CBSE Class 12 Business Studies Question Paper 2014 with Solution PDF-Set 66/1/3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 90**

General Instructions

(i) Answers to questions carrying **1 mark** may be from **one word to one sentence**.
(ii) Answers to questions carrying **3 marks** may be from **50 – 75 words**.
(iii) Answers to questions carrying **4 – 5 marks** may be about **150 words**.
(iv) Answers to questions carrying **6 marks** may be about **200 words**.
(v) Attempt all parts of a question together.

1. How is staffing a continuous process ? State. [1 mark]

Solution:

Concept:

- Staffing is the managerial function of obtaining and maintaining suitable people for organisational positions.
- Employees and job requirements keep changing throughout the life of an organisation.

Step 1: Identify recurring vacancies Employees may retire, resign, be promoted or leave for other reasons. Expansion also creates new positions, so the need to obtain suitable personnel arises repeatedly.

Step 2: Maintain an effective workforce Recruitment, selection, training and development must therefore continue as personnel needs change; staffing does not end after the first set of employees is appointed.

Step 3: Conclusion Staffing is continuous because vacancies and changing personnel requirements require recruitment, selection, training and development throughout the life of the organisation.

Quick Tip to Solve: Link continuity with recurring vacancies and changing staffing needs, rather than only the initial recruitment.

2. Why is it said that 'Motivation is a complex process' ? State. [1 mark]

Solution:

Concept:

- Motivation stimulates people to act towards desired goals by satisfying their needs.
- Individuals differ in their needs, perceptions, expectations and reactions to incentives.

Step 1: Recognise individual differences One employee may value recognition, another security and another monetary rewards. The same incentive therefore does not necessarily motivate all employees equally.

Step 2: Explain the managerial difficulty Managers must understand these varying needs and choose suitable incentives. Because human behaviour is diverse and needs can change, predicting the response to a particular motivator is difficult.

Step 3: Conclusion Motivation is a complex process because individuals have different needs and respond differently to the same incentive.

Quick Tip to Solve: For complexity, focus on differences between people and their responses; do not merely list incentives.

3. List any two non-financial incentives. [1 mark]

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and esteem needs rather than directly increasing monetary remuneration.
- Recognition and opportunities for growth can encourage employees to improve their performance.

Step 1: Name recognition **Employee recognition programmes:** Acknowledging good work through appreciation, awards or public recognition gives employees a sense of achievement.

Step 2: Name advancement opportunities **Career advancement opportunities:** Prospects of promotion and professional growth encourage employees to improve their skills and performance.

Step 3: Conclusion Any two non-financial incentives are employee recognition programmes and career advancement opportunities.

Quick Tip to Solve: Choose two clearly named non-financial incentives; salary, bonus and profit sharing are financial incentives.

4. Give the meaning of 'Critical Point Control'. [1 mark]

Solution:

Concept:

- Controlling involves comparing actual performance with standards and taking corrective action.
- Critical point control directs attention towards key result areas that are crucial to organisational success.

Step 1: Identify decisive areas A manager identifies activities whose performance strongly influences overall results, such as a production bottleneck or a crucial quality standard.

Step 2: Concentrate control efforts Since checking every activity with equal intensity is costly and time-consuming, control focuses especially on these critical points. Satisfactory performance in them helps protect overall performance.

Step 3: Conclusion Critical point control means focusing control on key result areas that are critical to the success of an organisation, instead of giving equal attention to every activity.

Quick Tip to Solve: Remember critical point control as control of key result areas; exception control focuses on significant deviations.

5. How many members are required to constitute 'District Consumer Dispute Redressal Forum' ?

[1 mark]

Solution:

Concept:

- The question refers to the District Consumer Disputes Redressal Forum under the consumer-protection framework taught for this paper.
- Its composition includes a presiding President and two other members.

Step 1: Identify the President The District Forum has a President who is, has been, or is qualified to be a District Judge. The President forms part of the total composition.

Step 2: Count the other members There are two other members, one of whom must be a woman. Adding the President to these two members gives the total number required to constitute the Forum.

Step 3: Conclusion Three members are required: a President and two other members, one of whom must be a woman.

Quick Tip to Solve: Count the President within the total: President plus two other members gives three.

6. Besides a 'consumer', name any two parties who can file a complaint before the appropriate consumer forum.

[1 mark]

Solution:

Concept:

- Consumer-protection law allows specified parties besides an individual consumer to approach the appropriate consumer forum.
- Recognised consumer associations and public authorities help protect consumer interests.

Step 1: Name a consumer association **A registered consumer association:** A voluntary consumer association registered under an applicable law may file a complaint, whether or not the affected consumer is its member.

Step 2: Name a government authority **The Central Government or a State Government:** Either can institute a complaint to protect consumer interests. These are eligible complainants besides the consumer personally.

Step 3: Conclusion Any two eligible parties are a registered consumer association and the Central Government or a State Government.

Quick Tip to Solve: Give eligible complainants, such as an association or government; do not name the forum that decides the complaint.

7. Identify the basic characteristic of management involved in the statement — 'The activities involved in managing an organisation are common to all organisations, whether economic, social or political.'

[1 mark]

Solution:

Concept:

- Management is pervasive: it is needed in all types of organisations and at all levels.
- Basic managerial activities remain common even though organisational objectives and operating methods differ.

Step 1: Locate the clue The statement says the activities of managing are common to economic, social and political organisations. It describes the wide applicability of management across different kinds of institutions.

Step 2: Identify the characteristic This is the pervasive nature of management. Businesses, schools, hospitals and political organisations all need planning, organising, staffing, directing and controlling, although their specific work differs.

Step 3: Conclusion The characteristic is **management is all pervasive**, because management is required in every kind of organisation.

Quick Tip to Solve: When a statement applies management to different types of organisations, identify pervasiveness rather than continuity.

8. Why is business environment called dynamic ? State. [1 mark]

Solution:

Concept:

- Business environment consists of the external forces and conditions that influence the functioning of an enterprise.
- Dynamism means that these forces keep changing rather than remaining fixed over time.

Step 1: Identify the changing forces Consumer tastes, technology, competition, economic conditions and government policies can change continually. These changes alter the conditions in which a business operates.

Step 2: Connect change with business decisions For example, the introduction of a new technology may make an existing production method outdated. The enterprise must therefore keep observing its environment and adapt its decisions to the changing conditions.

Step 3: Conclusion Business environment is called dynamic because it keeps changing in terms of technological improvements, shifts in consumer preferences, entry of competitors and other external developments.

Quick Tip to Solve: Link the word dynamic with continuous change in external forces, rather than with the size of the business.

9. 'Dreams can be turned into reality only when managers think in advance what to do and how to do it.' Name the function of management indicated by the statement. [1 mark]

Solution:

Concept:

- Planning is the management function concerned with deciding in advance what is to be done and how it is to be done.
- It sets objectives and selects the course of action required to achieve them.

Step 1: Locate the clue in the statement The words 'think in advance what to do and how to do it' describe deciding actions before their execution. Managers first determine the desired result and then the means of reaching it.

Step 2: Name the management function This advance thinking is planning. It translates an intended future result into a course of action, thereby helping managers turn their objectives into practical achievements.

Step 3: Conclusion The function indicated is **planning**.

Quick Tip to Solve: When a case stresses deciding beforehand what to do and how to do it, identify planning.

10. State the type of plan that does not allow any flexibility. [1 mark]

Solution:

Concept:

- A rule is a specific statement that tells people exactly what must or must not be done in a given situation.
- Rules are standing plans that leave no scope for personal discretion in their application.

Step 1: Identify the requirement The question asks for a plan that allows no flexibility. Such a plan must prescribe a definite action or prohibition, rather than merely provide a broad guide to decision-making.

Step 2: Name the plan A rule meets this requirement because it must be followed as stated. For example, a prohibition on smoking in a workplace specifies an action that is not permitted; employees cannot choose an alternative interpretation.

Step 3: Conclusion The type of plan that does not allow any flexibility is a **rule**.

Quick Tip to Solve: Distinguish rules from policies: policies guide decisions, while rules prescribe exact permitted or prohibited conduct.

11. Define 'organising' as a function of management. [1 mark]

Solution:

Concept:

- Organising is the management function that creates a structure of roles and working relationships for achieving organisational objectives.
- It links the work to be performed with the people and resources required to perform it.

Step 1: Identify and arrange the work Managers identify the activities necessary to implement the plan, divide the work and group related activities into departments. Duties are assigned to suitable people.

Step 2: Establish working relationships Authority and responsibility are defined so that employees know what they must do, what decisions they may take and to whom they report. This enables people and resources to work together effectively.

Step 3: Conclusion Organising is the process of identifying and grouping activities, assigning duties, and establishing authority and responsibility relationships so that people work together effectively to achieve organisational objectives.

Quick Tip to Solve: Build the definition around work, people and authority relationships; organising creates the structure for implementing plans.

12. State the suitability of functional structure of organising. [1 mark]

Solution:

Concept:

- A functional structure groups jobs according to major functions such as production, marketing, finance and personnel.
- It promotes specialisation by bringing employees performing similar tasks under one department.

Step 1: Identify the suitable scale Functional structure is suitable for a large organisation with many employees, where a sufficient volume of work exists within each major function to justify separate specialised departments.

Step 2: Relate suitability to operations It is particularly appropriate when the organisation has diversified activities requiring a high degree of functional specialisation, generally within a relatively limited or similar range of products. Grouping by function then provides expert supervision and efficient use of specialists.

Step 3: Conclusion Functional structure is suitable for large organisations with many employees and diversified activities requiring a high degree of specialisation in each function.

Quick Tip to Solve: For suitability, connect a large workforce and specialised functional activities with departments such as production and finance.

13. State any three points of importance of financial planning. [3 marks]

Solution:

Concept:

- Financial planning estimates a business's fund requirements and identifies the sources from which those requirements will be met.
- Its purpose is to ensure that adequate funds are available at the right time without unnecessarily committing money to idle balances.

Step 1: Explain timely availability of funds **Availability of adequate funds:** Financial planning estimates both the amount of funds needed and the time when they will be required. The enterprise can arrange appropriate sources in advance, so that expenditure on fixed assets and day-to-day operations is not interrupted by an avoidable shortage of finance.

Step 2: Explain avoidance of wastage **Avoidance of unnecessary fund raising:** Raising more money than is required can leave funds idle and impose an unnecessary financing cost. A financial plan matches the expected requirement with the amount to be raised. If a temporary surplus is expected, its suitable use can also be planned instead of allowing money to remain unproductive.

Step 3: Explain preparation for future conditions **Preparation for financial uncertainties:** Forecasts of sales, costs and cash flows make managers examine future conditions and the financial consequences of possible changes. They can prepare alternative arrangements for a shortage or surplus and respond more effectively when actual conditions differ from expectations. This reduces avoidable surprises and supports smoother business operations.

Step 4: Conclusion Three points of importance of financial planning are ensuring timely availability of adequate funds, avoiding unnecessary fund raising and idle money, and preparing the enterprise for future financial uncertainties.

Quick Tip to Solve: For each importance point, state the financial problem and explain how advance estimation and arrangement of funds help solve it.

14. Give the meaning of the following money market instruments :

(i) Certificate of deposit; and

(ii) Commercial bill. [3 marks]

Solution:

Concept:

- The money market deals in short-term funds and monetary assets with a maturity of up to one year. Its instruments help borrowers meet temporary financing requirements.
- Certificates of deposit mobilise short-term deposits, while commercial bills finance credit sales of goods. Both can provide liquidity through transfer or discounting.

Step 1: Explain a certificate of deposit **(i) Certificate of deposit:** A certificate of deposit is an unsecured, negotiable instrument issued in bearer form by commercial banks and specified financial institutions against funds deposited with them for a fixed period. It represents a short-term deposit

and can be transferred to another holder. Banks issue it when deposits grow slowly but demand for credit is high, helping them mobilise large amounts of money for a short period. Its negotiability distinguishes it from an ordinary non-transferable fixed-deposit receipt.

Step 2: Explain a commercial bill **(ii) Commercial bill:** A commercial bill is a bill of exchange used to finance the working-capital requirements arising from a credit sale. The seller draws a bill on the buyer, directing the buyer to pay a specified amount on a stated future date. After the buyer accepts it, it becomes a trade bill. The seller may get it discounted with a bank before maturity to receive immediate funds; when a bank accepts such a trade bill for discounting, it is known as a commercial bill. Thus it converts a credit sale into readily available finance.

Step 3: Conclusion A certificate of deposit is a negotiable short-term deposit instrument; a commercial bill is a bill of exchange that finances credit transactions and can be discounted to obtain funds before maturity.

Quick Tip to Solve: Link a certificate of deposit with a bank deposit, and a commercial bill with a credit sale and bill discounting.

15. Identify and explain the marketing management philosophy which implies that products and services are bought not merely because of their quality or brand name, but because they satisfy a specific need of a customer. [3 marks]

Solution:

Concept:

- The marketing concept begins with the needs and wants of customers in a chosen target market. Customer satisfaction is the means of achieving the business objective of profit.
- Marketing management philosophies differ in their starting point: product quality alone is the focus of the product concept, whereas customer needs guide the marketing concept.

Step 1: Identify the philosophy from the clue The philosophy is the **marketing concept**. The decisive words are that products and services are bought because they satisfy a specific need of a customer. This makes customer satisfaction the central consideration. Mere quality or a familiar brand name is insufficient if the offering does not meet the need for which the customer is buying it.

Step 2: Explain how the marketing concept operates **Customer focus:** The enterprise first identifies the needs and wants of a clearly defined target market, rather than first producing goods and then searching for buyers.

Integrated marketing: Product design, pricing, promotion and distribution are coordinated to deliver the satisfaction that the identified customers seek. Different departments work together to create value for those customers.

Profit through satisfaction: The business earns profits by satisfying customers more effectively than competitors. Satisfaction encourages repeat purchases and continued patronage. Thus the organisation achieves its objectives by meeting customer needs, instead of relying only on superior product features or aggressive selling.

Step 3: Conclusion The marketing concept is the required philosophy: identify customer needs,

coordinate activities to satisfy them better than competitors, and thereby earn profits through customer satisfaction.

Quick Tip to Solve: When the clue stresses satisfying a specific customer need, choose the marketing concept; quality alone points to the product concept.

16. ABC Ltd. is engaged in producing electricity from domestic garbage.

There is almost equal division of work and responsibility between workers and management. The management even takes workers into confidence before taking important decisions. All the workers are satisfied as the behaviour of the management is very good.

(a) State the principle of management described in the above para.

(b) Identify any two values which the company wants to communicate to the society. [3 marks]

Solution:

Concept:

- Taylor's principle of cooperation, not individualism, requires complete cooperation between management and workers. Their relationship should rest on mutual confidence rather than competition or conflict.
- Business values include concern for environmental protection and respect for employees. Identify each value by linking it to an action explicitly described in the case.

Step 1: Identify the principle and connect the evidence **(a) Cooperation, not individualism:** The case states that there is almost equal division of work and responsibility between workers and management and that management takes workers into confidence before taking important decisions. These are features of Taylor's principle of cooperation, not individualism. Management and workers should recognise their interdependence and work towards common organisational objectives. Consultation and mutual confidence promote cooperation; management should listen to constructive suggestions from workers rather than treat decision making as a source of conflict.

Step 2: Identify two values shown by the company **(b) Environmental responsibility:** The company produces electricity from domestic garbage. Converting waste into a useful source of energy communicates concern for the environment and the productive use of waste, rather than allowing garbage to remain a disposal problem.

Respect for employees and participative working: Taking workers into confidence before important decisions and treating them well shows respect for their views and dignity. The statement that all workers are satisfied supports the value of employee welfare and harmonious human relations. These values are inferred directly from the conduct described in the case.

Step 3: Conclusion The principle is cooperation, not individualism. Two values communicated are environmental responsibility through waste-based electricity generation, and respect for employees through consultation and considerate treatment.

Quick Tip to Solve: Use the equal sharing of responsibility and consultation to identify cooperation; link each value to a separate action in the case.

17. Voltech India Ltd. is manufacturing LED bulbs to save electricity and running under heavy losses. To revive from the losses, the management thought of shifting the unit to a backward area where labour is available at a low cost. The management also asked the workers to work overtime without any additional payment and promised to increase the wages of the workers after achieving its mission. Within a short period the company started earning profits because both the management and the workers honoured their commitments.

(a) State the principle of management described in the above para.

(b) Identify any two values that the company wants to communicate to the society. [3 marks]

Solution:

Concept:

- Fayol's principle of discipline means obedience to organisational rules and employment agreements necessary for the working of the organisation.
- Discipline applies to both workers and management: each must respect the agreement made with the other. Business values are identified from the social purpose of the actions in the case.

Step 1: Identify and state the principle in part (a) **Discipline:** The case states that "both the management and the workers honoured their commitments." The workers agreed to work overtime during the difficult period, while management promised a wage increase after the company achieved its mission. Their observance of this employment agreement illustrates discipline. The principle requires both sides to fulfil their obligations, rather than treating obedience as a duty of workers alone.

Step 2: Identify two values for part (b) **Conservation of energy:** Voltech manufactures "LED bulbs to save electricity." Promoting products that reduce electricity consumption communicates concern for conserving energy resources and protecting the environment.

Balanced regional development: The proposed shift to a "backward area" can create local employment and economic activity there. This communicates concern for developing less-developed regions and increasing livelihood opportunities in those areas.

Step 3: Conclusion (a) The principle is **discipline**, as management and workers both honour their agreement. (b) Two values are **conservation of energy** and **balanced regional development through employment opportunities**.

Quick Tip to Solve: When both management and workers keep their promises, identify discipline; link each value to a specific action such as saving electricity or locating in a backward area.

18. Explain the factors that affect capital budgeting decision. [3 marks]

Solution:

Concept:

- A capital budgeting decision is a long-term investment decision, such as investing in a new plant or acquiring fixed assets. It commits substantial funds and affects earning capacity over several years.
- The financial manager compares investment proposals using their expected cash flows, the return

they offer and the investment criteria used to evaluate them.

Step 1: Examine the cash flows and expected return **Cash flows of the project:** Investment generates a series of cash receipts and payments over its life. The amount and timing of these cash flows must be carefully estimated and analysed before committing funds. A project must be assessed on the cash it is expected to generate, rather than merely on its reported accounting profit.

Rate of return: The expected return from each proposal is assessed along with the risk involved. Other things being equal, a project offering a higher rate of return is preferred. The return should justify the funds committed and satisfy the firm's required return; a large inflow alone does not establish that the proposal is attractive relative to its investment.

Step 2: Apply suitable investment criteria **Investment criteria involved:** The firm uses appropriate capital budgeting techniques to compare and select projects. These criteria consider the investment required, the cash flows, the return and the risks associated with each proposal. Applying a consistent criterion helps the manager judge whether an investment is financially worthwhile and choose between competing uses of limited funds. For example, an appraisal may compare when the investment is recovered or the present value of the expected cash flows.

Step 3: Conclusion Capital budgeting decisions are affected by **the cash flows of the project, its expected rate of return, and the investment criteria used**. These factors must be considered together before accepting a long-term investment proposal.

Quick Tip to Solve: Remember the three headings: cash flows, rate of return and investment criteria. Explain how each helps judge a project, rather than listing sources of finance.

19. Give the definition of 'Consumer' as per Consumer Protection Act, 1986. [4 marks]

Solution:

Concept:

- The Consumer Protection Act, 1986 defines a consumer in relation to the purchase of goods and the hiring or availing of services for consideration.
- Consideration is the price or payment: it may already have been paid, promised, partly paid and partly promised, or payable under a deferred-payment system.

Step 1: Define a consumer of goods **Buyer of goods:** A consumer is a person who buys goods for consideration which has been paid or promised, partly paid and partly promised, or under any system of deferred payment. Thus, paying the whole price immediately is not essential for obtaining consumer status.

Approved user: The definition also includes a user of those goods other than the buyer, when the goods are used with the buyer's approval. For example, a family member using an appliance with the purchaser's permission is covered; a separate purchase by every user is unnecessary.

Step 2: Define a consumer of services **Hirer or recipient of services:** A consumer is a person who hires or avails of services for consideration paid or promised, partly paid and partly promised, or payable under a deferred-payment system.

Approved beneficiary: It includes a beneficiary of those services other than the person who hires or avails of them, when the services are availed of with that person's approval. Therefore, protection extends beyond the person whose name appears on the service contract.

Step 3: State the exclusions and the livelihood exception A person obtaining goods for resale or for a commercial purpose, or availing of services for a commercial purpose, is excluded. However, commercial purpose does not include goods bought and used, or services availed of, exclusively to earn one's livelihood by means of self-employment. For instance, buying and personally operating a sewing machine solely to earn a livelihood falls within this exception. Goods or services obtained entirely free of charge do not meet the consideration requirement.

Step 4: Conclusion Under the Consumer Protection Act, 1986, a consumer is a purchaser of goods or a hirer or recipient of services for consideration, including an approved user or beneficiary, subject to the exclusions for resale and commercial purpose and the self-employment livelihood exception.

Quick Tip to Solve: Organise the definition into goods and services; for each, mention consideration and the approved user or beneficiary, then state the commercial-purpose exclusion.

20. 'The skilful and personal application of existing knowledge to achieve desire results is called art.' In the light of this statement, describe whether management is an art or not. [4 marks]

Solution:

Concept:

- Art means the skilful and personal application of existing knowledge to achieve desired results. It emphasises how knowledge is put into practice in a particular situation.
- Management has the essential features of an art: an existing body of theoretical knowledge, personalised application, and practice combined with creativity.

Step 1: Establish the existence of theoretical knowledge **Existence of theoretical knowledge:** Every art has certain basic principles and organised knowledge that guide its practice. Similarly, management has a body of knowledge concerning planning, organising, staffing, directing and controlling. Managers can study principles such as unity of command and division of work and learn from management literature and experience. This theoretical base guides their decisions; managing is therefore more than acting without any knowledge or preparation.

Step 2: Explain personalised application **Personalised application:** An artist interprets knowledge in an individual way. Likewise, a manager applies management knowledge according to personal skill, judgement and the requirements of the situation. Two managers facing similar employee or production problems may choose different combinations of communication, motivation and supervision. Their effectiveness depends on how well they adapt the principles to actual people and circumstances, rather than mechanically repeating a fixed rule.

Step 3: Explain the role of practice and creativity **Practice and creativity:** An artist improves through repeated practice and uses imagination to produce a result. Managers also become more proficient through experience in taking decisions, handling employees and solving problems. They creatively combine human and material resources to achieve organisational objectives. For example, a

manager may adapt a motivational technique to suit a particular team instead of copying another organisation's arrangement. Practice develops judgement, while creativity helps the manager respond to new situations.

Step 4: Conclusion Management is an art because managers skilfully and personally apply existing theoretical knowledge, with practice and creativity, to achieve desired organisational results. The statement correctly describes the practical, individual application that is central to managing effectively.

Quick Tip to Solve: Test management against the three features of art: theoretical knowledge, personalised application, and practice with creativity. Explain how each appears in a manager's work.

21. Explain any four points of impact of government policy changes on business and industry.

[4 marks]

Solution:

Concept:

- Economic reforms through liberalisation, privatisation and globalisation changed the conditions in which Indian business firms operate.
- Their impact is seen in competition, consumer expectations and the manner in which firms organise their operations. Business enterprises must respond to these changes to survive and grow.

Step 1: Explain the changes in market conditions

- **Increasing competition:** Liberalisation of industrial licensing and entry of foreign firms increased competition for Indian enterprises, particularly in services and consumer goods. Domestic firms could no longer depend on a protected market. They had to improve product quality, control costs and increase efficiency to compete with both Indian and foreign rivals.
- **More demanding customers:** Greater competition widened the choice of goods and services available to consumers. Better-informed buyers began to expect improved quality, reasonable prices and greater value for their money. Consequently, firms had to pay closer attention to customers' needs and improve the products and services they offered.

Step 2: Explain the changes in business responses

- **Rapidly changing technological environment:** Increased competition encouraged businesses to adopt new technology to improve products and production processes. Technological improvements made it possible to produce better goods at lower cost. Firms had to keep their technology up to date, since obsolete methods could make them uncompetitive.
- **Necessity for change:** The business environment became more dynamic after the reforms. Enterprises had to modify their policies, procedures and operating methods continuously in response to new opportunities and threats. Continuing with old practices without adapting could endanger their survival, whereas timely change could help them grow.

Step 3: Conclusion Four impacts of government policy changes are increasing competition, more demanding customers, rapid technological change and the necessity for continuous change in business policies and operations.

Quick Tip to Solve: Organise the answer around four distinct impacts, and explain how each one changes the decisions or operations of a business firm.

22. 'In addition to providing directions and reducing the risk of uncertainty planning helps managers in the many other ways.' Explain any four such ways. [4 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. It connects the present position of an organisation with the objectives it seeks to achieve.
- Apart from providing directions and reducing the risk of uncertainty, planning reduces waste, encourages innovation, improves decisions and establishes standards for controlling.

Step 1: Explain the benefits for operations and innovation

- **Planning reduces overlapping and wasteful activities:** Plans coordinate the activities of different departments and individuals towards common objectives. They make it clearer who should do each task and how activities fit together. This reduces duplication of effort, confusion and unnecessary work, helping the organisation use its resources efficiently.
- **Planning promotes innovative ideas:** Since planning is the first function of management, managers consider new ideas while deciding how organisational objectives can be achieved. It requires them to think ahead rather than merely follow existing routines. Useful ideas can therefore be developed into concrete plans and guide the future growth of the enterprise.

Step 2: Explain the benefits for decisions and control

- **Planning facilitates decision-making:** Planning requires managers to identify alternative courses of action and evaluate their likely consequences. Comparing the alternatives in relation to the objectives enables them to select the most suitable course. Decisions are thus based on a considered assessment rather than on a hurried response to events.
- **Planning establishes standards for controlling:** Plans specify the results expected from activities. These expected results become standards against which actual performance can be measured. Managers can compare actual results with the planned targets, identify deviations and take corrective action. Without planned standards, there would be no clear basis for judging whether performance is satisfactory.

Step 3: Conclusion The four additional benefits are reduction of overlapping and wasteful activities, promotion of innovative ideas, facilitation of decision-making and establishment of standards for controlling.

Quick Tip to Solve: The question already gives direction and uncertainty reduction, so explain the other four NCERT benefits rather than repeating the two supplied.

23. State any three merits and two limitations of external sources of recruitment. [5 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and encouraging them to apply for jobs. External recruitment invites applicants from outside the organisation.
- External sources widen the choice of candidates, but require the organisation to spend time and money attracting and selecting people whose suitability is not yet established.

Step 1: State three merits of external recruitment **1. Qualified personnel:** By inviting applications from outside, the organisation can attract trained and qualified people with the skills required for the vacant posts. It need not restrict selection to the qualifications already available among its existing employees.

2. Wider choice: A large pool of outside applicants gives management a broader choice. After comparing their qualifications and experience with job requirements, it can select the most suitable candidate instead of accepting a limited internal choice.

3. Fresh talent: New recruits bring new ideas, knowledge and approaches to work. Their experience and outlook can help the organisation improve its methods and overcome the tendency to continue established practices without examining alternatives.

Step 2: State two limitations of external recruitment **1. Dissatisfaction among existing staff:** Employees who expect promotion may feel that their chances of advancement have been reduced when outsiders are appointed to higher posts. This can lower their morale and motivation, especially when they consider themselves capable of filling the vacancies.

2. Costly process: Searching for candidates through advertisements or employment agencies and conducting tests and interviews involves considerable expense. The organisation must bear these recruitment and selection costs before the selected person starts contributing to its work.

Step 3: Conclusion Thus, external recruitment offers qualified personnel, a wider choice and fresh talent. Its limitations include dissatisfaction among existing employees and the high cost of attracting and selecting outside candidates.

Quick Tip to Solve: Separate the answer into exactly three merits and two limitations. Link each merit to an outside pool of candidates and each limitation to its effect on the organisation or existing staff.

24. Explain any five points of importance of Controlling. [5 marks]

Solution:

Concept:

- Controlling means comparing actual performance with predetermined standards, identifying deviations and taking corrective action so that activities proceed according to plans.
- It gives management feedback about results and helps direct people and resources towards organisational objectives. Its importance extends beyond merely finding mistakes after work is completed.

Step 1: Explain the contribution to goals and standards **1. Accomplishing organisational goals:** Controlling measures progress towards the goals set in plans. By revealing deviations between expected and actual performance, it enables managers to take timely corrective action and bring activities back on the desired course. Thus, effort is directed towards achieving organisational objectives.

2. Judging accuracy of standards: An effective control system helps management examine whether its standards are realistic and accurate. Results and changes in the business environment may show that a standard needs revision. Managers can then review the standards and make them appropriate for future performance.

Step 2: Explain the contribution to resources and employees **3. Making efficient use of resources:** Control requires activities to be performed according to predetermined norms. Checking performance against these norms reduces wastage and spoilage and helps avoid unnecessary use of resources. Human, physical and financial resources can therefore be used more efficiently.

4. Improving employee motivation: Clear performance standards tell employees what is expected of them and how their work will be assessed. Employees can work towards these targets, and appraisal based on stated standards provides a basis for recognising good performance. This encourages them to improve their contribution.

5. Ensuring order and discipline: A sound control system keeps a close check on employee activities and makes responsibilities and expected conduct clear. It helps minimise dishonest behaviour, misuse of resources and departures from prescribed procedures. This creates an atmosphere of order and discipline in the organisation.

Step 3: Conclusion Controlling helps accomplish goals, judge the accuracy of standards, use resources efficiently, motivate employees and maintain order and discipline. By providing feedback and corrective action, it makes planned performance more likely to become actual performance.

Quick Tip to Solve: For each point, state the NCERT heading and explain how control produces that benefit. Keep judging the accuracy of standards distinct from measuring an employee's actual performance.

25. Explain any five functions of Stock Exchange. [5 marks]

Solution:

Concept:

- A stock exchange is an organised market in which existing securities are bought and sold under prescribed rules. It forms an important part of the secondary market.
- Its functions link investors who want liquidity with businesses that need a continuing flow of investment. Trading in existing securities also helps direct future investment towards productive enterprises.

Step 1: Explain liquidity and price determination

- **Providing liquidity and marketability to existing securities:** The exchange provides a ready and continuous market where investors can sell securities they already hold and buyers can acquire them. An investor can therefore convert an investment into cash without waiting for the company

to repay the capital. This liquidity encourages people to invest their savings in securities.

- **Pricing of securities:** The interaction of demand and supply in an active market determines security prices. These prices reflect investors' assessments of the company, its expected earnings and prevailing economic conditions. Quoted prices provide useful information to existing investors, prospective investors and companies when they make financial decisions.

Step 2: Explain safety, growth and the spread of ownership

- **Safety of transactions:** Dealings take place within a well-defined legal framework and according to the exchange's rules. The exchange regulates its members and admits listed companies subject to prescribed requirements. These safeguards promote fair dealing and protect investors against malpractices; they do not eliminate the normal risk of price changes.
- **Contributing to economic growth:** Securities of different companies are continuously bought and sold. This process allows funds to be shifted towards enterprises offering more productive investment opportunities. Through disinvestment and reinvestment, the exchange helps channel savings into efficient uses and supports capital formation and economic growth.
- **Spreading the equity cult:** The exchange encourages wider share ownership by educating investors about investment opportunities, promoting new issues and supporting better trading practices. Greater public awareness and confidence help draw more people into equity investment and broaden participation in the corporate sector.

Step 3: Conclusion Thus, five functions are providing liquidity and marketability, pricing securities, ensuring safety of transactions, contributing to economic growth and spreading the equity cult. Together they make investment easier and help allocate savings productively.

Quick Tip to Solve: Recall five distinct headings: liquidity, price, safety, growth and equity participation. Explain the benefit under each heading rather than merely listing it.

26. What is meant by 'Packaging' ? State any four functions of packaging. [5 marks]

Solution:

Concept:

- Packaging refers to designing and producing the container or wrapper of a product. It is a product-related marketing decision, because the pack affects both the condition in which the product reaches the buyer and the buyer's perception of it.
- The main functions of packaging are product identification, product protection, facilitating use of the product and product promotion. A good package combines practical convenience with a recognisable appearance.

Step 1: Define packaging and explain identification and protection **Meaning:** Packaging is the act of designing and producing the container or wrapper for a product. For example, a bottle containing shampoo and a carton containing biscuits are packages designed for those products.

- **Product identification:** A package helps consumers identify a product quickly. Its distinctive colour, shape, design and brand presentation distinguish it from competing products on the shelf. Familiar packaging also helps a repeat buyer recognise the desired brand without examining every

available product.

- **Product protection:** Packaging protects the product against spoilage, breakage, leakage, pilferage and adverse climatic conditions during storage, handling and transportation. The material and design must suit the product: for example, a sealed container can protect food from contamination, while a suitable carton can reduce damage to fragile goods.

Step 2: Explain convenience and promotion

- **Facilitating use of the product:** The size and shape of the package should make the product convenient to carry, store, open and use. Features such as a resealable cap, a dispensing nozzle or a suitable handle help consumers use the contents easily and reduce wastage. Thus, the package adds utility beyond simply holding the product.
- **Product promotion:** An attractive package draws the attention of prospective buyers and can stimulate purchase, particularly where products are displayed for self-service. Its colours, illustrations and design communicate the product's appeal and create a favourable impression of the brand. The package therefore acts as a promotional tool at the point of sale.

Step 3: Conclusion Packaging means designing and producing a product's container or wrapper. Its four functions are identifying the product, protecting it, facilitating its use and promoting its sale.

Quick Tip to Solve: Organise the four functions around what the pack does: helps buyers recognise, protects the contents, makes use convenient and attracts attention at the shop.

27(a). Explain any four factors affecting the dividend decision of a company. [6 marks]

Solution:

Concept:

- The dividend decision determines how much of a company's earnings will be distributed to shareholders and how much will be retained in the business.
- Dividend is paid out of earnings, but its payment also requires sufficient cash. Management balances shareholders' current income with the firm's need for future finance.

Step 1: Examine the earnings available **Amount of earnings:** A company with higher earnings can ordinarily declare a higher dividend, while a company with low earnings has less profit available for distribution. Both current and accumulated past earnings are relevant because a dividend decision concerns the profits available to shareholders after meeting the company's obligations. Management should not decide the dividend merely from the size of sales; it is the earnings generated by those sales that provide the basis for distribution.

Step 2: Assess the regularity of earnings **Stability of earnings:** A company whose earnings are reasonably stable is in a better position to declare a higher dividend. It can expect to earn enough in later years to maintain payments. A company with fluctuating earnings generally adopts a more cautious dividend policy, since a high payment in one year may be difficult to sustain when earnings fall. Thus, two firms with the same profit in the present year can reasonably choose different dividends if their future earning stability differs.

Step 3: Consider the need to finance growth **Growth opportunities:** A company having attractive

investment and expansion opportunities tends to retain a larger portion of its profits to finance those opportunities. Consequently, the dividend payout may be lower. Retained earnings provide internal finance and reduce dependence on raising fresh funds. A mature company with fewer such opportunities may distribute a larger proportion of its earnings because it needs to retain less for expansion.

Step 4: Check the cash available for payment **Cash flow position:** Dividend payment involves an outflow of cash. Therefore, the company must have adequate cash available at the time of payment. Even a profitable company may be unable to pay a high dividend if its money is tied up in inventories, receivables or other commitments. A sound cash flow position supports a higher cash dividend, whereas a shortage of cash limits the amount that can prudently be distributed.

Step 5: Conclusion Four factors affecting the dividend decision are the amount of earnings, stability of earnings, growth opportunities and cash flow position. High and stable earnings with adequate cash support dividend payments, while substantial growth needs favour retaining a larger share of profits.

Quick Tip to Solve: Separate profit from cash: earnings determine the distributable base, growth creates a reason to retain it, and cash flow determines whether payment can actually be made.

OR

27(b). Explain any four factors affecting fixed capital requirements of a company. [6 marks]

Solution:

Concept:

- Fixed capital refers to funds invested in fixed assets such as land, buildings, plant and machinery. These assets serve the business for a long period.
- Fixed capital requirements depend on the type and scale of operations and on the production and growth choices of the enterprise. These decisions commit funds for long periods and therefore require careful planning.

Step 1: Identify the nature of the business **Nature of business:** The type of activity determines the fixed assets needed. A manufacturing company generally requires substantial investment in factory buildings, plant and machinery to produce goods. A trading concern, which mainly purchases and sells goods, ordinarily needs less fixed capital because it does not establish the same production facilities. Thus, fixed capital requirements vary with the basic operations to be performed, even when the businesses have comparable sales.

Step 2: Consider the scale of operations **Scale of operations:** A company operating on a larger scale normally needs more fixed capital than one operating on a smaller scale. Large-scale operations require greater production capacity, more machinery, larger premises and other supporting facilities. A small enterprise may operate with a limited factory and fewer machines. The requirement therefore rises as the physical size and capacity of the business increase; management must plan the investment in assets to suit the intended operating scale.

Step 3: Examine the production technique **Choice of technique:** A capital-intensive technique uses more machinery and automated equipment and therefore requires a larger investment in fixed assets. A labour-intensive technique relies relatively more on human effort and ordinarily needs less fixed capital. For example, automating a production process involves purchasing expensive equipment, while performing more operations manually reduces the machinery requirement. The technology selected therefore directly affects the funds committed to fixed assets.

Step 4: Allow for future expansion **Growth prospects:** A company expecting substantial growth requires more fixed capital because it must expand its productive capacity and supporting facilities. It may need additional land, buildings and machinery to meet the anticipated increase in demand. A company with limited growth prospects requires less additional investment in such assets. The decision should therefore consider future requirements as well as present capacity, so that expansion is supported by suitable long-term assets.

Step 5: Conclusion Four factors affecting fixed capital requirements are the nature of business, scale of operations, choice of technique and growth prospects. Manufacturing, large-scale production, capital-intensive methods and strong expansion prospects generally increase the investment required in fixed assets.

Quick Tip to Solve: Link every factor to a long-term asset: ask whether it changes the factory, machinery, premises or capacity needed. This keeps fixed capital separate from day-to-day working capital.

28(a). Explain the four important elements of marketing mix. [6 marks]

Solution:

Concept:

- The marketing mix is the combination of controllable marketing variables used by a firm to achieve its marketing objectives in a target market.
- Its four important elements are product, price, place and promotion, commonly called the four Ps. They must work together to satisfy customers and support profitable exchange.

Step 1: Explain product and price decisions

- **Product:** Product means the goods, services or other offerings supplied to satisfy customers' needs. Product decisions cover quality, design, features, variety, branding, packaging, labelling and after-sales service. The marketer chooses a combination that gives the target customer useful benefits. For example, a household appliance must offer suitable features and dependable service; an attractive advertisement alone cannot compensate for an unsuitable product.
- **Price:** Price is the amount of money customers pay to obtain the product. Price decisions include fixing the basic price and deciding discounts, allowances, credit terms and payment periods. The firm considers costs, customers' perceptions of value, demand and competitors' prices. The price should encourage the intended customers to buy while allowing the business to meet its objectives. A price above perceived value may reduce demand, while an unnecessarily low price may reduce

earnings.

Step 2: Explain place and promotion decisions

- **Place or physical distribution:** This element makes the product available at the right place and time. It includes selecting distribution channels and intermediaries, such as wholesalers and retailers, as well as arranging transportation, warehousing, inventory and order processing. The firm must ensure that customers can conveniently obtain the product. Even a well-designed, fairly priced product may lose sales if it is unavailable where customers shop.
- **Promotion:** Promotion communicates the product's merits and persuades target customers to buy. The promotion mix includes advertising, personal selling, sales promotion and public relations. The firm selects suitable messages and media to inform customers, create interest and support purchase. For example, an advertisement may build awareness, while a salesperson explains features and answers a buyer's questions.

Step 3: Conclusion Product, price, place and promotion are the four elements of the marketing mix. A firm combines a suitable offering, an acceptable price, convenient availability and effective communication to satisfy its target market.

Quick Tip to Solve: Recall the four Ps, then explain each through its decisions: what to offer, what to charge, where to supply and how to communicate.

OR

28(b). Explain any four factors determining the choice of an appropriate channel of distribution.

[6 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the final consumer, either directly or through intermediaries.
- The channel should make the product conveniently available at a reasonable cost. Product, company, competitive and market factors help determine the appropriate route.

Step 1: Examine the product and the company's resources

- **Product-related factors:** The nature of the product influences channel length. Perishable products usually need a short channel so that they reach buyers quickly without deterioration. Technical or complex products also favour direct selling or a short channel because buyers need demonstrations, installation and after-sales service. Bulky products may need shorter channels to avoid repeated handling and high transport costs. Standardised, durable consumer products can generally use longer channels with wholesalers and retailers because they can be stored and sold to many buyers.
- **Company characteristics:** The company's financial strength and the degree of control it wants over distribution affect the choice. Direct distribution requires investment in sales staff, outlets, storage and delivery. A financially strong firm can establish this network, whereas a firm with limited funds may rely on intermediaries who already have these facilities. A company wanting

close control over customer service, selling methods and market contact tends to choose a shorter channel; using intermediaries reduces its direct control.

Step 2: Examine competitors and the target market

- **Competitive factors:** The distribution channels used by competitors must be considered. A firm may use similar outlets so that customers can compare and obtain its product alongside rival products. Alternatively, it may deliberately choose a different route to distinguish its service or reach buyers more effectively. Thus, the competitor's channel is a relevant guide, but the firm must assess whether following or departing from it better meets its own marketing objectives.
- **Market factors:** The number, geographical concentration, size of purchases and buying habits of customers influence channel selection. A small number of buyers concentrated in one area, especially those placing large orders, can often be served directly. Numerous consumers scattered over a wide area generally require wholesalers and retailers to provide wide coverage. If consumers expect frequent purchases in small quantities from nearby shops, a channel with local retail outlets is appropriate; large institutional orders may justify a direct channel.

Step 3: Conclusion Four factors are product-related factors, company characteristics, competitive factors and market factors. The appropriate channel balances the product's handling and service needs with the firm's resources, competitive situation and customers' buying requirements.

Quick Tip to Solve: For channel-choice questions, link each factor to a shorter or longer channel and explain why: perishability, funds and control, rival outlets, and customer spread.

29(a). Explain the steps in the process of Organising. [6 marks]

Solution:

Concept:

- Organising is the management function of identifying and grouping work, assigning duties, and establishing authority relationships so that plans can be carried out.
- The organising process converts the work required by a plan into a coordinated structure. Its four steps are identification and division of work, departmentalisation, assignment of duties, and establishment of reporting relationships.

Step 1: Identify and divide the work **Identification and division of work:** First identify the total work that must be performed to achieve the organisation's objectives and implement its plans. Divide that work into manageable activities and jobs. The division should avoid duplication and ensure that no necessary activity is omitted. Repeated performance of a limited task also permits specialisation. For example, the work of a manufacturing enterprise can be divided into purchasing materials, producing goods, selling goods and maintaining accounts.

Step 2: Group related jobs into departments **Departmentalisation:** Group jobs of a similar or related nature into departments so that they can be coordinated and supervised effectively. The basis of grouping depends on the organisation's requirements: activities may be grouped by function, such as production and marketing, or by product in a large enterprise dealing in different product lines. Grouping gives each department a clear area of responsibility rather than leaving related activities

scattered across the organisation.

Step 3: Assign duties to suitable people **Assignment of duties:** Allocate the jobs in each department to individuals according to their knowledge, ability, experience and aptitude. Define clearly what each person is expected to do. A proper match between the job and the employee promotes efficient performance and makes responsibility for the work identifiable. For instance, accounting duties should be entrusted to a person competent to maintain and interpret financial records.

Step 4: Establish authority and reporting relationships **Establishment of reporting relationships:** Specify who will report to whom and who has authority to direct whose work. Employees must know their immediate superior and the extent of their authority and responsibility. These relationships create the managerial hierarchy, provide channels for communication and help coordinate individual efforts. Without clear relationships, employees may receive conflicting directions or necessary decisions may remain unattended.

Step 5: Conclusion Organising therefore proceeds from dividing the total work to grouping related jobs, allocating duties and establishing reporting relationships. Together these steps create a structure in which people know their work, their responsibility and their superior, enabling the organisation to implement its plans efficiently.

Quick Tip to Solve: Remember the sequence as divide, group, assign and relate. Explain how each step prepares the way for the next rather than merely listing its name.

OR

29(b). Differentiate between Formal and Informal organisation on the basis of the following :

(i) Meaning;

(ii) Origin;

(iii) Authoring;

(iv) Behaviour;

(v) Flow of Communication; and

(vi) Leadership. [6 marks]

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately created by management to achieve organisational objectives.
- Informal organisation is the network of personal and social relationships that develops spontaneously when people interact at work. It exists within and alongside the formal structure.

Step 1: Compare meaning, origin and authority The basis printed as "Authoring" refers to authority, as also indicated by the corresponding Hindi term. The first three distinctions are:

Basis	Formal organisation	Informal organisation
Meaning	A deliberately designed structure of jobs and authority relationships that defines responsibility and coordinates work towards organisational goals.	A network of personal and social relationships arising from interaction among people working together.
Origin	Created intentionally by management through the organising process; positions and relationships are planned.	Develops spontaneously through social interaction, friendship, common interests and mutual liking; management does not deliberately create it.
Authority	Authority arises from the official position occupied in the management hierarchy and is attached to the job.	Influence arises from personal qualities, acceptance and the confidence of group members, rather than from an officially assigned position.

Step 2: Compare behaviour, communication and leadership The remaining distinctions concern how members act, exchange information and accept leaders:

Basis	Formal organisation	Informal organisation
Behaviour	Behaviour is guided by prescribed rules, procedures, duties and official standards of conduct.	Behaviour is guided mainly by group norms, shared values and personal relationships.
Flow of communication	Communication normally follows the officially established channels and reporting relationships, including the scalar chain.	Communication can flow in any direction through the grapevine, without necessarily following the formal chain of command.
Leadership	Managers are appointed to official positions and exercise leadership through the authority vested in those positions.	Leaders emerge from the group and are accepted because of personal qualities, expertise or their ability to satisfy group needs.

A person may therefore be an informal leader without holding a managerial post. Similarly, two employees may exchange information as friends even when the formal reporting structure places them in different departments.

Step 3: Conclusion Formal organisation rests on planned positions, official authority, prescribed behaviour and authorised channels. Informal organisation rests on spontaneous relationships, personal influence, group norms and flexible communication. Both can coexist among the same employees, but their origin and bases of leadership are different.

Quick Tip to Solve: Keep the six requested bases in the printed order. For authority and leadership, contrast the official position with acceptance by the group; these are related but distinct points.

30(a). Describe psychological barriers to effective communication. [6 marks]

Solution:

Concept:

- Effective communication requires the receiver to understand a message in the sense intended by its sender. Psychological barriers arise from the mental or emotional state of the sender and receiver.
- NCERT identifies premature evaluation, lack of attention, loss by transmission and poor retention, and distrust as psychological barriers. They prevent accurate reception, interpretation or acceptance of information.

Step 1: Explain premature evaluation and lack of attention

- **Premature evaluation:** A receiver may judge the meaning or value of a message before the sender has completed it. A judgement based on preconceived notions replaces a full understanding of the facts. For example, rejecting a suggestion before hearing its reasons can cause useful information to be ignored. The message is therefore misunderstood even though the sender has not finished explaining it.
- **Lack of attention:** A person whose mind is preoccupied with another matter may not listen attentively. Important parts of the message are missed, so the receiver cannot grasp its complete meaning. For example, an employee worried about a personal problem may hear an instruction but overlook its deadline. Physical presence alone does not ensure that the message has been understood.

Step 2: Explain transmission loss, poor retention and distrust

- **Loss by transmission and poor retention:** When communication passes successively through several persons, some information may be omitted, changed or distorted at each stage. The final receiver may thus get a different message. In addition, people cannot retain all the information received, especially when an oral message is lengthy or complex. Forgotten details make later action incomplete or inaccurate. Transmission loss and poor retention together obstruct faithful communication.
- **Distrust:** If the sender and receiver do not trust each other, they may interpret a message with suspicion rather than accept its intended meaning. A receiver may disbelieve even correct information or look for an ulterior motive. Thus, lack of mutual confidence weakens the willingness to share and accept information, making communication ineffective.

Step 3: Conclusion The four psychological barriers are premature evaluation, lack of attention, loss by transmission and poor retention, and distrust. They arise from how people judge, attend to, remember and accept messages, and can prevent a correctly sent message from producing the intended understanding.

Quick Tip to Solve: Recall the four barriers through the sequence: judging too early, not listening, losing or forgetting details, and not trusting. Explain how each one changes understanding of the message.

OR

30(b). Explain how directing helps in effective and efficient functioning of the organisation. [6 marks]

Solution:

Concept:

- Directing is the managerial function of instructing, guiding, counselling, motivating and leading people towards organisational objectives. It puts the plans and organisation structure into action through employees.
- Effective functioning means achieving the intended objectives; efficient functioning means doing so with economical use of resources. Directing contributes to both by aligning people's efforts and helping them work to their potential.

Step 1: Show how directing starts and coordinates work

- **Initiating action:** Planning decides what should be done, organising assigns work and staffing provides people. Directing makes employees actually perform their assigned duties by giving instructions, guidance and supervision. It therefore converts decisions into purposeful action and starts the work needed to achieve objectives.
- **Integrating employees' efforts:** Individuals perform different activities and may otherwise concentrate only on their own tasks. Directing guides them towards common organisational goals and coordinates their contributions. Their work supplements rather than duplicates or obstructs others' work, reducing wasted effort and improving overall results.

Step 2: Explain how directing improves performance and supports change

- **Realising employees' potential:** Appropriate motivation, leadership and guidance encourage employees to use their abilities fully. Managers identify the factors that motivate different people, provide support and help them overcome difficulties. Employees consequently contribute their best efforts, improving the quality and quantity of work and helping the organisation achieve its objectives.
- **Introducing needed changes:** Employees may resist a change in methods, technology or working arrangements because they fear its effects. Through communication, explanation and motivation, a manager helps them understand the need and benefits of the change and seeks their cooperation. This makes adaptation smoother and enables improved methods to operate successfully.
- **Providing stability and balance:** Effective leadership, communication and motivation promote cooperation and commitment. Managers reconcile individual interests with organisational requirements and encourage harmony among people and groups. This supports continuity of operations and a balanced working environment in which resources can be used productively.

Step 3: Conclusion Directing helps the organisation function effectively and efficiently by initiating action, integrating employees' efforts, realising their potential, facilitating change, and providing stability and balance. It links the work of individuals with common objectives while reducing uncoordinated effort and resistance.

Quick Tip to Solve: Organise this answer around the effects of directing: start work, unite efforts, develop performance, support change and maintain balance. Explain each effect rather than merely naming supervision or motivation.