers to the process of identifying and grouping various activities and bringing together physical, financial and human resources and establishing productive relation among them for achievement of specific goals.

3. Name the type of organisational structure which promotes flexibility and initiative. [1]

Answer : Divisional structure promotes flexi-

bility and initiative.

4. State the role of 'route clerk' in functional foremanship. [1]

Answer : Route clerk is concerned with determining the exact sequence in which various operations are to be performed.

5. Name and state the aspect of financial management that enables to foresee the fund requirements both in terms of 'the quantum' and 'the timings'. [1]

Answer : The aspect of financial management that enables to foresee the fund requirements both in terms of 'the quantum' and 'the timings' is "Financial Planning". Financial planning involves designing the blueprint of overall financial operations of a company so that the adequate funds are available for various operations at the right time.

6. Rizul Bhattacharya after leaving his job wanted to start a Private Limited Company with his son. His son was keen that the company may start manufacturing of Mobile-phones with some unique features. Rizul Bhattacharya

felt that the mobile phones are prone to quick obsolescence and a heavy fixed capital investment would be required regularly in this business. Therefore he convinced his son to start a furniture business. [1]

Identify the factor affecting fixed capital requirements which made Rizul Bhattacharya to choose furniture business over mobile phones.

Answer : The factor affecting fixed capital requirements which made Rizul Bhattacharya to choose furniture business over mobile phones is 'Technology upgradation'.

7. Name the function of marketing which is concerned with the cost and location of target market. [1]

Answer : The Transportation or Physical distribution function of marketing is concerned with the cost and location of target market.

8. Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week the representative of the company visited Suman's residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her.

State the consumer right which Suman exercised. [1]

Answer : 'Right to Seek Redressal' is the consumer right which is exercised by Suman.

9. Define 'Planning'. Explain the first two steps in the process of planning. [3]

Answer : "Planning is deciding in advance what to do, how to do and who is to do it, planning bridges the gap between where we are and where we want to go. It makes it possible for things to happen."

Process of planning :

(i) **Setting-up of the objectives :** The manager set up very clearly the objectives of company keeping in mind the goals of the company and the physical and financial resources of the company.

After setting up the goals, the clearly defined goals are communicated to all the employees.

(ii) **Developing premises :**

- Premises refers to making assumption's regarding future.
- Premises are the base on which plan's are made.
- It is a kind of forecast made keeping in view existing plans and any past information about various policies.

- There should be total agreement on all assumptions.

10. Mr. Fernandes is the owner of Unibie Enterprises, carrying on the business of manufacturing electrical appliances. There is a lot of discontentment in the organisation and targets are not being met. He asked his son, Michel, who has recently completed his MBA, to find out the reason.

Michel found that all decision making of the enterprise were in the hands of his father. Moreover, his father did not have confidence in the competency of the employees. Thus, the employees were not happy.

(a) Identify any two communication barriers because of which 'Unibie Enterprises' was not able to achieve its target.

(b) State one more barrier each of the types identified in part (a) above. [3]

Answer : (a) The two communication barriers because of which 'Unibie Enterprises' was not able to achieve its target are :

(i) **Organisational barrier :** Organisational barrier is one of the reason because of which 'Unibie Enterprise' was not able to achieve its targets as the policy of the organisation was based on centralized decision making i.e. all decisions of enterprises were in the hands of Michel's father.

(ii) **Personal barrier :** Personal barrier is one of the reason because of which Unibie Enterprise was not able to achieve its targets, was lack of confidence of superior in his subordinate.

(b) **Organisational barrier :** Rigid rules and regulations hamper effective communication. Such roles of strict channels of communication makes communication process complex and leads to delay in the flow of information.

Personal barriers : A freeflow of communication will not take place if the superior does not disclose full information to his subordinate. Such a situation occurs when the superior feels threatened of losing power by sharing information with subordinate.

11. Atul-The Assistant Manager, Vikas-The Marketing Head and Leena-The Human Resource Manager of 'Montac Enterprises Ltd.' decided to leave the company.

The Chief Executive Officer of the company called the Human Resource Manager, Leena and requested her to fill up the vacancies before leaving the organisation. Leena suggested that her subordinate Miss Rama Wadhwa is very competent and trust worthy, if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agreed

for the same. Miss Rama Wadhawa contacted 'Smith Recruiters' who advertised for the post of marketing head for 'Montac Enterprises Ltd'. They were able to recruit a suitable candidate for the company. Atul's vacancy was filled up by screening the database of unsolicited applications lying in the office.

(a) Name the internal/external sources of recruitment used by 'Montac Enterprises Ltd.' to fill up the above stated vacancies.

(b) Also state any one merit of each of the above identified source of recruitment. [3]

Answer : (a) The internal / external sources of recruitment used by Montac Enterprise Ltd. to fill the various positions are:

(i) For the post of Human Resource Manager - Promotion.

(ii) For the post of Marketing Head - Placement agencies and management consultants.

(iii) For the post of Assistant Manager - Casual callers.

(b) Merits of above identified sources of recruitment are:

Promotion : Boosts employee morale and induces better performance.

Placement agencies and management consultants : Helps in inducing the right talent in the organisation because of their expertise and specialization in the field of hiring fresh candidates.

Casual callers : Cheapest source of recruitment.

12. Mr. Vikas Mehra was the Chairman of 'IBM Bank'. The Bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of 'UK Bank'. Mr. Vikas Mehra knew that the share price of 'IBM Bank' would rise on this announcement. Being a part of the Bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukand and asked him to invest ₹ 4 crores in shares of his bank promising him the capital gains.

As expected after the announcement, the share prices went up by 50% and the market price of Mukand's shares was now ₹ 6 crores. Mukand earned a profit of ₹ 2 crores. He gave ₹ 1 crore to Vikas Mehra and kept ₹ 1 crore with him. On regular inspection and by conducting enquiries of the brokers involved. Securities and Exchange Board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty on Vikas Mehra.

Quoting the lines from the above para identify and state any two functions performed by SEBI in the above case. [3]

Answer : The two functions performed by SEBI in the given case are :

- (i) Regulatory functions, and
- (ii) Protective functions.

Lines from the paragraph which indicate the functions performed are :

Regulatory functions : Regular inspection and by conducting enquiries of the brokers involved.

Protective functions : Imposed a heavy penalty on Vikas Mehra.

13. What is meant by a 'consumer' as per the provisions of Consumer Protection Act, 1986 ? [3]

Answer : Under the Consumer Protection Act, a consumer is defined as :

(a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid or partly promised, or under any system of deferred payment. It includes any user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.

(b) Any person who hires or avails of any service, for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment. It includes any beneficiary of services when such services are availed of with the approval of the person concerned, but does not include a person who avails of such services for or commercial purpose.

14. What is meant by 'Management'? Explain its any three features that establish it as an Art. [4]

Answer : Management is a process of getting things done through other with the aim of achieving goals effectively and efficiently.

Three features that establish management as an Art are :

(1) **Application of theoretical knowledge :** Like art, management involves the application of theoretical knowledge, principles and theories developed by various management theorist.

(2) **Involve creativity and practice :** A manager has his own creativity in applying management techniques, principles and theories to achieve organisational goals.

(3) **Personalised application :** Like art, management is also personalized as every manager has its different working style to solve different problems coming in achieving organisational goal.

15. With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated

huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates.

Identify and explain the dimensions of business environment discussed in the above case. [4]

Answer : The dimensions of business environment are :

(i) **Social environment** : 'Change in consumption habits of people'. Social environment includes the attributes of a society in which an organisation operates, e.g., customs and traditions, values, social trends, society's expectations from business etc.

(ii) **Technological environment** : Technological environment of business includes forces relating to scientific improvement and innovation which provides new ways of producing goods and services and new methods and techniques of operating business e.g. created website chocolove.com for taking online orders.

16. 'My Car Ltd.' decided to set-up its new car manufacturing factory in the backward area of West Bengal where very less job opportunities were available. People of that area welcomed this effort of 'My Car Ltd.' The company also decided to provide facilities like school, hospital, market etc. in the factory premises so that the people are attracted to join the factory as workers..

'My Car Ltd.' started earning huge profit. Another competing company asked its production manager 'Arvind' to investigate the reasons of earning huge profits by 'My Car Ltd.'

Arvind found that in both the companies there was systematic coordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organisation communication took place only through the scalar chain, whereas 'My Car Ltd.' was allowing flow of communication in all the directions as per the requirement which lead to faster spread of information as well as quick feedback.

- (a) Identify the type of organisation which permits the flow of communication in all the directions in 'My Car Ltd.'.
- (b) Also state an advantage of the type of organisation identified in part (a) above.
- (c) State any two values which 'My Car Ltd.' wants to communicate to the society. [4]

Answer : (a) In 'My Car Ltd.', informal organisation permits the flow of communication in all the directions.

(b) The advantage of informal organisation is fulfilment of social needs. An informal organisation allows for personal communication beyond the officially defined rules. This enables the employees to interact with like-minded colleagues. This unofficial interaction provides a sense of belongingness among the employees towards one another and towards the organisation.

(c) Two values which 'My Car Ltd.' wanted to communicate to the society are :

- (i) Fulfilling social responsibility.
- (ii) Working for the benefit of the employees.

17. 'A.S. Environ Ltd.' is dealing in Environment Consultancy. To get the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time consuming but also at times forced the female team members to travel alone.

As a result, the subordinates were not acting in a desired manner to achieve organisational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future all the members including the leader would travel together and usefully utilize the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.

State the features of the element of the function of management used by the CEO. [4]

Answer : The element of the function of management used by CEO is 'Motivation'. This is because an employee does not act in a desired manner when he feels demotivated. But a change in the travel policy had a positive impact on employees and they start acting in a manner desired by the leader which is possible only with the help of motivation.

Features of Motivation :

- (a) It is an internal feeling as the urges, drives or needs of human beings which influence human behaviour are internal.
- (b) It produces goal directed behaviour as it stimulates people to accomplish desired goals.

(c) It can be positive in the form of positive rewards or negative like punishment desired goals.

(d) It is a complex process as any type of motivation may not have a uniform effect on all the members.

18. A company was marketing 'Juicers' which were very popular due to their quality and after-sale-services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits the company ignored the after-sales-services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis it was revealed that ignoring the after sales services was its reason. Therefore the company took all possible measures to protect and promote its favourable image. As a result, the goodwill of the company improved in the society.

(a) Name and state the communication tool used by the marketer in the above case to improve its image.

(b) Also explain role of the tool as identified in Part (a). [4]

Answer : (a) The communication tool used by the marketer to improve its image is "Public Relations".

It refers to the activities undertaken by an organisation to promote and protect the image of an organisation or its products. It aims at strengthening the relations of an organisation with its stakeholder's.

(b) Role of Public Relations :

(i) **Communicating new development :** Public relation is a good tool to communicate new developments in the organisation.

(ii) **Image building :** It helps an organisation in building a positive image for its products. Moreover, an organisation facing a negative publicity can use public relations to improve its image and reputation.

(iii) **Supplement to advertising :** The public relation helps in strengthening the image to the product through press releases, sponsoring event, etc. It act as a supplement to advertising.

19. State the functions performed by financial market. [4]

Answer : Functions of financial markets :

1. **Mobilization of fund :**

(a) A financial market facilitates the transfer of savings from saver to investors.

(b) It gives savers the choice of different investments and thus helps to channelise surplus funds into the most productive use.

2. **Facilitating price discovery :**

(a) In the financial market, the households are the suppliers of funds and business firms represent the demand.

(b) Such forces of demand and supply helps to establish a price for the financial asset which is being traded in that particular market.

3. **Providing liquidity to financial assets :**

Financial markets provide liquidity to financial assets by facilitating easy purchase and sale of financial assets, through the mechanism of financial market.

4. **Reducing the cost of transactions :**

(a) The financial markets reduce the cost of transactions by providing a common platform where buyers and sellers can do the purchase and sale of financial assets.

(b) It helps to save time, cost and efforts in searching for counter parties.

20. Two years ago Mayank obtained degree in food technology. For some time he worked in a manufacturing company of Bread and Biscuits. He was not happy in the company and decided to have his own Bread and Biscuits manufacturing unit. For this he decided the objectives, the targets and formulated action plan to achieve the same.

One of his objective was to earn 50% profit on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a Production-Manager who decided the exact manner in which the production activities are to be carried out. Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. Mayank informed Harsh about his sales target for different products, areawise for the forth coming quarter. While working on the production table a penalty of ₹ 150 per day was announced for not wearing the helmet, gloves and apron by the workers. Quoting lines from the above para identify and explain the different types of plans discussed.

[5]

Answer : Different types of plans discussed in the paragraph are :

(i) **Objective :** An objective is the goal that a management desires to achieve. By stating the objective, the management broadly defines what

is to be done. For example. "One of his objective was to earn 50% profit on the amount invested in the first year."

(ii) Policy : A policy is a general statement that aims at channelising the efforts of the organisation in a particular direction. It forms the general response or a course of action to be followed in a particular situation.

For example : 'Raw materials like flour, sugar, salt, etc. will be purchased on two months credit'

(iii) Procedure : It consists of sequence of routine steps on how to carry out activities. It details the exact manner in which any work is to be performed. For example.

'He also decided to follow the step required for marketing the products through his own outlets.

or

'He appointed Harsh as a Production Manager who decided the exact manner in which the production activities are to be carried out.'

(iv) Rule : A rule is a statement that specifies what is to be done or not be done. For example- 'While working on the production table a penalty for 150 per day was announced for not wearing the helmet, gloves and apron by workers.

(v) Budget : A budget is plan which states expected results of a given future period in numerical terms. It may be expressed in time, money or physical units. For example

'Harsh also prepared a statement showing the requirement of workers in the factory throughout the year.

or

'Mayank informed Harsh about his sales target for different product, are wise for the forth coming quarters.'

21. Prateek is working in a multi-national company in Noida. He was running temperature for the last many days. When his blood was tested, he was found positive for malaria. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his superior 'Mr. B. Chatterjee'. Mr. B. Chatterjee, immediately sent a text message to the employees of the organisation requesting them to donate blood for Prateek. When the General Manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings.

(a) From the above para quote lines that indicate formal and informal communication.

(b) State any two features of informal communication.

(c) Identify any two values that are being communicated to the society in the above case.

[5]

Answer : (a) (i) **Formal communication :** "When the General Manager came to know about it he ordered for fumigation in the company premises and cleaning of the surroundings".

(ii) Informal communication : "Colleague sent a text message to his superior Mr. B. Chatterjee". "Mr. B. Chatterjee sent a text message to the employees of the organisation requesting them to donate blood for Prateek".

(b) Features of informal communication are :

(i) Communication that flows without following the formal defined path.

(ii) Arises out of social interactions among the employees.

(c) Two values that are being communicated to the society are :

(i) Concern for the environment.

(ii) Sensitivity towards health.

22. State the steps in the controlling process. [5]

Answer : Steps involved in the controlling process :

(a) Establishment of standards :

(i) The first step in the controlling process is setting up of performance standards.

(ii) Standards are the criteria against which the actual performance would be measured. Thus, standards serve as benchmarks towards which an organisation strives to work.

(iii) Standards can be set in both quantitative and qualitative terms.

(b) Measurement of actual performances :

(i) Once performance standards are set, the next step is measurement of actual performance.

(ii) Performance should be measured in an objective and reliable manner.

(iii) There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports, etc.

(iv) As far as possible, performance should be measured in the same units in which standards are set as this would make their comparison easier.

(c) Comparing actual performance with standards :

(i) This step involves comparison of actual performance with the standards. Such comparison will reveal the deviation between actual and desired results.

(ii) Comparison becomes easier when standards are set in quantitative terms.

(d) Analysing deviation :

(i) Some deviation in performance can be expected in all activities. It is therefore important to determine the acceptable range of deviations.

(ii) Also, deviation in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control and management by exception should be used by manager in this regard.

Critical point control : It is not easy and economical to keep check on each and every activity, so control should focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points, if anything goes wrong at the critical points, the entire organisation suffers.

Management by exception : Management by exception, which is often referred to as control by exception, is an important principle of management control, based on the belief that an attempt to control everything results in controlling nothing.

(e) Taking corrective action :

- (i) The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits.
- (ii) When deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.
- (iii) Corrective actions might involve training of employees if the production target could not be met.

23. Describe any four characteristics of 'coordination'. [6]

Answer : Four characteristics of 'coordination' are :

(i) **Ensures unity of action :** It unifies the action of individuals and departments to achieve the organisational goal. For example, in an organisation different departments coordinate with each other, so that organisation's objective is achieved.

(ii) **Unifies individual's effort :** In an organisation, individuals have different interests. Coordination integrates the efforts of the individuals towards the set targets and goals of the organisation.

(iii) **Continuous Process :** Coordination is a never ending and a continuous process. It begins right from the stage of planning where goals and objectives are set for the organisation. Coordination is then required between the stage of planning and staffing so that right kind of people are hired for the organisation. The functions of directing and controlling should also be coordinated with each other so as to realize the achieve-

ment of desired goals. It ensures that work is performed as per planned targets.

(iv) **Involves managers :** Coordination is an activity that involves the managers at all levels. The top-level managers perform it to ensure the overall welfare of the organisation. The middle level managers practise it to ensure that the top level and lower level managers work together in an harmony. The operational level managers perform it to ensure that work goes on according to planned targets.

24. Kay Ltd. is a company manufacturing textiles. It has a share capital of ₹ 60 lakhs. In the previous year its earning per share was ₹ 0.50. For diversification, the company requires additional capital of ₹ 40 lakhs. The company raised funds by issuing 10% Debentures for the same. During the year the company earned profit of ₹ 8 lakhs on capital employed. It paid tax @40%.

(a) State whether the shareholders gained or lost, in respect of earning per share on diversification. Show your calculations clearly.

(b) Also, state any three factors that favour the issue of debentures by the company as part of its capital structure. [6]

Answer : (a) Profit before Interest and Tax = ₹ 8,00,000.

Interest on 10% Debentures

$$= ₹ 4,00,000 (40,00,000 \times 10/100)$$

$$\begin{aligned} \text{Profit before Tax} &= \text{Profit before Interest and Tax} \\ &\quad - \text{Interest} \\ &= 8,00,000 - 4,00,000 \\ &= ₹ 4,00,000 \end{aligned}$$

$$\text{Tax @ 40\%} = ₹ 1,60,000 (4,00,000 \times 40/100)$$

$$\text{Profit after Tax} = \text{Profit before Tax} - \text{Tax}$$

$$= 4,00,000 - 1,60,000 \\ = ₹ 2,40,000$$

$$\begin{aligned} \text{EPS} &= \text{Profit after Tax} / \text{No. of} \\ &\quad \text{Equity Shares} \\ &= 2,40,000 / 6,00,000 \\ &= ₹ 0.4 \end{aligned}$$

(The face value of equity share is assumed to be ₹ 10 each. Hence, no. of equity shares is 6,00,000) This clearly shows that the shareholders have lost after the issue of debentures since the EPS has decreased from ₹ 0.50 to ₹ 0.40.

(b) The three factors that favour the issue of debentures by the company as part of its capital structure are :

(i) **Tax deductibility :** Interest paid by the company to its debenture holders is tax deductible. In the above scenario the company is paying tax @40%. Thus, it is beneficial for the company to

issue debentures.

(ii) **Say in management** : In the given scenario, the company already has a share capital of ₹ 60,00,000. Issuing more shares will dilute the control of management. Thus, companies that are apprehensive of the dilution of control opt for more of debt and less of equity.

(iii) **Relatively low cost** : For a company, cost of raising capital of debentures is relatively lower than that through equity. This is due to guaranteed repayment that debenture holders require lower rate of returns. Besides this, interest amount repayable to debenture holders is deductible expense. So the interest amount is deducted from the company's earning and then the net amount is used for calculations of tax liabilities. Hence companies prefer to opt for debentures, as higher use of debt, lowers the overall cost of capital with cost of equity remaining unaffected.

25. Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District forum under Consumer Protection Act and got the relief.

(a) Identify the important aspect neglected by the marketer in the above case.
 (b) Explain briefly the functions of the aspect identified in (a) above. [6]

Answer : (a) The aspect neglected by the marketer in the above case is "Labelling".

(b) Functions of labelling are :

(i) **Identification and differentiation** : Labelling helps in easy identification of the product. It helps the consumer to differentiate one products from other products. A label also provides other valuable information such as name, address of the manufacturer, net weight, max. retail price, batch no., etc.

(ii) **Description of use and contents** : The main function performed by labelling is to provide description about the product regarding its use, application, contents, cautions, etc. For example, on food products like maggi cuppa mania, a picture of noodles is there describing its appearance. Along with this, the ingredients and procedure of making it is also stated.

(iii) **Standardising and grading** : A label helps in setting grades for the product. This helps the marketers to classify the product in different categories based on specific quality and feature.

(iv) **Promotes the production** : An attractive label helps the marketers in promoting the product as well. It helps in attracting more customers towards the products. For example, in the case of maggi noodles, the label says "taste bhi, health bhi".

(v) **Provides information required by law** : Label also provides and mentions the information which are required to be mentioned as per the law, For example, on the packet of tobacco, it is mandatory to write warning that 'chewing tobacco is injurious to health'.

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Set II

Business Studies 2016 (Outside Delhi)

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

7. Give the meaning of 'Delegation'. [1]

Answer : Delegation is the transfer of authority from superior to subordinate, entrustment of responsibility and creation of accountability for performance.

8. State the role of 'Inspector' in functional foremanship. [1]

Answer : The role of Inspector as a foreman in Functional foremanship is to check the quality of the work and to see that work conforms to the standards set by the planning department.

9. State any three limitations of planning function of management. [3]

Answer : Limitations of planning function of management are :

(a) **Planning leads to rigidity** : A plan is a norm or blueprint to achieve the desired objective. The employees and manager become accustomed to a set method of doing work. So, there is no scope for manager or worker to use their experience and ability, which results in rigidity.

(b) **Planning may not work in dynamic environment** : The rapidly changing situation present a serious difficulty in the task of planning. There are continuous changes in business environment, so it become difficult to forecast in such dynamic environment.

(c) **Involves huge cost and expensive** : Planning involves collection and analysis of data, setting planning premises, application of various forecasting techniques like trend analysis, correlation, etc. determining alternative course of action and so on. All these make planning a costly process.

14. Explain the features of management that do not establish it as a profession. [4]

Answer : Features of management that do not establish it as a profession are :

(i) **Restriction to entry :** The entry to a profession is restricted through a prescribed qualification. But there is not restriction of anyone being appointed as a manager in any business enterprises.

(ii) **Professional association :** All professions are affiliated to a professional association which regulates entry, grants certificate of practice. There is no compulsion for managers to be members of such as association.

(iii) **Ethical code of conduct**—All professions are bound by a code of conduct which guides the behaviour of its members. AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code.

(iv) **Service motive**—The motive of a profession is to serve their client's interests by rendering dedicated and committed service. The basis purpose of management is to help the organisation achieve its stated goal which may be profit maximization. However, profit maximization as the objective of management does not hold true and is fast changing. So presently this feature of profession is not fully present in management.

19. State any four functions of 'Secondary - Market'. [4]

Answer : The Secondary market is also known as the Stock market or Stock exchange. It is a market for the sale and purchase of existing securities.

Functions of Secondary market are :

(a) **Providing liquidity and marketability to existing customers :**

(i) Stock exchange provides a central market where securities can be bought and sold.

(ii) Stock exchange gives investors the chance to disinvest and reinvest.

(b) **Pricing of securities :**

(i) Prices of securities are determined by the forces of demand and supply for the securities.

(ii) A stock exchange is a mechanism of constant valuation through which the prices of securities are determined.

(c) **Contribution to economic growth :**

(i) A stock exchange is a market in which existing securities are traded.

(ii) Through the process of disinvestment and reinvestment savings get channelised into their most productive investment avenues. This leads to capital formation and economic growth.

(d) **Spreading of equity cult :** The stock exchange can play a vital role in ensuring a wider share ownership by regulating new issues, better trading practices and taking effective step in educating the public about investments.

22. State any five points that highlight the importance of controlling. [5]

Answer : Five points that highlight the importance of controlling are :

(a) **Accomplishing the organisational goals :** The controlling function measures the progress towards the organisational goals and identify the deviations, if any, and indicates corrective action. It thus, guides the organisation and keeps it on the right track so that organisational goals can be easily achieved.

(b) **Judging accuracy of standards :** A good control system enables management to verify whether the standards set are accurate and objective are achieved. An efficient control system keeps a careful check on the changes taking place in the organisation as well as in the environment and helps to review and revise the standard in light of such changes.

(c) **Making efficient use of resources :** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. Controlling ensures that resources are used in the most effective and efficient manner.

(d) **Improving employee motivation :** A good control system ensures that employee know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It thus, motivates them and helps them to give better performance.

(e) **Ensuring order and discipline :** Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employee by keeping a close check on their activities.

25. Describe the nature of principles of management with the help of any four points. [6]

Answer : Nature of principles of management :

(a) **General guidelines :** The principles of

management are general guidelines to managerial action but do not provide ready-made, solution to all managerial problems.

(b) Formed by practice and experimentation: Management principles are developed through observation and experimentation as well as personal experience of manager.

(c) Contingent: The application of management is contingent or dependent on the situation faced by the managers.

(d) Flexible : Management principles are not rigid, they are flexible and can be modified by the manager as per situation.

(e) Universal applicability : Principles of management are applicable to all type of organisation (business or non-business, private or public, big or small, etc.).

(f) Behavioural : They are behavioural in nature because they aim at influencing the behaviours of human being.

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Business Studies 2016 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

7. Give the meaning of 'Decentralisation'. [1]

Answer : Decentralisation : It refers to the systematic delegation of authority at all levels of management and in all departments except that which can be exercised at central points.

8. State the role of 'Gang Boss' in functional foremanship. [1]

Answer : Role of "Gang Boss" in functional foremanship is to keep machines, materials, tools, etc. ready for operation by workers.

9. Explain any three points that highlight the importance of planning. [3]

Answer : Importance of planning :

(a) Planning provides direction : Planning is directed towards achieving the objectives of an enterprises. It ensures that goals are clearly defined so that they act as a guide for what actions are to be taken and in which direction.

(b) Promote innovative ideas : Planning is an intellectual process. It encourage logical and systematic thinking and require continuous application of innovative ideas.

(c) Planning establishes standards for controlling : Plans provide the standards against which the actual performance is compared. Without plans, managers cannot evaluate the performance of their subordinates. Deviation of actual results from the standards indicates the nature of corrective actions needed. Therefore, planning may be said to provide the basis for control.

14. Define Management. Explain the features that establish it as a social science. [4]

Answer : Management is the process of getting things done through others with the aim of achieving organisational goals effectively and efficiently. The features that establish management as social science are :

(a) Principles based on observations and experiments: Management principles have been developed through repeated experimentation and observation of a large number of managers of different organisations.

However, since management deals with human beings the outcome of these experiments can neither be accurately predicted.

(b) Universal validity : Principles of science have universal validity. However principles of management are not as exact as science and their application is not universal. Their use and application has to be modified according to given situation.

19. State any four methods of floatation of new issues in the primary market. [4]

Answer : Four methods of floatation of new issue in the primary market are :

(a) Offer through prospectus : This involves inviting subscription from the public through issue of prospectus. A prospectus makes a direct appeal to investors to raise capital, through an advertisement in newspaper and magazines.

(b) Offer for sale : Under this method securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stock brokers. In this case, a company sells securities at an agreed price to

brokers who in turn resell them to the investing public.

(c) Private placements : Private placement is the allotment of securities by a company to institutional investors like LIC, UTI, etc. and some selected individuals. It helps to raise capital more quickly than a public issue.

(d) Right issue : This is a privilege given to existing shareholders to subscribe to new issue of shares according to the terms and conditions of the company.

The shareholders are offered the 'right' to buy new shares in proportion to the number of shares they already hold.

22. State the relationship between planning and controlling functions of management. [5]

Answer : Planning refers to the psychological process of thinking and deciding about what is to be done and how is it to be done.

Controlling refers to the process of managing and evaluating the work done in accordance with the standards and taking corrective measures, if there are any deficiencies.

Relationship between planning and controlling function:

(i) Controlling takes place on the basis of standards developed by planning because if standards are not set in advance, managers have nothing to control.

(ii) Planning without controlling is meaningless because once a plan became operational, controlling ensure that the tasks are performed as per plans.

(iii) Planning is prescriptive whereas controlling is evaluative because planning prescribes an appropriate course of action while controlling evaluative whether decisions have been translated into desired action.

(iv) Planning and controlling both are forward looking because plans are prepared for the future while controlling seeks to improve the future on the basis of past experience.

(v) Planning and controlling are both looking back because planning is guided by past experiences while controlling compare actual

performance with the standards set in the past.

25. Explain any four points which highlight the importance of principles of management. [6]

Answer: Importance of principles of management are :

(a) Providing managers with useful insights into reality: The principles of management provide the managers with useful insights into real world situations. Adherence to these principles will add to their knowledge, ability and understanding of managerial situations and circumstances. It will also enable managers to learn from past mistakes and conserve time by solving recurring problems quickly. As such management principles increase managerial efficiency.

(b) Optimum utilisation of resources : Human and material both resources available with the company are limited. They have to be put to optimum use.

By optimum use we mean that resources should be put to use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause and effect relationships of their decisions and actions.

Through managerial principles, establishing objectives, policies become easier which helps effective administration.

(c) Meeting changing environment requirements : In order to survive and grow, it is compulsory for an organisation to continuously adapt itself as per changing business environment. Management principles train the managers to adopt the changes in technology in right direction.

(d) Fulfilling social responsibility : Management theory and management principles have also evolved in response to the increased social responsibility.

Business has its own responsibility not only towards the shareholders but also towards workers, customers, society and the government. Management has to discharge all these responsibilities.

Business Studies 2016 (Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. "Management is the process of getting thing done." State the meaning of the term 'process' used in this statement. [1]

Answer : Process in this statement refers to the series of functions or activities that management performs to get things done. These functions include Planning, Organizing, Staffing, Directing and Controlling.

2. Give the meaning of 'authority' as an element of delegation. [1]

Answer : Authority refers to the right of an individual to command his/her subordinates and to take action within the scope of his position.

3. Name the type of 'organisational structure' which promotes efficiency in utilization of manpower. [1]

Answer : Functional Structure is the type of organisational structure, which promotes efficiency in utilization of manpower.

5. The size of assets, the profitability and competitiveness are affected by one of the financial decisions. Name and state the decision. [1]

Answer : The size of assets, profitability and competitiveness are all affected by capital budgeting decision or investment decision.

Investment decision refers to how the firms find are invested in different assets so as to earn the highest possible return to the investor.

6. Radhika and Vani who are young fashion designers left their job with a famous fashion designer chain to set-up a company 'Fashionate Pvt. Ltd.' They decided to run a boutique during the day and coaching classes for entrance examination of National Institute of Fashion Designing in the evening. For the coaching centre they hired the first floor of a nearby building. Their major expense was money spent on photocopying of notes for their students. They thought of buying a photocopier knowing fully that their scale of operations was not sufficient to make full use of the photocopier.

In the basement of the building of 'Fashionate Pvt. Ltd.' Praveen and Ramesh were carrying on a printing and stationery business in the name of 'Neo Prints Pvt. Ltd.' Radhika approached

Praveen with the proposal to buy a photocopier jointly which could be used by both of them without making separate investment. Praveen agreed to this.

Identify the factor affecting fixed capital requirements of 'Fashionate Pvt. Ltd.' [1]

Answer : The factor affecting the fixed capital requirements of 'Fashionate Pvt. Ltd.' is level of collaboration. At times, business organisations undergo collaboration with each other and jointly establish certain facilities, and hence reduces the individual organisation's requirement for fixed capital.

7. Name the marketing function which is concerned with informing the customers about the firm's products. [1]

Answer : Promotion is the marketing function that is concerned with informing the customers about the firm's products.

8. Manuj bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complained about it to the company. The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available.

State the consumer right which Manuj exercised. [1]

Answer : Manuj exercised – Right to be informed. In this case, Manuj could not see the ingredients used in the chips as they were not legible. Since, a consumer has the right to be completely informed regarding the quality, quantity, price, ingredients, weight, etc. of goods and services, so he exercised this right.

9. Explain any three features of 'planning.' [3]

Answer : Features of planning are :

(a) **Planning is pervasive :** The very first function of every organisation is planning as it is required at all levels of management as well as in all departments of the organisation.

(b) **Planning involves decision-making :** In planning we choose the best alternative among various alternative courses of action. It involves examination and evaluation of each alternative and choosing the most appropriate one.

(c) **Planning is a mental exercise :** Planning requires application of mind and sound judgement. It is an intellectual activity of thinking

rather than doing work because planning determines the actions to be taken.

13. State any three functions performed by non-governmental organisations for consumer protection. [3]

Answer : The functions performed by Non-governmental Organisations (NGOs) for consumer protection are :

(a) **Consumer education :** The NGOs and consumer organisations organize various training programmes and workshops to educate the consumers about their rights and responsibilities.

(b) **Publishing journal :** In addition to the training programmes and seminars they also spread awareness through journals. These journals provide knowledge about various consumer problems, legal remedies available and other such matters.

(c) **Testing quality of the products :** They carry out the quality test for various products in laboratories and publish the results. Such results help the consumers in making choices.

14. Explain any four points of importance of management. [4]

Answer : Importance of management are :

(a) **Management helps in achieving group goals :** Management helps in achieving the goals of the organisation by assembling and organizing the necessary resources and building the proper organisation structure, which acts as a vehicle to reach the desired result.

(b) **Aim at increasing efficiency :** Management increase efficiency by reducing cost and increasing productivity through better planning, organizing, directing and controlling the activities of organisation.

(c) **Create dynamic organisation :** In order to be successful, an organisation must change itself and its goals according to the needs of

environment. Management helps employees to adapt changes so that the organisation is able to maintain its competitive edge.

(d) **Help in development of society :** Management helps the society to develop through providing good quality of products at reasonable rate, increasing employment opportunities, adopting new technology and leading the path towards growth and development.

15. A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organized by Directorate of Education. He was awarded first prize for his invention.

Identify and explain the dimensions of business environment discussed in the above case. [4]

Answer : The dimensions of business environment as discussed in above case are :

(i) **Economic environment :** "A recent cut in the interest on loans announced by the bank". Economic environment comprises of the economic variables such as interest rates, income, stock markets indices, etc. that affect the functioning of the enterprise. For example, an increase in the income of the consumers increases the demand for goods and services of the enterprises. Similarly, a fall in the interest rates of the loans for consumer durables increases the spending capacity and thereby increases the demand for such products.

(ii) **Technological environment :** "Develop cars to be powered by fuel produced from garbage".

Technological environment comprises the technological changes and improvements. Continuous innovations and improvements in the technology used in the production improves the quality of production. While on one hand, improvement in technology provides new business opportunities for the enterprises, on the other hand, it is a threat for the enterprises using obsolete technology.

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Business Studies 2016 (Delhi)**Set II****Time allowed : 3 hours****Maximum marks : 80****Note : Except for the following questions, all the remaining questions have been asked in previous set.**

7. Give the meaning of 'responsibility' as an element of delegation. [1]

Answer : Responsibility is the obligation of a subordinate to properly perform his/her duty assigned by his/her superior. It arises from a superior-subordinate relationship. The subordinate will always be responsible to his/her superior, so responsibility flows upward.

8. State the role of 'speed boss' in functional foremanship.

Answer : Speed Boss in functional foremanship ensures timely and accurate completion of job and if there is a delay in completion of work then, he finds out the solution to overcome delay.

25. Explain any four characteristics of management. [6]

Answer : Characteristics of management are :

(a) **Management is all pervasive :** Management

activities are performed in all type of organisations, in all departments and at all levels.

Management is required for all organisations- big or small, profit making or non profit making, service providing or manufacturing, etc.

(b) **Management is a goal-oriented process :** Management is a goal oriented activity. It tries to achieve economic, social and human objectives by proper utilization of resources.

(c) **Management is a continuous process :** Management consists of a series of functions- planning, organizing, staffing, directing and controlling which are simultaneously and continuously performed by all the managers.

(d) **Management is a group activity :** Management guides people on how to do the work. It influences the behaviour of all the employees in such a way that the ultimate goals of the organisation can be achieved effectively and efficiently and at the same time, it facilitates the employees to develop and grow.

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Business Studies 2016 (Delhi)**Set III****Time allowed : 3 hours****Maximum marks : 80****Note : Except for the following questions, all the remaining questions have been asked in previous sets.**

7. Give the meaning of 'accountability' as an

element of delegation. [1]

Answer : Accountability as an element of delegation means the answerability for the final outcome of the assigned task.

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Business Studies 2017 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. Give the meaning of 'Supervision' as an element of directing. [1]

Answer : Supervision means overseeing the subordinates to ensure that they perform assigned jobs as per the instructions or order issued to them.

2. Differentiate between 'Formal' and 'Informal' organisation on the basis of 'flow of communication'. [1]

Answer :

Basis	Formal organisation	Informal organisation
Flow of communication.	In this, communication takes place according to organisation hierarchy. It follows principle of scalar chain and chain of command.	There is no fixed direction for flow of communication. It flows in all direction.

3. Why is 'Aptitude Test' conducted in the process of selection ? [1]

Answer : This test is conducted during selection procedure to test the capacity of the applicant to learn the skills required for a job.

4. Bhagwati Enterprises is a company engaged in the marketing of air-conditioners of a famous brand. The company has a functional structure with four main functions—Purchase, Sales, Finance and Staffing. As the demand for the product grow, the company decided to recruit more employees. [1]

Identify the concept which will help the Human Resource Manager to find out the number and type of personnel available so that he could decide and recruit the required number of person for each department.

Answer : Workforce analysis. It is used by the human resource manager to find out the actual number of persons required in each department.

5. Isha Machines was a renowned name for quality sewing machines since 1960. Mr. Suresh, the owner of Isha Machines, was worried as the production had declined during the last three months. The Production Manager ordered the different supervisors to prepare a performance report of the workers working under them.

Identify the step taken by the Production

Manager that is related to one of the functions of management. [1]

Answer : Measurement of actual performance is the step which is taken by the production manager that is related to the controlling function of management.

6. What is meant by 'Capital Structure' ? [1]

Answer : Capital structure is also known as capital mix or capital composition in a company. It means the proportion in which debt and equity funds are used for financing the operations of business.

7. Sika Ltd. a reputed industrial machines manufacturer, needs Rupees twenty crores as additional capital to expand the business. Mr. Amit Joshi, the Chief Executive Officer (CEO) of the company wants to raise funds through equity. The Finance Manager, Mr. Narinder Singh, suggested that the shares may be sold to investing public through intermediaries, as the same will be less expensive.

Name the method through which the company decided to raise additional capital. [1]

Answer : The method through which the company decided to raise additional capital is called as Offer for sales.

8. Mansi took her niece, Ridhima, for shopping to 'Mega Stores' to buy her a bag for her birthday. She was delighted when on payment of the bag she got a pencil box along with the bag free of cost.

Identify the technique of sales promotion used by the company. [1]

Answer : The technique of sales promotion used by company is called as product combination.

9. Explain briefly 'Unity of Direction' and 'Order' as principles of general management. [3]

Answer :

(a) **Unity of Direction**— It states that all the units of an organisation should be moving towards the same objectives through coordinated and focussed effort. Each group of activities having the same objective must have one head one plan.

Positive impact :

(i) Achievement of organisational goal.

(ii) Efforts of all personnel get unified towards one direction.

Order : According to this principle, people and material must be in suitable place at appropriate time for achieving maximum efficiency.

Positive impact :

- (i) Better utilisation of resources.
- (ii) Saving of time.
- (iii) Systematic working in organisation.

10. State any three features of planning. [3]

Answer : "Planning is deciding in advance what to do, how to do, when to do, and who is to do etc. Planning bridges the gap from where we are and where we want to go. It makes it possible for things to happen".

—Konntz & O'donnell.

On the basis of above definition, following are the features of planning :

- (i) **Primary function of management :** Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without planning because planning set the objectives and other functions depend on these objectives.
- (ii) **Mental exercise :** It is a mental exercise as it is an intellectual activity of thinking rather than doing which requires application of mind involving foresight, intelligent imagination and sound judgement.
- (iii) **Planning is futuristic :** Planning is always done for future, not for past. All managers try to predict/forecast future performance with the help of past performances. So that they can scan the general environment and accordingly set their objectives.

11. Explain briefly any three semantic barriers to communication. [3]

Answer : Semantic barriers to communication: Semantic barriers occur due to different interpretations by individuals. The choice of a wrong word or a word having dual meaning, lack of clarity etc. can change the meaning of message. The possible reasons are:

- (i) Badly expressed message
- (ii) Words/symbols with different meaning
- (iii) Faulty translation
- (iv) Unclarified assumptions
- (v) Technical jargon etc.

(i)Badly expressed message : If the manager is not able to communicate his/her message clearly to their subordinates because of use of wrong words, inadequate vocabulary, it will hamper effective communication.

(ii) Unclarified assumption : Some messages are based on assumption, if manager does not make his/her assumption clear, the receiver

may misunderstand the message.

(iii) Technical Jargon : The workers sometimes not able to understand the technical words used by manager during communication. This will lead to faulty translation.

12. Ramnath Ltd. is dealing in import of organic food items in bulk. The company sells the items in smaller quantities in attractive packages. Performance of the company has been up to the expectations in the past. Keeping up with the latest packaging technology, the company decided to upgrade its machinery. For this, the Finance Manager of the company, Mr. Vikrant Dhull, estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis.

Therefore, Mr. Vikrant Dhull began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources. For the remaining funds he is trying to find out alternative sources.

Identify the financial concept discussed in the above paragraph. Also, state any two points of importance of the financial concept, so identified.

[3]

Answer : Financial planning : It is the process of estimating the fund requirement of a business and specifying the sources of such fund.

Importance of financial planning :

- (i) It ensures smooth running of a business enterprise by ensuring availability of funds at the right time.
- (ii) It helps in anticipating future requirement of the funds and avoid barriers, shocks and surprises.
- (iii) It increases the efficiency in the operations by clubbing wastages of funds, duplication of efforts and gaps in planning.

13. Hemant, Guddu and Toshita were friends from college days and presently they were doing different kinds of business. They regularly meet and discuss their business ideas, and exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques, social concerns etc.

In one of such meetings, Hemant drew the attention of Guddu and Toshita towards the exploitation of consumers. He told that most of the sellers were exploiting the consumers

in various ways and were not paying attention towards the social, ethical and ecological aspects of marketing, whereas he was not doing so. Guddu told that they were under pressure to satisfy the consumers but stated that the consumers would not buy or not buy enough unless they were adequately convinced and motivated for the same.

Toshita stressed that a company cannot achieve its objectives without satisfying the needs of the customers. It was the duty of the businessmen to keep consumer satisfaction in mind, because business is run by the resources made available by the society. She further stated that she herself was taking into consideration the needs of the customers.

Identify the various types of thinking that guided Hemant, Guddu and Toshita in the marketing efforts of their business. Also, state one more feature each of the various types of thinking identified that is not given in the above para. [3]

Answer : The various types of thinking that guided Hemant, Guddu and Toshita in the marketing are :

Hemant

Societal marketing concept

- (i) It takes care of long term well being of the consumers as well as the society.
- (ii) In this concept, organisation earn profit through customer satisfaction and social welfare.

Guddu

Selling concept

- (i) As per this concept, marketing aims at influencing the customers to buy what a firm has to offer.
- (ii) In this, aggressive selling and promotional technique are used to influence the customers.
- (iii) In this main focus is on increasing sales volume.

Toshita

Marketing concept

- (i) It involves development of products for satisfying needs of the target market better than the competitors.
- (ii) The marketing efforts starts from the identification of needs of target markets.

14. Rishitosh Mukerjee has recently joined AMV Ltd., A company manufacturing refrigerators. He found that his department was under-staffed and other departments were not cooperating

with his department for smooth functioning of the organisation. Therefore, he ensured that his department has the required number of employees and its cooperation with other departments is improved.

- (a) Identify the level at which Rishitosh Mukerjee was working.
- (b) Also, state three more functions required to be performed by Rishitosh Mukerjee at this level. [4]

Answer : (a) Rishitosh Mukerjee was working at middle level of management.

(b) The functions performed at middle level of management are :

- (i) To interpret the policies framed by the top management.
- (ii) To motivate the employee of their respective department to achieve the desired objective.
- (iii) To cooperate with other department for smooth functioning of the organisation.

15. Sanket, after completing his entrepreneurship course from U.S.A. returned to India and started a coffee shop 'Tioma Coffee' in a famous mall in Mumbai. The speciality of the coffee shop was the special aroma of coffee and wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular, Sanket was keen to find out the reason. He appointed Riya, an MBA from a reputed management institute as a manager to find out the causes of the business not doing well.

Riya, took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions, which could be eliminated. She fixed a standard time for processing the order.

She also realised that there were many flavours whose demand was not enough. So, she also decided to discontinue the sale of such flavours. As a result, with in a short period Riya was able to attract the customers.

Identify and explain any two techniques of scientific management used by Riya to solve the problem. [4]

Answer : Techniques of scientific management used by Riya in above case are :

- (i) **Motion study :** The objective of Motion study are :
 - (a) To determine the movements of workers

when they are performing the job.

- (b) To differentiate between productive and unproductive movements.
- (c) To cut down unproductive and wasteful movements.
- (d) To design suitable equipment and tools to minimize the unproductive movement of workers.

(ii) **Time study** : The objectives of time study are:

- (a) To determine the time required to perform a job.
- (b) Setting up the standard targets for worker.
- (c) Determine the number of workers required to perform the job.
- (d) Categorizing the worker in efficient and inefficient categories.

16. Give the meaning of 'Strategy' and 'Rule' as types of plans. [4]

Answer : Strategy : It is a comprehensive plan for accomplishing an organisational objective. It is influenced by business environment. It directs future decisions making and scope in long run.

Rule : A rule is a statement that specifies what is to be done. It is a code of conduct governing human behaviour. It is used to maintain discipline and command in the organisation.

17. Explain briefly 'Casual Callers' and 'Labour Contractors' as external sources of recruitment. [4]

Answer : Casual Callers : It is an external source of recruitment. Generally the large business organisation maintain an application file in which they keep all the pending application which the job seekers leave with the reception, sometimes the application of suitable candidate who were not selected in previous years selection process are also kept in application file.

This application file is considered as a waiting list.

Whenever there is a job vacancy the suitable candidates from the waiting list are called for the selection process.

Labour contractor : It is also external source of recruitment. In this, organisation tells its requirement of labour to contractors. Contractors maintain close contact with labours and they provide the required number of unskilled workers at short notice, the contractor charge commission for this work.

18. These days, the development of a country is also judged by its system of transferring

finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which unsecured and short term debt instruments are actively traded everyday. These markets together help the savers and investors in directing the available funds into their most productive investment opportunity.

- (a) Name the function being performed by the market in the above case.
- (b) Name the market segment other than the capital market segment in which unsecured and short-term debt instruments are traded. Also, give any three points of difference between the two. [4]

Answer : (a) The above case study is related to Financial Market.

The function of financial market highlighted in above case is mobilization of savings and channelising them into the most productive use.

(b) The market segment other than the capital market segment is Money Market.

Difference between capital market and money market

Basis	Money Market	Capital Market
(i) Participation	The participants are financial institution, bank, public and private companies. Individual and foreign investors are not allowed.	The participants are financial institutions bank, public and private company, individuals foreign investors etc.
(ii) Duration	Short term, maximum duration is 1 year.	Medium and long term securities (more than 1 year).
(iii) Instruments	Treasury bill, trade bill certificate of deposits, commercial paper etc.	Equity share, debenture, bonds and other innovative securities.

19. Avdhesh is the Managing Director of Delta Ltd. The company had established a good name for itself and had been doing well. It was known for timely completion of orders. The Production Manager, Ms. Priyanka was efficiently handing the processing of orders and had a team of ten motivated employees working under her.

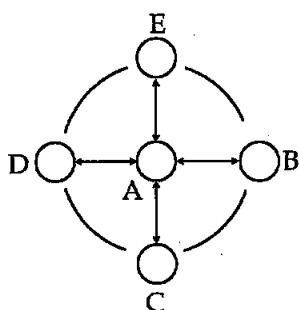
Everything was going well. Unfortunately, Priyanka met with an accident.

Avdhesh knew that in the absence of Priyanka, the company may not be able to meet the deadline. He also knew that not meeting the deadlines may lead to customer dissatisfaction with the risk of loss of business and goodwill. So, he had a meeting with his employees in which accurate and speedy processing of orders was planned. Everybody agreed to work as a team because the behaviour of Avdhesh was positive towards the employees of the organisation. Everyone put in extra time and efforts and the targets were met on time.

Not only this, Avdhesh visited Priyanka and advised her to take adequate rest.

- Identify the leadership style of Avdhesh and draw a diagram depicting the style.
- Also identify any two values highlighted by the behaviour of Avdhesh.** [4]

Answer : Leadership style : Participative/ Democratic.



A participative leader is one who takes decisions only after consulting with group members.

In the above diagram, A is the leader and B, C, D and E are the subordinates.

- Nandrachal Networks and Technologies Ltd, is a leader in technology innovation in U.S.A., creating products and solutions for a connected world. It has a large Research and Development team which invented the first smart watch W-I, which besides showing the time would also monitor few health parameters like heart beat, blood pressure, etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of the fact that licensing requirements had been abolished. The company was also aware that there had been increased level of interaction and interdependence among the various nations of the world and India could be made a base

for its international trade. It set up its office in Gujarat with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefitting the customers.

- In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain those concepts.
- Also, explain briefly any three impacts of those concepts on Indian business and industry. [5]

Answer : (a) Two major concepts related to government policy are :

(i) **Liberalisation** : It is a reform, which was introduced to remove unnecessary control and restrictions in the form of license, penalties or quota.

(ii) **Globalisation** : It is an economic reform which was introduced to integrate the various economies of the world into a world economy. It involves increased level of interaction and interdependence amongst various nations of the global economy.

(b) **Impact of these concepts on Indian business and industries :**

(i) **Increasing competition** : Increase in number of Indian firms and entry of foreign companies increased competition especially in service sector.

(ii) **More demanding consumers** : Increase in number of firms gave consumers wider choice of product leading to rise in expectations and demand.

(iii) **Rapidly changing technological environment** : Fast changing technology required companies to install latest machinery, adopt latest techniques of production leading to increase in investment in the business.

- State any five points that highlight the importance of controlling. [5]

Answer : **Controlling** : Controlling as a function of management refers to the process of comparing actual performance with the planned performance to ensure that all activities are done according to standards.

An effective controlling system helps an organisation in following ways :

- Accomplishment of organisational goal :

** Answer is not given due to change in present syllabus

Controlling measures the progress of the activities and ensure that each activity is directed towards achievement of organisational goals.

- (2) **Judging accuracy of standards** : A good controlling reviews and verifies the accuracy and objectives of standards set at the planning stage.
- (3) **Making efficient use of resources** : Controlling ensures efficient utilization of resources and reducing the scope of wastage and spoilage.
- (4) **Improving employees motivation** : Controlling helps the employees to achieve the predeterminal standards and motivate to achieve their potential.
- (5) **Ensuring order and discipline** : Controlling ensures that no undesirable activities take place in the organisation and there is an atmosphere of order and discipline.
- (6) **Facilitate co-ordination in action** : Controlling ensures that all activities and efforts of each individual are coordinated with each other to accomplish the common objective.

22. 'RO Youth Club' organised a visit of its members to an Old Age Home to inculcate the habit of social work among them. The visit revealed that the living conditions of the inmates of the Old Age Home were not hygienic. So, the RO Youth Club members decided to clean the premises. During their cleanliness drive, they realised that the Old Age Home also required pest control. But some of the inmates of the Old Age Home were reluctant for it because they believed that the pest control may create health problems for them. RO Youth Club, therefore, decided to provide ethical, safe and odourless pest control. They showed to the inmates of the Old Age Home a pamphlet of the proposed pest control product which promised easy, inexpensive and long-lasting pest control. The inmates happily agreed and the pest control was carried out. The effect of the pest control started wearing off after a fortnight. RO Youth Club contacted the pest control company which kept on postponing their visit. After waiting for a month, RO Youth Club filed a case in the consumer court.

The consumer court was satisfied about the genuineness of the complaint and issued necessary directions to the pest control company.

- (a) State any six directions that might have been issued by the court.
- (b) Identify any two values that are being

communicated by RO Youth Club to the society.** [5]

Answer : (a) Directions issued by court on the complaint filed by RO Youth Club are :

- (i) To remove the defect in goods or deficiency in service.
- (ii) To replace the defective product with a new one, free from any defect.
- (iii) To refund the price paid for the product or the charges paid for the service.
- (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- (v) To discontinue the unfair/restrictive trade practice and not to repeat in future.
- (vi) To issue corrective advertisement to neutralise the effect of a misleading advertisement.
- (vii) To pay adequate cost to the aggrieved party.

23. Anoop Gaur started 'Cats Eye', a company for providing cyber security solutions to businesses. Its objective is to prevent, detect respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day.

He was delighted when he was offered a big project by the Ministry of Science and Technology. While working on the project he found that the volume of work made it impractical for him to handle all the work by himself. Therefore, he decided to expand the team. The company maintained a close liaison with an engineering college in the State. During a campus placement, Aarav and Pranshi were appointed to work for the new project.

He found the new employees were capable, enthusiastic and trustworthy. Anoop Gaur was thus, able to focus on the objectives and with the help of Aarav and Pranshi, the project was completed on time. Not only this, Anoop Gaur was also able to extend his area of operations. On the other hand, Aarav and Pranshi also got opportunities to develop and exercise initiative.

- (a) Identify and explain briefly the concept used by Anoop Gaur in the above case which helped him in focusing on the objectives.

** Answer is not given due to change in present syllabus

(b) Also, explain any four points of importance of the concept identified in part (a). [6]

Answer : (a) **Delegation :** Delegation refers to the downward transfer of authority from a superior to a subordinate to enable subordinates to perform their responsibilities effectively.

It must be noted that in delegation manager shares his responsibility but at the end, it is the manager's responsibility and accountability for the performance of assigned task.

(b) Importance of Delegation :

(1) Effective management : Delegation of authority means sharing responsibilities with subordinates. This gives managers the freedom from doing routine jobs and the opportunities to focus on core issue. This helps management to use managerial skills effectively.

(2) Employee development : Delegation increases the employee's morale and provides them opportunities to use their potential, develop skills and the ability to handle complex tasks. This not only strengthens the employees' career but also prepares them as future leaders and decision-makers.

(3) Motivation of employees : Delegation of responsibility by superior to subordinate indicates superiors' confidence and trust in subordinates. This increases confidence and motivates employees to prove themselves.

(4) Facilitation of growth : Delegation helps in training of workers in-house. By delegation, workers are ready to work in newly set up branches and easily adopt the changing environment.

(5) Better coordination : Predefined powers, duties and answerability of each position in the organization bring clarity and avoid duplication of efforts leading to effective coordination.

Conclusion : From above it is clear that delegation plays a vital role in effective organizing.

24. Explain briefly any four factors that affect the Working Capital requirements of a company. [6]

Answer : Working capital or circulating capital is that part of total capital, which is required to meet day to day expenses, to purchase raw material, to pay wages and other expenses of routine nature in production process.

It includes stock, debtor, cash, bank balance, tools, receivables, short term investment, etc. The factors determining the working capital needs of an enterprise are as follows :

(1) Nature of business :

- (i) Trading organizations require lower amounts of working capital.
- (ii) Manufacturing organization requires large amounts of working capital.

(iii) Service enterprises require lower amounts of working capital.

(2) Scale of operations : Organizations operating at large scale would require large amounts of working capital as compared to organizations operating at lower scale.

(3) Business cycle : During boom period, scale and production tend to be high and therefore higher amounts of working capital are required. On the other hand, during depression, working capital requirement is less because sales and production are slow.

(4) Production cycle : Business organizations having longer production cycles will require more working capital as their money gets locked in production processes for a longer period.

(5) Credit allowed : If business organization allows long credit periods to debtors, working capital requirement is large. However, business organizations deal with cash, so do not require large amounts of working capital.

(6) Credit availed : The working capital requirement needs will be low if raw material and supplies are available on credit to a firm.

The other factors are :

Seasonal factor, availability of raw material, growth prospects, inflation, etc.

25. Medi Instruments Ltd., is a company dealing in the distribution of medical instruments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones.

In the meeting, Sanjay, the North Zone Marketing Head, suggested that since the machines were sophisticated, they need to visit hospitals personally to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same. Hitesh, another Zonal Head, added that since lots of money had been spent on the import of the machines, the company was short of funds to pay the additional staff, as suggested by Sanjay.

Revansh, a newly appointed Zonal Head of the South Zone, suggested that since the size of the order was not large, a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.

(a) Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.

(b) Also explain briefly the other considerations to be taken care of in each factor identified in

part (a).

[6]

Answer : (a) In the meeting of Medi Instruments Ltd., regarding marketing strategies. Following factors that affect choice of channels of distribution are discussed below :

- (1) Product related factors.
- (2) Company related factors.
- (3) Market related factors.

(b) Other consideration to be taken care of, in each of the factors identified above are :

(1) **Product related factor : Nature of the product :** Customised product require direct marketing as they involve interaction between

buyer and seller where as standardised product are sold through a number of intermediaries.

(2) **Company related factors : Financial health :** If the firm has enough fund, it may go for direct selling as it involves huge investment on opening its own retail shops and engaging work force. If the firm has shortage of funds it may think for intermediaries.

(3) **Market related factors : Nature of Market:** For consumer goods, the channels of distribution are mostly indirect, whereas for industrial goods direct channels are preferred.

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Business Studies 2017 (Outside Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous set.

9. Explain briefly 'Initiative' and 'Esprit de Corps' as principles of general management. [3]

Answer : Initiative : Initiative refers to taking the first step with self motivation. Every employee in an organisation must be given an opportunity so that he can prove his ability and skills. Ideas and suggestions given by an employee must be welcomed by managers before making plans.

Positive impact : (i) Develop feelings of belongingness in employees.

(ii) Employees achieve the targets efficiently, if they are set up with their consultation.

(b) **Esprit De Corps :** Manager must encourage and develop team spirit, unity and harmony among all employees. A manager should replace "I" with "We" in his conversation with employees. This will bring coordination and cooperation in organisation and organisation goals can be achieved efficiently.

Positive impact : (i) Develops team spirit,

(ii) Achievement of group goals

10. State any three points of importance of planning. [3]

Answer : Planning is determination of organisational objectives and selection of best course of action for their attainment. It is the primary function of management that provides guidelines for achieving organisational goal.

The importance of planning are :

(i) **Planning reduces the risk of uncertainty:** Planning helps the managers to look into

the future, anticipate changes and plan accordingly and reducing the risks due to uncertainty.

(ii) **Planning promotes innovative ideas :**

Thinking in advance gives managers the opportunities to discover new and better ideas and effective methods of performing an activity.

(iii) **Planning facilitates decision making :** The selection of best course of action after the evaluation of various alternatives, facilitates rational decision making.

11. Explain briefly any three organisational barriers to communication. [3]

Answer : Few organisational barriers to communication are :

(i) **Technical Jargon :** People who belong to a certain technical group have their own technical language, which cannot be understood by everybody, technical language could be a barrier in effective communication, so managers should use simple language while communicating with employees.

(ii) **Lack of Attention :** Sometimes it may happen that the receiver is not paying full attention to the sender or he may be distracted by something, so psychological hurdle may arise in the communication.

(iii) **Faulty Translations :** Managers are the link between the superiors and the subordinates, they transfer the orders of the superiors to the lower level, so he should translate the messages given by superiors in such a way that it could be easily understood by the subordinates.

(iv) **Semantic Barriers** : When the managers are explaining something to their subordinates, there are chances that they may make certain gestures or expressions of which receiver may get a wrong meaning of, this happens because the messages are not sent in the simple understandable language.

16. Give the meaning of 'Policy' and 'Budget' as types of plans. [4]

Answer :

Policy :

- Policies are the general statements which defines broad parameters within which a manager may function.
- Policies bring uniformity in decision making for the achievement of organisational goals.
- Policies are formulated for all levels and departments in the organisation.

Budget :

- It is a statement which forecasts the expected results of a specific task to be performed in the future period.
- Provides quantitative results based on future facts and figures.
- The possible results expressed in numerical terms facilitates the comparison of actual results with expected results and then takes corrective actions subsequently.

22. Describe briefly the steps in the process of controlling. [5]

Answer : Controlling as a function of management refers to the process of comparing actual performance with the planned performance to ensure that all activities are up to the standards.

The steps in the process of controlling are :

- Setting performance standards** : It sets quantitative and qualitative standards of performance as the criteria for controlling. The standards must be flexible, so that they can be modified to incorporate changes in the internal and external business environment.
- Measurement of actual performance** : In this step the actual performance is measured in the same units in which the standards are set. Small organisations measures the performance of every task performed but large scale organisations measures the performance by conducting sample testing.
- Comparing actual performance with standards** : In this step the actual performance is compared with the standard performance to check if there are any deviations between actual performance and desired results.

(iv) **Analyzing deviations** : In this step the causes of deviations in the actual performance are analyzed by using critical point control method or management by exception method.

(v) **Taking corrective action** : In this step the corrective and preventive actions are taken for the deviations which are beyond permissible limits, so that such deviations do not occur again and standards are accomplished effectively.

25. Explain briefly any four factors that affect the fixed capital requirements of a company. [6]

Answer : **Fixed Capital** : It involves allocation of firm's capital in long terms assets. Managing fixed capital is related to investment decision and it is also known as capital budgeting decision. Fixed capital budgeting includes purchase of land, building, plant and machinery, change of technology, expenditure on advertisement campaign, research and development, etc. The requirement of fixed capital depends on various factors such as :

- Scale of operations** : The companies which are operating at large scale require more fixed capital. For instance, if an organisation operates on a relatively large scale, then its requirement of fixed capital like plants, land or building increases. This is because such firms would need to maintain high stock of inventory for their large scale operations but if an organisation is working on a smaller scale, then the requirement of fixed capital will be less so, it depends upon scale of operation.
- Choice of technique** : There are generally two types of techniques that a company can choose for; capital intensive or labour intensive. The choice of these techniques differs from company to company. A company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machinery rather than in manual labour. In contrast to this, a company following labour intensive techniques would require a relatively lower amount of fixed capital.
- Technology upgradation** : Technology plays an important role in the fixed capital requirement of a company. This is because it continuously changes or becomes **obsolete** over time. Thus, the companies that work with machinery or with equipment that

become obsolete faster require a high amount of investment in fixed capital. For instance, equipment such as computers become obsolete much faster, than other assets like furniture and require regular upgradation. In such cases, a higher amount of fixed capital is required.

(iv) Financing alternatives : If leasing facilities are easily available in the financial market, it would provide an easy alternative for

the outright purchase of the fixed assets. That is, the businesses can easily obtain the assets on lease and use them, instead of purchasing them. In this way, the need to invest a huge sum in fixed assets reduces considerably; thereby, reducing the fixed capital requirements.

Thus we can say that requirement of fixed capital depends upon many factors.

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Business Studies 2017 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

11. Explain briefly 'Remuneration of Employees' and 'Scalar Chain' as principles of general management. [3]

Answer : (a) **Remuneration of Employees :** Remuneration refers to the salaries and wages which are paid to the employees, so that they can work efficiently and effectively. It also helps in motivating the employees.

Remuneration of employees should be just and equitable so as to give maximum satisfaction to both employees and employers.

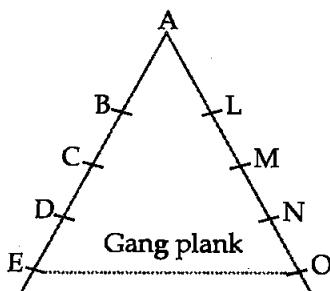
The employees should be paid fair wages/ salaries, which would give them at least reasonable standard of living.

At the same time, it should be within the paying capacity of the company.

This will ensure good relations between workers and management.

(b) **Scalar Chain :** It refers to chain of authority and communication that runs from top to bottom and should be followed by the managers and the subordinates.

The concept of scalar chain can be easily understood with the help of the following diagram :



In the given diagram under A there are two lines of authority one is B-C-D-E and another is L-M-N-O. If 'O' want to communicate with E, he has to follow the chain i. e. O-N-M-L-A-B-C-D-E. However, in case of emergency O can directly contact with E through gang plank.

12. State any three limitations of planning. [3]

Answer : **Planning :** Planning is deciding in advance what to do and how to do. It is one of the basic functions of management.

Though planning is an important tool of management, yet it is not a solution to all the problems.

Planning may fail due to its limitations such as :

(i) **Planning leads to rigidity :** A plan is drawn with specific goals to be achieved within a specific time period. Once a well defined plan is drawn manager may not be able to change it. They do not have flexibility to be able to cope with the changed circumstances.

(ii) **Planning is a time-consuming process :** Sometimes plans to be drawn up takes so much of time that there is not much time left for their implementation.

(iii) **Planning reduces creativity :** Planning is done by the top management. Middle and lower management are neither allowed to deviate from plans nor they are permitted to act on their own. They only carry out orders. This hampers the initiative or creativity of the subordinates.

13. Explain briefly any three personal barriers to communication. [3]

Answer : **Personal barriers to effective communication :**

There barriers are related to the personal factors of both the sender and receiver of communication.

- (i) **Fear of challenge of authority** : If a superior perceives that a particular communication may adversely affect his/her authority, he/she may withhold such communication.
- (ii) **Lack of confidence of superior on his subordinate** : If a superior does not have confidence on the competency of his/her subordinate, he/she may not seek his advice or opinion.
- (iii) **Lack of proper incentive** : If there is no motivation or incentive for communication, subordinates may not take initiative to communicate with their superiors.

14. Give the meaning of 'Objectives' and 'Procedure' as types of plans. [4]

Answer : Objectives : Objective are the end point which are numerically expressed, that the management seeks to achieve within a given time period. These are set by top management and focus on broad general issues. They serve as a guide for overall business planning.

Example : increase sale by 10%, by the end of July 2017

Procedures : It consist of sequence of routine stress performed in a chronological order to carry out activities within a broad policy framework. It details the exact manner in which any work is to be performed.

For example- selection procedures of employee.

22. Explain briefly the relationship between controlling and planning. [5]

Answer : (i) Controlling takes place on the basis of standards developed by planning because if the standards are not set in advance then managers have nothing to control.

(ii) Planning without controlling is meaning less because once a plan becomes operational, controlling ensures that events confirm to the plans.

(iii) Controlling directs the course of planning. Controlling spots the areas where planning is required.

(iv) Planning and controlling both are forward looking because while plans are prepared for the future, controlling seeks to improve the future on the basis of past experiences.

(v) Planning and controlling are inter-related.

Planning is the initial step and controlling is the last but is required at every step. Hence, both are dependent upon each other.

23. Explain briefly any four factors that affect the choice of capital structure of a company. [6]

Answer : Capital structure : Capital structure means the proportion of debt and equity used for financing the operations of a business. It can be calculated as debt-equity ratio.

Factors affecting capital structure :

- (i) **Cost of debt** : When a company is able to arrange borrowed fund at lower rates of interest, it will prefer more of debt as compared to equity.
- (ii) **Risk consideration** : Financial risk refers to that position when a company is unable to meet its financial requirement. Debt is cheaper but is more risky because interest on debt has to be paid even if company is suffering loss. So, if there is high risk in the business, then company should depend on its equity.
- (iii) **Return on Investment (ROI)** : When ROI of a company is greater than rate of interest on debt, it can use more debt to increase the profit earned by shareholders. This is called trading on equity.
- (iv) **Stock market condition** : If the stock market are bullish, equity share can be easily issued even at higher price. However, during a bear phase a company may find it difficult to raise equity capital and hence it may opt for debt.
- (v) **Flotation cost** : It refers to the cost of raising the funds such as broker's commission, underwriting commission, etc. Higher the flotation cost involved in raising funds from a particular source, lower is the proportion in the capital structure.
- (vi) **Debt-Service Coverage Ratio (DSCR)** : This ratio states the cash payment obligations as against the availability of cash. It is calculated as :

Annual net profit + Depreciation +
existing interest expenses +

non-cash or discretionary items

Annual principle payments +

Annual interest payments +

Annual lease payments

Business Studies 2017 (Delhi)

Set I

Time allowed : 3 hours

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. Give the meaning of 'motivation' as an element of directing. [1]

Answer : Motivation means stimulating people to act in a desired manner to achieve certain organisational goals.

2. Differentiate between 'formal' and 'informal' organisation on the basis of 'origin'. [1]

Answer : Formal organisation originates as a result of company's rules and policies, while an informal organisation originates as a result of social interaction.

3. Why is 'employment interview' conducted in the process of selection ? [1]

Answer : Employment interview is conducted to evaluate the applicant's suitability for the job.

4. Alpha Enterprises is a company manufacturing water geysers. The company has a function structure with four main functions—Production, Marketing, Finance and Human Resource. As the demand for the product grew, the company decided to hire more employees.

Identify the concept which will help the Human Resource Manager in deciding the actual number of persons required in each department. [1]

Answer : The concept which will help the Human Resource Manager in deciding the actual number of persons required in each department in above case is workload analysis.

5. Hina Sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina Sweets was worried as the sales had declined during the last three months. When he enquired from the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore, Harsh ordered for sample for checking of sweets.

Identify the step taken by Harsh that is related to one of the functions of management. [1]

Answer : The steps taken by Harsh that is related to one of the functions of management is Measurement of actual performance.

6. What is meant by 'financial management' ? [1]

Answer : Financial management means planning, organising, directing and controlling the financial activities of an organisation.

7. Meca Ltd. a reputed automobile manufacturer needs Rupees ten crores as additional capital to expand its business. Atul Jalan, the CEO of the company wanted to raise funds through equity. On the other hand the Finance Manager, Nimi Sahdev said that the public issue may be expensive on account of various mandatory and non-mandatory expenses. Therefore, it was decided to allot the securities to institutional investors.

Name the method through which the company decided to raise additional capital. [1]

Answer : The method through which the company can decide to raise the additional capital is private placement.

8. Sunita took her niece, Aishwarya for shopping to 'Benetton' to buy her a dress on the occasion of her birthday. She was delighted when on payment for the dress she got a discount voucher to get 20% off for a meal of ₹ 500 or above at a famous eating joint.

Identify the technique of sales promotion used by the company in the above situation. [1]

Answer : The techniques of sales promotion used by the company in this case is usable benefit.

9. Explain 'unity of command' and 'equity' as principles of general management. [3]

Answer : Unity of Command :

(i) The principle of unity of command states that each employee in an organisation should receive orders from one superior only and he/she should be responsible to only one superior.

(ii) It prevents confusion regarding tasks to be done.

Equity :

(i) Equity states that there should be no discrimination against anyone on account of sex, religion, language, caste, belief, nationality etc.

(ii) It emphasises on kindness and justice in the behaviour of managers towards the workers to ensure loyalty and devotion.

10. State any three points of importance of planning function of management. [3]

Answer : Importance of planning is as follows :

(i) Provides directions :

Planning provides directions by deciding in advance what action should be taken.

(ii) Reduces the risks of uncertainty :

Planning reduces the risks of uncertainty by anticipating changes and developing managerial responses to them.

(iii) Planning facilitates decision making :

Planning makes decision making easy and less time consuming as it gives a criteria for taking decisions and evaluation of various alternatives.

11. Explain briefly any three functions performed by a supervisor. [3]

Answer : Functions performed by supervisor are:

(i) A supervisor guides workers and provides support to them. He ensures that workers work with harmony and unity.

(ii) He serves as link of communication between the manager and workers. On one hand, he communicates the information and ideas of the management to workers, on the other hand, he communicates the problems of workers to managers.

(iii) It is the responsibility of the supervisor to ensure that the work is carried out efficiently and smoothly so that the set targets are met.

12. Somnath Ltd. is engaged in the business of export of garments. In the past, the performance of the company had been upto the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds he is trying to find out alternative sources from outside.

Identify the financial concept discussed in the above para. Also state the objectives to be achieved by the use of financial concept, so identified. [3]

Answer : Concept discussed in the above para is Financial planning

Objectives of financial planning :

(i) To ensure availability of funds whenever required—It involved estimation of the funds required the time at which these funds are to be made available and the sources of these funds.

(ii) To see that the firm does not raise resources unnecessarily—It ensures that firm does not raise resources unnecessarily as it will increase the costs and the resources will remain idle.

(iii) To formulate overall organisational goals and plans for their achievement.

14. Ashutosh Goenka was working in 'Axe Ltd.', a company manufacturing air purifiers. He found that the profits had started declining from the last six months. Profit has an implication for the survival of the firm, so he analysed the business environment to find out the reasons for this decline.

(a) Identify the level of management at which Ashutosh Goenka was working.

(b) State three other functions being performed by Ashutosh Goenka. [4]

Answer : (a) Top level management

(b) The three functions performed by Ashutosh Goenka are :

(i) To coordinate the activities of different departments.

(ii) To be responsible for welfare and survival of the organisation.

(iii) Planning reduces overlapping and wasteful activities by coordinating the activities of different divisions.

16. Give the meaning of 'objectives' and 'budget' as types of plans. [4]

Answer : Objectives : Objectives are end points which are numerically expressed that the management seeks to achieve within a given time period. These are set by the top management and focus on broad general issues. Objectives should serve as a guide for over all business planning.

Budget : It is a statement of expected results for a given future period expressed in numerical terms from which deviations can be taken care of. It is a fundamental planning instrument as making a budget involves forecasting. There are many types of budgets.

17. Explain briefly 'transfers' and 'promotions' as internal sources of recruitment. [4]

Answer : Transfers : Transfers involves shifting

of an employee from one job to another, one department to another or from one shift to another, without a change in the responsibilities and status of an employee.

Promotions : It involves shifting of an employee to higher position carrying higher responsibilities, facilities status and pay. Vacant positions at the higher level are filled by suitably promoting employees from the lower level. To continue to work with greater efficiency and productivity, an employee needs encouragement and motivation which can be done through promotions.

18. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this there is another market in which unsecured and short-term debt instruments are actively traded everyday. These markets together help the savers and investors in directing the available funds into their most productive investment opportunity.

(b) Also, explain briefly three other functions performed by this market. [4]

Answer :

(b) The three other functions of market are as follows:

- (i) **Mobilises savings and channelise them into most productive uses :** Financial market provides the choice of different investment options to the savers. It helps the savers to invest or channelise their surplus funds into the most productive use.
- (ii) **Provides liquidity to financial assets :** Financial market facilitates easy purchases and sale of financial assets. So, it provides liquidity to financial assets as it can be easily converted into cash when required.
- (iii) **Reducing the cost of transactions :** Financial market provides a common platform where buyers and sellers can fulfill their individual needs. It provides valuable information about price, cost and availabilities. It reduces the cost of transactions as investors are not required to spend much on getting such information.

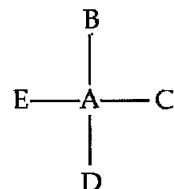
19. Umang Gupta is the Managing Director of Denver Ltd. The company had established a good name for itself and had been doing well. It was known for timely completion of orders. The Production Manager, Ms. Kanta was efficiently handling the processing of orders and had a team of fourteen motivated employees working under her. Everything was going on well. Unfortunately she met with

an accident. Umang knew that in the absence of Ms. Kanta, the company may not be able to meet the deadlines. He also knew that not meeting the deadlines may lead to customer dissatisfaction with the risk of loss of business and goodwill. So, he had a meeting with his employees in which accurate and speedy processing of orders was planned. Everybody agreed to work as a team because the behaviour of Umang Gupta was positive towards the employees of the organisation. Hence everyone put in extra time and efforts and the targets were met on time.

Not only this, Umang visited Ms. Kanta and advised her to take sufficient rest.

- (a) Identify the leadership style of Umang Gupta and draw a diagram depicting the style.
- (b) State any two values highlighted by the behaviour of Umang Gupta.** [4]

Answer : (a) Leadership style : Democratic style.



In above diagram A is boss and B, C, D, E are subordinates.

21. Indian Youth Organisation (IYO) organised a visit of its members to an old age home to inculcate the habit of social work among them. The visit revealed that the living conditions of the inmates of the old age home were not hygienic. So, the IYO members decided to clean the premises. During their cleanliness drive, they realised that the old age home also required pest control. But some of the inmates of old age home were reluctant for it because they believed that the pest control may create health problems for them. IYO; therefore decided to provide ethical, safe and odourless pest control. They showed to the inmates of old age home a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The inmates happily agreed and the pest control was carried out. It worked for a fortnight but to their dismay the effect stated wearing off. IYO contacted the pest control company which kept on postponing their visit. After waiting for a month, IYO filed a case in the consumer court. The consumer court was satisfied about the genuineness of the complaint and issued necessary directions to the pest control company.

** Answer is not given due to change in present syllabus

(a) State any six directions that might have been issued by the court.

(b) Also identify any two values that are being communicated by IYO to the society. [4]

Answer : (a) The direction that might have been issued by the court are :

- (i) To remove the deficiency in service.
- (ii) To refund the price. Paid for the service provided.

(iii) To pay a reasonable amount of compensation for the service.

(iv) To pay for punitive damages.

(v) To discontinue the unfair trade practice.

(vi) To issue corrective advertisement to neutralize the effect of misleading pamphlet.

(b) Values : That are being communicated by IYO to the society are—

- (i) Sensitivity towards the environment.
- (ii) Respect for the elderly.

Business Studies 2017 (Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous set.

9. Explain briefly 'discipline' and 'scalar chain' as principles of general management. [3]

Answer : Discipline :

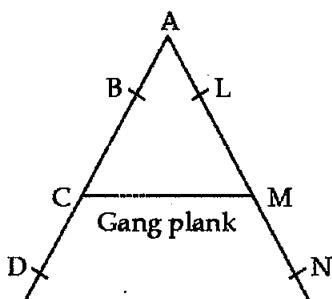
(i) It is the obedience to organisational rules and employment agreement, necessary for the working of the organisation by both workers and management.

(ii) It requires good superior at all levels, clear and fair agreements and judicious applications of penalties.

Scalar Chain :

(i) It refers to chain of authority and communication that runs from top to bottom and should be followed by the managers and the subordinates.

(ii) For example : There is one head who has two lines of authority under him B-C-D and L-M-N at the same level of authority. He has to transverse the route D-C-B-A-L-M-N due to the principle of scalar chain. However if there is an emergency, then C can directly contact to N through gang plank.



Answer : Limitations of planning are :

(i) Leads to rigidity—Planning leads to rigidity because once a well defined plan is drawn, the manager may not be in a position to change it with the changed circumstances.

(ii) May not work in dynamic environment—Planning may not work in the dynamic environment as the environment in which business operates keep on changing and planning may not foresee everything.

(iii) Involve huge cost—Huge costs are induced in formatting the plan and sometimes incorrect cost may not justify the benefit derived from plan.

11. Explain any three points that highlight the importance of directing function of management. [3]

Answer : Importance of directing function :

(i) Initiates action—A directing function is performed by the managers along with planning, staffing, organising and controlling in order to discharge their duties in the organisation.

(ii) Integrates employee's efforts—Directing integrates the efforts of all the employees and departments through persuasive leadership and effective communication towards the accomplishment of organisational goals.

(iii) Brings stability and balance in the organisation—Stability is significant in the growth of any organisation. Effective directing develops. Cooperation and commitment among the employees creates a balance among various departments and groups.

12. Give the meaning of 'procedure' and 'rule' as types of plans. [3]

10. State any three limitations of planning. [3]

Answer : Procedure : It consists of sequence of routine steps performed in a chronological order to carry out activities within a broad policy framework. It details the exact manner in which any work is to be performed.

Rule : A rule is a statement that specifies what is to be done or not to be done. It is a guide to behaviour. A rule does not allow any flexibility or discretion and prescribes a penalty for violation.

25. Explain briefly any four factors that affected the working capital requirement of a company. [6]

Answer : The factors affecting requirement of working capital are—

(i) **Nature of Business :** The requirement of working capital depends on the nature of business. The nature of business is usually of two types : (a) Manufacturing and (b) Trading business. In the case of manufacturing business, more capital is required. On the contrary, in case of trading business, the goods are sold immediately after purchasing or sometimes the sale is affected even before the purchase itself. Therefore, very little working capital is required.

(ii) **Scale of operations :** There is direct link between the working capital and scale of operations. In other, words, more working capital is required in case of big organisation while less working capital is needed in case of small organisation.

(iii) **Business cycle :** The need for the working capital is affected at various stages of the business cycle. During the boom period, the demand of a product increases and sale also increases. Therefore, more working capital is needed, on the contrary during the period of the depression the demand declines. It affects both the product and sales of goods. Therefore, in such situation less working capital is required.

(iv) **Seasonal factors :** Some goods are in demand throughout the year while some other products have seasonal demand which have uniform demand throughout the year, their production and sales are continuous. The seasonal manufacturing units whose production is limited to particular season like coolers in summers, room heater/geyser in winters, needs little capital.

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Business Studies 2017 (Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous set.

11. Explain 'order' and 'initiative' as principles of general management. [3]

Answer : Order :

(i) It states that there should be a place for everything and everyone in an organisation and that thing or person should be found in its allotted place.

People and material must be in suitable places at appropriate time for maximum efficiency.

Initiative :

(i) It states that the workers should be encouraged to develop and carry out their plans for improvement in the organisation.

(ii) It does not mean going against the established practice of the company for the sake of being different.

12. State any three features of 'Planning.' [3]

Answer : The three features of planning are :

(i) **Focuses on achieving objectives**—It focuses on achieving organisational objectives as specific goals are set out in the plans along with the activities to be undertaken to achieve the goals.

(ii) **Primary function of management**—It is the primary function of management as it lays down the basis for all other function of management

(iii) **Pervasive**—It is pervasive as it is required in all organization, at all levels and in all departments.

13. Explain briefly any three measures to overcome the communication barriers. [4]

Answer : Measures to overcome communication barriers are :

(i) **Clarify ideas before communicating** : Sender should be clear in his mind that what he has to say, he should know the objective of his thoughts and arrange his message properly and then speak.

(ii) **Ensure proper feedback** : Sender should take the feedback of the receiver in order to know that he understood the message clearly or not, this

can be understood by his facial expressions also.

(iii) Be a good listener: For a good communication both the receiver and the sender should have good listening skills, they should patiently listen what others has to say and understand it.

(iv) Communicate according to the needs of the consumers : Sender should know the needs of the receiver i.e., kind of environment that he wants and the language which he understands completely. Sender should also keep in mind the level of the receiver while communicating. So that communication can take place effectively.

14. Give the meaning of 'policy' and 'strategy' as types of plans. [4]

Answer : Policy : Policy is a general guidelines that guides thinking or channelises energies towards a particular direction. It defines the broad parameters within which a manager may function. It brings uniformity in decision making and action for interpretation of strategy.

Strategy : A strategy is a comprehensive plan for accomplishing an organisation's objectives taking environment into consideration. It provides broad contours of an organisation and refers to future decisions. Defining the organisation's

direction and scope in the long run.

22. State any five points that highlight the importance of 'controlling' function of management. [5]

Importance of controlling are :

Answer : (i) Accomplishing organisational goals—It helps in accomplishing organisational goals by bringing to light, deviations if any and indicating corrective action.

(ii) Making efficient use of resources—It helps in making efficient use of resources by ensuring that each activity is performed in accordance with pre-determined standards.

(iii) Ensuring order and discipline—It ensures order and discipline among employees by keeping a close check on their activities.

(iv) Improving employee motivation—It improves employee motivation as the employee's know well in advance the standards of performance on the basis of which they will be appraised.

(v) Judging accuracy of standard—It helps in judging accuracy of standards in the light of changes taking place in the organization and in the environment.

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Business Studies 2018

Time allowed : 3 hours

Maximum marks : 80

1. Define 'Decentralisation'. [1]

Answer: Decentralisation refers to the systematic delegation of authority through all the levels of management and in all the departments.

2. Give the meaning of 'Method' as a type of plan. [1]

Answer : Method is a prescribed way in which a particular task has to be performed taking into consideration the objective of the organisation. For example : training method of employees.

3. Saurabh decided to start a chocolates manufacturing business. He set the target of earning 10% profit on sales in the first year. As a good businessman, he was concerned about the future of the business, which was uncertain. He gathered information that the demand for chocolates is increasing day-by-day. He used this information as the base for future planning and shared it with his team. On the basis of the gathered information, he scheduled a meeting in the following week to find innovative ways to achieve the objectives.

List the first two steps, which have been followed by Saurabh that are related to the process of one of the functions of management. [1]

Answer : The function of management which is performed by Saurabh is planning and the first two steps followed by him are :

- (i) Setting objective
- (ii) Developing planning premises

4. In the paint industry, various raw materials are mixed in different proportions with petroleum for manufacturing different kinds of paints. One specific raw material is not readily and regularly available to the paint manufacturing companies. Bonler Paints Company is also facing this problem and because of this there is a time lag between placing the order and the actual receipt of the material. But, once it receives the raw materials, it takes less time in converting it into finished goods.

Identify the factor affecting the working capital requirements of this industry. [1]

Answer : Availability of raw material, production cycle, nature of business are the factors affecting the working capital requirements of this industry.

5. An investor wanted to invest ₹ 20,000 in Treasury Bills for a period of 91 days. When he approached the Reserve Bank of India for this purpose he came to know that it was not possible.

Identify the reason why the investor could not invest in the Treasury Bill. [1]

Answer : Treasury Bills can be issued for a minimum amount of ₹ 25,000 and the investor had only ₹ 20,000, that is why, he couldn't invest in Treasury bills.

6. Why is the understanding of 'Marketing Management Philosophies' important ? [1]

Answer : The understanding of marketing management philosophies is important as it determines the weightage to be put on different factors in achieving the organisational objectives.

7. Give the constitution of the District Consumer Disputes Redressal Forum under the Consumer Protection Act, 1986. [1]

Answer : The District Forum consists of a President and two other members, one of whom should be a woman. All appointments are made by the State Government.

8. 'Buy one get one free' is printed on the label of the package of a mosquito repellent.

State the labelling function being performed by this statement. [1]

Answer : The labelling function being performed by the given statement is to help in the promotion of the product.

9. Differentiate between formal and informal organisations on the basis of (i) origin, (ii) authority and (iii) flow of communication.

Answer : Difference between formal and informal organisation :

Basis	Formal	Informal
(i) Origin	It originates as a result of companies' rules and policies.	It originates as a result of social interaction among the employees.
(ii) Authority	Authority arises by the virtue of position in the management.	Authority arises out of personal qualities.

(iii) Flow of Communication	Communication take place through scalar chain.	Communication takes place through informal methods such as, grapevine, gossips, etc.
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10. State the steps in the selection procedure, after the employment interview and before the job offer. [3]

Answer : The steps in the selection procedure after the employment interview and before the job offer are :

- Reference and background checks :** It is done for verifying the candidate's information and gaining his additional details.
- Selection decision :** Selection is done for those candidates who pass the tests, interviews and reference checks.
- Medical examination :** It includes a medical fitness test which the candidates is required to undergo.

11. Sandhya is a successful manager at Manisons Enterprises. She has a team of twelve people working under her. She encourages them to set their own objectives and take decisions. She respects their opinions and supports them, so that they can perform their duties and accomplish organisational objectives. To manage and exercise effective control she uses forces within the group.

As an intelligent manager, at times, she also makes use of positive aspects of informal communication. This way, she is able to unify diverse interests and ensure that targets are met.

- There are many theories and styles of influencing people's behaviour. Identify the style used by Sandhya which is based on the use of authority.
- State two positive aspects of the communication discussed above, which Sandhya is using as an intelligent manager.

[3]

Answer : (a) The style of leadership used by Sandhya is democratic leadership.

(b) Positive aspects of the informal communication which Sandhya is using are :

- It carries information rapidly and it helps in getting quick feedback.
- It is used by the managers to transmit information so as to know the reaction of his/her subordinate.

12. The Return on Investment (ROI) of a company ranges between 10—12% for the past three years. To finance its future fixed capital needs, it has the following options for borrowing debt :

Option 'A' : Rate of interest 9%

Option 'B' : Rate of interest 13%

Which source of debt, 'Option A' or 'Option B', is better ? Give reason in support of your answer. Also state the concept being used in taking the decision.

Answer :

Option A is better

This is because in this option, Return on Investment (10-12%) is higher than the rate of interest (9%).

The concept being used here in taking the decision is Trading on Equity.

Trading of equity refers to the use of fixed cost sources of finance such as preference share, debenture and long term loans in the capital structure so as to increase the return on equity shares.

13. Explain briefly any two points of importance of consumer protection from the point of view of business.

Answer : The importance of consumer protection from business point of view is :

(i) **Government intervention :** Government is actively involved in the protection of consumer rights. Any unfair trade practice would invite government intervention, which may hamper the image of business. So business organisations should voluntarily involve in such practices which protects the interest of the consumers.

(ii) **Long-term interest of business :** In this highly competitive world, business firms have realised that they can exist in the long run only when they satisfy the consumers. Satisfied customers not only bring repeated sales but also add new customers by providing good feedback about the products. So, business products should aim at long-term profit maximisation through consumer satisfaction.

14. Aradhana and Gandharv are heads of two different departments in 'Yumco Ltd.' They are efficient managers and are able to motivate the employees of their respective departments to improve performance. However, their drive to excel in their own sphere of activity instead of giving emphasis on objectives of the enterprise has hindered the interaction between the departments that Aradhana and Gandharv are heading. Often there are

inter-departmental conflicts and they have become incompatible. This has proved to be harmful in the fulfilment of the organisational objectives. The situation has deteriorated to such an extent that the CEO of 'Yumco Ltd.' has hired a consultant, Rashmi, to resolve the problem. After studying the situation closely, Rashmi found that the problem has arisen due to inflexibility and a narrow perspective on the part of both Aradhana and Gandharv. She is of the view that this situation is a result of the type of organisational structure 'Yumco Ltd.' has adopted.

From the above information, identify the organisational structure adopted by 'Yumco Ltd.' and state any three advantages of the structure so identified. [4]

Answer : The organisational structure adopted by "Yumco Ltd." is functional organisational structure.

The advantages of functional organisational structure are as follows :

- (i) **Functional specialisation :** It promotes specialisation since each department has to perform a specific function. As employees perform similar task within a department, it improves their efficiency and they are able to gain specialisation.
- (ii) **Improves efficiency :** Expert and experienced officers are specially appointed for each functional department. It helps in increasing managerial and operational efficiency and this results in increased profits.
- (iii) **Avoid duplication :** It helps in avoiding duplication of efforts, which leads to economies of scale and reduces the cost of production.

15. In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this he set out specific goals along with the activities to be performed to achieve the goals.

Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd.'

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail the farmers started taking interest. He wanted to ensure that the future events meet effectively

best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

He also found that the farmers grew only paddy, which was an activity of 3-4 months and the land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy, vegetables could be grown.

The above case highlights the features of one of the functions of management. By quoting lines from the above, identify and explain these features. [4]

Answer : Planning is the function of management referred in this case.

- (i) "For this, he set his goals". The line indicates the following feature of planning.
Planning focus on achieving objective. Every organisation has a set of goals and determining the most economical and viable course of action to achieve pre-determined goals.
- (ii) "He not only-----the year". This line indicate the following of planning.
Planning involves decision making: Planning is essentially the process of choosing among various alternatives. So, in order to make an effective choice, examination and evaluation of each alternative is necessary.
- (iii) "Through correct -----evaluated". This line indicates the following features of planning.
Planning is mental exercise : It is a mental exercise as it requires creativity, imagination and higher thinking skills and sound and judgement. It is intellectual activity of thinking rather than doing.
- (iv) "He wanted-----of the company". This line indicates the following features of planning.
Planning is futuristic : Planning is the process of looking ahead. It is looking into the future before the situation actually occurs. It deals with the future course of action that have not taken place yet.

16. Explain any four points of importance of the controlling function of management. [4]

Answer : Controlling refers to the comparison of actual performance with the planned performance and taking corrective actions in case of deviation between actual and planned performance. Importance of controlling is as follows :

(i) Accomplishing organisational goals : Controlling function measures progress towards the organisational goals and involve taking corrective actions incase of any deviation. Through controlling, every attempt is made to keep the activities on the right track so that the organisational goals could be achieved efficiently and effectively.

(ii) Making efficient use of resources : Controlling helps to reduce wastage and spoilage of resources. It aims to ensure that each activity is performed according to the predetermined standards. As a result, there is effective and efficient use of resources.

(iii) Ensuring order and discipline : An efficient control system creates an atmosphere of order and discipline in the organisation. Controlling keeps a continuous check on employees to minimise undesirable activities like theft, fraud, dishonesty etc.

(iv) Facilitate coordination in action : Controlling provides direction to all activities and offers for achieving organisational goals. Each department and individual employee is governed by predetermined standards which are well coordinated with one another. This ensures that overall organisation objectives are accomplished.

17. Ram Murthy, the CEO of 'Goodcare Hospitals', a leading chain of hospitals, decided to reward the good work of the doctors of his organisation. For this he instituted two running trophies. A 'Healthcare Achievers Trophy' to acknowledge and appreciate the tireless efforts of the doctors who rendered selfless services to the patients and another 'Beti Bachao Trophy' to recognise the outstanding work done by the doctors in saving the girl child. [4]

The CEO also wanted to improve the health services in rural areas all over the country. He decided that all doctors must work in rural areas for at least six months. He also decided that the paramedical staff should be employed locally.

(a) Identify the incentive provided by 'Goodcare Hospitals' to its doctors through running trophies.

(b) Which need of the doctors will be satisfied through the incentive identified in part (a)? State.

(c) State any two values that the CEO of 'Goodcare Hospitals' is trying to communicate to the society.**

Answer : (a) Incentive provided by 'Goodcare Hospitals' is a non-financial incentive i.e., employee recognition.

(b) Esteem needs of the doctors will be satisfied through financial incentives, self respect, attention etc.

18. State the protective functions of Securities and Exchange Board of India. [4]

Answer : Protective functions of SEBI aims to protect the interest of the investor, they include :

- (i) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc.
- (ii) It controls insider trading, imposing penalties for such practices.
- (iii) Undertaking steps for investor protection.
- (iv) Promotion of fair practices and code of conduct in security market.

19. Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company.

(a) State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company.

(b) Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part (a).

Answer : (a) The responsibility which Sumit had to fulfil was to use the product safely. In this regard, consumer must learn about the risks associated with the products or services, follow manufacturer's instructions and use the product safely.

(b) If Sumit had fulfilled the above responsibility carefully, then he had following two rights :

(i) **Right to be heard :** The consumer has right to file a complaint and to be heard in case of

** Answer is not given due to change in present syllabus

dissatisfaction with a good or a service. It is because of this reason many firms have set up their own grievances cell.

(ii) Right to seek redressal : The consumer has a right to get relief in case the product or service falls short of his expectation.

The Consumer Protection Act, 1986 provides reliefs to consumers such as replacement of product, removal of defects in the product, compensation for any loss or injury suffered by the consumer.

20. What is meant by co-ordination ? State its any four features. [5]

Answer : Co-ordination is the process by which a manager synchronises the activities of different departments towards the achievement of a common goal. Co-ordination is the common thread that runs through all the activities to ensure continuity in the working of the organisation. It is implicit and inherent in all the functions of management.

Features of co-ordination :

(i) Co-ordination integrates group efforts : Co-ordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group efforts to ensure that performance is as per plans.

(ii) Co-ordination ensures unity of action : Co-ordination aims to achieve unity of actions in the realisation of a common purpose. It acts as the binding force between departments and ensures that all efforts are focused towards achieving organisational goals.

(iii) Co-ordination is a deliberate function : A manager has to co-ordinate the efforts of different people in a conscious and deliberate manner. Co-ordination does not occur spontaneously nor can it be achieved by force.

(iv) Co-ordination is a continuous process : Co-ordination is a never ending process as its need is felt at each and every step in the organisation. It begins at planning stage and continues till controlling.

21. 'Konark Ltd.' is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply

in the economy, composition of the families, the technological changes, etc.

(a) Identify and state the feature of the concept discussed in the above paragraph.

(b) Also, state any four points of importance of this concept. [5]

Answer : (a) The concept discussed in this para is business environment. The features discussed about this concept are :

Business environment includes both specific and general forces. Specific forces affect individual enterprises directly and immediately in their day to day working. The specific forces includes consumers, investors, supplies etc. The general forces have impact on all business enterprises and thus may affect on condition individual firm only indirectly. The general forces include-Political, Economic, Technically condition etc.

(b) Importance of business environment :

- It helps firm to identify opportunities and getting the first mover advantages.
- It helps to identify threats and early warning signals.
- It helps in tapping useful resources.
- It helps in coping with rapid changes.
- It helps in assisting in planning and policy formulation.
- It helps in improving performance.

22. After acquiring the necessary knowledge and skills on starting an Aloevera Farm, Ashok wanted to be the leading manufacturer of Aloevera products worldwide. He observed that the products were expensive as the demand of the products was more than the supply. He was also keen to promote methods and practices that were economically viable, environmentally sound and at the same time protecting public health.

Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloevera products. He also thought that competitors prices and their anticipated reactions must also be considered for this.

After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare that value of a product to the value of money which they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay.

Since he was entering into a new market, he felt that he may not be able to cover all costs. He

knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit.

He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products.

The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services.

- (a) Identify the concept.
- (b) Explain briefly any four factors discussed in the above case related to the concept so identified.

Answer : (a) The concept used above is price mix.
(b) Factors discussed in the above case are :

(i) **Product cost :** Product cost includes the cost of procuring, distributing and selling the product. The cost sets the minimum level or the floor price at which the product can be sold. There are three types of cost—fixed cost, variable cost and semi-variable cost. Sum of all three cost, sets the minimum level at which the product may be sold. However, at the time of introducing a new product or while entering into a new market, product may be sold at a price, which does not cover all the costs but in long run, a firm can survive only when all its cost are covered.

(ii) **Utility and demand of the product :** It must be noted that the cost of product sets the lower limit of price whereas the utility of the product and intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay.

(iii) **Extent of competition in the market :** Price of the product can not be fixed without considering the price of competitors' products, and their anticipated reaction which must be considered before fixing the price of the product. Here it is also discussed about the perfect competition in the market.

(iv) **Marketing method used :** The pricing decision is also affected by various other elements of marketing, such as distribution channels used, extent of advertisement, sales promotion efforts, packaging, after sales service etc.

23. Karan Nath took over 'D'north Motor Company'

from his ailing father three months ago. In the past the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production as well as selection of employees in the company were not scientific. He believed that there was only one best method to maximise efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.

He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organisation. It helped in increasing the output, improving the quality and reducing the cost and wastage.

Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case.

[6]

Answer : Scientific principles used in the above case are :

- (i) **Science, not rule of thumb.**
- (ii) **Development of each and every person to his/her greatest efficiency and prosperity.**
 - (i) **Science, not rule of thumb :** This principle says that we should not get stuck in a set and the old techniques of doing work, rather we should be constantly experimenting to develop new technique which makes the work much simpler. Taylor believed that there was only one best method to maximise efficiency. This method can be developed through scientific study and analysis of each element of a job.
 - (ii) **Development of each and every person to his/her efficiency and prosperity :** According to this principle, the efficiency of each and every person should be taken care of, right from his selection. A proper arrangement of every body's training should be made. It should also be kept in mind that each individual should be allotted work according to his/her ability and interest.
- (iii) **Scientific technique used in the above case is:**
 - (i) **Method study :** The objective of method study is to find out best way of doing the job so as to minimise the cost of production and

maximise the quality and satisfaction of the customer.

For finding the best method of performing the job, critical analysis, operation method etc., are also used.

24. 'Moga Industries Ltd.' approached a well established university in the city of Madurai to recruit qualified personnel for various technical and professional jobs. They selected Tanya, Ritu, Garima and Chetan for various vacancies in the organisation.

After the selection and placement, 'Moga Industries Ltd.' felt the need to increase the skills and abilities, and the development of positive attitude of the employees to perform their specific jobs better. The company also realised that learning new skills would improve the job performance of the employees. Hence, the company decided to take action for the same.

(a) Name the step of the staffing process regarding which the company decided to take action.

(b) State the benefits of the action to 'Moga Industries Ltd.' [6]

Answer : (a) After selection and placement, the next step in staffing process is Training and Development.

(b) Importance / benefits of training and development to Moga Industries Ltd. are :

(i) **Systematic Learning :** The systematic learning process of training teaches workers to make the most efficient use of resources. It is better than hit and trial methods which leads to wastage of efforts and money.

(ii) **Increase productivity :** Well trained employees give better performance on the job, which increase the productivity, both in terms of quality and quantity, leading to higher profits. 1

(iii) **Prepare future manager :** Training enables the employees to take more challenging jobs and prepare them to take position of future manager in case of an emergency.

(iv) **Boost morale of employees :** Training increases employees' morale and reduces absenteeism and employee turnover.

(v) **Better response to fast changing environment :** Training helps to keep pace with the rapid changes taking place in the technological and economical environment.

25. Explain briefly any four factors affecting the fixed capital requirements of an organisation. [6]

Answer : Meaning of Fixed Capital : It is the money invested in fixed assets which is to be used over a long period of time.

It is meant for meeting permanent or long term needs of the business.

Factors affecting requirement of fixed capital :

(i) **Nature of business :**

In case of manufacturing business, heavy investment in fixed assets is required. In case of trading concern, less investment is required.

(ii) **Scale of operation :**

Firms which operate at large scale require larger amount of fixed capital as they need heavy and bigger machinery and equipment. However, firms operating at small-scale need relatively larger fixed capital.

(iii) **Diversification :**

Diversification of operations also govern the fixed capital requirements. If a company chooses to diversify its operation, then it certainly needs more fixed capital.

(iv) **Financial alternatives :**

Fixed assets can either be purchased outrightly or can be acquired on lease or hire basis. When a company acquires an asset on lease, then it pays lease rentals and use it. Thus, availability of leasing facilities reduces the fixed assets capital requirement. On the other hand, a company which purchases assets on cash basis, requires more fixed capital.

The other factors are :

- (a) Choice of technique
- (b) Technology upgradation
- (c) Growth prospects
- (d) Level of collaboration etc.

However, most of the capital budgeting decisions cannot be reversed or reverted without incurring heavy losses. Therefore, they should be taken after evaluating each and every aspect, otherwise firm may have to incur heavy losses.

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Business Studies 2019 (Outside Delhi)

SET I

Time allowed : 3 hours

Maximum marks : 80

General Instructions :

- (i) This question paper contains five Sections: A, B, C, D and E.
- (ii) Section A contains questions 1 to 8, carrying one mark each. Answers to these questions may be given in one word or a sentence.
- (iii) Section B contains questions 9 to 13, carrying three marks each. Answers to these questions may be given in 50-75 words.
- (iv) Section C contains questions 14 to 19, carrying four marks each. Answers to these questions may be given in about 120 words.
- (v) Section D contains questions 20 to 22, carrying five marks each. Answers to these questions may be given in about 150 words.
- (vi) Section E contains questions 23 to 25, carrying six marks each. Answers to these questions may be given in about 200 words.
- (vii) There is no over-all-choice in the question paper, however, an internal choice is provided in 3 questions of one mark, 2 questions of three marks, 2 questions of four marks, 1 question of five marks and 1 question of six marks. You have to attempt only one of the choices in such questions.

SECTION-A

1. Das is the Managing Director of 'Gamut Ltd.', manufacturing different varieties of cheese. He has an efficient team working under him consisting of Rajat – the Production manager, Vinay – the Marketing manager and Adit – the Finance manager. They understand and interpret the policies made by Das, ensure that their department have adequate manpower, assign them the necessary duties and motivate them to achieve the desired objectives.

State one more function other than those mentioned above, that this team may perform at the level they are working. [1]

Answer : The team belongs to Middle Level Management. Their function can include - Participation in employment and training program of lower level management as per the objectives set by Das.

2. Differentiate between 'Authority and Responsibility' on the basis of 'flow'. [1]

OR

Distinguish between 'Responsibility' and 'Accountability' on the basis of 'meaning'.

Answer :

Basis	Authority	Responsibility
Flow	Flows downwards from top to bottom.	Flows upwards from bottom to top.

OR

Basis	Responsibility	Accountability
Meaning	Duty assigned to a subordinate by a superior.	Liability for a subordinate created for use of authority by superior.

3. What is meant by 'Rule'? [1]

OR

Define 'Organising'.

Answer : A rule is a specific regulation that tells a business the "do's" and "don'ts" or things that can or cannot be done in a particular situation.

OR

Organising is a management tool of creating a structure for a business, determining tasks which every employees undertake and streamlining all interactions between human and physical resources to ensure continuity in business while catering to the wants of customers.

4. State any two characteristics of 'Directing'. [1]

OR

Give the meaning of 'Management by Exception'.

Answer : Characteristics of directing are:

- a. It is a continuous process
- b. It flows from top to bottom.

OR

Management by exception means if a manager tries to control everything, it may end up in controlling nothing, thus, he should first handle the significant deviations, which require his priority. Management by exception is also known as control by exception that focuses on identifying and handling specific cases that deviate from the

standards or norms through human intervention.

5. Kamal is working as a gang boss in the assembly unit of 'Sokia Ltd.', a laptop manufacturing company. He supervises the work of ten trained workers who perform the various activities related to the assembly of the laptops. One day when he was supervising the work of his workers, he told Ashok, a worker that his work could be improved. Ashok interpreted the comments of Kamal as that his work was not good.

Identify the type of barrier to effective communication in this case. [1]

Answer : The type of barriers to effective communication is identified as Semantic barriers. In this case, unclarified assumptions where in Kamal communicated about Ashok's work without being clear and specific, is the semantic barriers

6. This market helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other.

Name the market and identify the function being referred to. [1]

Answer : The market referred here is financial market. Function of financial market referred here is to reduce the cost of transactions.

7. Kumar wanted to purchase a fuel efficient car having the latest standards regarding minimization of pollution. He saw an advertisement offering such a car and visited the showroom of the company wherein the car was displayed. In this discussion, the Marketing manager told him that the company is providing credit facilities, maintenance services and many other effective services which are helping in bringing repeat sales and developing brand loyalty.

Identify the marketing function which the Marketing manager was discussing with Kumar. [1]

Answer : The marketing function which the marketing manager was discussing with Kumar is Customer Support Service.

8. 'Ultra Televisions Ltd.' is offering its 90" TV sets at a discount of 15,000 for a period of one month starting from 1st March, 2019.

Identify the sales promotion activity used by 'Ultra Television Ltd.' [1]

Answer : The sales promotion activity used by 'Ultra Televisions Ltd.' is reducing sales price or rebate.

SECTION-B

9. Explain any three points of importance of planning function of management. [3]

OR

Explain any three limitations of planning function of management.

Answer : Importance of planning function of management is as follows:

- There are many risks and uncertainties involved in any business. Planning can enable foreseeing such risks and uncertainties by considering necessary precautions for the business. Accordingly, planning can reduce costs of damage to life and property.
- It enables creativity and innovation among managers and subordinates who can come up with new ideas for improving efficiency in business. Planning involves identifying the best alternatives out of many options that also encourages satisfaction among the employees and eventually success to the organisation.
- Planning makes availability of resources to be utilised optimally by businesses. It helps in reducing wastage of resources and avoids duplication of efforts thus, increasing efficiency and effectiveness of the business' operations.

OR

Limitations of planning function of management are as follows :

- Planning can create rigidity for the business during some changes in circumstances, requiring quick decisions that may go against the set rules and procedures of a business.
- Planning is a time-consuming process involving a significant amount of time and effort to collect and analyse information, find relevant alternatives and ideas along with allocating relevant resources for the business.
- Natural calamities like floods, famines and earthquakes are beyond the control of managers which can significantly disturb existing plans and the overall planning process.

10. Distinguish between Formal and Informal organisation on the basis of the following : [3]

(a) Origin;

(b) Authority; and
(c) Leadership

OR

Distinguish between Functional and Divisional structure on the basis of the following points : [3]

(a) Coordination;
(b) Managerial Development; and
(c) Cost.

Answer :

Basis	Formal Organisation	Informal Organisation
Origin	It arises as a result of company rules and policies	It arises as a result of social interaction among the employees.
Authority	It is attached to a superior which flows downward as it is delegated to the subordinates.	No authority is delegated but it is personal and flows downwards, upwards, horizontal or vertical.
Leadership	Superiors provide leadership to subordinates.	Members are not appointed but chosen by groups. The person with lowest authority can also be a leader.

OR

Basis	Functional Structure	Divisional Structure
Coordination	Easier to manage people with similar training/ skills.	Conflicts and rivalries can occur between divisions.
Managerial development	It does not help in managerial development as functional manager lack autonomy.	It helps in managerial development as they have autonomy and knowledge of varied aspect of product.
Cost	It is economical as there is no duplication.	It is costlier, as there is duplication of resources.

11. Explain 'Vestibule Training and 'Apprenticeship Programme' as methods of training. [3]

Answer :

Vestibule training : It is generally conducted in places away from the actual work place with actual shops duplicated for training. Typical shop conditions are duplicated with relevant machines, tools, equipments, raw materials, etc, and instruction on utilising them is imparted to trainees.

Apprenticeship training : Apprenticeship training is a method wherein new employees work as trainees, under highly experienced supervisors or experts for a specific period of time. This method is used where higher level of skill is required to attain complete proficiency to perform a particular job.

12. One of the functions of Securities and Exchange Board of India is 'Promotion of fair practices and code of conduct in securities market'. State the category to which this function belongs and state any two other functions of this category. [3]

Answer : 'Promotion of fair practices and code of conduct in securities market is one of SEBI's Protective functions. Other two functions under this category include :

(a) It prohibits fraudulent and unfair trade practices like misleading statements, manipulations, price riggings etc.
(b) It controls insider trading and imposes penalties for such practices.

13. 'G. Motors' is the manufacturer of sophisticated cranes. The Production manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors.

(a) Identify the financial decision taken by Ashish Jain.
(b) Explain any three factors affecting the decision identified in (a) above. [3]

Answer :

(a) Ashish Jain took a capital budgeting decision.

(b) Factors affecting capital budgeting decision include :

- (i) **Cash flow of the project** : G.Motors should expect a regular amount of cash flow through investments in the new automatic machines with latest technology to meet the daily requirements of their operations.
- (ii) **Returns from investment** : The selection of new machines requiring investments is identified based on possible benefits or returns which G. Motors will obtain through an appropriate appraisal method.
- (iii) **Investment criteria** : The investment proposal on purchase of new machines is prepared on the basis of availability of raw materials, labour, etc., along with the extent of risks and uncertainties associated.

SECTION-C

14. Explain any four features of business environment. [4]

OR

Explain any four features of 'demonetization'. [4]

Answer : Features of business environment are as follows :

- (i) **Short-term and long-term impact** : Changes in the business environment has a short-term and a long-term impact on businesses. In the short-term, businesses can experience increase in profits or productivity while in the long-term they can experience goodwill and reputation.
- (ii) **Dynamic nature** : Business environment is very flexible and keeps changing as there are multiple factors in action at any given time. It is not static and cannot be monitored or predicted.
- (iii) **Unlimited effect** : Business environment can have unlimited effect on businesses that can bring about long-term changes like mechanisation and automation over a period of time.
- (iv) **Uncertainty** : Business environment is characterised with uncertainty as it is very difficult to predict possible changes, mainly when changes are taking place too frequently.

OR

The following are the main features of Demonetisation :

- (i) **Elimination of Black Money** : Black money is a household name in India. It refers to unaccounted money. Holders of black money avoid payment of tax on this money. By demonetising high value currency notes, the government wants to eliminate the stock of black unaccounted cash balances.
- (ii) **Eradication of Corruption** : High value currency notes are the commonly accepted medium or bribe. The government wants to strike at the root of corruption by banning these notes.
- (iii) **Elimination of Counterfeit Currency** : Note ban would have implied the elimination of counterfeit currency. Counterfeit currency enhances money in circulation and contributes to inflationary sprial. It destabilises the economy.
- (iv) **Money Laundering** : Demonetisation is expected to check money laundering. It refers to hidden transfer of funds across different regions of the country. With cash transactions coming to a grinding halt, demonetisation hurt money laundering in a big way.

15. Kunal joined as a shop level manager in the Production department of a textile company in the year 2005. Because of his good work, he became the Deputy Production Manager of the company in the year 2010. He had status and prestige and was well-respected by all in the company. On 1st March, 2019, he was promoted as the General Manager of the company. Kunal was very happy on his promotion as now he had become what he was capable of becoming. As a good manager, Kunal decided to motivate his subordinates, after understanding the Need Hierarchy theory which is based on various assumptions. He realised that people's behaviour is based on their needs and the manager can influence the behaviour of his employees by satisfying their needs.

- (a) One of the assumptions of Need Hierarchy theory is stated in the above paragraph. State the other three assumptions of this theory.
- (b) State the needs of Kunal which are being satisfied through promotion. [4]

Answer :

- (a) The other three assumptions of need hierarchy theory are :
- (i) Humans have needs, want and desires which can be influenced by their own behaviour.

(ii) Human needs are multiple but they can be arranged in an ascending order in terms of their importance from the lowest to the highest. After the lowest level of needs is satisfied, the needs at the higher level arises.

(iii) Higher the level of needs to be satisfied, greater is the extent of motivation. This implies that an individual will be most motivated to achieve self-actualisation needs but needs to initially tackle all needs below it to achieve most satisfaction.

(b) The needs satisfied through Kunal's promotion include :

- Esteem needs are satisfied for Kunal as it has created positive self-image, self-respect and need for being respected by others.
- Self-actualisation needs are also satisfied. It signifies his need for self-development, self-advancement and self-fulfillment from gradual progress achieved by Kunal.
- Social needs are satisfied as Kunal realises where he belongs and receives acceptance from his seniors, peers and subordinates. Accordingly, he creates an environment that enables communication, teamwork and increased productivity in the organization.

16. 'Foods India Ltd.' is a company engaged in the production of packaged juice since 2010. Over this period, a large number of competitors have entered the market and are putting a tough challenge to 'Foods India Ltd'. To face this challenge and to increase its market share, the company has decided to replace the old machinery with an estimated cost of ₹ 100 crores. To raise the finance, the company decided to issue 9% debentures. The Finance department of the company has estimated that the cost of issuing the 9% debentures will be ₹ 10,00,000. The company wants to meet its floatation cost.

- Explain the instrument that the company may issue for this purpose.
- In which type of financial market, is the instrument explained in (a) above traded? Also explain how safe the instruments are in this market. [4]

Answer :

- Foods India Ltd. can make a public issue of (new) securities or equity stock to be competitive and get new machinery.
- Foods India Ltd. will have to issue new secu-

rities in the primary market in which securities will be sold to new investors. Primary market performs a crucial function of facilitating capital formation. Subsequently, these issues will be traded in secondary markets or stock exchanges. These instruments will be safe for Foods India to issue in primary and secondary markets, as these are regulated by the Securities and Exchange Board of India (SEBI). SEBI ensures safety of issuances of securities in the following ways :

- It registers and regulates the workings of stock brokers, sub-brokers, share transfer agents, bankers to an issues, trustees of trust deeds, registrars to an issue, FIIs, credit rating agencies, etc.
- It notifies rules and regulations for smooth functioning of all intermediaries in the securities' market.
- It prohibits insider trading activities.
- It prohibits fraudulent and unfair trade practices in the securities market.

17. Define a 'Consumer' according to the provision of the Consumer Protection Act, 1986. [4]

OR

State any eight reliefs available to the consumer, if the court is satisfied about the genuineness of the complaint.

Answer : According to the Consumer Protection Act, 1986, a consumer is defined as :

- Any person who buys goods for consideration, and any person who uses goods with the approval of the purchaser.
- Any person who hires any service(s), for a consideration and any beneficiary of such services, provided the service is availed with the approval of the person who had hired the service for a consideration.

These definitions imply the following :

- The act aims at protecting the consumer from exploitation from business practices that cause harm and damage to life and/or property following purchase of any product/service.
- The act is a punitive or preventive approach that enables consumers to be aware and make informed decisions with consumption and spending on products/services.
- The act also caters to businesses who are also consumers of the products/services in the country.

OR

The reliefs available to the consumer, if the court is satisfied about the genuineness of the com-

plaint as per Consumer Protection Act, 1986 are as follows :

- (i) **Removal of defects in products** : The Act aims at removing the defects in the products by verifying and conducting tests or analysis.
- (ii) **Replacement** : The Act can make sellers replace the goods with new goods of similar description which is free from any defect.
- (iii) **Refunds** : In case the replacement is not possible, the Act makes provisions for return or refund the price completely to the complainant.
- (iv) **Removal of deficiencies in services** : The Act makes provisions to remove the deficiencies in services by setting an enquiry and providing compensation.
- (v) **Discontinue unfair practices** : The Act has remedial measures for discontinuing unfair trade or restrictive trade practices by exposing them to the public.
- (vi) **Provide compensation** : It also makes provisions to pay such amount as compensation for damage or loss or injury suffered by the consumer due to negligence of the opposite party.
- (vii) **Restriction on hazardous goods** : It restricts businesses to not offer hazardous goods for sale by setting compliances to laws and regulations and insisting on conducting tests at the producers' end.
- (viii) **Withdrawal of hazardous goods** : It makes businesses to withdraw hazardous goods from being offered for sale by :
 1. Ceasing production of hazardous goods or to desist from services which are hazardous in nature.
 2. Making them pay a minimum of 5% value of goods sold or an amount determined from loss or injury suffered by a large number of consumers who are not identifiable conveniently.
 3. Issuing advertisement to neutralise the effect of misleading advertisement at the cost of the opposite party.
 4. Providing for adequate costs to parties.

18. Explain any four factors which affect the fixation of price of a product. [4]

Answer : Factors which affect the fixation of price of a product are as follows :

- (i) **Costs of product** : Pricing of the product is

based on specific costs related to cost of raw materials, costs of factors of production and distribution. These costs are not necessarily low and feasible as the nature of the industry and business practices vary from product to product that affects the fixation of price.

- (ii) **Organisational objectives** : Organisational objectives are associated with aligning their resources for introducing or improvising their products/services depending upon their customers' requirements and needs. Prices of the products/services are accordingly determined, based on such organisational objectives.
- (iii) **Demand** : Businesses need to study the nature of demand affected by elasticity of demand, presence of substitutes and complementary goods, growth in demand for the products, market share and sales of the products. These factors assist a business to forecast the possible shift in demand that influences the prices of the products.
- (iv) **Psychological pricing** : Psychological pricing is related to realising the changing tastes and preferences of consumers in the market reflecting their purchasing behaviour. This includes, understanding the nature of the target markets, the conditions of the product during and post purchase, consumers' attitudes and perceptions, etc.

19. 'Smart Stationery Ltd.' wants to raise funds of ₹ 40,00,000 for its new project. The management is considering the following mix of debt and equity to raise this amount :

Capital Structure	Alternative		
	I (₹)	II (₹)	III (₹)
Equity	40,00,000	30,00,000	10,00,000
Debt	0	10,00,000	30,00,000

Other details are as follows :

Interest Rate on Debt	9%
Face value of Equity Shares	₹ 100 each
Tax Rate	30%
Earning before Interest and Tax (EBIT)	₹ 8,00,000
(a) Under which of the three alternatives will the company be able to take advantage of Trading on Equity ?	
(b) Does Earning Per Share always rise with increase in debt ?	

Answer : (a)

Capital Structure	Alternative I (₹)	Alternative II (₹)	Alternative III (₹)
Equity	40,00,000	30,00,000	10,00,000
Debt	0	10,00,000	30,00,000
Total Capital	40,00,000	40,00,000	40,00,000
EBIT	8,00,000	8,00,000	8,00,000
Less Interest	-	(90,000)	(2,70,000)
EBT	8,00,000	7,10,000	5,30,000
Less Tax @ 30%	(2,40,000)	(2,13,000)	(1,59,000)
EAT	5,60,000	4,97,000	3,71,000
No. of shares of ₹ 100 each	40,000	30,000	10,000
EPS	14	16.57	37.1

With respect to EPS, alternative III will allow the company to take advantage of Trading on Equity.

(b) As shown in the table EPS does not rise but decreases with increase in debt. Under Alternative II when debt was ₹ 10,00,000 the EPS was ₹ 16.57 and when it is ₹ 30,00,000 under Alternative III, EPS falls to ₹ 37.1.

SECTION-D

20. Explain any five characteristics of 'Co-ordination' [5]

OR

Explain any five characteristics of 'Management'.

Answer : Coordination involves arranging and placing all managerial functions together to run the management smoothly and achieve the required goals and objectives of a business. Characteristics of Coordination are as follows :

- (i) **Integration of group efforts :** Coordination enables interaction between individuals with different capabilities, experiences and skills. Such integrated group efforts further enable efficiency in operations as per organisational goals.
- (ii) **Unity of action :** Coordination enables the manager to secure unity of action in direction of a common purpose
- (iii) **Continuous process :** It is a continuous process that requires a manager to continuously coordinate with the activities of different

departments for achieving organisational objectives by using the available resources efficiently.

(iv) **Pervasive function :** It is an all pervasive function that runs through all managerial functions from planning till controlling.

OR

Characteristics of Management are :

- (i) **Goal-oriented Process :** It is a goal oriented process, which is undertaken to achieve already specified and desired objectives by proper utilization of available resources.
- (ii) **Pervasive :** Management is universal in nature. It is used in all types of organisations whether economic, social or political irrespective of its size, nature and location at every level.
- (iii) **Continuous :** Management is not a process which can be performed once and for all, but it is a continuous process. Functions of management like planning, organising, staffing, directing and controlling continuously need to be done.
- (iv) **Group Activity :** It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives.
- (v) **Dynamic function :** It is a dynamic function since it has to adapt according to need, time and situation of the changing environment. For example, Mc Donalds made major changes in its 'Menu' to survive in the Indian Market.
- 21. **Vikas was the Chief Operating Officer of 'Yale Ltd', a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Vikas was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vikas appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the**

entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organization and helped in minimizing dishonest behaviour on the part of the employees.

- (a) Identify the function of management highlighted in the above paragraph.
- (b) Explain any four other ways in which this function of management may help the organization. [5]

Answer :

- (a) The function of management highlighted in the Yalet Ltd. case is controlling. Controlling is an important management function which means checking for deviations in a business and acting towards rectifying them to achieve organisational goals.
- (b) Controlling can help Yalet Ltd in the following manner (any four) :
 - (i) Controlling facilitates accomplishing organisational goals as suggested in the case that the business has been successfully earning enough profits for the last 12 years .
 - (ii) Controlling facilitates coordination in action. For example, Vikas started keeping a close check on the progress of activities to understand reasons for decrease in revenues despite of fulfilling high orders in time.
 - (iii) Controlling involves taking decisions on corrective actions towards making improvements in case of deviations. For example, Vikas appointed a cyber security expert to monitor the company's processes.
 - (iv) Controlling involves taking corrective actions to identify and eliminate causes of problems in an organisation. For example, Vikas appointed a cyber security expert to identify the company operator responsible for deletion of entries that made Yalet Ltd's revenues to decrease.
 - (v) Controlling ensures order and discipline like Vikas had established in Yalet Ltd by getting the dishonest computer operator arrested and set standards for maintaining honesty and discipline in the organisation.

22. 'Pushpanjali Ltd.' is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The findings of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its good quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits. Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd.' had forgotten to take one of the most important decision related to the product.

What decision should 'Pushpanjali Ltd.' take so that its customers are able to identify its products in the market? Explain the benefits that may results to 'Pushpanjali Ltd.' and its customer if the above decision is taken. [5]

Answer :

- (a) Pushpanjali Ltd. should focus on branding to be able to identify its products in the market that is directed towards selected customers. Accordingly, the decisions regarding the product will be determined by customers if the products have the right price and distributed in the right place along with relevant promotional activities. Pushpanjali would need to create :
 - (i) A brand name that will be easy for customers to remember and reflects the company's significance in the market.
 - (ii) The product should have a unique and distinctive brand name that can create some mystery or curiosity towards the product.
- (b) Advantages of a brand name to Pushpanjali will be as follows :
 - (i) **Helps in advertising :** It will be easier for Pushpanjali to communicate the characteristics and distinctiveness of the product.
 - (ii) **Establishes identity :** It will help create a unique identity that can be differentiated with similar products and ensure customer loyalty.

- (iii) **Differential pricing :** It can allow Pushpanjali to change the prices of the product and remain competitive in comparison to other competitors.
- (iv) **Ease in introduction of new product :** An established brand can easily allow Pushpanjali to introduce new products in the market.
- (b) Advantages of a brand name to customers will be as follows :
- (i) **Product Differentiation :** A brand name allows the customer to shop easily and effectively as customers can associate with Pushpanjali's brand.
- (ii) **Quality :** Brand name also ensures quality of products/services which possibly remains consistent across all types of existing and new products.
- (iii) **Status symbol :** A brand name will allow customers to reflect a social status by symbolising wealth or prestige.

SECTION-E

23. Explain the following techniques of scientific management :

- (a) **Time Study;**
- (b) **Motion Study; and**
- (c) **Functional Foremanship** [6]

OR

Explain the following principles of general management :

- (a) **Division of Work;**
- (b) **Authority and Responsibility; and**
- (c) **Discipline**

Answer :

(a) **Time Study :** Time study is an observational study pioneered by Frederick Taylor. These studies determine the optimal time taken by a worker to complete certain tasks in a job using stopwatches. These studies then records, analyses and synthesises the time and elements of any operation and determines factors that cause fatigue for workers and factors that lead to unavoidable and personal delays. These studies are usually used for all or any one of the following :

- (i) Jobs that have repetitive work cycles of short to long duration.
- (ii) Jobs of wide variety of dissimilar work.

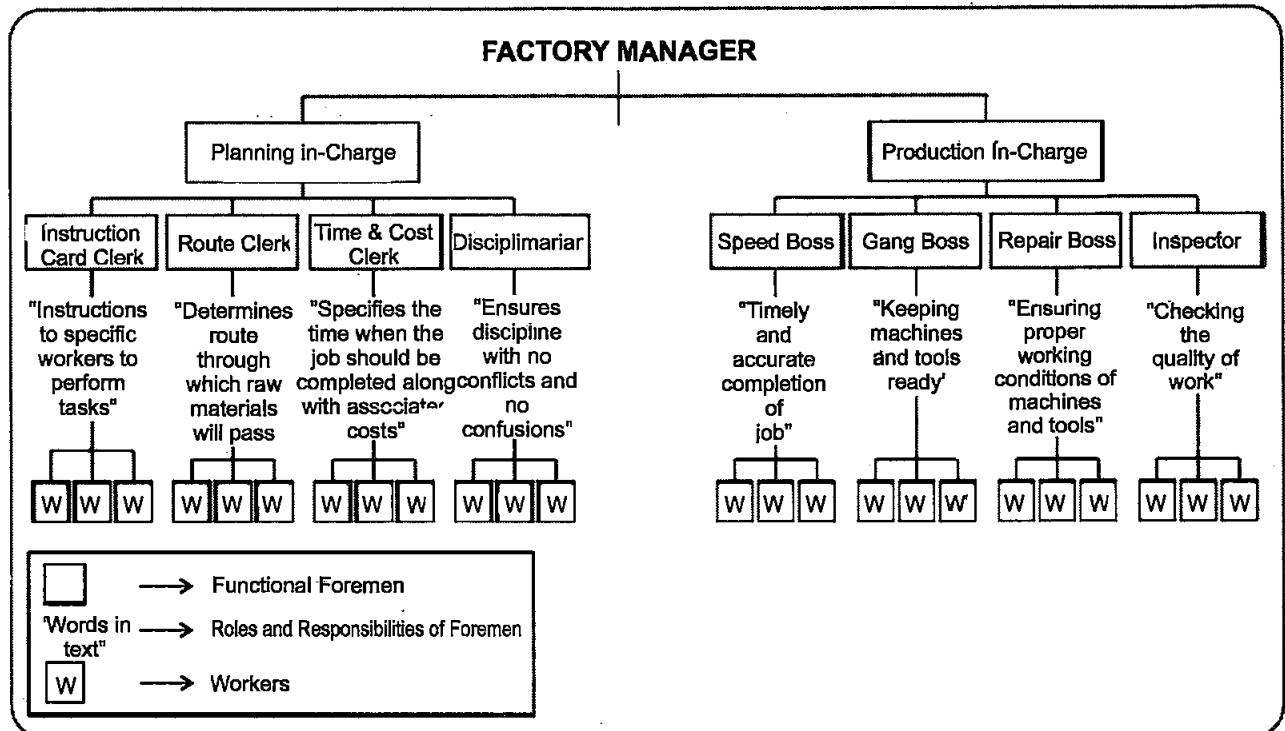
- (iii) Jobs with process control elements, which constitute a part of the cycle.

Accordingly, time studies attempt to include the following operations :

- (a) Sub-division of work.
- (b) Recording the time taken by different employees to complete a task.
- (c) Selecting the average worker.
- (d) Recording the time taken by the average worker in performing the same work under normal conditions.
- (e) Determining the standard time for the work.
- (b) **Motion Study :** Motion studies were developed by Frank and Lillian Gilbreth as an engineering and management technique. They maintained visual records (or movies) on the details of the workers' activities to recognise possible areas of improvement during work. Motion study is based on the phrase "work smarter, not harder". It is the study of body motions used while working with the intention of improving the work methods. The principles laid down by the Gilbreths can be categorised into three major components.

- (i) **Use of human body :** Principles under use of human body, implies suitable techniques in bodily movements workers could consider in a working environment that ensures personal safety, no injuries and increased productivity.
- (ii) **Arrangement of workplace :** Arrangement of workplace implies that all tools, machines and equipment should be arranged suitably to make working conditions comfortable.
- (iii) **Design of tools and equipment :** Design of tools and equipment should make work more feasible and efficient for workers.

- (c) **Functional Foremanship :** According to Taylor, functional foremanship is a management technique wherein the duties of a traditional foreman are distributed between several workers. This technique separates the planning function and executive function in an organisation. As shown in the chart,



both units have a total of 8 foremen with 4 foremen in each unit. Each foreman employed workers who are specifically instructed to do assigned tasks. These workers will be held accountable for the specific work who will report back to the Foreman for further instruction.

The foremen involved as Planning in charge were :

1. Instruction Card Clerk who gave instructions to specific workers to perform tasks.
2. Route Clerk who determined route through which raw materials will pass.
3. Time and Cost Clerk who specified the time when the job should be completed along with associated costs.
4. Disciplinarian who ensured discipline with no conflicts and no confusions.

The foremen involved as Production in charge were :

1. Speed Boss who focussed on timely and accurate completion of the job.
2. Gang Boss who kept machines and tools ready.
3. Repair Boss who ensured proper working conditions of machines and tools.
4. Inspector who checked the quality of work.

Functional foremanship thus implies that a functional foreman with specialised capability will have specialised powers to oversee, instruct and

guide workers. This foreman will plan number of workers required for the job and their respective duties will be divided among these workers. The workers will also be selected based on their qualifications and capabilities in accordance to the job. The selected workers should be capable of being alert and stern and have certain experience with the work in the organisation. Each worker will be responsible to check on different activities in the organisation as per the instructions of the Foreman.

OR

Principles of Management were given by Henri Fayol. Division of Work; Authority and Responsibility and; Discipline were some of the 14 principles laid down by Fayol.

- (a) **Division of Work :** According to this principle, "as far as possible the whole work should be divided into small parts and each individual should be assigned only the part of the work according to his ability and skills repeatedly so that the benefits of specialisation may be achieved.
- (b) **Authority and Responsibility :** According to this principle, authority and responsibility should go hand in hand. It means that when a particular individual is given a particular work and he is made responsible for the results, this can be possible only when he is given sufficient authority to discharge his responsibility.

(c) **Discipline** : According to this principle, the organisational rules and employment agreement should be obeyed by both the superiors and subordinates which are necessary for the successful working of the organisation.

24. 'E-Solutions Ltd.' started its operations in the year 2000. At the time of its inception, the company had only ten employees with two departments, a Production department and an Administration department. The product supplied and the services provided by the company started gaining popularity over the years. The management had faith in the abilities of the employees and thus they allowed them freedom of action. The management recognized that the decision-makers at different levels of the organization need to be given more autonomy. They took a policy decision that there will be less control of superiors over subordinates. This increased the role of the subordinates in the organization and now they were in a position to take numerous as well as important decisions. As a result, the business had diversified into many areas. Presently, it has its operations throughout the country with seven branches overseas. Its organizational structure has now changed into divisional structure and ten thousand people are working with the company.

(a) Identify the concept of management which helped the company to diversify into many areas and branches abroad.

(b) Explain five points of importance of the concept identified in (a) above. [6]

Answer :

(a) The concept of management which helped the company to diversify into many areas and branches abroad is decentralisation or divisional structure of management. This implies transferring powers of decision making and accountability across subordinates or departments that are separate units within a broad organisational framework.

(b) Importance of decentralisation are as follows:

(i) **Relief of excessive workload** : Instead, decentralisation confers responsibilities of top management like routine work requiring regular monitoring and cross-checking on their subordinates and can receive periodic updates from them on budgeting and reviewing finances or operations via occasional meetings.

(ii) **Prompt decision-making** : The decision making process is not just restricted to their superiors but also to their subordinates. This can lead to quick and prompt business decisions on situations closest to the subordinates.

(iii) **Facilitates growth** : Decentralisation facilitates growth and expansion of a business involved in production or servicing a variety of products/services by giving individual and specialised attention with (specialised) subordinates obtaining the freedom to decide and act (though under the advice of their superiors).

(iv) **Better control** : Superiors under decentralisation identify some control standards for the subordinates to measure their success in finding/implementing solutions to specific issues or problems during operations. The decisions of subordinates are usually confirmed and conveyed to the superiors implying better control over the operations.

(v) **Improved teamwork** : In decentralisation, the superiors and subordinates share the decision-making process with subordinates monitoring all activities and taking decisions under the guidance of their superiors. This can lead to integration of all superiors/subordinates as a team and develop team spirit among them.

25. 'Entertainment India Ltd.' has been incorporated with the objective of entertaining people by organizing festivals, programmes and other similar events depicting the rich cultural heritage of the country. The company management has renowned personalities from the field of art, literature and culture. They decided to give a platform to young budding musicians, poets and artists. The company decided its organisational structure by grouping similar jobs together. Thereafter, the heads of different departments were also appointed. Nisha, one of the heads, did an analysis of the number, type and qualification necessary for people to be appointed. The information generated in the process of writing the job description and the candidate profile was used to develop 'Situations vacant' advertisement. This was published in print media and flashed in electronic media. This brought in a flood of response.

Explain the other steps which Nisha has to perform to complete the process being discussed above. [6]

Answer : The steps involved in the case were related to recruitment. The other steps Nisha has to perform to complete the process are as follows:

- (i) **Screening of applications :** This involves screening of all responses in terms of skills and qualifications and years of experience. Nisha can also consider a preliminary interview to confirm the details provided in the application either via telephone or e-mail and select for the 1st round of interviews.
- (ii) **Employment test :** Nisha can conduct an employment test as the first round of interviews. She can ask the selected candidates to demonstrate their skills in acting, singing, etc. She can ask whether candidates have obtained any professional training or degree from schools related to art, music or theatre and select candidates who have demonstrated confidence and unique styles of entertainment.
- (iii) **Reference checking :** Selected candidates from the employment test can provide 3 references to Nisha from a professor/teachers in school or from institutions where they have obtained some experience in art, theatre or music.

(iv) **Selection decision :** Following reference checking, Nisha can select qualified candidates based on their communication skills, experience in music, art or theatre as well as references from their teachers/employers.

(v) **Physical or medical examination :** Nisha can ask selected candidates to get a physical or medical examination done if Entertainment India Ltd. offers medical insurance policies or mediclaim.

(vi) **Final approval and job offer :** Following health examination and understanding of terms of employment, Nisha can get an approval level and final offer letter issued from the Human Resource (HR) department at Entertainment India Ltd.

(vii) **Contract of employment :** A contract of employment detailing the job details, wages, hours of work, holiday entitlement, probation period, leaves, work rules etc, can be given to the selected candidates which needs to appropriately signed and returned to HR department as a token of acceptance.

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Business Studies 2019 (Outside Delhi)

SET II

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

SECTION-A

2. Differentiate between Formal and Informal organization on the basis of 'flow of communication'. [1]

OR

Differentiate between 'Delegation' and 'Decentralisation' on the basis of 'freedom of action'.

Answer :

Basis	Formal Organisation	Informal Organisation
Flow of communication	Communication occurs only through formal lines or chain of command which cannot be changed.	Communication does not have a fixed pattern but facilitates quick communication and allows people to socialise.

OR

Basis	Delegation	Decentralisation
Freedom of action	Superiors regularly supervise and control their subordinates for their performance and behaviour. So they have less freedom of action..	Subordinates enjoy greater freedom of action. They are free to work within broad guidelines of an organisation.

3. What is meant by 'functional structure' of an organisation? [1]

OR

What is meant by 'accountability'?

Answer : Functional structure of an organisation involves grouping of employees with similar skills, work activities and resource use into specialised departments.

OR

Accountability is an obligation or a liability for a subordinate which is created by the superior for the use of authority and responsibility of actions undertaken for business operations.

SECTION-B

9. Explain 'Organisational Climate' and 'Job Enrichment' as non-financial incentives. [3]

Answer : Non-financial incentives are factors other than money like status, recognition in the society and a sense of accomplishment. Such incentives include:

- (i) **Organisational Climate :** Organisational climate implies encouraging employee's participation in management's decision and enabling a two-way communication. Businesses can create an environment that enables employee participation/empowerment, feedback and recognition.
- (ii) **Job Enrichment :** Job enrichment means increasing the content and responsibilities of a job that leads to upgradation of scope and challenges. Employees prefer job enrichment as the job becomes more challenging and can increase satisfaction and motivational levels among them.

SECTION-C

14. Explain any four points of importance of business environment. [4]

OR

Explain any four points of impact of government policy changes on business and industry.

Answer : Importance of business environment is as follows :

- (i) **Determine strategies and policies :** The study of the environment helps a business to develop broad strategies and long-term policies based on relevant information that is feasible for smooth and efficient operations of business.
- (ii) **Ensure optimum utilisation of resources :** A study of business environment can assist a business to determine the sources and means of obtaining and utilising required resources optimally.

(iii) **Analyse competitors' strategies :** Business environment continuously keeps collecting and displaying strategies adopted by competitors. Accordingly, businesses can formulate effective counter-plans to face them.

(iv) **Foresee the impact of socio-cultural factors :** With knowledge on socio-cultural factors like religion, caste, value system, education, family size, urbanisation, etc., businesses can make timely changes in their policies and strategies and accordingly adjust their products or services.

OR

Features of impact of government policy changes on business and industry are as follows :

- (i) **Demanding customers :** Government policies have allowed entry to competitively driven products and services under new economic policies. Consumers have also become well-informed and could choose from a variety of such products and services. Along with rising incomes, increasing purchasing power and changing lifestyles, Indian customers have become more demanding about value-driven products and services.
- (ii) **Increasing competition :** Government's new policies have given an impetus to private sector and enabled easy access to foreign companies, thus enabling a competitive structure in India. Competition has led to the development of new products and services, innovation, creating easy access to domestic and foreign markets and resources, led to existence of competitive pricing, increased productivity and profitability across industries and businesses.

(iii) **Technological development :** Increase in competition with entry of foreign companies has led to technological development in the country. Government policies and regulations have been directed towards following global production compliances that have led businesses with large-scale operations to adopt state-of-the art technology.

(iv) **Market orientation :** Market orientation means that businesses attempt to discover and match the needs and desires of consumers by providing customised products and services by encouraging privatisation and competitions. Thus, businesses have to bear huge costs on planning based on market research, and producing products or services based on the changing tastes, needs

and wants of their customers. The concept of market has changed from selling to marketing.

15. State any eight responsibilities that a consumer should discharge while purchasing, using and consuming goods and services. [4]

OR

What is meant by 'Consumer Protection'? State any five points of importance of consumer protection from the point of view of business.

Answer : The responsibilities that a consumer should discharge while purchasing, using and consuming goods and services are as follows :

- (i) **Consumer must exercise his/her rights :** Consumers should make informed decisions and choices regarding products and services and should be aware of their rights to exercise them appropriately.
- (ii) **Cautiousness :** A consumer should be cautious prior to purchasing products and services from the seller and should insist on complete information about the product and service in terms of pricing, brand, warranty, delivery time, customer care service, etc.
- (iii) **Filing complaints for the redressal of grievances :** In case of any dissatisfaction from consumption of products or services, consumers must file complaints suitably on redressal forums by providing appropriate evidence but they cannot exaggerate the loss or defects from those products or services.
- (iv) **Consumers should be quality-conscious :** Consumers should look for quality marks on the products such as ISI, ISO, Agmark etc, to avoid purchasing duplicate or adulterated products.
- (v) **Insist on cash memo/bill :** Every consumer should insist on a cash memo/bill when purchasing any product. While filing complaints about the products, the purchasing bill needs to be presented as an evidence of purchase or sale.
- (vi) **Do not be carried away by advertisements :** Consumers should not be carried away by advertisements, which exaggerate the usage and benefits of the products shown in them. Consumers should compare the actual result from usage of products/services with whatever was suggested in the advertisements.
- (vii) **Safeguarding consumers interest :** Consumers should form consumer societies to keep themselves informed and play an active part in educating and safeguarding other consumers' interests.
- (viii) **Discourage black marketing :** Consumers

should consciously discourage products from being black marketed and choose standardised or branded products as grievances occurring from usage of black goods cannot be addressed easily.

OR

Consumer protection refers to the protection of consumers against improperly described, damaged, faulty and dangerous products and services. It also protects consumers from unfair trade and credit practices. Importance of consumer protection from the point of view of business is :

- (i) **Long-term interests of businesses :** In the long-term, businesses need to keep their customers satisfied by providing good quality products and services to sustain as doing this they will be exposed to increased competition and increased demand for their products and services.
- (ii) **Businesses use society's resources :** A business should produce and provide products and services that do not harm the overall society as they use natural resources (like land, water, minerals, etc.), human resources and capital which are obtained from the society.
- (iii) **Social responsibilities :** The main responsibility of a business is not just profit-making but also catering to the overall community's interests.
- (iv) **Moral or ethical justification :** Businesses need to maintain certain level of ethical standards and policies that ensures trust between consumers and all stakeholders in the market by producing morally or ethically valued products or services, which also assist in building image and reputation of businesses in the long-run.
- (v) **Government intervention :** Government intervention means that businesses are directed by governments for maintaining consumer protection practices. This may cause harm to businesses' image and reputation. Businesses should voluntarily imbibe consumer-oriented practices within their organisations to protect and safeguard consumers' interests.

SECTION-D

20. Explain any five points of importance of management. [5]

OR

Explain any five characteristics of principles of management.

Answer : Management is a task of getting things done which makes it the most important human activity in an organisation. The importance of management is as follows :

(i) **Coordination of different factors** : Management is important for enabling coordination between people working across different levels and functions in an organisation. Through coordination, management aims at unifying, integrating, synchronising efforts of all subordinates or employees to provide unity of action across basic functions—planning, organising, staffing, directing and controlling.

(ii) **Achievement of business objectives** : Management becomes important for achievement of objectives or specific results that a business needs to achieve within a particular time frame with certain resources. They serve as the basis for formulating policies, rules, performance standards, etc., which may further lead to minimising expenses, maximising profits, market expansion, customer satisfaction, etc.

(iii) **Increases productivity**—Management is important for increasing productivity as it ensures that resources like capital, labour, energy, raw materials, etc, are utilised efficiently at a particular time period to produce as planned by the organisation. The management also ensures that the increase in productivity can be realistically obtained by motivating labour and equitable alignment of supporting resources.

(iv) **Helps in achieving personal objectives** : Managers lead the employees in such a manner that along with organisational objectives, individual objectives of the employees are also achieved as they can earn more by producing more and increase their performances.

(v) **Brings harmony in work** : By giving directions, managers bring uniformity and harmony in the action of employees.

OR

The characteristics of Principles of Management are as follows :

(i) **Principles of management are universal/pervasive** : Principles of management are applicable to all levels of management. It is also applicable to different businesses which can be for profit and non-profit organisation, hospital, schools, and clubs or our own homes and households. This way they are universal or pervasive in nature.

(ii) **Principles of management are flexible** : These principles are flexible and dynamic and not static rules. This implies that there

is a room for managerial discretion and changes which can be made as per the situation.

(iii) **Principles of management have a cause and effect relationship** : These principles suggest effect or consequences of certain actions of the management. Hence, these principles have a cause and effect relationship.

(iv) **Principles of management aims at influencing human behaviour** : These principles aim at influencing human behaviour which is complex and unpredictable. They focus on regulating yet directing human behaviour towards integrating efforts to achieve a common organisational goal.

(v) **Principles of management are of equal importance** : All management principles are equally important and are required together for achievement of organisational goals.

SECTION-E

23. Explain the following principles of General management :
 (a) Unity of Command;
 (b) Subordination of Individual Interest to General Interest and
 (c) Stability of Personnel [6]

OR

Explain the following techniques of Scientific management :

(a) Method Study;
 (b) Fatigue Study; and
 (c) Differential Piece-Wage System.

Answer :

(a) **Unity of command** : Unity of command implies that every worker or subordinate should receive orders from only one superior. It is meant for avoiding dual subordination or possible conflicts and confusions as orders from different superiors may undermine authority and discipline of the concerned superior responsible for a particular activity. For example, workers responsible for manufacturing pots and pans should receive orders from the production manager and not from the marketing manager of the company.

(b) **Subordination of individual interests to general interest** : This principle implies that the interests of one person should not take priority over the interests of the organisation as a whole but the other way around. The goals of the organisation should take precedence over the interests of individual employees. For example, if the management expects production of 100 pots but the

manager in-charge orders his team to produce 200 pots to prepare for future demand without considering costs for storing and maintaining the extra 100 pots, then that is against the organisation's objectives of low storage and maintenance costs.

(c) **Stability of personnel** : Stability of personnel refers to retention of workers by removing the feeling of job insecurity for workers. Retaining workers should be the highest priority of management that provides security, increases productivity and reduces employee turnover. High rates of employee turnover are inefficient and should be avoided. For example, if a hard-working employee is dissatisfied with his/her monotonous job, she can be retained by providing a new position (or responsibility) in another department within the company that requires her to explore and advance her capabilities.

OR

(a) **Method study** : This study aims at finding out the best method of completing any work. It takes into account each and every activity involved in the task. It helps in reducing the costs and maximising the satisfaction of

the customers. Assembly line production, used by Ford Motors is a popular example of method study.

(b) **Fatigue study** : Fatigue study was devised by Frank and Lillian Gilbreth. The Gilbreths studied the causes of fatigue due to long working hours, poor working conditions, unsuitable work, unhappy relations with superiors or colleagues, etc. The fatigue study determines the duration and frequency of rest intervals to complete a particular job. The rest refreshes workers to gain full capacity and efficiency in work.

(c) **Differential piece wage system** : Frederick Taylor devised the differential piece wage system to motivate the workers by paying more to the more efficient worker. This system differentiates efficiency in terms of high wages and low wages. Workers who are more efficient earn higher wages than workers who are relatively less efficient. This system focuses on providing incentive to workers that encourages them to improve their performance. This system works especially for mass production of goods leading to cost minimisation and profit maximisation.

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Business Studies 2019 (Outside Delhi)

SET III

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

1. Differentiate between 'Authority' and 'Responsibility' on the basis of 'origin'. [1]

OR

Distinguish between 'Responsibility' and 'Accountability' on the basis of 'delegation'. [1]

Answer :

Basis	Authority	Responsibility
Origin	The power or right inherent to a superior to give orders, enforce rules and expect obedience from subordinates. It arises out of a formal position in the organisation.	Originated from superior-subordinate relationship wherein the subordinate is bound to perform tasks assigned by the superior.

OR

Basis	Responsibility	Accountability
Delegation	It cannot be wholly delegated as superiors pass their responsibilities to the subordinates.	It can never be delegated. It lies with the superiors as well as with subordinates.

2. "Purchase goods worth ₹ 10,000 and get a discount voucher of ₹ 5,000." Identify the sales promotion activity. [1]

Answer : The sales promotion activity involved here is usable benefit or reduction in regular sales price by a certain percentage which in this case, is a 50% reduction in price.

SECTION-B

12. Explain 'Career Advancement Opportunity' and 'Job Security' as non-financial incentives. [3]

Answer : Non-financial incentives are factors

other than money like status, recognition in the society and a sense of accomplishment. Such incentives include :

- (i) **Career Advancement Opportunity** : Career Advancement Opportunity is a recognition or rise in status of an employee whose position is heightened by giving a higher role in decision-making. It refers to empowering employees by recognising their true potential and providing opportunities to them to oversee and take up more responsibilities in the organisation. These employees are also provided training to enhance their skills and knowledge that can be applied to meet organisational goals.
- (ii) **Job Security** : Job security is an assurance that employees will be continuing gainful employment throughout their lives. Job security can be assured by signing the term of contractual agreement, collective bargaining employment or (prevailing) labour laws that can prevent arbitrary termination, job dismissal, unemployment and lockouts.

SECTION-C

14. Explain the following dimensions of business environment :

- (a) Political Environment; and
- (b) Social Environment. [4]

OR

Explain the following economic reforms which had an impact on Indian Business and Industry :

- (a) Liberalisation; and
- (b) Globalisation. [4]

(a) **Political Environment** : Political environment consists of factors influenced by government actions. These actions can be internal, national or local, which affect the operations of a business. Political environment includes factors like :

- (i) Political ideology, which is a certain set of ideals, principles, doctrines, myths or symbols shared commonly by a group of individuals in a political system.
- (ii) Political stability, which is associated with security and safety provided by the government. In a political stable environment, there is certainty and confidence generated by government that ensure consistent supply of financial, human and physical resources with possible investment and expansion opportunities. Factors that may lead to political instability include – communal riots, civil war, state emergency, etc.

- (iii) International relations, which are concerned with affairs of other countries and relation among countries. These international relations are maintained as an attempt to reflect political stability.
- (iv) Welfare activities of government, that ensure the well-being of a country's citizens.
- (v) Defence and military policy, that deals with international security and the military.
- (vi) Centre-State relationship, that defines the nature of relationship between Central government and State government in our current decentralised/federal system.

(b) **Social Environment** : Socio-cultural environment refers to a set of beliefs, customs, practices and behaviour that exists within a population. Businesses tend to study this environment to understand the nature of their customer needs and expectations. Factors under socio-cultural environment include :

- (i) Attitude of people at work.
- (ii) Family system.
- (iii) Caste system, religion, languages, marriage, customs and traditions.
- (iv) Education.
- (v) Level of Urbanisation.
- (vi) Habits, beliefs, lifestyles, tastes and preferences.
- (vii) Social trends.
- (viii) Business ethics.

OR

Economic reforms had an impact on Indian Business and Industry in the following ways :

- (a) **Liberalisation** : Liberalisation refers to the opening up of a country's market to the rest of the world by removing and/or reducing controls on trade, regulations, taxation that generally affects a business. Prior to 1991, government had imposed several types of controls such as the industrial licensing system, price controls, import licenses, foreign exchange controls, restrictions on investments by large businesses, etc. These controls restricted growth in businesses and industries and gave rise to corruption, undue delays, inefficiencies, increasing debt and rise in inequalities among Indians. Following liberalisation, most controls of trade, commerce and industries were removed leading to :

- (i) Increase in competition
- (ii) Introduction of quality-driven products or services at competitive prices
- (iii) Employment opportunities
- (iv) Growth in industries
- (v) Rise in overall incomes

(b) **Globalisation** : Globalisation is the integration of economies, industries, markets, culture and policy-making around the world. It describes a process that reduces the distances between regions and countries for trade, commerce, communication and interaction across the world with limited geographical and socio-economic-political interferences. The impact of globalisation on businesses is as follows :

- (i) Businesses-organizations obtained access to cheaper capital goods and intermediate goods with elimination and removal of import restrictions.
- (ii) Businesses-organization could export goods. They improved their quality of goods to compete in global markets.
- (iii) Foreign businesses could re-enter in Indian markets that led to more employment opportunities and better infrastructure.

SECTION-D

20. Explain any five points of importance of principles of management. [5]

OR

Explain management as a profession. [5]

Answer : Importance of principles of management are as follows :

- (a) **Provide useful insight to managers** : Principles of management are devised by professionals with certain experiences and skills who are aware about the workings and the required resources of a business. This way, these professionals provides timely guidance and insight to reduce wastage of resources and operate efficiently. For example, the principle of division of work ensures prompt completion of work at an economical cost.
- (b) **Optimum utilisation of resources and effective administration** : Every organisation requires physical (materials, equipment, tools, etc.) and human resources that are used optimally. Principles like unity of command ensures that there is a single leader/manager who directs and orders

employees to use suitable resources to avoid wastage of resources and confusions.

- (c) **Scientific decisions** : Principles of management provide scientific or balanced decisions that are proven and tested so that managers do not need to attempt trial and error. For example, principle of authority and responsibility implies that employees or subordinates are entrusted with responsibility and allowed some authority for efficient completion of the job.
- (d) **Meeting changing environmental requirement** : Businesses can sustain only if they can keep up to the changing environment. Principles of management like the principal of unity of direction can ensure that the manager directs all activities of the business that keeps up to the changing environment.
- (e) **Fulfilling social responsibility** : Principles of management can increase, efficiency and productivity among managers and subordinates and accordingly enable them to fulfill social responsibility. More efficient managers can ensure production of good quality products and services at reasonable prices without damaging the society. For example, fair remuneration among employees can help in fulfilling social responsibility.

OR

Profession is a paid occupation which requires prolonged and specialised training along with a formal education to which entry is limited and regulated by a representative body. The essentials of management as a profession are as follows :

- (a) **Specialised knowledge** : Like management, a profession which also has systematised and a specialised body of knowledge through every professional makes attempts to seek specialised skills and expertise. To be a professional, a manager should have devotion and commitment for acquiring relevant practical expertise in the science of management.
- (b) **Formal education and training** : Management as a profession requires formal education and training. This aims at providing specialised knowledge, skills and training that caters to overall goals and objectives formulated by the management as well as supports the interests of the society.
- (c) **Code of conduct** : Management as a profession is a code of conduct which involves setting rules outlining the responsibilities

of, or proper practices for, an individual or a group of individuals. Management professionals are expected to abide by a code of conduct which includes specific restrictions and licenses for entry and practice.

(d) **Social obligations** : A profession is a source of livelihood but the actions of professionals are influenced by social norms and values. Professional managers are not only responsible for achieving their owner's goals and objectives but are also responsible towards the society and are expected to provide quality-based products/services at reasonable prices.

(e) **Representative association** : Professions are regulated and standardised through an association that represents their actions and beliefs. For example, the Institute of Chartered Accountants of India (ICAI) was established under the Chartered Accountants Act, 1949 regulates the profession of Chartered Accountants in India. In the same way, various management associations are set up at national and international levels which have some membership rules and set of ethical codes, but legally it is not compulsory for managers to become a part of these organisations by registrations.

SECTION-E

23. Explain the following principles of general management :

(a) Scalar Chain;
(b) Equality; and
(c) Initiative [6]

OR

Explain any three principles of scientific management. [6]

Answer :

(a) **Scalar Chain** : Scalar chain principle implies that a single, uninterrupted chain of authority should extend from the top level to the low level in the organisation. This further implies that the line of authority and communication flows from owners or board of directors to the superiors or foreman to the subordinates and workers.

(b) **Equity** : Equity principle implies that all workers should be treated equally and provided equal opportunity. Equity however, does not discount for sternness and forcefulness. Superiors in the organisation should be kind and impartial and should not discriminate in terms of gender, religion, caste, etc. For example, women and men

employees should be equally treated with respect and professionalism.

(c) **Initiative** : This principle implies that workers or subordinates should be given the freedom to take initiative in carrying out the work. They shall feel satisfied with their jobs and in turn increase efficiency of the organisation. For example, satisfied employees usually come on time and leave on time ensuring quality of work and maintaining time efficiency without being instructed by the management.

OR

Principles or techniques of scientific management are related to Taylor's principles of training and controlling. These techniques were based on several experiments that aim at determining the best performance level workers can achieve in certain jobs.

(a) **Standardisation and simplification of Work**: Standardisation of work means the processes of work are well-integrated, specified or programmed. Standardisation of work attempts to eliminate spoilage and wastage of resources. Accordingly, standardisation of work during production involves consistent form, size composition, methods and quality maintained for all products and services. Alternatively, simplification of work means processes involved are consistent in terms of effort, costs and time. Simplification of work complements standardisation by creating consistency in product, processes in terms of sizes, weights, types, qualities, etc. Simplification of work aims at restricting production of products to limited quantities or types that facilitate efficiency in resources utilised in the business. It attempts to eliminate useless and disadvantageous diversity and variety.

(b) **Mental Revolution** : Mental Revolution is a change in thinking both on the part of management and workers. It means that workers and management need to work together to develop creative and innovative ideas and activities in the industry. The meaning of Mental Revolution by Taylor was :

- Workers and management should have a sense of integrity and responsibility creating a product and service that is useful for both the parties.
- Management should create suitable and humane working conditions and solve all problems systematically and scientifically.
- Workers should also attend to their

jobs with keenness, alertness, devotion and carefulness which does not lead to wastage of resources.

- iv. Workers and management both should be paid an effective remuneration that supports the costs and standards of living.
- v. A sense of belongingness should be created for the workers.
- vi. In return, workers should reflect discipline, loyalty and sincerity for fulfilling the tasks assigned to them.
- vii. Businesses can expect more production and economic growth at a faster rate

with development of harmonious relationships between workers and management.

- (c) **Differential piece wage system** : Taylor devised the differential piece wage system to motivate the workers by paying more to the more efficient worker. This system differentiates efficiency in terms of high wages and low wages. Workers who are more efficient earn higher wages than workers who are relatively less efficient. This system focuses on providing incentive to workers that encourages them to improve their performance. This system works especially for mass production of goods leading to cost minimisation.

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Business Studies 2019 (Delhi)

SET I

Time allowed : 3 hours

SECTION-A

1. Define 'Workforce Analysis.' [1]

OR

Define 'Selection'.

Answer : Workforce analysis is an assessment of the number of human resources available for the performance of various jobs in an organisation.

OR

Selection is defined as the process of choosing the right candidate from among the pool of prospective job candidates developed at the stage of recruitment.

2. Appliances India Ltd. is engaged in manufacturing and distribution of home appliances since 1987. It has a good name in the market as the company is producing good quality appliances. It has a separate departments for manufacturing, finance, sales, maintenance services and technical services to achieve specialisation.

Since the areas of operations of the company have increased and customers have become more demanding, the company decided to modify that existing principle of management to meet the changing requirements of the environment.

State the general principle of management which the company wants to modify to meet the changing requirements.

Answer : The general principle of management which the company wants to modify is division of work which states that the work should be

Maximum marks : 80

divided into small tasks/jobs each performed by specialist.

3. How does Financial Market facilitate 'Price Discovery' of financial assets ? [1]

Answer :

Financial market facilitates price discovery for financial assets by interaction of forces of demand and supply.

4. Biru Nandan, Chairman of Lalit group of companies founded 'Biru University' for undergraduate and postgraduate courses in diverse disciplines. The Information Technology department of the 'Lalit Power Ltd' had few vacancies related to Cyber Security. The Human Resource Department of the Company decided to recruit fresh engineering graduates from 'Biru University' for the same. Identify the type of source of recruitment. [1]

Answer : The source of recruitment referred in this case is external sources of recruitment or campus recruitment.

5. Varsha Jain after completing her fashion designing course from Indian Institute of Fashion Technology planned to enter into designer clothing venture. She had to address issues like her target customers, channel of distribution to be used, pricing policy etc. Identify the type of plan that Varsha Jain needs to develop to provide direction and scope to her organisation in the long run.

Answer : The plan that Varsha Jain needs to develop to provide direction and scope to her organisation in long run is called as strategy.

6. State any two 'Developmental Functions of Securities and Exchange Board of India. [1]

OR

What is meant by 'Allocative Function' of Financial Markets ?

Answer : Development function of SEBI

- (a) It trains intermediaries of the securities market so as to promote healthy growth of the secondary market.
- (b) It conducts research in the important areas of the securities market so as to help investors and other market players to make wise investment decisions.

OR

Allocative function is an important function of the financial market. A financial market acts as a link between the savers and investors. It provides a platform for mobilisation of saving from the household to the investors. Thus, it allocates funds from households to investors.

7. Beena has been using 'Klean', a famous detergent available in the market. On watching numerous advertisements in the television, she decided to try a new brand of detergent. When she went to the near-by store to purchase the same, she saw detergents of other producers making similar claims of whiteness and stain removing abilities. Hence she could not make up her mind as to which detergent to purchase.

Name the objection of advertising being discussed in this case. [1]

Answer : Advertising confuses the buyers by making similar claims.

8. Give the meaning of 'Physical Distribution' as an element of Marketing Mix.

OR

What is meant by 'Marketing Management' ?

Answer : It means set of activities that make firm's products available to the target customers. It involves deciding the channels of distribution through which the product would be moved from the place of production to the place of consumers.

OR

According to American Management Association, marketing management is defined as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfies individual and organisation goals.

SECTION-B

9. JTM Ltd. launched 'Buddyline', an exercise book and comprehensive stationery brand name comprising of ball pens, gel pens and

geometry boxes after identifying the target market and understanding the needs and wants of the consumers of that market. All their products were of good quality and eco-friendly but expensive. They wanted to distinguish their products from that of their competitors. They spent lot of efforts, time and money in creating the brand name, as they knew that without a brand name, they can only create awareness for the generic products and can never be sure of the sale of their products. The effort paid off and the demand for the products started growing. The customers liked the brand and became habitual to it. They did not mind paying a higher price. Over a period of time, it became a status symbol to buy 'Buddyline' brand because of its quality. The consumers felt pride in using them. [3]

- (i) Identify the marketing management philosophy followed by JTM Ltd.
- (ii) Explain the advantages of branding to the marketeers highlighted in the above case.

Answer :

- (i) Societal marketing philosophy is followed by JTM Ltd.
- (ii) Advantages of branding to the marketeers are :
 - (a) Branding helps firm in distinguishing its products from that of its competitors.
 - (b) Branding enables a firm to charge higher price for its products than its competitors because if the customer likes a brand they do not mind paying little higher price for it.
 - (c) A brand helps a firm in its advertising and brand promotion effectively.

10. Mita has a successful ice cream business at Bikaner, namely 'Smartflavours'. Her ice creams are utterly delicious. She makes ice creams from fresh milk and the same are available in a wide range of flavours and packs. She sets viable business objectives and works with the same in mind in order to ensure that the customers will come back for purchasing.

Having the first mover advantage, her business was doing well. To earn higher profits, she started cutting costs. This would sometimes lead to delay in delivery and the ice cream was not reaching the market in time. Over a period of time, the demand for her ice cream declined and because of it the competitors entered the market. She lost some of her market share to competitors.

At the beginning of summer season, she

got back to back orders for supply of 4,000 ice cream packs of different flavours for special occasions. To ensure that the task was completed and orders delivered in time she hired additional workers. She was, thus able to produce and deliver the ice cream packs but at a high production cost. While completing activities and finishing the given task for achieving goals, Mita realized that she was ignoring one of the important aspects of management.

Identify the aspects of management that has been ignored by Mita. Also explain the same with the help of an example. [3]

Answer : The aspect of management that has been ignored by Mita is efficiency.

Efficiency means doing task correctly and with minimum cost.

Example : If more workers are hired by the manager to get task completed in time, it is effective but if more workers are hired and as a result, the cost increases, then it is not efficient. On the other hand, if the task is carried out with the same number of worker without increasing cost then it is efficient but if same task is carried out with the same number of workers and there is a delay in the completion of work then it is not effective.

11. State 'Job Enrichment' and 'Employee Participation' as non-financial incentives. How do they motivate employees ? [3]

Answer : Job enrichment : It means designing jobs that include greater variety of work content, require higher level of knowledge and skills, give workers more autonomy and responsibility and provide the opportunity for personal growth and a meaningful work experience. If jobs are enriched, they themselves become a source of motivation to employees.

Employee participation : It means giving more autonomy and power to the employees. It makes them feel that their jobs are important and this feeling makes them contribute positively to use their skills and improve their performance.

12. Explain the objectives of Financial Planning.
OR

What is meant by 'Financial Management'? State the primary objective of Financial Management.

Answer : Objectives of financial planning are :

(1) To ensure availability of funds whenever those are required-if adequate funds are not available, the firm will not be able to honour its commitments and carry out its plan.

(2) To see that the firm does not raise resources unnecessarily. If excess funds are available, it will unnecessarily add to the cost and may encourage wasteful expenditure.

OR

Meaning of financial management : Financial management refers to the efficient acquisition, allocation and usage of funds by the company. It is carried out with the primary aim of reducing the cost of funds that are procured, minimising the risk and effective distribution of funds to different opportunities.

Primary objectives of financial management : Primary objective of financial management is to maximise shareholders wealth which means to maximise the market price of equity shares of the company.

13. 'Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.' In the light of this statement, describe managements as a science. [3]

OR

Management is a complex activity that has three main dimensions. Explain these dimensions.

Answer : Science is a systematized body of knowledge that explains certain general truths or the operation of general laws. Management is science but not exact science. The reasons are:

(i) **Systematized body of knowledge :** Like science, management is a systematized body of knowledge with its own theories and principles that have developed over a period of time. So this feature is present in management.

(ii) **Principles are based on experimentation and observation:** Like science, management principles are derived through observation and repeated experimentation. However, since management deals with human beings the outcome of these experiments are not predicted accurately. Different human being may behave differently in different situations. So no exact cause and effect relationship can be established.

(iii) **Universal validity:** Theories and principles of management are valid universally to a great extent. They can be used to impart basic knowledge and managerial skills to the budding managers.

OR

Management is a complex activity that has three main dimensions. The following are the three main dimensions of management:

- (i) **Managing the work** : With management, the work of an organisation is interpreted in terms of the objectives and goals achieved owing to the work. Management also specifies the guidelines regarding how these objectives can be achieved.
- (ii) **Managing the people** : Managing the people implies dealing with the employees both as individuals and as a group such that their strengths are utilised and their weaknesses are identified.
- (iii) **Managing the operations** : The production process where the input are transformed into a product or a service requires continuous management in order to ensure the utilisation of the resources efficiently and effectively.

SECTION-C

14. Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical free fertilizers vegetables. They conducted a survey to find out consumer preferences for such vegetables.

They found that most of the consumers were concerned about the harmful chemicals being used in growing the vegetables. They found that 90% of the households were searching for its alternatives. The company contacted a group of agriculture experts to lay down the procedure for growing the vegetables by the farmers. They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods. The experts also suggested soil management techniques through which farmers would be able to create an abundant and lasting harvest.

Identify and explain the two dimension of business environment highlighted in the above para. [4]

Answer : Dimensions highlighted in the above paragraph are :

- (a) **Social Dimension** : Social environment includes social forces like custom and traditions, values, social trends and society's expectations from business. Since consumers were concerned about the harmful chemicals being used and were looking for other alternative, it was related to the social environment of the business.
- (b) **Technological Dimension** : Technological environment of business includes forces relating to scientific improvements and

innovations which provide new way of producing goods and services. The new techniques to grow chemical fertilizers relates to the technological dimension of the business environment.

15. Mega Ltd. holds an Annual Management Programme every year in the month of March in which the top managerial personnel formulate plans for the next year by analyzing and predicting the future to meet future events effectively.

As they are responsible for providing direction to the organisation, facts are thoroughly checked using scientific calculations. Detailed plans are prepared after discussion with professional experts. Preliminary investigations are also undertaken to find out the viability of the plan. Since, it is an intellectual activity requiring intelligent imagination and sound judgement so it is mainly done by the top management. Usually rest of the members just implement the plans. Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own. The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them.

State any two limitations and any two features of planning discussed above.

Answer : Two limitations of planning as discussed above are :

- (i) Planning reduces creativity as it is mostly done by the top management; rest of the members just carry out orders and think on the same lines as others.
- (ii) Planning involves huge costs in terms of time and money. The costs involved sometimes may not justify the benefits derived from the plans.

Two features of planning are :

- (i) **Planning is futuristic** : The top management formulate plans for the future by analyzing and predicting the future event. Planning is futuristic in the sense that it foresees the future, thereby helping to prepare for uncertain future events.
- (ii) **Planning is a mental exercise** : Planning is an intellectual activity requiring intelligent imagination and sound judgement so it is mainly done by the top management. It requires application of mind and sound judgement since planning defines what is to be done in future thereby, helping to prepare for uncertain future events.

16. Vinber Ltd. set up a manufacturing unit at Bhiwadi in Himachal Pradesh to manufacture

electric geysers and supply them to dealers all over the country. Their production target was 500 geysers per week. It was decided by the management that variation in production upto 10 units would be acceptable.

At the end of the first week, the production was 450 geysers. The next week, production increased to 470 geysers. A week later, production was 460 geysers. On investigation, it was found that fluctuation in production was due to irregular supply of electricity. [4]

(a) The above para discusses some of the steps in the process of one of the functions of management. Explain these steps.

(b) Also, state the step(s) that have not been discussed in the above para.

Answer: (a) Steps in the process of controlling as discussed in the above case :

(i) Setting performance standards

(ii) Measuring actual performances

(iii) Comparing actual performance with standards and analyzing deviations.

(b) Steps not discussed in the above para is : Taking corrective action if deviations go beyond the acceptable limits.

17. Organising involves a series of steps that need to be taken in order to achieve the desired goal. Explain these steps. [4]

OR

Explain any four points of importance of 'Organising'.

Answer : Steps is the process of organising :

(a) **Identification and division of work :** The entire work is to be divided into manageable activities so that duplication of efforts and resources can be avoided and the burden of work can be shared among the employees.

(b) **Departmentalisation :** The second step is to combine or group similar or related jobs into larger units called departments. This process is known as departmentalisation. It facilitates specialisation.

(c) **Assignment of duties :** The next step is to allocate the work to the employees according to their experience, skills and competencies. It is essential that a proper match is made between the nature of a job and ability of the employee.

(d) **Establishing reporting relationship :** It means from whom an employee has to receive orders or instruction and to whom he is accountable or answerable for the performance of the work allocated. The establishment of such clear reporting relationships helps to coordinate various departments effectively.

OR

Importance of organising :

(1) **Benefits of specialisation :** The total work is divided into different parts. Such division reduces the work load and enhances the productivity. Repetitive performance of a particular work helps a worker to get specialised in that area.

(2) **Optimum utilisation of resources :** All jobs are clearly defined and differentiated. The proper allocation of jobs helps in avoiding overlapping duplication of work, which helps in minimising the wastage of resources and efforts.

(3) **Effective Administration :** Organising clarifies jobs, duties and authority responsibility relationship. This help in avoiding confusion and duplication which enables proper execution of work :

(4) **Expansion and growth :** It promotes growth and diversification of an enterprise. It enables a business enterprise to add more job positions, department and even diversify their product lines.

18. Stock exchange acts as a regulator of the securities market. It creates a continuous market where the securities are bought and sold. It gives investors the chance to disinvest and reinvest. Through this process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues. To ensure that the investing public gets a safe and fair deal in the market, the membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. It also ensures wider share of ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.

Various functions performed by the Stock Exchange are discussed in the above para. By quoting lines from the above para, state any four functions of stock exchange. [4]

Answer : Various functions performed by the stock exchange :

(i) **Providing liquidity and marketability to existing securities :** The stock exchange creates a continuous market where the securities are brought and sold. It gives investors the chance to disinvest and reinvest.

(ii) **Pricing of securities :** A stock exchange helps in determining the prices of various securities on the basis of demand and supply factors. It makes continuous

valuation of securities and quote prices of various securities.

(iii) **Safety of transactions** : The stock exchange exercise rules and regulations on membership and trading practices of the stock market. This ensures that the investing public gets a safe and fair deal.

(iv) **Contributes to economic growth** : A stock exchange is a market in which existing securities are purchased and sold. Through this process of reinvestment and disinvestment, savings get channelised into their most productive investment use thus lead to capital formation and economic growth.

19. Explain the four points of difference between 'Marketing' and 'Selling'. [4]

OR

Explain the following functions of marketing:

(i) Product designing and developments and
(ii) Standardisation and Grading.

Answer : Difference between marketing and selling.

Basis	Marketing	Selling
1. Part of the process	It is a wider term-consisting of number of activities like identification of customer needs, developing the product, fixing prices and persuading the potential buyers to buy the same.	Selling is a part of the process of marketing and it is concerned with promoting and of transferring possession and ownership of goods from sellers to buyer.
2. Transfer to title	It focuses on the needs of customers i.e., providing what the customer wants	Its main focus is to transfer title and possession of products from sellers to consumers.
3. Profit	It aims to earn profits through maximisation of customers satisfaction in the long run.	It aims at maximisation of profits through higher sales.
4. Strategies	Integrated marketing efforts involving strategies in respect of product, price promotion and physical distribution.	Promotion and persuasion are the strategies used in selling.

OR

(i) **Product designing and development** : The producer should bear in mind the design of the product as it helps to attract the target customers. A good design can improve the performance of the product and also give it a competitive advantage in the market. For example, when we buy any product say a car we not only see its features like price, mileage etc. but also the design aspect such as its shape, style etc.

(ii) **Standardisation and grading** : Standardisation implies the production of goods with certain specific qualities such as durability, safety and utility so that uniformity is maintained in the output and reduce the need for inspection, testing evaluation of the product by the buyers. On the other hand grading implies the classification of the product as per certain characteristics such as size quality etc. Grading ensure that goods belong to a particular quality and helps in realising higher prices for high quality products.

SECTION-D

20. Explain any five points of significance of Principles of Management. [5]

OR

Explain the following techniques of Scientific Management :

(a) Fatigue Study; and
(b) Different Piece Wage System

Answer : Importance of principles of management :

(1) **Providing manager with useful insight into reality** : Management principles help in increasing managerial efficiency by adding to their knowledge and ability to understand the various situations.

(2) **Optimum utilisation of resources** : Management principles aims at optimum utilisation of all types of resources for the achievement of organisational goals.

(3) **Effective administration** : The principles of management act as guidelines for top level management to formulate various administrative plans and policies. It makes administration better by discouraging personal biases.

(4) **Logical decision** : Management decision should be based on reason and proof rather than beliefs and intuitions. As the principle of management were developed from experiments On real life problems, they stand the test of logic and reasoning.

(5) **Fulfilling social responsibilities** : It is not

only act as guidelines for accomplishing organisational goals but also guides managers in fulfilling social responsibilities.

OR

Techniques of scientific management :

- (a) **Fatigue study :** Fatigue study studies the requirement of rest or break while performing a task. The study identifies the intervals required while completing a task and suggests standard break timing for improving the workers performance.
- (b) **Differential piece wage system :** Under this techniques, wages are decided according to a set standard. The worker who perform better than set standards get higher wages than the workers who perform below the standards. Taylor introduced this system to differentiate the efficient workers from the inefficient ones and reward them accordingly.

21. **Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like television, refrigerators and air conditioners, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilisers of varying voltage from 90 V-260 V for meeting the requirement of voltage fluctuation in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers but the product differed from region to region.**

(a) Identify the organisational structure of N-Guard Company.
 (b) State any two advantages and two limitations of the structure identified in the above para. [5]

Answer :

- (a) Functional structure
- (b) **Advantages of functional structures :**
 - (i) It leads to occupational specialisation since emphasis is placed on specific functions.
 - (ii) It ensures that different functions get due attention.

Limitations of functional structure :

- (i) Creation of functional empires where less emphasis is placed on overall objectives of the enterprise and more on the objectives persned by a functional head.
- (ii) Problems in coordination as information

has to be exchanged across functionally differentiated departments.

22. Nisha Sethi was working as a Human Resource Manager in a famous consultancy firm KLI Global Services. Her job included preparing job descriptions, recruitment, developing compensation and incentive plans and facilitating employee learning. They had entered into alliances with institutes to ensure continuous learning of their employees. With the jobs becoming more and more complex, KLI Global Services invested large amount of money in making the employees learn the skills necessary to complete the jobs.

State by giving any five points, how this investment is likely to benefit the organisation.

Answer : The process of making the employees learn the skills necessary to complete the job is called as training. The following points highlights the benefits of training to the organisation :

- (1) It avoids wastage of effort and money as training is systematic learning, better than hit and trial methods.
- (2) It is a systematic learning, always better than all the methods.
- (3) It enhances employee productivity both in terms of quantity and quality which leads to higher profits.
- (4) Effective training helps the organisation and its employees to adapt quickly and obtain an effective response to a changing technological and economical environments.
- (5) It increases employees morale and reduces absenteeism and employee turnover.

SECTION E

23. **'Determining the relative proportion of various types of funds depends upon various factors, Explain any six such factors.**

OR

Explain any six factors affecting the decision that determines the amount of profit earned to be distributed and to be retained in the business.

Answer : Following are the factors affecting the choice of capital structure of a company :

- (1) **Cash flow position :** If a company wants to raise debt it must ensure that sufficient cash flows are expected to meet debt obligations. In situation of shortage of cash, company should use more of equity.
- (2) **Risk consideration :** Use of more debt increases the financial risk of a business. Risk means that a company is unable to meet its fixed financial charges, i.e. payment of interest etc.

Some business has business risk also. It depends upon fixed costs, e.g., rent, salary, etc. higher operating cost result in higher business risk and vice versa.

- (3) **Interest Coverage Ratio** = ICR refers to the number of times earning before interest and taxes of a company covers the interest obligation. The higher the ratio, the lower is the risk of company failing to meet its interest payment obligations.
- (4) **Cost of debt** : The company can employ more debt in its capital structure if the interest rate on debt is less or vice-versa.
- (5) **Floatation costs** : Cost of raising funds is called floatation cost. It affects the choice of capital structure of a company as higher the floatation costs, less attractive the source of finance.
- (6) **Tax Rate** : Interest on debt is a tax deductible expense. Therefore, a higher tax rate makes debt relatively cheaper. So, more debt can be used.

The factor affecting the decision that determines the amount of profit earned to be distributed and to be retained in the business, i.e. dividend decision are:

- (i) **Amount of earnings** : As a firm pays dividends out of its own earnings (either current or past), it can be said that companies with higher earnings are in a position to pay a higher amount of dividend to its shareholders and vice versa.
- (ii) **Stable earnings** : A company with stable and smooth earnings is in a position to distribute higher dividend as compared to those that have an unstable earning.
- (iii) **Stable dividends** : In general, companies try to avoid frequent fluctuations in dividend per share and opt for increasing (or decreasing) their value only when there is a consistent rise (or fall) in the earnings of the company.
- (iv) **Growth prospects** : Companies aiming for a higher growth level or expansion of operations retain a higher portion of the earnings with themselves for reinvestment, thereby distributing lesser dividends.
- (v) **Cash flow position** : As dividend payments involve cash outflow from the company companies low on cash/low on liquidity distribute lower dividends than those with high cash and liquidity.

24. 'VOICE' is an important consumer organization. It organised workshops in the months of December in Delhi/NCR for consumers. The theme was 'Organic Food-From Farm to

Plate', to spread awareness on the importance of organic farming and to encourage consumers to switch from conventional food, that contains chemicals and pesticides to organic food. Expert speakers from farmers, community explained the harmful effects of usage of pesticides in farming and the importance of organic food. People were informed that the organisation regularly tests samples to detect adulteration like presence of heavy metals or pesticides. The results of the tests are published in their monthly magazine 'Consumer Voice' to make people aware of quality of different products. It also provides aid and legal advice to the consumers to seek a remedy. State the functions performed by the Consumer Voice for the protection and promotion of consumer interest by quoting lines from the above para.

Answer: Functions performed by the consumer voice for the protection and promotion of consumer interest are :

- (a) **Consumer Education** : NGOs and consumer organisation conduct various training programmes and workshops to educate consumers about their rights and responsibilities.
- (b) **Publish Journals** : They regularly publish journal and periodicals to spread knowledge and awareness about various consumer problems, legal remedies available and other such matters.
- (c) **Legal Assistance** : They also provide legal assistance to the consumers and help them in seeking suitable redressal.
- (d) **Test the Quality of Product** : They conduct quality tests for various products in laboratories and publish the results. People were informed that the organization regularly test samples to detect adulteration like presence of heavy metals or pesticides.

25. Pratap Singh is the Chief Executive Officer of Nissar Enterprises. It is an automobile parts manufacturing company. The enterprise

has a functional structure, in which jobs of similar nature have been grouped together as Production, Finance, Marketing and Human Resource. Nissar Enterprise has its manufacturing unit at Manesar. The factory has been plagued with many problems for a long time which was in the knowledge of the Production Manager, Varun Sharma. The workers had internal differences. Time and again, there were misunderstandings between the management and the workers. Keeping the problem in mind, Varun Sharma appointed, Siyaram Singh who had 14 years of experience of working with the actual work force and passing on instructions of the middle management to the workers.

Siyaram Singh meet Varun Sharma to understand what the management wanted ?

Thereafter, he met the workers and conveyed the ideas of management to them. He also promised the workers to convey their problems to the management. In this way, he cleared the misunderstanding between the management and the workers.

He also sorted out internal differences and was able to unite the workers within a month of his joining. His work was acknowledged by management and he was given a certificate of good performance along with 10% increase in salary.

(i) Siyaram Singh performed some of the functions which are required to be performed at the position he is working at. State any five other functions Siyaram Singh is expected to perform.

(ii) Name the incentives provided to Siyaram Singh.

Answer : Five other functions Siyaram Singh is expected to perform are :

(a) Ensure proper working environment for the workers.

(b) Ensure safety of the workers.

(c) Helps middle level management in appointment, recruitment and promotions of the workers.

(d) Developing team spirit and boosting morale of workers and ensuring a standard output is produced.

(e) Interacting with the employees and welcoming suggestion and feedback.

(ii) The incentive that is being given to Siyaram Singh are :

(a) Financial incentive : Pay and allowances as he was given a 10% increase in salary.

(b) Non-financial incentive : Employee recognition programmes as he was given a certificate of good performance.

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SET II

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

SECTION-B

9. What is meant by 'Capital Structure'? Explain any two factors that affect the capital structure of a company.

OR

Explain any three factors that affect the working capital requirements of a company.

Answer : Capital structure is referred to as the combination of owners funds (equity) and borrowed funds (debt) for financing its fund requirements. It can be calculated as debt/ equity ratio i.e. debt/ equity or as the proportion of debt

$$\frac{\text{Debt}}{\text{in the total capital i.e.}} \frac{\text{Debt}}{\text{Debt + Equity}}$$

(i) **Cost of Equity :** Cost of equity means the expected rate of return on equity capital assuming risk. It is the rate of dividend

on shares. When the company increase debt, the financial risk faced by equity holders also increases, as a result their rate of return may increase. Therefore company cannot uses debt beyond certain points, cost of equity may go up sharply and share price may decrease. Hence, for maximisation of shareholders wealth, debt can be used only up to a level.

(ii) **Floatation cost :** It refers to the cost of raising funds such as broker's commission and underwriting commission. The higher the floatation cost involved in raising funds from a particular source, the lower is its proportion in the capital structure. For instance, if public issue of shares involves higher floatation cost than debt, then the company would opt for more of debt and less of equity in the capital structure.

OR

The factors which affect the working capital requirements of a company are :

(1) **Fluctuations in business cycle :** During

a boom period, the market flourishes and thereby there is higher sale, higher production, higher stock and debtors. Thus, during this period the need for working capital by a company increases. On the other hand during the period of depression, there is low demand, lesser production and sale, etc. Therefore, the requirement for working capital is also decreases.

(2) **Inflation** : A rise in the rate of inflation implies that the prices of raw materials, labour, etc., increases. This require large amount of funds to maintain even the existing volume of production and sales. This in turn increases the requirement of working capital. On the other hand, a low rate of inflation implies less requirement of working capital for a business.

(3) **Extent of availability of raw material** : If the raw materials required by the company are such that they are easily available, then the firm need not to maintain a large stock of inventories of raw material. In such situations, the company requires less working capital. On the other hand, if the raw materials are not easily available or their supply is not smooth, then the company must maintain a huge stock of raw material to ensure uninterrupted operations, thereby requiring a large working capital.

10. **Co-ordination is needed at all levels of management and is the responsibility of all manager.' Explain.** [3]

OR

Explain any three reasons, which clarify that management is gaining importance day by day.

Answer : Coordination is needed at all levels of management and in all departments. It integrates the efforts of different departments. The purchase, production, finance and sales department must coordinate with each other for achieving organisational objectives harmoniously. Coordination is a responsibility of all managers.

Top level manager need to coordinate with their subordinates to ensure that the overall policies of the organisation are duly carried out.

Middle level management coordinates with both the top level and first line managers.

Operational level management coordinates the activities of its workers to ensure that work proceeds according to plans.

OR

The points which clarify that management is gaining importance day by day explained as follows :

- Achievement of goals** : Management helps in the achievement of goals so that the efforts of all the individuals are organised and directed towards the common goals of the organization.
- Increases efficiency** : An increase in efficiency implies minimising the costs and increasing the productivity through the optimum utilisation of resources. As management helps in optimum utilisations of resources, it helps in increasing efficiency.
- Creates dynamic organization** : Management helps an organization to adapt to the changes in external factors such as political, social, environment and economical changes.

SECTION-C

14. **Give the meaning of 'Informal Organisation'. State it's any three advantages.** [4]

OR

What is meant by 'Delegation'? State any three points which highlight the importance of delegation in an organisation.

Answer : An informal organisation is a network of social relationships that arises out of personal interactions among the employees of an organisation beyond their officially defined roles. It can be said that an informal organisational structure originates from within a formal organisation.

The following are the advantages of an informal organisation.

- Faster flow of communication** : As no definite path or channel of communication is followed in an informal organisation, information spreads faster.
- Fulfillment of social needs** : An informal organisation allows for personal communication beyond the officially defined roles. This enables the employees to interact with like-minded colleagues. This unofficial interaction provides a sense of belongingness among the employees towards one another and towards the organisation.
- Fulfillment of organisational objectives** : An informal organisation support the working of a formal organisation and thereby helps in the fulfillment of the organisational objectives in a better manner. For instance, the managers can interact with the worker informally and assess their views on various matters.

OR

Delegation refers to the transfer of authority and responsibility by the superior to his or her subordinates.

The following points highlight the importance of delegation in an organisation :

1. **Managerial efficiency** : By delegating work to the subordinates, the managers can concentrate on priority areas and also venture into new areas. This freedom from the routine tasks enhances the efficiency of the managers.
2. **Employee proficiency** : As the subordinates are entrusted with the responsibility of completing a task, they get an opportunity to prove their abilities and apply their skills. This helps them to gain experience and improve their proficiency.
3. **Motivation** : Delegation provides the employees with psychological benefits, which motivate and encourage them to give their best to the organisation.

16. Differentiate between 'Advertising' and 'Personal Selling' on any four bases. [4]

OR

Explain the following functions of marketing:

- (i) Marketing planning; and
- (ii) Customer support services

Answer : The difference between 'Advertising' and 'Personal Selling' is given as follows :

Basis	Advertising	Personal Selling
Nature	Impersonal form of communication where the seller communicates with the customer through the media (television, newspapers, etc.)	Personal form of communication, where the seller directly interacts with the potential customer.
Reach	Broader reach, as an advertisement reaches a large number of people simultaneously.	Narrower reach, as only a few people can be contacted directly.
Flexibility	Inflexible, as advertisements are standardised and cannot be adjusted as per the requirements of different customers.	Flexible, as the seller, can adjust the message as per the requirements of different customers.

Cost	Cost per person reached is very low.	Cost per person is quite high.
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OR

- (i) **Marketing Planning** : This is one of the most important functions of marketing to develop appropriate market plan in order to accomplish the marketing goals and objectives of the organisation. Management have to develop a complete plan so that it covers all aspects of marketing such as increase in the level of production, storage and promotion related activities etc.
- (ii) **Customer Support Services** : A very important function of marketing relates to developing customer support service such as after sales services, etc. All these services aims at providing maximum satisfaction to the customers which in turn helps in procuring repeat sales from the existing customers and developing brand loyalty for the product.

21. Explain any five features of principles of management.

OR

Explain the following principles of scientific management:

- (a) harmony, not discord; and
- (b) Development of each and every person to his or her greatest efficiency and prosperity

Answer : The features of the principles of management are explained as follows :

1. **Universally applicable** : Management principles can be applied anywhere and everywhere by all types of organisation irrespective of their size, nature and region.
2. **Guidelines** : Management principles act as guidelines and are considered to be the general premises for decision making. However, they do not provide direct solutions to problems.
3. **Formed by experimentation** : Management principles have been developed over years of research and experimentation and are technical. They pertain to different working situations and can be modified by the manager as per the situations and the requirements.
4. **Flexible** : Management principles are not rigid. They are flexible enough to be used and moulded by the manager as per the need of the hour.

5. **Indicative of cause-effect relationship :** As management principles are based on years of experimentation conducted in similar situation, they provide a definite relationship between cause and effect.

OR

(a) **Harmony, not discord :** The principle emphasises that there should be complete harmony between the management and the workers. This requires mental revolution on the part of both management and workers as both has to transform their thinking. Management should share gains of the company with the workers and workers should work hard for the welfare of the company

(b) **Development of each and every person to his or her greatest efficiency :** This principle is concerned with the efficiency of employee which could be built right from the process of employee selection. The work assigned to the employee should suit their capabilities. They should be given required training to increase their efficiency. This ensures efficiency and prosperity for both the company and the worker.

24. "Sound financial planning is essential for the success of any enterprise" Explain this statement by giving any six reasons.

Answer : "Sound financial planning is essential for the success of any enterprise". The following points explain the importance of financial planning :

(i) **Helps in facing eventual situation :** Financial planning helps in forecasting the future. In this way, it helps an organisation to cope with adverse situations and prepare for the future.

(ii) **Helps in avoiding surprises and shocks :** Through financial planning, an organisation can detect situation of shortage or surplus of funds that may arise in future. Therefore, it prepares the managers in advance for such situations.

(iii) **Improves coordination :** Through financial planning, various business activities such as sales and production are coordinated in a better manner. Such coordination ensures smooth functioning of the business.

(iv) **Reduces wastages and duplicity :** Financial planning clearly defines the policies and procedures for working, which in turn helps to reduce duplication of work as well as avoid

wastage of time and efforts by filling gaps in planning.

(v) **Helps in optimum utilisation of funds :** It ensures that situation of inadequate as well as excess funds are avoided, thereby ensuring the funds are properly and optimally utilised.

(vi) **Link between the present and the future :** Financial planning acts as a link between the present and the future. This is done by providing the information such as future availability and requirement of funds.

OR

Explain the three major decisions every manager has to take while performing the finance function.

The following are the three broad categories of financial decisions to be taken by the financial manager in an organisation :

(a) **Investment Decision :** They take the decision regarding where to invest the funds so as to earn the highest possible returns on investment. These decisions can further be bifurcated into two categories, namely long-term investment decisions and short-term investment decisions.

(i) **Long-term investment decision :** These are those decisions that affect long-term earning capacity of the business and its profitability. For example, investment in a new machine and purchase of a new building are such decisions. They are also known as 'Capital budgeting decision'.

(ii) **Short-term investment decision :** These are the decisions that affect day-to-day working operation of a business. For example, decisions regarding cash or bill receivables are two such decisions. These decisions are also known as 'Working capital decision'.

(b) **Financing Decision :** They take decisions regarding the identification of various sources of funds (as debt and equity) and deciding the best combination among them. These decisions are taken on the basis of risk and profitability of various alternatives.

Factors affecting Financing Decision

(i) **Cost of raising funds :** Those sources of funds are preferred that involve minimum cost.

(ii) **Risk involved :** Sources of funds that involve moderate risk are preferred over those that involve high risk. For instance, debt or debentures involve the risk of default payment which must be carefully analysed before taking the debt.

(c) **Dividend Decision** : They take the decisions regarding the distribution of profit or surplus of the company. The profits can either be distributed to the shareholders in the form of

dividends or retained by the company for future use.

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Business Studies 2019 (Delhi)

SET III

Time allowed : 3 hours

Maximum marks : 80

Note : Except for the following questions, all the remaining questions have been asked in previous sets.

SECTION-A

11. Give the meaning of Financial Management. State its main objective.

OR

State any three points of importance of financial planning.

Answer : Financial management refers to the efficient acquisition, allocation and usage of funds by the company. It is carried out with the primary aim of reducing the cost of the funds that are procured minimising the risk and effective distribution of funds to different opportunities.

The primary objective of financial management is 'Wealth maximisation' which refers to taking those financial decision that aim at maximising the shareholders' wealth. That is, to opt for those financial decisions that proves gainful from the point of view of its shareholders. The shareholders will only gain when the market value of the shares held by them rises, which in turn takes place when the benefits from the financial decisions made by the company exceeds the cost involved. When the financial decision successfully fulfil the objective of wealth maximisation, other objectives such as proper utilisation of funds, maintenance of liquidity, maximisation of profits and meeting financial obligation are automatically fulfilled.

OR

Financial planning plays a crucial role in the success of an organisation. Its importance can be highlighted from the following factors:

1. **Helps in facing unforeseen circumstances:** Financial planning helps in forecasting future. In this way, it helps an organisation cope with adverse situation and prepare for future organisation.
2. **Helps in avoiding surprises and shocks:** Through financial planning, an organisation can detect situation of shortage or surplus of funds that may arise in future. Therefore, it prepares the organization in advance for such situation.
3. **Improves coordination :** Through financial planning, various business activities

such as sales and production are coordinated in a better manner, such coordination ensures smooth functioning of the business by providing clear policies and procedures.

12. 'Co-ordination is the essence of management'. Explain.

OR

'Art is concerned with personal application of knowledge.' In the light of this statement compare all the features of management with art and prove that it is an art.

Answer : 'Coordination is the essence of management. It can be highlighted from the given points :

- (i) **Harmonised goals :** Coordination synchronises the personal goals of the individuals and the overall goals of the organisation.
- (ii) **Allotted work :** Coordination integrates the opinions and thoughts of various specialists and departments of an organisation so as to avoid distraction and conflict among them.
- (iii) **Interdependence of division :** As an organisation has various independent department such as production, sales and finance, coordination is needed to synchronise their activities for the achievement of the common goal.

OR

'Art is concerned with the personal application of knowledge'. The features which compare management with art are as follows :

- (i) There is lot of literature available in various areas of management like marketing finance and human resources which the manager has to specialise in. Thus, there is a existence of theoretical knowledge.
- (ii) A manager applies scientific methods and body of knowledge to a given situation, issue or problems in his/ her own unique manner. A good manager work through a combination of imagination, innovation and initiative.
- (iii) A good manager learns art of management by continuous practice

and training over the years. He/She is involved in the activities of the organisation, studies critical situations and formulates his/her own theories for use in a given situation.

SECTION-B

14. Price of a product is influenced by many factors. Explain any four such factors.

OR

Distinguish between 'Product' and 'Production' concepts of marketing philosophies on the following bases :

- (i) Starting Points;
- (ii) Main Focus;
- (iii) Means;
- (iv) Ends.

Answer : Price of a product is influenced by many factors. Such factors are explained below as :

- (1) **Cost of product :** The product cost involves the cost of procuring, distributing and selling the product. The costs sets the minimum level or the floor price at which product can be sold. The price should recover total costs (fixed costs as well as variable costs) in the long run including a margin of profit over and above cost.
- (2) **Price elasticity of demand for the product :** In case the demand for a product is price elastic the firm cannot charge a higher price. This is because in such a case, a slight rise in the price would result in a large fall in the demand. As against this, if the demand is price inelastic, then the firm has the privilege of charging a higher price. This is because for such product even at a high price, the demand would not fall much.
- (3) **Degree of competition in the market :** If a firm faces high competition (i.e. if a large number of similar product are available in the market), this suggests that a firm cannot even slightly increase the price of its product.
- (4) **Methods of marketing :** Methods of marketing used by the firm such as distribution, advertisement, customer services and branding also affect the determination of prices. If a firm incurs a huge cost on marketing of a product, then

it would generally charge a higher price.

OR

Basis	Production	Product
Starting Point	Factory area is the starting point.	Customer feed back is the starting point.
Main Focus	Focuses on quantity of product.	Focuses of quality, features and performance of the product.
Means	Ensures availability and affordability of the product by improving production and distribution capacity	Improving the quality of the product and introduction of new features in the product.
Ends	Earning profit through increase in the level of production.	Earning profit through the improvement in product quality.

18. What is meant by 'Decentralisation'? State any three points that highlight the importance of decentralisation in an organisation.

OR

Give the meaning of 'Formal Organisation'. State its any three advantages.

Decentralisation refers to systematic delegation of authority through all the levels of management and in all departments of the organisation. Decision making authority is shared with lower level of management. The importance of decentralisation in an organisation are :

- (i) **Relief to top management :** In a decentralised organisation, top level managers are not burdened by common day to day problem. Therefore, they have enough time to plan ahead, develop new strategies and concentrate on coordination and control.
- (ii) **Develop initiative amongst subordinates :** Decentralisation helps to promote self reliance and confidence amongst the subordinates. This is because when lower level of management is given freedom to take their own decision, they learn to depend on their own judgement.
- (iii) **Develop managerial talent for future :** In decentralised organisation even lower

level managers learn the art of exercising decision making authority. This prepares them for promotion to higher level i.e. development of future executives.

OR

A formal organisation is a well-defined structure of authority and hierarchy that clearly specifies the boundaries of authority and responsibility in an organisation. The rules and policies to be followed are clearly stated. A formal organisation structure is deliberately created by the managers of organisation to ensure its smooth and systematic functioning. The following points highlights the advantages of the formal organisation:

- (a) **Reduced confusion** : A formal organisation clearly defines the working relationship and the hierarchy. It clearly specifies who should report to whom. In this way, it facilitates unity of command, thereby reducing confusion in the working operations.
- (b) **High stability** : By defining the procedures and rules clearly, a formal organisation makes the behaviour of the employees more predictable, bringing stability to the organisation.
- (c) **Reduced duplication of work** : Since, the responsibilities are clearly defined, there is no room for ambiguity in the roles of various employees. This helps in avoiding duplication of work and efforts.

SECTION-D

22. Explain the following techniques of scientific management :

- (a) **Motion Study**; and
- (b) **Time Study**

OR

Explain how principles of management help the managers :

- (i) in taking scientific decision; and
- (ii) in providing the managers with useful insight into real world situations.

Answer : The techniques of scientific management are explained as follows :

- (a) **Motion Study** : Motion study refers to the study of motion (or movement) of a worker involved in a given task. The study aims of identifying the unwanted actions or motions and eliminating them so that

the work can be completed in less time.

- (b) **Time study** : Time study emphasises setting a standard time limit for completing a particular job. The time taken for completing the job is measured for setting the standard time limit. This helps to decide the number of workers to be employed for a particular task, determine their wages, etc.

OR

Principle of Management help in

- (i) **Scientific Decision** : Management decision should be based on reason and proof rather than beliefs and intuitions. As the principles of management were developed from experiments on real-life problems they stand the test of logic and reasoning.
- (ii) **Insights to reality** : As management principles are based on years of experimentation and experience, they guide the managers in facing real-world problems in a more effective manner.

SECTION-E

25. 'Determining the overall cost of capital and the financial risk of the enterprise depends upon various factors.' Explain any six such factors.

OR

You are the Finance Manager of a newly established manufacturing company. Explain any six factors that you will consider while determining the fixed capital requirements of the company.

Answer : The factor affecting the capital structure are :

- (i) **Cost of debt** : Cost of debt means the expected rate of return of lenders on debt capital for assuming risk. It is the rate of interest payable on debentures or loans. More debt can be used in capital structure if rate of interest on debt is low. Debt is cheaper source of finance because interest on debt is a tax deductible expense.
- (ii) **Cost of equity** : Cost of equity means the expected rate of return on equity capital for assuming risk. It is the rate of dividend on shares. When a company increases debt, the financial risk faced by the equity holders also increases. Consequently,

their desired rate of return may increase. Therefore, a company cannot use debt beyond a point. If debt is used beyond that point, cost of equity may go up sharply and share price may decrease. Hence, for maximisation of shareholders wealth, debt can be used only up to a level.

(iii) **Floatation costs** : Cost of raising funds is called floatation cost, e.g., costs of advertising, printing prospectus, etc. Getting a loan from a financial institution may not cost so much. These considerations may also affect the choice between debt and equity.

(iv) **Cash flow position** : A company uses more debt if it can generate enough cash inflows to pay interest on debt. On the contrary, it would be quite risky to use more debt if cash inflows are unstable.

(v) **Control** : Debt normally does not cause a dilution of management's control over the business while issue of more equity may reduce the management's holding in the company. There is a threat of takeover also. So, if the management of a company is interested in retaining control over the affairs of the business, it will use more debt (but only up to a level)

(vi) **Return on Investment (ROI)** : If the ROI of the company is high and is greater than rate of interest on debt, it can use more debt to increase the profit earned by equity shareholders. This is called 'Trading on Equity'.

OR

The Finance Manager of a manufacturing company considers the following points while determining the fixed capital requirements of the company :

(i) **Nature of business** : A trading firm needs lower investment in fixed assets

since it does not require to purchase plant and machinery. So, its fixed capital requirement is lower. On the other hand, a manufacturing firm requires more fixed capital since it has to purchase plant and machinery.

(ii) **Scale of operations** : A larger organisation operating at a higher scale needs bigger plant, more space, etc., and, therefore, requires more fixed capital as compared to a small organisation.

(iii) **Choice of techniques** : A capital-intensive organisation requires higher investment in plant and machinery. So, requirement of fixed capital would be higher. On the contrary, labour-intensive organisation requires less investment in fixed assets. So, their fixed capital requirement is lower.

(iv) **Technology upgradation** : In certain industries, assets become obsolete very soon, e.g., computers. So, their replacement also become due faster. Hence, higher fixed capital will be required to purchase such assets.

(v) **Financing alternatives** : When an asset is taken on lease, the firm pays lease rent and uses it. So, fixed capital requirements is low since the firm can avoid huge sums required to purchase it. On the contrary, if the asset is purchased, then fixed capital requirements will be more.

(vi) **Diversification** : A firm may choose to diversify its operations when it has growth prospects, e.g., a textile company is diversifying and starting a cement manufacturing plant. With diversification, investment in fixed assets will increase. So, the fixed capital requirement also increases.

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