# CBSE Class 12 Business Studies Question Paper 2014 with Solution PDF-Set 66/2 - 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. 'The consumer has a right to acquire knowledge and to be a well informed consumer throughout life.'**

**State what type of knowledge is required by the consumer in the above stated 'Right'.** [1 mark]

**Solution:**

**Concept:**

- The right to consumer education enables a consumer to acquire knowledge and remain well informed throughout life.
- An informed buyer understands consumer rights, responsibilities and the remedies available against unfair practices.

**Step 1:** Identify the right The statement describes the right to consumer education. It concerns the knowledge needed to buy and use goods and services intelligently, rather than merely receiving information about one particular purchase.

**Step 2:** State the knowledge required The consumer should know the rights available under consumer protection law, the responsibilities of a careful buyer, and the ways of seeking redressal. Such knowledge helps the consumer recognise exploitation and take appropriate action.

**Step 3:** Conclusion The consumer requires knowledge about consumer rights, responsibilities and the remedies available for protecting those rights.

**Quick Tip to Solve:** For consumer education, link knowledge of rights with responsibilities and methods of redressal.

**2. On which type of products is ISI mark used ?** [1 mark]

**Solution:**

**Concept:**

- A standardisation mark helps a buyer identify products conforming to prescribed quality standards.
- Different marks identify different categories of goods; the ISI mark relates to industrial products.

**Step 1:** Identify the product category The ISI mark is used on industrial products that conform to the applicable Indian standards. It is a quality certification mark and helps a consumer make an informed choice.

**Step 2:** Relate the mark to examples Electrical appliances such as electric irons and heaters are familiar examples of industrial products bearing the ISI mark. It should not be confused with AGMARK, which is associated with agricultural products.

**Step 3:** Conclusion The ISI mark is used on industrial products, for example electrical appliances.

**Quick Tip to Solve:** Remember the category first: ISI for industrial products and AGMARK for agricultural products.

**3. What is meant by 'Management by Exception' in the process of controlling ?** [1 mark]

**Solution:**

**Concept:**

- Controlling compares actual performance with established standards and examines deviations.
- Management by exception directs managerial attention to significant deviations beyond acceptable limits.

**Step 1:** Distinguish routine from significant deviations A small deviation within the permissible range need not receive the same attention as a major departure from a standard. Managers can allow routine matters to be handled at the appropriate operating level.

**Step 2:** Explain the exception principle Only significant deviations that exceed the prescribed tolerance limits are brought to the attention of management for corrective action. This saves managerial time and concentrates effort on matters that materially affect results.

**Step 3:** Conclusion Management by exception means bringing only significant deviations beyond permissible limits to management's attention for corrective action.

**Quick Tip to Solve:** Look for the size of a deviation relative to its tolerance limit; every minor difference is not an exception.

**4. Give any two examples of 'Employee Recognition' as a non-financial incentive.** [1 mark]

**Solution:**

**Concept:**

- Employee recognition is a non-financial incentive that acknowledges an employee's contribution or good performance.
- Appreciation and visible acknowledgement can satisfy an employee's need for esteem and motivate further effort.

**Step 1:** Give an example of appreciation Congratulating an employee for good performance in front of other employees is one example. Public appreciation recognises the effort and makes the employee feel that the contribution is valued.

**Step 2:** Give an example of formal recognition Giving a certificate of merit or a memento for outstanding performance is another example. It provides visible acknowledgement of achievement without being a direct monetary payment.

**Step 3:** Conclusion Two examples are public congratulations for good performance and the award of a certificate of merit for outstanding work.

**Quick Tip to Solve:** Choose examples that acknowledge achievement; salary increases and cash bonuses are financial incentives.

**5. How does directing initiate action ? State.** [1 mark]

**Solution:**

**Concept:**

- Directing is the management function of guiding, instructing, motivating and leading people to achieve organisational objectives.
- Planning and organising establish what is to be done, while directing gets employees to perform the work.

**Step 1:** Connect plans with employees Once plans and responsibilities have been established, employees still need to know how to carry out their assigned work. The manager communicates instructions and guides them in performing their tasks.

**Step 2:** Explain how activity begins Through supervision, motivation and leadership, directing encourages employees to put their abilities and effort into action. It therefore converts plans and assigned duties into actual work towards organisational objectives.

**Step 3:** Conclusion Directing initiates action by instructing, guiding and motivating employees to carry out their assigned tasks and implement plans.

**Quick Tip to Solve:** To explain initiation of action, connect managerial guidance with employees actually starting their work.

**6. How does staffing improve job satisfaction and morale of employees ? State.** [1 mark]

**Solution:**

**Concept:**

- Staffing places suitable people in suitable jobs and develops their abilities through training and development.
- Fair appraisal, career opportunities and appropriate rewards support employee satisfaction and morale.

**Step 1:** Match the employee with the job Staffing selects and places a person according to the requirements of the job and the person's abilities. Appropriate placement and training help employees work effectively and feel competent in their roles.

**Step 2:** Explain the effect of fair treatment Staffing also provides fair assessment, suitable rewards and opportunities for promotion and development. When employees see that their abilities and contributions are recognised, their job satisfaction and morale improve.

**Step 3:** Conclusion Staffing improves satisfaction and morale through suitable placement, training, fair appraisal, appropriate rewards and opportunities for career growth.

**Quick Tip to Solve:** Link satisfaction to proper placement and fair rewards, and morale to recognition and growth opportunities.

**7. What is meant by 'formal organisation' ?** [1 mark]

**Solution:**

**Concept:**

- Formal organisation is the structure deliberately created by management to achieve organisational objectives.
- It specifies jobs, responsibilities and authority relationships so that individual efforts can be coordinated.

**Step 1:** Identify the deliberate structure Management designs a network of positions and departments, assigns duties and establishes reporting relationships. This planned arrangement gives employees a clear understanding of the work expected of them.

**Step 2:** State what the structure defines The structure defines who has authority, who is responsible for each task and to whom each person reports. These prescribed relationships guide coordinated activity towards the organisation's objectives.

**Step 3:** Conclusion Formal organisation is the organisational structure deliberately designed by management, specifying authority, responsibility and working relationships to achieve organisational objectives.

**Quick Tip to Solve:** Use the words deliberately designed and prescribed authority relationships to distinguish formal from informal organisation.

**8. Distinguish between functional structure and divisional structure on the basis of 'formation'.**

[1 mark]

**Solution:**

**Concept:**

- An organisational structure specifies how activities and responsibilities are grouped within an enterprise.
- Functional and divisional structures differ in the basis used to form departments.

**Step 1:** Identify the grouping basis A functional structure brings together similar activities, such as production, finance and marketing. A divisional structure groups activities associated with each product or product line.

**Step 2:** State the distinction on formation

| Basis | Functional structure | Divisional structure |
|---|---|---|
| Formation | Formed by grouping similar functions or activities into departments. | Formed by grouping all activities relating to a particular product into a division. |

**Step 3:** Conclusion Functional structure is formed on the basis of functions; divisional structure is formed on the basis of products.

**Quick Tip to Solve:** For formation, ask whether the departments are named after functions or product lines.

**9. Name the type of plan which is in the form of general statements, that guides thinking towards a particular direction and helps in solving routine problems.** [1 mark]

**Solution:**

**Concept:**

- A policy is a general guideline that channels thinking and decision-making in a particular direction.
- Policies provide a framework for dealing with recurring situations while allowing managerial discretion.

**Step 1:** Recognise the clues The expression "general statements" indicates broad guidance rather than a detailed sequence of actions. Such guidance helps managers respond consistently to routine problems.

**Step 2:** Name the plan The plan is a policy. A procedure prescribes a sequence of steps, while a rule specifies an action that must or must not be taken. The question instead describes guidance for thinking.

**Step 3:** Conclusion The type of plan is a **policy**.

**Quick Tip to Solve:** Link "guides thinking" with policy; link "sequence of steps" with procedure.

**10. 'Deciding in advance what to do and how to do is one of the basic management functions.' Give the meaning of this function.** [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 involves setting objectives and developing an appropriate course of action to achieve them.

**Step 1:** Identify the function The words "deciding in advance" identify planning, since the manager thinks about future action before work begins.

**Step 2:** Give its meaning Planning means setting objectives for a specified period and deciding the most appropriate course of action for achieving them. It bridges the gap between the present position and the desired future position by determining what to do and how to do it.

**Step 3:** Conclusion The function is **planning**: setting objectives and deciding in advance the course of action to achieve them.

**Quick Tip to Solve:** A definition of planning should include both the objective and the action chosen to reach it.

**11. Why is it said that business environment is uncertain ?** [1 mark]

**Solution:**

**Concept:**

- The business environment consists of external forces that influence the functioning of an enterprise.
- Uncertainty means that future environmental changes and their effects cannot be predicted accurately.

**Step 1:** Identify the source of uncertainty External forces, such as technology, consumer preferences and competitive actions, can change rapidly. These changes are outside the direct control of an individual enterprise.

**Step 2:** Explain why prediction is difficult Because the timing, direction and extent of such changes cannot always be forecast accurately, managers cannot know with certainty the conditions in which the business will operate. The environment is especially uncertain when changes are frequent and rapid.

**Step 3:** Conclusion The business environment is uncertain because future changes in its forces cannot be predicted accurately, particularly when changes are rapid.

**Quick Tip to Solve:** Explain uncertainty through difficulty in predicting future change, rather than merely saying that change occurs.

**12. Name the level of management that is responsible for the welfare and survival of the organisation.** [1 mark]

**Solution:**

**Concept:**

- Top management consists of the senior-most executives responsible for the organisation as a whole.
- This level integrates activities, determines overall objectives and takes decisions affecting the long-term future of the enterprise.

**Step 1:** Locate the scope of responsibility The question refers to the welfare and survival of the entire organisation. This is an organisation-wide responsibility rather than the responsibility for one department or one group of workers.

**Step 2:** Name the management level The level is top management. Its overall policies and strategic decisions guide the enterprise and safeguard its long-term interests; middle and supervisory management carry out responsibilities within that broad direction.

**Step 3:** Conclusion The level responsible for the welfare and survival of the organisation is **top management**.

**Quick Tip to Solve:** Use the scope of the duty: responsibility for the organisation as a whole points to top management.

**13. 'You don't close a sale, you open a relationship, if you want to build a long-term successful enterprise.' Identify the communication tool used by the marketer. State any two features of this communication tool.** [3 marks]

**Solution:**

**Concept:**

- Personal selling is personal communication with prospective buyers to inform and persuade them to purchase a product.
- It is an element of promotion in which the seller can interact directly with the buyer and build a continuing relationship.

**Step 1:** Identify the communication tool The communication tool is **personal selling**. The words "you open a relationship" and "long-term successful enterprise" point to a salesperson establishing continuing contact with customers, rather than treating a sale as an isolated transaction. The seller understands buyers' needs and seeks their satisfaction, which encourages repeat business.

**Step 2:** State the feature of personal form **Personal form:** Personal selling involves direct interaction between the salesperson and the prospective buyer. The salesperson can explain the product, answer questions and respond to the customer's reactions. This two-way contact makes it possible to identify doubts immediately and develop a relationship with the customer.

**Step 3:** State the feature of developing relationships **Development of relationships:** Personal selling permits the salesperson to develop personal relationships with prospective buyers. These relationships may become long-lasting and help the business obtain repeat orders and retain customers. Thus the quotation emphasises continuing customer contact and trust beyond the immediate completion of a sale.

**Step 4:** Conclusion The tool is **personal selling**. Its features include personal interaction and the development of lasting relationships with customers.

**Quick Tip to Solve:** In a promotion case, direct interaction and relationship-building are strong clues to personal selling.

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

**(i) Treasury Bill; and**

**(ii) Call Money.** [3 marks]

**Solution:**

**Concept:**

- The money market deals in short-term funds and monetary assets whose maturity is up to one year. Its instruments help borrowers meet temporary funding needs and lenders employ surplus funds.
- Treasury bills represent short-term government borrowing, whereas call money is a short-term source through which banks borrow from one another.

**Step 1:** Explain a Treasury Bill **Treasury Bill:** A Treasury Bill is an instrument of short-term borrowing issued by the Reserve Bank of India on behalf of the Government of India, with a maturity of less than

one year. It is also called a zero-coupon bond because no periodic interest is paid on it. Instead, it is issued at a discount to its face value and redeemed at par; the difference is the investor's return. Being backed by the government, it is a highly liquid instrument with negligible default risk.

**Step 2:** Explain Call Money **Call Money:** Call money is short-term finance repayable on demand, with a maturity generally ranging from one day to fifteen days, used for inter-bank transactions. Banks borrow it from other banks to meet temporary shortages of funds and maintain their required cash reserve ratio. The interest charged is the call rate, which changes with the demand for and supply of such funds.

**Step 3:** Conclusion A Treasury Bill meets the government's short-term borrowing requirements, while call money provides short-term funds between banks, repayable on demand.

**Quick Tip to Solve:** Link Treasury Bills with government borrowing and discount issue; link call money with inter-bank borrowing and repayment on demand.

**15. Give the meaning of 'Investment decision' and 'Dividend decision'.** [3 marks]

**Solution:**

**Concept:**

- Financial management concerns the acquisition and effective utilisation of funds to increase shareholders' wealth. Investment and dividend decisions address different uses of the firm's financial resources.
- Investment decisions allocate funds to assets, while dividend decisions allocate earnings between distribution to shareholders and retention for the business.

**Step 1:** Define the investment decision **Investment decision:** It is the decision about how the firm's funds are invested in different assets to earn the highest possible return for investors. It includes long-term investment or capital budgeting, such as buying a new plant or replacing machinery, and short-term investment or working capital decisions, such as deciding the amounts held in cash, inventories and receivables. Thus, it determines the asset composition of the business. Management compares expected returns, risks and cash requirements before committing funds.

**Step 2:** Define the dividend decision **Dividend decision:** It is the decision about how much of the profit earned by a company, after paying tax, is to be distributed to shareholders as dividend and how much is to be retained in the business. Retained earnings provide funds for future investment, while dividends provide current income to shareholders. Management therefore considers both shareholders' desire for dividends and the company's requirement of funds for growth when deciding this allocation.

**Step 3:** Conclusion An investment decision selects the assets in which funds will be employed. A dividend decision determines the division of profits between dividend payments and retained earnings.

**Quick Tip to Solve:** Ask what is being allocated: funds among assets means investment; profits between shareholders and retention means dividend.

**16. 'Wealth-maximisation' is the primary objective of financial management. Explain.** [3 marks]

**Solution:**

**Concept:**

- The primary objective of financial management is maximisation of shareholders' wealth. For a company, this means maximising the market price of its equity shares.
- Shareholders are the owners of the company. The value of their investment depends on both the expected benefits from the company and the risk associated with obtaining those benefits.

**Step 1:** Explain what wealth maximisation means **Maximise the value of owners' investment:** Shareholders invest their money in equity shares. An increase in the market price of those shares increases the value of their investment and hence their wealth. Therefore, maximising shareholder wealth means taking financial decisions that increase the current market value of the company's equity shares, rather than merely increasing the accounting profit for a particular period.

**Step 2:** Relate financial decisions to share value **Consider both return and risk:** The market price of shares reflects the expected earnings of the company as well as the risk associated with them. Financial management should therefore choose investment, financing and dividend decisions that improve the firm's prospects without imposing unjustified risk. For example, a project with a high expected return may still be unattractive if its risk substantially reduces investors' valuation of the company.

**Step 3:** Use wealth as the guiding objective **Select decisions that add value:** Efficient procurement and utilisation of funds should raise the benefits accruing to shareholders and thereby the market price of their shares. All major financial decisions are evaluated by their contribution to this objective, providing a common basis for coordinating the firm's financial activities.

**Step 4:** Conclusion Financial management primarily aims to maximise the market price of equity shares, thereby increasing shareholders' wealth through sound decisions that consider expected returns and risk together.

**Quick Tip to Solve:** Begin with share-price maximisation, identify shareholders as owners, and connect financial decisions to expected return and risk.

**17. Telco Ltd. is manufacturing files and folders from the old clothes to discourage use of plastic files and folers. For this they employ people from nearby villages where very less job opportunities are available. An employee, Harish, designed a plan for the cost reduction but it was not welcomed by the production manager. Another employee gave some suggestion for improvement in design, but it was also not appreciated by the production manager.**

**(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 initiative says that employees should be encouraged to think out and execute plans for improvement, within the organisation's policies.
- A case may reveal a management principle through its violation. Values are the desirable social commitments reflected in the company's actions.

**Step 1:** Identify the principle in part (a) **Initiative:** Employees should have the opportunity to develop and suggest plans and to contribute to their implementation. Encouraging suggestions strengthens their confidence, involvement and willingness to improve the organisation. In this case, Harish's cost-reduction plan "was not welcomed" and another employee's design suggestion "was also not appreciated". Thus, the production manager is **violating the principle of initiative** by discouraging employees' constructive ideas.

**Step 2:** Identify two values in part (b) **Environmental protection:** The company makes files and folders from old clothes "to discourage use of plastic". Reusing material and reducing reliance on plastic express concern for conserving resources and protecting the environment.

**Social responsibility through employment generation:** It employs people from nearby villages "where very less job opportunities are available". Offering work to people with limited opportunities supports their livelihood and expresses concern for the welfare of the local community.

**Step 3:** Conclusion (a) The principle is **initiative**, which the production manager violates. (b) The two values are **environmental protection** and **social responsibility through employment generation**.

**Quick Tip to Solve:** Link each value to a separate company action: replacing plastic shows environmental concern; hiring villagers shows concern for livelihoods.

**18. Pawan is working as a 'Production Manager' in CFL Ltd. engaged in manufacturing of CFL bulbs. There is no class-conflict between the management and workers. The working conditions are very good. The company is earning huge profits. As a policy matter, management is sharing the gains with the workers because they believe that prosperity of the company cannot exist for a long time without the prosperity of the employees.**

**(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 harmony, not discord, calls for harmonious relations between management and workers, recognising that their interests are interdependent.
- A mental revolution requires both sides to change their attitude: management should share gains and workers should contribute willingly to organisational prosperity.

**Step 1:** State the principle in part (a) **Harmony, not discord:** Management and workers should maintain harmonious relations instead of treating one another as opponents. Both should realise that organisational prosperity depends upon their joint efforts. The case says that there is "no class-conflict" and that management is "sharing the gains with the workers". Its belief that the company's prosperity cannot last without employees' prosperity directly reflects this principle. Sharing the surplus and caring for workers replace conflict with mutual trust.

**Step 2:** Identify two values in part (b) **Concern for employee welfare:** The statement that "working conditions are very good" shows concern for employees' well-being. The organisation supports a suitable working environment rather than focusing only on its own profits.

**Fairness and equitable sharing of prosperity:** Management shares its gains with workers and recognises their contribution to success. This expresses fair treatment of employees and a commitment to shared prosperity rather than allowing the benefits of growth to remain solely with management.

**Step 3:** Conclusion (a) Taylor's principle is **harmony, not discord**. (b) The values are **concern for employee welfare** and **fairness in sharing the gains of prosperity**.

**Quick Tip to Solve:** In a Taylor case, connect absence of class conflict and sharing of surplus with harmony, not discord; then use working conditions and profit sharing to identify the values.

**19. What is meant by 'coordination' ? Explain why coordination is important in an organisation.** [4 marks]

**Solution:**

**Concept:**

- Coordination is the process of integrating the activities of different departments and individuals so that their efforts contribute to common organisational objectives.
- It binds all management functions together. Its need increases with organisational growth, functional differentiation and specialisation.

**Step 1:** State the meaning of coordination **Meaning:** Coordination is the orderly arrangement of group efforts to provide unity of action in pursuing common goals. Individuals and departments may perform different tasks, but their work must fit together in timing, quantity and purpose. Thus, coordination harmonises individual efforts into a unified organisational effort.

**Step 2:** Explain why coordination is necessary **Growth in size:** As an organisation grows, the number of employees increases. Employees have different backgrounds, needs and methods of working, so their individual goals can differ from organisational goals. Coordination integrates these efforts and directs them towards a common purpose.

**Functional differentiation:** Activities are divided among departments such as production, finance and marketing. Each may emphasise its own objectives: production may prefer long production runs, while marketing may demand many product varieties. Coordination reconciles departmental differences and links their interdependent activities to the overall objective.

**Specialisation:** Modern organisations employ specialists who possess expertise in particular fields. Specialists may judge matters primarily from their own professional viewpoint, creating differences in approach. Coordination brings their specialised contributions together, encourages cooperation and prevents conflicting efforts from obstructing the common goal.

**Step 3:** Conclusion Coordination gives unity of action to diverse group efforts. It is essential because organisational growth, departmental division and specialisation make people and activities increasingly interdependent.

**Quick Tip to Solve:** Link the need for coordination to three sources of difference: more people, different departmental goals and specialised viewpoints.

**20. Explain any four features of business environment.** [4 marks]

**Solution:**

**Concept:**

- Business environment means the totality of individuals, institutions and other external forces that affect a business enterprise's performance while remaining outside its direct control.
- Its features explain the nature of these forces and why managers must study their combined influence rather than treat the external setting as fixed.

**Step 1:** Explain the scope and relationships of environmental forces **Totality of external forces:** The business environment is the sum total of all factors outside the enterprise that influence its functioning. Customers, competitors, government, social attitudes and technological developments together constitute its environment; it is broader than any single external factor.

**Interrelatedness:** The different elements of the environment are closely connected. A change in one element can affect others and influence business in several ways. For example, greater health awareness can increase demand for health-related products and encourage firms to develop new products and methods to serve that demand.

**Step 2:** Explain the changing and unpredictable nature of the environment **Dynamic nature:** The business environment keeps changing through shifts in consumer preferences, new competition,

revised government policies and improvements in technology. Therefore, a strategy suited to present conditions may need revision as those conditions change; managers must monitor developments continuously.

**Uncertainty:** It is difficult to predict future environmental changes accurately, especially when changes are rapid. A firm may recognise that technology or consumer tastes will change without knowing the exact direction, timing or extent. Consequently, business decisions must allow for the possibility that future conditions differ from present expectations.

**Step 3:** Conclusion Four features of business environment are totality of external forces, interrelatedness, dynamic nature and uncertainty. Together, they show why a business must examine external influences continuously and respond flexibly.

**Quick Tip to Solve:** Give each feature a distinct meaning: totality concerns scope, interrelatedness concerns connections, dynamism concerns change and uncertainty concerns prediction.

**21. 'Process of planning involves certain logical steps.' Explain the first four steps of this process.**

[4 marks]

**Solution:**

**Concept:**

- Planning means deciding in advance what is to be done and how it is to be done. Its process moves logically from the desired results to the possible courses of action.
- The first four steps are setting objectives, developing premises, identifying alternative courses of action and evaluating alternative courses. Selection of the best alternative comes after these steps.

**Step 1:** Set the objectives **Setting objectives:** First determine what the organisation wants to achieve. Objectives specify the desired results for the organisation as a whole and for its departments and units. They should be clear so that employees understand their contribution and managers can direct activities towards the same purpose. For example, a business may decide to increase its sales during the coming year.

**Step 2:** Develop the planning premises **Developing premises:** Planning concerns the future, which is uncertain. Managers therefore make assumptions about the conditions under which the plan will operate. These premises may concern demand, prices, government policies, technology and the availability of resources. Forecasts and relevant information help develop such assumptions, and those involved in planning should use consistent premises.

**Step 3:** Identify alternative courses of action **Identifying alternatives:** Once objectives and premises are established, identify the different ways in which the objectives could be achieved. Managers should consider all feasible alternatives, including innovative courses of action. For example, higher sales might be achieved through new markets, additional outlets or greater promotional effort.

**Step 4:** Evaluate the alternatives **Evaluating alternatives:** Examine the positive and negative aspects of each alternative in the light of the objectives and premises. Compare their expected costs, benefits, risks and resource requirements. An alternative should be assessed for its feasibility and contribution to the desired result; evaluation provides the basis for the subsequent choice of the best course.

**Step 5:** Conclusion The first four planning steps are setting objectives, developing premises, identifying alternative courses of action and evaluating those alternatives, in that order.

**Quick Tip to Solve:** Recall the sequence as goals, assumptions, possible routes and comparison. Do not replace the fourth step with selecting the best alternative, which follows evaluation.

**22. State with the help of any four points why it is important for a business to lay emphasis on consumer protection.** [4 marks]

**Solution:**

**Concept:**

- Consumer protection means safeguarding consumers against unfair practices and ensuring that their interests are respected. Businesses should provide safe products, reliable information and fair treatment.
- From the business point of view, consumer protection is supported by long-term business interest, responsible use of society's resources, social responsibility and moral justification.

**Step 1:** Explain the long-term business interest **Long-term interest of business:** A business serves its own long-term interest by satisfying its customers. Satisfied customers are likely to make repeat purchases and recommend the business to others. Protecting consumers therefore helps build goodwill, a loyal customer base and continuing sales. Exploiting a buyer may produce an immediate gain but damages the trust on which lasting business success depends.

**Step 2:** Recognise the use of society's resources **Business uses society's resources:** A business obtains its human, financial and physical resources from society. It consequently has a responsibility to use these resources in a manner beneficial to society. Supplying safe and useful products at fair prices, rather than exploiting consumers, is one way of fulfilling this responsibility towards those who support its existence.

**Step 3:** Fulfil the social responsibility towards consumers **Social responsibility:** Business has obligations towards different groups, including consumers, who are an essential part of society. As it earns revenue by selling goods and services to them, it must protect their interests. Honest advertising, appropriate quality and prompt attention to genuine complaints help discharge this responsibility.

**Step 4:** Apply the moral justification **Moral justification:** It is the moral duty of a business to take care of consumers and avoid their exploitation. Unfair practices such as adulteration, misleading advertisements and the sale of unsafe products are unethical. A business should therefore protect consumers because fair dealing is the right conduct, even when an unfair practice could yield a short-term financial advantage.

**Step 5:** Conclusion Emphasis on consumer protection supports the business's long-term interest, reflects its duty in using society's resources, fulfils its social responsibility and is morally justified.

**Quick Tip to Solve:** Keep this answer in the business perspective: connect each reason to what a business owes consumers or gains from protecting them, rather than listing consumer rights.

**23. State the importance of the internal sources of recruitment.** [5 marks]

**Solution:**

**Concept:**

- Staffing involves obtaining and developing suitable people for organisational positions. Internal recruitment fills vacancies from among the organisation's existing employees, mainly through transfers and promotions.
- Promotion moves an employee to a higher position with greater responsibility and usually higher remuneration, whereas transfer shifts an employee between comparable jobs or departments. Both allow the enterprise to use its existing human resources.

**Step 1:** State the benefits for employees and selection **1. Motivation and better performance:** The prospect of promotion gives existing employees an incentive to improve their performance. They see that effort and competence can bring career advancement within the enterprise. This also increases their satisfaction and commitment to organisational goals.

**2. Simpler and more reliable selection:** The organisation already knows its employees' abilities, experience and work records. It can assess their suitability for a vacant post more reliably than that of an unknown outsider. Employees also know the organisation's policies and working conditions, so selection and adjustment are easier.

**Step 2:** Explain the benefits for deployment and development **3. Preparation for higher responsibilities:** Transfers give employees experience of different jobs and departments. This broadens their understanding of the organisation and serves as training for future managerial positions. Internal movement therefore helps develop a pool of people ready for greater responsibility.

**4. Adjustment of workforce imbalances:** Employees can be transferred from a department with surplus staff to one facing a shortage. The organisation can make better use of its available personnel instead of retaining idle workers in one unit while recruiting outsiders for another.

**5. Economy of recruitment and training:** Filling positions internally reduces expenditure on advertisements, contacting outside sources and extensive screening. Since existing employees are familiar with the enterprise, induction is easier and the cost and time of familiarising them with the organisation are also reduced.

**Step 3:** Conclusion Internal sources are important because they motivate employees, simplify selection, prepare employees for higher jobs, redistribute staff where needed and reduce recruitment costs. Thus, transfers and promotions support both employee development and effective use of the existing workforce.

**Quick Tip to Solve:** Recall the five benefits through motivation, known employees, managerial preparation, staff adjustment and economy; explain how each follows from recruiting within the enterprise.

**24. Explain the various steps involved in the process of control.** [5 marks]

**Solution:**

**Concept:**

- Controlling is the management function that compares actual performance with planned standards, identifies deviations and ensures corrective action so that organisational objectives are achieved.
- The control process follows a sequence: establishing standards, measuring performance, comparing the two, analysing deviations and taking corrective action. Standards provide the basis against which results are judged.

**Step 1:** Establish standards and measure actual performance **1. Setting performance standards:** Standards are the criteria against which actual performance is measured. They should be clear and, wherever possible, measurable, such as units of output, cost per unit or sales revenue. Qualitative standards, such as employee morale or customer satisfaction, also need suitable indicators. Standards must be realistic and may be reviewed when conditions change.

**2. Measurement of actual performance:** Managers obtain information about actual results using personal observation, sample checking, performance reports or accounting information. Measurement should be objective and reliable. It must use the same basis as the standards; for example, actual monthly sales should be compared with the monthly sales target. Where possible, performance is checked during the work so that problems can be detected early.

**Step 2:** Compare results and investigate significant deviations **3. Comparing actual performance with standards:** Actual results are compared with the prescribed standards to determine deviations. For example, actual production below the planned output indicates a shortfall requiring examination. Comparison establishes both the extent and direction of the difference.

**4. Analysing deviations:** Managers identify deviations that need attention and determine their causes. Critical point control concentrates on key result areas essential to success. Management by exception focuses managerial attention on significant deviations beyond acceptable limits. Possible causes include unrealistic standards, inadequate resources, defective machinery or insufficient employee training; analysis identifies the real cause before action is selected.

**Step 3:** Take appropriate corrective action **5. Taking corrective action:** When deviations exceed acceptable limits, managers act to remove their causes. They may repair machinery, improve supervision, provide employee training or arrange adequate resources, depending on the problem found. If the standard itself is unrealistic, it may need revision. When performance is within acceptable limits, no corrective action is necessary. Follow-up establishes whether the action has restored performance towards the planned objective.

**Step 4:** Conclusion The process of control moves from standards to measurement, comparison, analysis and corrective action. Its purpose is to bring actual performance into line with plans, while information obtained through control also helps improve future planning.

**Quick Tip to Solve:** Remember the sequence as set, measure, compare, analyse and correct. Keep comparison separate from analysis: the former identifies a gap, while the latter investigates its importance and cause.

**25. What is meant by 'Capital Market' ? Name the two types of capital market and differentiate between the two on any four basis.** [5 marks]

**Solution:**

**Concept:**

- A capital market is the market for medium- and long-term funds, including equity shares, preference shares, debentures and bonds. It channels savings into productive investment by business enterprises.
- Its two types are the primary market, which deals in new securities, and the secondary market, which deals in securities already issued. The distinction depends on whether the transaction raises fresh capital for the issuer.

**Step 1:** Define the capital market and identify its types **Capital market:** It is a market for medium- and long-term funds, both debt and equity. It comprises arrangements through which companies obtain funds for long-term investment and investors purchase or sell the corresponding securities. Its two types are the **primary market (new issue market)** and the **secondary market (stock market)**. A company's initial issue belongs to the primary market; subsequent trading in its existing securities belongs to the secondary market.

**Step 2:** Distinguish the two markets on four bases

| **Basis** | **Primary market** | **Secondary market** |
|---|---|---|
| Securities traded | New securities are issued for the first time, or additional new securities are offered by an existing company. | Existing securities that have already been issued are bought and sold. |
| Parties involved | The company sells securities to investors, directly or through intermediaries. | Investors buy and sell securities among themselves; the issuing company is generally not a party to the trade. |
| Flow and purpose of funds | Funds flow from investors to the issuing company and provide fresh capital for establishing or expanding business. | Funds pass from the purchasing investor to the selling investor. Trading provides liquidity and marketability without supplying fresh capital to the issuer. |
| Price determination | The issue price is fixed by the issuing company or determined through its new-issue pricing process, such as book building. | Market prices fluctuate according to demand and supply for the securities. |

**Step 3:** Conclusion The capital market supplies medium- and long-term finance through the primary and secondary markets. The primary market raises new capital, while the secondary market enables investors to trade existing securities and thereby supports liquidity.

**Quick Tip to Solve:** Ask who receives the money: the issuing company receives fresh funds in a primary issue; a selling investor receives the money in a secondary trade.

**26. State the factors determining the choice of channels of distribution.** [5 marks]

**Solution:**

**Concept:**

- A channel of distribution is the route through which a product moves from its producer to the ultimate consumer. A firm may sell directly or employ intermediaries such as wholesalers and retailers.
- Channel selection must balance the product's requirements, the customers to be served, the firm's resources and the conditions in which it operates. A channel must make the product conveniently available at a reasonable distribution cost.

**Step 1:** Consider the product, company and competitive factors **Product-related factors:** The nature, unit value, perishability and technical complexity of the product affect the choice. Perishable goods generally require shorter channels to avoid deterioration. Expensive or technically complex industrial products often need direct selling and specialised service, whereas standardised consumer goods can use longer channels to reach many buyers.

**Company characteristics:** The firm's financial strength and desired degree of control matter. A financially strong company can maintain its own outlets and sales force. A company seeking close control over customer service, prices and selling methods generally favours a shorter channel; one with limited resources may depend more on intermediaries.

**Competitive factors:** A firm considers the channels used by competitors. It may adopt a similar channel to reach the same buyers or deliberately choose a different channel if that offers an advantage in service, convenience or market coverage.

**Step 2:** Consider the market and environmental factors **Market factors:** The number of potential buyers, their geographical concentration, the size of orders and their buying habits influence the channel. A small number of concentrated buyers placing large orders can be served directly. Numerous widely scattered buyers making small purchases generally require intermediaries. Customers' preference for nearby shops or particular selling methods must also be considered.

**Environmental factors:** Economic conditions and legal restrictions affect the available choices. During depressed economic conditions, firms may prefer shorter, less costly channels to reduce distribution expenditure. The selected arrangements must also comply with applicable laws and restrictions governing selling and distribution practices.

**Step 3:** Conclusion The five major factors determining the choice of distribution channels are product-related factors, company characteristics, competitive factors, market factors and environmental factors. They must be considered together to choose a channel suited to the product and its customers.

**Quick Tip to Solve:** Recall product, company, competition, market and environment; link each heading to a practical channel decision rather than merely listing the names.

**27(a). Describe the role of 'Public Relations' in the promotion of products and services.** [6 marks]

**Solution:**

**Concept:**

- Public relations is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its various publics, including customers, employees, investors, government and the community.
- A favourable corporate image supports product promotion because people are more willing to consider the goods and services of an organisation they trust. Public relations involves managing relationships and communication, rather than merely purchasing advertising space.

**Step 1:** Explain its direct support to product promotion **Launching new products:** Public relations helps create interest in a new product through news reports, events and other communications. Information reaching potential customers through a credible public channel can encourage them to enquire about or try the product.

**Assisting in repositioning a mature product:** A product already established in the market may need a different image or a new appeal. Public relations can communicate its revised positioning and help customers view the product in a fresh way.

**Building interest in a product category:** Public relations can generate awareness of an entire category of goods or services by explaining its usefulness and benefits. This enlarges consumer interest in the category and can support demand for the firm's offerings within it.

**Step 2:** Explain its wider contribution to acceptance and reputation **Influencing specific target groups:** Carefully chosen public-relations activities can communicate with particular groups whose support matters to the product. Relevant information addressed to their concerns helps develop favourable attitudes towards the organisation and its offerings.

**Defending products that face public problems:** When adverse reports or public concerns affect a product, the organisation can provide accurate information and clarify its position. Timely, responsible communication helps address misunderstandings and protect public confidence; it does not justify concealing a real defect.

**Building the corporate image:** Public relations projects the organisation's activities, values and achievements positively to its publics. A sound overall reputation reflects favourably on its goods and services and supports their acceptance over time.

**Step 3:** Conclusion Public relations promotes products and services by supporting launches and repositioning, generating category interest, influencing target groups, addressing public problems and developing a favourable corporate image. Its contribution lies in building the understanding and confidence on which successful promotion depends.

**Quick Tip to Solve:** Remember the six roles through launch, reposition, category interest, target groups, defence and corporate image; explain how each supports acceptance of the product.

OR

**27(b). Explain the four important elements of marketing mix.** [6 marks]

**Solution:**

**Concept:**

- The marketing mix is the combination of marketing tools that a firm uses to achieve its marketing objectives in the target market. Its four important elements are product, price, place and promotion, commonly called the four Ps.
- These decisions must be coordinated: the firm offers something customers value, charges a suitable price, makes it conveniently available and communicates its benefits. A strong decision on one element cannot compensate indefinitely for neglect of the others.

**Step 1:** Explain product and price decisions **Product:** Product means the goods or services offered to customers to satisfy their needs. Product decisions concern not only the physical article but also its quality, features, design, branding, packaging, labelling and related services such as after-sales support. The firm must decide what combination of benefits will meet the needs of its target customers and distinguish the offering from competing products. For example, suitable packaging protects the product while also making it identifiable and convenient to use.

**Price:** Price is the amount of money customers have to pay to obtain the product. The firm decides the basic price and related terms, including discounts and credit terms. Pricing must take account of factors such as costs, customer demand, competition and the firm's objectives. It affects both the affordability of the offering and the firm's sales revenue; consequently, it should be consistent with the benefits and market position of the product.

**Step 2:** Explain place and promotion decisions **Place or physical distribution:** Place concerns making the product available to target customers at the right place and time. Decisions include choosing channels of distribution and intermediaries, as well as arranging transportation, storage, inventory and order processing. An attractive product cannot generate a sale if customers cannot obtain it when they need it. Distribution decisions therefore connect the producer's offering with the customer's point of purchase.

**Promotion:** Promotion means activities that communicate the product's availability, features and merits and persuade customers to buy it. The firm selects an appropriate combination of advertising, personal selling, sales promotion and public relations. It must decide the message, the communication methods and the resources to use, considering the product and the target audience. Promotion informs potential buyers and helps create interest, but its promises should agree with the product actually supplied.

**Step 3:** Conclusion The four elements of the marketing mix are product, price, place and promotion. Together they determine what is offered, what the customer pays, where and when it is available, and how its benefits are communicated to the target market.

**Quick Tip to Solve:** Use the four customer questions to recall the mix: What do I get? What do I pay? Where can I buy it? How do I learn about it? Link each answer to its corresponding P.

**28(a). Explain how the following factors affect the working capital requirements of a business :**

**(i) Inflation;**

**(ii) Business cycle;**

**(iii) Level of competition; and**

**(iv) Nature of business.** [6 marks]

**Solution:**

**Concept:**

- Working capital supports the day-to-day operations of a business through current assets such as inventories, debtors and cash. Its requirement depends on the amount of funds tied up in these assets and the time before sales proceeds are collected.
- Financial managers must provide enough working capital for uninterrupted operations while avoiding unnecessary investment in current assets. The requirement changes with prices, economic conditions, competition and the operating characteristics of the business.

**Step 1:** Explain the effect of inflation **Inflation:** Inflation raises the prices of raw materials and other inputs and generally increases wages and operating expenses. The business therefore needs a larger amount of money to maintain the same physical volume of inventories and operations. Consequently, its working capital requirement normally increases. For example, maintaining the same quantity of raw material requires more funds when its purchase price rises. The exact increase depends on the rate at which input costs rise and whether the business can raise its selling prices correspondingly.

**Step 2:** Relate the requirement to the business cycle **Business cycle:** During a boom, demand and sales expand. To meet this demand, the business increases production, holds more raw materials and finished goods, and may have a larger amount outstanding from customers. These changes increase the need for working capital. During a depression, demand, production and sales generally decline, so the normal requirement for funds for current operations falls. Thus, the business should plan for a higher requirement in prosperous periods and a lower normal requirement when business activity contracts.

**Step 3:** Explain the effect of competition **Level of competition:** Intense competition may require a business to maintain larger stocks so that customers can obtain goods promptly. It may also have to offer more liberal credit terms to attract and retain buyers. Larger inventories and a longer collection period increase the funds blocked in stock and debtors, raising working capital requirements. A business facing less competition may operate with smaller inventories or stricter credit terms and therefore need less working capital, other things remaining the same.

**Step 4:** Compare different kinds of business **Nature of business:** A trading concern usually needs less working capital than a manufacturing concern of comparable scale because it buys finished goods and does not pass through a lengthy production process. A manufacturer must finance raw materials, work-in-progress and finished goods before collecting the proceeds of sales, and therefore generally needs more working capital. Service enterprises normally require relatively little inventory and hence comparatively less working capital. The essential consideration is how much money is tied up in current assets during the operating cycle.

**Step 5:** Conclusion Inflation, a business boom and intense competition generally raise working capital needs. The nature of business determines the inventory and production commitments: manufacturing

usually requires more working capital than trading or service activities of comparable scale.

**Quick Tip to Solve:** For each factor, trace its effect on stock, debtors or operating expenses, and then state clearly whether more or less money must be financed.

OR

**28(b). Explain any four factors affecting the choice of capital structure of a company.** [6 marks]

**Solution:**

**Concept:**

- Capital structure is the proportion of debt and equity used to finance a company's long-term capital requirements. Debt creates a contractual obligation to pay interest and repay the principal, whereas equity does not impose a fixed dividend payment.
- The company chooses its financing mix by considering the cost of funds, the ability to meet fixed payments, the effect on shareholders' returns and the financial risk. A low apparent borrowing cost alone does not justify excessive debt.

**Step 1:** Assess the cash-flow position **Cash-flow position:** Debt requires regular payment of interest and repayment of principal according to the agreed schedule. A company with strong, stable and predictable cash flows can use a relatively larger proportion of debt because it can meet these commitments when due. Before borrowing, it must consider its expected cash receipts as well as other payments, rather than looking only at accounting profits. If cash flows are uncertain or insufficient, greater reliance on equity reduces the danger of default arising from fixed debt-service obligations.

**Step 2:** Examine the interest coverage ratio **Interest coverage ratio:** This ratio compares earnings before interest and tax with the interest obligation. It indicates how many times operating earnings cover interest. A higher interest coverage ratio gives lenders and management greater assurance that the company can pay interest, and therefore supports the use of more debt. A low ratio leaves only a narrow margin of safety if earnings fall, so the company should be more cautious about borrowing. Interest coverage must still be considered alongside cash flows, because earnings do not automatically mean cash is available on the payment date.

**Step 3:** Compare the return on investment with the cost of debt **Return on investment:** When the return earned on the funds employed exceeds the interest rate on debt, the use of debt can increase the earnings available to equity shareholders. This is favourable trading on equity and can encourage a company to include more debt in its capital structure. If the return on investment is below the cost of borrowing, debt reduces the return to equity shareholders instead. The company should therefore examine its expected return and the stability of that return before increasing financial leverage; borrowing does not guarantee an improvement in shareholder earnings.

**Step 4:** Consider the cost of debt **Cost of debt:** A company that can borrow at a lower interest rate finds debt relatively more attractive and may choose a larger debt component, subject to its capacity to bear risk. Interest on debt is a tax-deductible expense, which lowers its effective cost to the company. If borrowing becomes expensive, the advantage of debt declines and equity may become more attractive. The company must compare financing costs while recognising that additional

borrowing increases fixed payment obligations and can eventually cause lenders to demand a higher interest rate.

**Step 5:** Conclusion Four factors affecting capital structure are the cash-flow position, interest coverage ratio, return on investment and cost of debt. Together, they indicate whether debt is affordable, whether its fixed obligations can be met, and whether it can improve equity shareholders' returns without excessive financial risk.

**Quick Tip to Solve:** Link each factor to a financing decision: stronger repayment capacity supports debt, while uncertain earnings or costly borrowing call for greater caution.

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**29(a). Besides 'Effective management' and 'Employee development' delegation helps the organisation in different ways. Explain any four such ways.** [6 marks]

**Solution:**

**Concept:**

- Delegation means entrusting responsibility and the necessary authority to a subordinate to perform an assigned task. The superior remains accountable for the final result.
- Apart from effective management and employee development, delegation motivates employees, facilitates growth, establishes the basis of the management hierarchy and improves coordination.

**Step 1:** Explain employee motivation and organisational growth

- **Motivation of employees:** When a superior entrusts an employee with responsibility and authority, it shows confidence in the employee's ability. Recognition and trust increase the employee's self-esteem. The employee feels that their contribution matters, becomes more committed and is encouraged to take initiative in completing the assigned task. Thus, delegation provides psychological satisfaction and motivates better performance.
- **Facilitation of growth:** Delegation creates a pool of experienced and capable managers who can take on greater responsibility. As an organisation expands, these managers can be placed in charge of new departments, branches or projects. The enterprise can therefore undertake expansion without depending on only a few senior managers to supervise every activity. Delegation prepares the organisation to handle increased operations.

**Step 2:** Explain hierarchy and coordination

- **Basis of the management hierarchy:** Delegation establishes superior-subordinate relationships. A superior assigns a task and grants the authority necessary to perform it; the subordinate is answerable to that superior for its performance. These authority and responsibility relationships determine who reports to whom and help form the different levels of management in the organisation.
- **Better coordination:** Delegation clearly specifies the work to be done, the authority available and the expected results. Employees understand their duties and the relationships between their activities and those of others. Clear responsibilities reduce overlapping effort, confusion and unnecessary interference, while reporting relationships help integrate individual efforts towards common organisational objectives.

**Step 3:** Conclusion The four additional ways in which delegation helps an organisation are employee

motivation, facilitation of growth, creation of the management hierarchy and better coordination. These benefits arise from clearly assigning tasks, granting authority and establishing accountability.

**Quick Tip to Solve:** Since the question excludes effective management and employee development, use the other four NCERT headings: motivation, growth, hierarchy and coordination.

OR

**29(b). 'Decentralisation is an important philosophy that implies selective dispersal of authority.' In the light of this statement, explain any four points of importance of decentralisation.** [6 marks]

**Solution:**

**Concept:**

- Decentralisation is the systematic delegation of authority throughout the organisation, including lower levels. It is a philosophy of sharing decision-making authority rather than retaining all decisions at the top.
- The dispersal is selective: the extent of authority given to each level depends on the nature of the decision and organisational needs. Top management retains authority over major policy matters and overall control.

**Step 1:** Explain the benefits for lower-level managers

- **Develops initiative among subordinates:** Decentralisation gives managers at lower levels the freedom to make decisions within their authority. They learn to exercise their own judgement, identify solutions and accept responsibility for results instead of approaching superiors for every instruction. This builds confidence, self-reliance and a willingness to take initiative in carrying out organisational work.
- **Develops managerial talent for the future:** By making real decisions and dealing with their consequences, lower-level managers gain practical experience. They learn to analyse situations, use resources and solve problems. This provides an opportunity to demonstrate and improve managerial ability and prepares a pool of competent managers who can assume more demanding positions in the future.

**Step 2:** Explain the benefits for decision-making and top management

- **Quick decision-making:** Decision-making authority is placed closer to the point of action. Managers who directly face an operational problem can decide within their assigned limits without repeatedly referring it through a long chain of superiors. Their knowledge of local conditions and the shorter approval process help the organisation respond promptly to customers, employees and changing circumstances.
- **Relief to top management:** Lower-level managers handle routine and operational decisions under decentralisation. Senior managers need not spend their time settling every minor matter. They can concentrate on important policy decisions, long-term planning, strategy and overall coordination and control, while intervening in significant matters that remain within their authority.

**Step 3:** Conclusion Decentralisation is important because it develops initiative, builds managerial

talent for the future, enables quicker decisions and relieves top management of routine decisions. Selective dispersal gives lower levels meaningful authority while retaining appropriate policy authority and overall control at the top.

**Quick Tip to Solve:** Link each benefit to authority moving downwards: lower managers gain initiative and experience, local decisions become faster, and senior managers gain time for policy and strategy.

**30(a). 'The functions and performance of the supervisor are vital to an organisation because he is directly related with the workers whereas other managers have no direct touch with bottom level workers.' In the light of this statement, explain any four functions of a supervisor.** [6 marks]

**Solution:**

**Concept:**

- Supervision is the element of directing that involves overseeing employees' work, guiding their efforts and ensuring that assigned tasks are carried out according to plans.
- A supervisor works in direct contact with workers. This position makes the supervisor a link between management and the workforce and enables timely guidance, cooperation and feedback.

**Step 1:** Explain the supervisor's direct guidance and communication functions **1. Maintaining day-to-day contact and friendly relations:** A supervisor remains in direct touch with the workers while they perform their tasks. By knowing their difficulties, listening sympathetically and maintaining cordial relations, the supervisor gains their confidence. This makes it easier to guide employees, secure their cooperation and address work problems before they become serious.

**2. Acting as a link between workers and management:** The supervisor communicates management's plans, decisions and instructions to workers in an understandable form. In the opposite direction, the supervisor conveys workers' suggestions, grievances and needs to management. This two-way link reduces misunderstanding and enables decisions to reflect conditions at the operating level.

**Step 2:** Explain the supervisor's coordinating and performance functions **3. Maintaining group unity and cooperation:** Workers may have differences about duties, methods or relationships. The supervisor maintains close contact with the group, identifies such differences and helps settle disputes. By encouraging team spirit and coordinating individual efforts, the supervisor ensures that personal disagreements do not obstruct the common task.

**4. Ensuring performance of work:** The supervisor makes responsibilities clear, observes work in progress and checks that tasks are completed according to the required standards and targets. When a worker faces a difficulty, the supervisor gives practical guidance and takes timely corrective action. This continuous attention helps convert management's plans into actual results and keeps the work moving efficiently.

**Step 3:** Conclusion The supervisor's four functions are maintaining direct and friendly contact with workers, linking workers with management, maintaining group unity, and ensuring performance of work. Direct contact enables the supervisor to translate managerial instructions into coordinated action and to convey operating difficulties back to management.

**Quick Tip to Solve:** For each function, state both the supervisor's action and its effect on workers or work; use the direct-contact role to connect the explanation to the statement.

OR

**30(b). Describe personal barriers to effective communication.** [6 marks]

**Solution:**

**Concept:**

- Communication is effective when the receiver understands a message in the sense intended by the sender. Barriers can interrupt the flow of a message or prevent its proper understanding.
- Personal barriers arise from the attitudes, beliefs, motives and relationships of the sender and receiver. They can restrict communication even when the language and formal communication channels are adequate.

**Step 1:** Describe barriers arising from the superior's attitude **1. Fear of challenge to authority:** A superior may fear that a particular communication will adversely affect the superior's authority. For example, information that encourages questioning of a decision may be regarded as a threat to the superior's position. The superior may therefore withhold the information, suppress feedback or discourage suggestions. Employees then receive an incomplete message and become reluctant to raise useful questions.

**2. Lack of confidence of the superior in subordinates:** When a superior does not trust the competence or ability of subordinates, the superior may refuse to seek or accept their advice and suggestions. Useful information from employees at the operating level is consequently ignored. This blocks upward communication and deprives management of feedback needed to understand actual work conditions.

**Step 2:** Describe barriers arising from reluctance and inadequate encouragement **3. Unwillingness to communicate:** A subordinate may be unwilling to communicate information if revealing it is expected to harm personal interests. For example, an employee who fears an adverse reaction may conceal a mistake or avoid reporting an unfavourable development. The information needed for timely corrective action is then withheld, and management receives an incomplete picture.

**4. Lack of proper incentives:** Employees may not take the initiative to communicate useful suggestions when there is no encouragement or reward for doing so. If good suggestions receive no appreciation or recognition, employees see little reason to spend effort bringing them forward. As a result, potentially valuable ideas and feedback do not reach the concerned managers.

**Step 3:** Conclusion The four personal barriers are fear of challenge to authority, lack of confidence of the superior in subordinates, unwillingness to communicate, and lack of proper incentives. Each limits the willingness of a person to send, receive or consider information, thereby reducing the effectiveness of communication.

**Quick Tip to Solve:** Link each personal barrier to a person's attitude or motive: fear, distrust, self-interest or lack of reward. Then explain how that attitude stops information from flowing.