CBSE Class 12 Business Studies Question Paper 2014 with Solution PDF-Set 66/3 - 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 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.
- Fair appraisal, advancement and rewards help employees feel valued and secure.

Step 1: Match the person to the job Staffing selects employees whose abilities suit the requirements of their posts. Doing work that they can perform well gives employees confidence and satisfaction.

Step 2: Provide opportunities and fair treatment Training, promotion and fair rewards recognise employees' contributions and support their growth. These staffing practices improve job satisfaction and raise morale.

Step 3: Conclusion Staffing improves job satisfaction and morale through proper placement, fair appraisal and rewards, and opportunities for training and promotion.

Quick Tip to Solve: Link staffing with the right job, fair rewards and career growth; these explain improved satisfaction and morale.

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

Solution:

Concept:

- Directing guides, instructs, motivates and leads employees towards organisational objectives.
- Plans and organisational arrangements become actual work when managers direct employees.

Step 1: Turn the plan into instructions A manager tells employees what work they must perform and guides them in carrying it out. This converts planned activities into duties that people can begin.

Step 2: Stimulate employees to perform Through supervision, motivation, leadership and communication, the manager encourages employees to undertake those duties. Directing therefore starts action at every level of the organisation.

Step 3: Conclusion Directing initiates action by instructing, guiding and motivating employees to perform their assigned tasks towards organisational goals.

Quick Tip to Solve: For initiates action, explain how guidance and motivation turn a plan into employee performance.

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

Solution:

Concept:

- Employee recognition means acknowledging and appreciating an employee's good performance.
- Recognition meets esteem needs and motivates employees without depending on a monetary

payment.

Step 1: Give a public appreciation example Congratulating an employee for good performance in front of colleagues is employee recognition. It acknowledges the employee's achievement and makes the person feel valued.

Step 2: Give a formal recognition example Awarding a certificate of merit for outstanding performance is another example. The certificate formally recognises the contribution and encourages the employee to maintain good performance.

Step 3: Conclusion Two examples are public appreciation of an employee's good performance and awarding a certificate of merit for outstanding performance.

Quick Tip to Solve: Choose examples of appreciation or acknowledgement, such as public praise and a certificate, rather than wages or bonus.

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

Solution:

Concept:

- Controlling compares actual performance with standards and identifies deviations requiring attention.
- Management by exception directs managerial attention to significant deviations beyond an acceptable limit.

Step 1: Separate minor and significant deviations Small deviations within the predetermined permissible range need not be referred to higher management. This prevents managers from spending their time on every routine variation.

Step 2: Concentrate on exceptions Only significant deviations exceeding the acceptable limits are brought to managers' attention for investigation and corrective action. This focuses scarce managerial time on matters that require intervention.

Step 3: Conclusion Management by exception means bringing only significant deviations beyond the permissible limits to managerial attention for corrective action.

Quick Tip to Solve: Remember exception as a deviation outside the permitted range, rather than every difference from the standard.

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

Solution:

Concept:

- Standardisation marks help consumers identify products conforming to specified quality standards.
- The ISI mark is the standardisation mark associated with industrial products.

Step 1: Identify the product category The ISI mark is used on industrial products. It signals conformity with the relevant Indian standard and helps the consumer make an informed purchase.

Step 2: Relate the category to examples Electrical appliances and equipment, such as electric irons and electric wires, are familiar examples of industrial products carrying this mark. Agricultural products instead use the AGMARK certification.

Step 3: Conclusion The ISI mark is used on industrial products, such as electrical appliances and equipment.

Quick Tip to Solve: Associate ISI with industrial goods and AGMARK with agricultural produce to avoid mixing up the quality marks.

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6. '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 informed throughout life.
- An informed consumer knows consumer rights, responsibilities and the remedies available against exploitation.

Step 1: Identify the knowledge required The consumer should know the rights available under consumer protection and the responsibilities to follow when buying and using goods and services. Such knowledge helps the consumer recognise unfair treatment.

Step 2: Include remedies and means of redressal The consumer should also know how and where to seek redressal for grievances. Awareness of available remedies and consumer protection machinery enables the consumer to act against exploitation.

Step 3: Conclusion The consumer needs knowledge of consumer rights and responsibilities and of the remedies and means of redressal available against exploitation.

Quick Tip to Solve: When the question mentions knowledge throughout life, connect it to consumer education: rights, responsibilities and remedies.

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7. 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 organisation's senior-most executives, such as the chief executive and board of directors.

- It is responsible for the organisation as a whole, including its welfare and survival.

Step 1: Identify the scope of responsibility The question refers to welfare and survival of the entire organisation. This is an overall organisational responsibility, rather than the supervision of a particular department or a group of workers.

Step 2: Match the responsibility to the level Top management formulates overall objectives and strategies and coordinates the activities of the organisation. It therefore carries responsibility for the organisation's welfare, continued existence and success.

Step 3: Conclusion The level is top management.

Quick Tip to Solve: Use the scope as the clue: responsibility for the whole organisation and its survival belongs to top management.

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

Solution:

Concept:

- Business environment includes external forces, such as technology, competition, government policy and consumer preferences, which influence an enterprise.
- Uncertainty means that future changes in these forces cannot always be predicted accurately.

Step 1: Identify the source of uncertainty The business environment changes frequently. The timing, direction and extent of a change in consumer tastes, technology or competitive behaviour may be difficult to foresee.

Step 2: Link unpredictability to business decisions An enterprise therefore cannot know with certainty the external conditions under which its plans will operate. For example, a new technology may unexpectedly reduce demand for an existing product.

Step 3: Conclusion Business environment is said to be uncertain because future environmental changes, particularly when they occur frequently, are difficult to predict accurately.

Quick Tip to Solve: Relate uncertainty to difficulty in predicting future changes; relate dynamism to the fact that changes keep occurring.

9. '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 for a specified period and choosing the course of action through which they will be achieved.

Step 1: Identify the management function The expression deciding in advance identifies planning. It requires managers to think before acting rather than simply react after events have occurred.

Step 2: State its meaning Planning means setting objectives and developing an appropriate course of action to achieve them. It specifies what is to be done, how, when and by whom, thus bridging the gap between the present position and the desired future position.

Step 3: Conclusion The function is planning: setting objectives for a given period and deciding in advance the course of action for achieving them.

Quick Tip to Solve: In a definition of planning, include both the desired objectives and the course of action selected to achieve them.

10. 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 standing plan expressed as a general statement that guides managerial thinking and decision making.
- Policies define a broad framework within which recurring problems can be resolved consistently while allowing discretion.

Step 1: Use the clues in the statement The question mentions general statements that guide thinking in a particular direction and help resolve routine problems. These are the identifying features of a policy.

Step 2: Differentiate the relevant plan A policy gives a broad decision guideline, such as giving preference to promotion from within. A procedure instead prescribes a sequence of activities, while a rule specifies an action to be taken or avoided without permitting discretion.

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

Quick Tip to Solve: Identify a policy by its broad guidance for decisions; identify a procedure by its sequence and a rule by its specific requirement.

11. 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 and coordinated.
- Functional and divisional structures differ in the basis used to form departments: functions in the former and products in the latter.

Step 1: Identify the basis of comparison The requested basis is formation. Compare how departments are created, rather than comparing their costs, suitability or accountability.

Step 2: Present the distinction

Basis	Functional structure	Divisional structure
Formation	Formed by grouping jobs of a similar nature under major functions, such as production, marketing and finance.	Formed by grouping activities into separate product divisions; each division performs the functions needed for its product.

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

Quick Tip to Solve: For formation, remember function departments versus product divisions; each product division can have its own functional departments.

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

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately established by management to achieve organisational objectives.
- It specifies official jobs, reporting relationships, communication channels and the duties attached to each position.

Step 1: Identify deliberate creation Management consciously designs a structure in which work is divided, jobs are assigned and authority is allocated. Its existence therefore follows an official organisational plan.

Step 2: Explain what the structure establishes The structure defines who performs each task, who is responsible to whom and the authority available for carrying out duties. For example, an officially designated sales manager reports through the prescribed chain of command, regardless of personal friendships.

Step 3: Conclusion Formal organisation means the officially prescribed structure of jobs and authority-responsibility relationships created by management to accomplish organisational objectives.

Quick Tip to Solve: Use deliberately created by management to distinguish formal organisation from informal relationships that arise spontaneously.

13. 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 financial instruments with a maturity of up to one year.
- Treasury bills meet short-term government financing requirements; call money helps banks meet short-term liquidity requirements.

Step 1: Explain Treasury Bills **Treasury Bill:** A Treasury Bill is a short-term instrument of borrowing issued by the Reserve Bank of India on behalf of the Government of India. Its maturity is less than one year. It is an unsecured promissory note and is regarded as a highly liquid instrument with negligible default risk because it is government backed.

Treasury bills are issued at a discount to their face value and redeemed at par. Thus, they do not pay a periodic coupon; the difference between their issue price and face value provides the investor's return. They are therefore also called zero-coupon bonds.

Step 2: Explain Call Money **Call Money:** Call money is short-term finance repayable on demand and used mainly in inter-bank transactions. Banks borrow from one another to meet temporary shortages of funds, including needs arising from cash reserve requirements. In the textbook treatment, this finance has a maturity ranging from one day to fifteen days.

The interest charged on such borrowing is called the call rate. It changes with the demand for and supply of short-term funds. A bank with surplus funds can lend them temporarily to a bank facing a shortage; repayment restores liquidity to the lending bank.

Step 3: Conclusion A Treasury Bill is a discounted short-term Government of India borrowing instrument issued through the RBI. Call money is short-term inter-bank finance repayable on demand, used to meet temporary liquidity needs.

Quick Tip to Solve: Associate Treasury Bills with government borrowing and discount-to-par repayment; associate call money with temporary inter-bank liquidity and the call rate.

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

Solution:

Concept:

- Financial management aims primarily at maximising shareholders' wealth, which is reflected in the market price of the company's equity shares.
- The value of shares depends on the expected returns to shareholders and the risk associated with earning those returns. Financial decisions must therefore consider both profitability and risk.

Step 1: Explain the meaning of wealth maximisation **Increase shareholders' investment value:** Shareholders own the company. Their wealth increases when the market value of their shares rises.

Thus, financial management seeks to maximise the current market price of equity shares rather than merely increasing the accounting profit of one period.

Step 2: Relate financial decisions to share value **Choose decisions that create value:** Investment, financing and dividend decisions affect the company's expected earnings, cash flows and risk. A sound decision improves the expected benefits available to shareholders without exposing them to unjustified risk. Investors' favourable assessment of these benefits is reflected in a higher share price.

Step 3: Explain why this guides financial management **Balance return with risk:** A proposal offering a high profit may also carry excessive risk and need not increase share value. Wealth maximisation provides a common criterion for comparing financial alternatives: select those whose benefits, timing and risk are expected to add the greatest value to shareholders over time.

Step 4: Conclusion Wealth maximisation is the primary objective because financial management directs the company's financial decisions towards maximising the market value of equity shares and, consequently, the wealth of its shareholders.

Quick Tip to Solve: Link wealth maximisation to the market price of equity shares, and explain how financial decisions affect both expected return and risk.

15. '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 between a salesperson and one or more prospective buyers, intended to persuade them to buy a product or service.
- Personal contact and two-way communication allow a salesperson to understand the buyer's needs, answer questions and develop a lasting customer relationship.

Step 1: Identify the communication tool The tool is **personal selling**. The statement, "you open a relationship", emphasises the personal interaction through which a salesperson builds the buyer's confidence. The aim extends beyond obtaining one order to understanding and serving the customer so that the relationship continues.

Step 2: State the feature of personal form **Personal form:** Personal selling involves direct personal contact between the seller and the buyer. This allows the salesperson to explain the product in a way suited to the particular customer, clarify doubts and establish trust. Such individual attention helps create the long-term relationship referred to in the statement.

Step 3: State the feature of development of relationship **Development of relationship:** Personal selling permits the development of a personal relationship between the salesperson and the possible buyer. With continued interaction, the seller learns the customer's requirements and can provide suitable assistance. The resulting confidence can encourage repeat purchases and support the enterprise's long-term success.

Step 4: Conclusion The communication tool is personal selling. Its two features are its personal form of communication and its ability to develop a relationship with the prospective buyer.

Quick Tip to Solve: A reference to building a lasting buyer-seller relationship points to personal selling; name two distinct features after identifying the tool.

16. 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 a harmonious relationship between management and workers, recognising that their prosperity is interdependent.
- A mental revolution requires both sides to change their attitudes towards one another, replace conflict with mutual trust and work for the organisation's prosperity.

Step 1: Identify the principle for part (a) The principle is **Harmony, not Discord**. The case says that there is "no class-conflict between the management and workers". It also states that management shares its gains because the company's prosperity cannot last without the employees' prosperity. These statements directly reflect Taylor's view that management and workers should realise that each needs the other and should work harmoniously for mutual benefit.

Step 2: Identify the value of concern for employees **Concern for employees' welfare:** The case states that "the working conditions are very good". Providing good conditions shows respect for workers' well-being and recognises them as people whose welfare matters, rather than merely as a means of increasing production.

Step 3: Identify the value of fairness in sharing prosperity **Fairness and equitable sharing:** Management is "sharing the gains with the workers". This recognises employees' contribution to the company's success and communicates that the benefits of prosperity should reach them too. It promotes mutual trust and a cooperative relationship between employers and employees.

Step 4: Conclusion (a) The principle is Harmony, not Discord. (b) Two values conveyed are concern for employees' welfare and fairness in sharing the gains of the enterprise with its workers.

Quick Tip to Solve: Match "no class-conflict" and shared prosperity to Harmony, not Discord; support each value with a separate fact from the case.

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 means that employees should be encouraged to develop and carry out plans for improvement within the organisation.
- Business values include concern for the natural environment and social responsibility towards communities with limited employment opportunities.

Step 1: Identify and state the principle **(a) Initiative:** Employees should be encouraged to think of useful improvements, make suggestions and take the first step in developing and executing plans within the limits of their authority. Managers should welcome constructive ideas and give employees opportunities to contribute. Here, Harish's plan for 'cost reduction' and the other employee's 'suggestion for improvement in design' are both expressions of initiative. The production manager's rejection and lack of appreciation violate this principle and may discourage employees from offering further ideas.

Step 2: Link the company's actions to two values **(b) Environmental protection:** The company makes files and folders from 'old clothes' to 'discourage use of plastic'. Reusing material and reducing plastic use communicate concern for environmental conservation and responsible use of resources.

Employment generation and social welfare: It employs people from 'nearby villages where very less job opportunities are available'. Providing these people with work communicates concern for rural livelihoods and the welfare of the local community.

Step 3: Conclusion The principle is **initiative**, which the production manager violates. The two values communicated by the company are **environmental protection** and **employment generation for the rural community**.

Quick Tip to Solve: Link each value to a distinct action in the case: reuse and reduced plastic indicate environmental concern; village recruitment indicates social welfare.

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

Solution:

Concept:

- Financial management involves decisions about the use of funds and the disposal of earnings so that the financial interests of the business and its owners are served.
- An investment decision concerns the assets in which funds are employed; a dividend decision

concerns the division of profit between distribution and retention.

Step 1: Explain investment decision **Investment decision:** It is the decision about how the firm's funds are to be invested in different assets. Management evaluates the available investment opportunities and decides where funds should be committed, considering their expected returns and risks. A long-term investment decision concerns fixed assets and is also called a capital budgeting decision, such as purchasing a new plant or expanding production capacity. A short-term investment decision concerns current assets and is also called a working capital decision, such as deciding the amounts to hold in inventories, cash and receivables. Thus, investment decision determines the composition of the firm's assets.

Step 2: Explain dividend decision **Dividend decision:** It is the decision about how much of the profit earned by the company, after payment of tax, should be distributed to shareholders as dividend and how much should be retained in the business. The distributed portion provides a current return to shareholders, while the retained portion can finance future requirements and growth. For example, management may distribute part of the year's earnings and keep the balance for expansion. The decision therefore concerns the allocation of earnings between dividend and retained earnings, rather than the selection of assets.

Step 3: Conclusion **Investment decision** determines the assets in which the firm's funds are invested. **Dividend decision** determines the proportion of profit distributed to shareholders and the proportion retained in the business.

Quick Tip to Solve: Remember the distinction by asking two questions: 'Where will funds be invested?' and 'How will profit be divided between dividend and retention?'

19. 'Coordination is the essence of management.' Explain how. [4 marks]

Solution:

Concept:

- Coordination is the process of integrating the activities of different departments and individuals so that their efforts lead to the achievement of common organisational goals.
- It is the essence of management because it runs through every managerial function, binding otherwise separate activities into a unified effort. It is a continuous responsibility of managers at all levels.

Step 1: Show how coordination unifies plans and the organisation

- **Coordination in planning:** The plans of different departments must be mutually consistent and directed towards the overall objectives. For example, a production plan must match the sales plan, while the finance plan must provide funds for the planned output. Without this integration, each department may pursue a target that the others cannot support.
- **Coordination in organising:** Work is divided into jobs and departments, and authority-responsibility relationships are established. Coordination links these separate units, clarifies their relationships and ensures that their activities complement one another rather than overlap or conflict.

Step 2: Trace coordination through staffing, directing and controlling

- **Coordination in staffing:** Recruitment, selection, placement and training must match the organisation's requirements. Managers coordinate the number and abilities of employees with the jobs to be performed, placing suitable people in suitable positions.
- **Coordination in directing:** Supervision, leadership, motivation and communication bring employees' efforts towards common goals. A manager reconciles individual interests with organisational interests and ensures that instructions from different levels do not pull employees in conflicting directions.
- **Coordination in controlling:** Actual performance is compared with standards and corrective action is taken. The effects of a deviation in one department must be considered in relation to the others, so that corrective action restores the performance of the organisation as a whole.

Step 3: Conclusion Coordination is therefore inherent in every management function, from setting plans to correcting performance. It provides unity of action among interdependent activities and enables the organisation to achieve its common objectives; hence, it is called the essence of management.

Quick Tip to Solve: Link coordination to the management functions in order: planning, organising, staffing, directing and controlling. Explain what is integrated in each function instead of merely listing its name.

20. 'Understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firms.' In the light of the statement, explain any four points of importance of business environment. [4 marks]

Solution:

Concept:

- Business environment consists of the external individuals, institutions and forces that affect the performance of a business enterprise, although they are outside its direct control.
- Environmental understanding allows managers to identify and evaluate external developments and respond suitably. Its importance lies in converting this awareness into timely business decisions.

Step 1: Explain how awareness reveals opportunities and threats

- **Identifying opportunities and getting the first-mover advantage:** Opportunities are favourable external changes that can help a firm improve its performance. By understanding changes in customers' needs, technology or policy, managers can identify opportunities early and exploit them before competitors. For example, recognising a growing preference for environmentally friendly products can help an enterprise introduce a suitable product ahead of rivals.
- **Identifying threats and early warning signals:** Threats are unfavourable changes that can harm a firm's performance. Environmental understanding alerts managers to developments such as new competition or changing customer preferences. Early warning gives them time to prepare a response, improve their product or revise their strategy before the threat causes serious damage.

Step 2: Explain how awareness supports resources and adjustment

- **Tapping useful resources:** A business obtains inputs such as finance, labour, materials and machin-

ery from its environment and supplies goods and services to it. Understanding the environment helps managers identify sources of these inputs and design outputs that the environment values. This makes the exchange of resources more effective and supports the firm's operations.

- **Coping with rapid changes:** Markets, technology and competition change continually. Managers who understand these changes can adjust their products, methods and policies in time, rather than continuing with outdated practices. For example, awareness of new production technology enables a firm to assess it and adopt an appropriate method to remain competitive.

Step 3: Conclusion Understanding the business environment helps managers identify opportunities, recognise threats early, tap useful resources and cope with rapid changes. These four benefits explain how managers can evaluate external forces and take suitable action in response to them.

Quick Tip to Solve: Use four distinct NCERT headings and explain the managerial benefit of each. Keep opportunities and threats separate: one offers a gain, while the other calls for preventive action.

21. How does Planning 'Not work in a dynamic environment' and 'Does not guarantee success' ? Explain. [4 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done and who will do it. Plans guide future action on the basis of assumptions about future conditions.
- The NCERT limitations tested here are that planning may not work in a dynamic environment and that planning does not guarantee success. Both limit the reliability of a plan rather than remove the need to plan.

Step 1: Explain why a changing environment limits planning

- **Changing external conditions:** Business operates in a dynamic economic, political, social, legal and technological environment. A plan is framed using assumptions about these conditions, but managers cannot accurately foresee every future change.
- **Outdated plans:** A sudden change in government policy, technology, competition or customer preferences may make the assumptions underlying a plan incorrect. A course of action that was suitable when the plan was made can therefore become unsuitable. For example, a new technology may reduce demand for a product whose production had already been planned.

Step 2: Explain why making a plan does not ensure success

- **Implementation is essential:** Drawing up a plan alone cannot produce results. Success also requires proper organisation, suitable staff, effective direction and control so that the intended actions are actually carried out.
- **Past success is insufficient:** Managers may assume that a plan which succeeded earlier will succeed again. However, the conditions responsible for its earlier success may no longer exist. Blindly repeating an old plan can create a false sense of security; plans must be reviewed and adapted to present circumstances.

Step 3: Conclusion Planning is limited by changes that can invalidate its assumptions, and a sound

plan still needs effective implementation and timely review. Thus, planning provides direction but cannot by itself guarantee business success.

Quick Tip to Solve: Link dynamic environment to changing assumptions; link no guarantee of success to implementation and the danger of blindly repeating past plans.

22. State any eight reliefs available to a consumer under the provisions of Consumer Protection Act, 1986. [4 marks]

Solution:

Concept:

- Consumer Protection concerns safeguarding consumers against defective goods, deficient services and unfair or restrictive trade practices. A consumer can seek redress through the consumer redressal machinery.
- Under the Consumer Protection Act, 1986, the appropriate consumer forum may grant relief after finding the complaint justified. Relief may correct the goods or service, restore the consumer's money, compensate loss or prevent harmful practices.

Step 1: State reliefs concerning the goods, service and price

1. **Removal of defects:** Direct removal of the defect in the goods, or removal of the deficiency in the service in question.
2. **Replacement:** Direct replacement of defective goods with new goods of a similar description that are free from any defect.
3. **Refund:** Direct return of the price paid for the goods or the charges paid for the service, as the case may be.
4. **Compensation:** Award a reasonable amount as compensation for loss or injury suffered by the consumer due to the negligence of the opposite party.

Step 2: State reliefs preventing unfair practices and unsafe goods

5. **Discontinuance of practices:** Direct the opposite party to discontinue an unfair or restrictive trade practice and not to repeat it.
6. **Stopping sale of hazardous goods:** Direct that hazardous goods are not offered for sale, thereby preventing consumers from being exposed to unsafe products.
7. **Withdrawal of hazardous goods:** Direct withdrawal of hazardous goods from sale when they have already entered the market.
8. **Corrective advertisement:** Direct issue of a corrective advertisement to neutralise the effect of a misleading advertisement, at the cost of the opposite party responsible for it.

Step 3: Conclusion The eight reliefs are removal of defects or deficiency, replacement, refund, compensation, discontinuance of unfair or restrictive practices, stopping the offering of hazardous goods for sale, withdrawal of hazardous goods from sale, and corrective advertisement.

Quick Tip to Solve: Remember four remedies for the affected purchase, followed by four measures against harmful market conduct. Stopping a future sale and withdrawing goods already on sale are distinct reliefs.

23. What is meant by 'Training' ? State the benefits of training to the employee. [5 marks]

Solution:

Concept:

- Training is the systematic process of increasing an employee's knowledge, skills and abilities for performing a specific job effectively. It improves present job performance through learning and practice.
- Under Staffing, training benefits the employee personally through career growth, higher earnings, safer work and greater job satisfaction; these are distinct from its benefits to the organisation.

Step 1: Explain the meaning of training Training equips an employee with the knowledge and practical skills needed to carry out the assigned job in the desired manner. It is a planned learning process: for example, learning the correct method of operating a machine improves the employee's ability to perform that particular task. It is directed mainly towards better performance of the present job, while development has a wider focus on overall growth and future responsibilities.

Step 2: State the career and financial benefits

- **Better career opportunities:** Training improves the employee's skills and knowledge. This makes the employee more competent and better prepared for advancement, thereby opening opportunities for a better career and promotion to positions with greater responsibility.
- **Increased earnings:** Improved skills enable the employee to perform work more efficiently and productively. Better performance can help the employee earn more, particularly when remuneration or incentives are linked to output and performance.

Step 3: State the safety and satisfaction benefits

- **Greater safety:** Training teaches employees how to handle machines, equipment and materials correctly and how to follow safe working procedures. They become less prone to accidents, so the risk of injury while performing the job is reduced.
- **Higher satisfaction and morale:** Knowing how to do the job well increases confidence and reduces the frustration caused by lack of skill. Training therefore increases employees' job satisfaction and morale as they feel more capable of meeting work requirements.

Step 4: Conclusion Training systematically builds job-related knowledge and skills. Its benefits to employees are better career prospects, increased earning potential, greater safety, and improved job satisfaction and morale.

Quick Tip to Solve: For benefits to the employee, organise the answer around career, earnings, safety and satisfaction; keep organisational benefits such as reduced wastage separate.

24. Explain the relationship between planning and controlling. [5 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and sets objectives and standards. Controlling measures actual performance, compares it with these standards, identifies deviations and takes corrective action.
- Planning and controlling are inseparable and interdependent functions. Planning provides the basis of control, while control supplies feedback for the achievement and revision of plans.

Step 1: Explain how planning provides the basis of control

- **Planning supplies standards:** A plan specifies the objectives and the expected level of performance. These become the standards against which actual results are measured. Without a standard, a manager cannot judge whether performance is satisfactory; thus, planning is a prerequisite for controlling.
- **Controlling ensures that plans are implemented:** Merely preparing a plan does not ensure its achievement. Controlling checks whether activities proceed according to it and enables corrective action when actual performance deviates. Planning without controlling is therefore meaningless, because there is no systematic check on whether the intended results are being attained.

Step 2: Explain feedback and their future orientation

- **Control provides feedback for future planning:** Deviations reveal weaknesses in performance or in the standards themselves. The information obtained through controlling helps managers improve future plans or revise unrealistic standards. The end of one control cycle thus provides an input for the next planning cycle.
- **Both functions are forward-looking:** Planning looks ahead by selecting future objectives and courses of action. Controlling also looks ahead because corrective measures are intended to improve subsequent performance and prevent the repetition of mistakes. Its purpose is to help achieve future objectives, rather than merely to record past errors.

Step 3: Explain why both also use past information

- **Both functions are backward-looking as well:** Controlling compares actual performance already achieved with predetermined standards, so it involves looking back. Planning also uses past experience and the feedback obtained from control when setting future targets. Hence, the description of planning as only forward-looking and controlling as only backward-looking is incomplete: both depend on past information and guide future action.

Step 4: Conclusion Planning and controlling are two interdependent aspects of management: plans provide the standards for control, and control ensures implementation and gives feedback for better plans. Both use past experience and aim to improve future performance.

Quick Tip to Solve: Link the functions in a cycle: plans set standards, control checks results and takes action, and its feedback improves the next plan. Explain why both look backward and forward.

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

Solution:

Concept:

- A stock exchange is an organised market in which existing securities, such as shares and debentures, are bought and sold under prescribed rules.
- It supports the financial system by providing liquidity, discovering security prices and directing investment towards productive enterprises.

Step 1: Explain liquidity and price determination

- **Providing liquidity and marketability to existing securities:** A stock exchange supplies a continuous market in which investors can sell securities already held and buyers can purchase them. Investors can therefore convert their investments into cash when required. Such trading transfers ownership of existing securities; it does not itself raise fresh capital for the company.
- **Pricing of securities:** The interaction of demand and supply on the exchange determines the prices of securities. Demand and supply reflect factors such as expected earnings, dividends and business prospects. These market prices help investors assess the value of their holdings and decide whether to buy or sell.

Step 2: Explain safe trading and economic development

- **Safety of transactions:** Securities are traded through a regulated system. Listed companies and members of the exchange must comply with its rules and applicable regulation. This promotes fair dealing and gives investors greater confidence in transactions, although it does not remove the risk of changes in security prices.
- **Contribution to economic growth:** Investors can compare securities and move funds towards companies with better prospects. This process encourages efficient allocation of savings to productive enterprises. A liquid secondary market also makes investors more willing to subscribe to new issues, indirectly supporting capital formation and economic development.

Step 3: Explain the promotion of equity investment

- **Spreading of equity cult:** The stock exchange encourages wider share ownership by educating the investing public, providing information about securities and promoting better trading practices. Greater awareness and confidence encourage people to invest their savings in equity shares rather than remain unfamiliar with the securities market.

Step 4: Conclusion Five functions of a stock exchange are providing liquidity and marketability, pricing securities, promoting safe transactions, contributing to economic growth and spreading the equity cult.

Quick Tip to Solve: Separate the investor's benefits, such as liquidity and prices, from the economy's benefits, such as productive allocation of savings and wider equity ownership.

26. What is meant by 'advertising' ? State the role of advertising in marketing. [5 marks]

Solution:

Concept:

- Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.
- As an element of the promotion mix, advertising communicates with a large audience through media such as newspapers, television, radio and the internet.

Step 1: State the meaning of advertising Advertising is a **paid, non-personal presentation and promotion of ideas, goods or services by an identified sponsor**. The sponsor pays for the message and can be identified from it. Communication takes place through a medium rather than through a face-to-face interaction between a salesperson and each prospective buyer. Its purpose is to inform or persuade the target audience and influence its response to the offering.

Step 2: State its role in communicating and creating demand

- **Creating awareness and informing buyers:** Advertising brings a product to the notice of prospective customers. It communicates the product's features, uses, availability and benefits, helping buyers understand the offering and assisting a firm in introducing a new product.
- **Stimulating demand and sales:** By presenting benefits and appealing to the needs of the target audience, advertisements persuade people to consider and purchase the product. Repeated messages also remind existing customers about the brand and help sustain demand.

Step 3: State its role in positioning and supporting marketing

- **Differentiating the product and building brand image:** Advertising highlights the distinctive features and benefits of a brand. It helps buyers distinguish that brand from competing products and can build familiarity, confidence and preference for it.
- **Supporting other marketing efforts:** Advertising reaches many widely dispersed buyers with a consistent message and prepares them for the selling effort. Customers who already know about a product are more receptive to salespersons and retailers; the resulting consumer interest also encourages intermediaries to stock and sell it.

These roles explain why advertising is a major promotional tool. Its effectiveness still depends on a suitable product, price and distribution arrangement; a message alone cannot ensure customer satisfaction.

Step 4: Conclusion Advertising is paid, non-personal promotion by an identified sponsor. In marketing, it creates awareness, stimulates demand, differentiates brands and supports the firm's selling and distribution efforts.

Quick Tip to Solve: Remember the three defining words: paid, non-personal and identified sponsor. Then link its marketing role to awareness, demand, brand preference and selling support.

27(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 finances day-to-day operations through current assets such as raw materials, stock, debtors and cash. Its requirement depends on the amount and duration of funds tied up in the operating cycle.
- A factor increases the working capital requirement when the business must invest more money in inventories, receivables or routine payments before recovering cash from sales.

Step 1: Explain the effect of inflation **(i) Inflation:** Inflation raises the general price level. The same physical quantity of raw materials and other inputs then costs more, and routine expenses such as wages and transport may also rise. A business therefore generally needs more working capital to maintain its existing scale of operations. For example, even without increasing production, it must commit a larger sum to replace its normal stock. The precise increase depends on whether the firm can raise selling prices and recover the higher costs promptly; the effect need not be identical for every business.

Step 2: Relate the requirement to the business cycle **(ii) Business cycle:** During a boom, demand and sales tend to increase. Firms expand production and hold more raw materials and finished goods to meet that demand. Credit sales may also increase debtors, so additional funds are tied up before collection. Working capital requirements therefore generally rise in a boom. During a recession, demand and production are usually lower, reducing the normal requirement for inventories and operating finance. However, slow collections or unsold stocks can delay the release of funds, so the actual requirement also depends on the firm's operating conditions.

Step 3: Explain the effect of competition **(iii) Level of competition:** Intense competition can require a firm to keep larger stocks so customers obtain goods without delay. It may also have to offer more liberal credit terms to attract or retain buyers. Larger inventories and a longer collection period tie up funds and raise the working capital requirement. With limited competition, a firm may be able to sell with smaller stocks or on stricter credit terms, reducing the money committed to current assets. The effect operates through stocking and credit policies rather than competition alone.

Step 4: Compare different natures of business **(iv) Nature of business:** A trading business normally requires less working capital than a manufacturing business operating at a comparable scale because it buys finished goods and does not finance a production process. A manufacturer must finance raw materials, work in progress and finished goods, as well as conversion expenses, before sales yield cash. A service business generally needs still less working capital because it often carries little or no inventory. Thus, the length and character of the operating cycle explain why manufacturing usually has a greater requirement than trading or many service activities.

Step 5: Conclusion Inflation, a business boom and stronger competitive pressure generally increase the funds tied up in everyday operations. The nature of business also matters: manufacturing usually

requires more working capital because funds pass through several production and stockholding stages before collection.

Quick Tip to Solve: For each factor, trace its effect on stock, debtors or daily payments, then state whether more or less money remains tied up before cash is collected.

OR

27(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 funds. Debt carries interest and repayment commitments, whereas equity does not require fixed interest payments.
- The financing mix should balance the possible benefit of debt to equity shareholders against the financial risk created by compulsory payments. Four factors affecting this choice are explained below.

Step 1: Assess the cash flow position **1. Cash flow position:** Before taking debt, the company must estimate whether its future cash flows will cover interest, repayment of principal and other operating commitments. Strong and reasonably stable cash flows permit greater use of debt because the firm can meet these fixed obligations when they fall due. Weak or uncertain cash flows favour greater reliance on equity, as equity dividends are not a compulsory fixed charge. Accounting profit alone is insufficient: even a profitable company may face a cash shortage if customers have not yet paid. Thus, the availability and timing of cash influence the affordable debt level.

Step 2: Examine the interest coverage ratio **2. Interest coverage ratio:** This ratio compares earnings before interest and tax with the interest payable on debt. A higher ratio indicates a larger earnings cushion for meeting interest and generally supports the use of more debt. A low ratio indicates that even a modest fall in operating earnings may make interest payment difficult, so the company should use debt cautiously and consider more equity. This measure covers interest, not the repayment of principal; it should therefore be read alongside the cash flow position rather than treated as a complete test of repayment capacity.

Step 3: Compare return on investment with the cost of debt **3. Return on investment:** When the return earned on the total investment exceeds the interest rate on debt, borrowing can increase the earnings available per equity share. This favourable effect is called trading on equity and may encourage a higher proportion of debt. However, if the return on investment is below the cost of debt, the fixed interest burden reduces the earnings available to equity shareholders. Greater equity financing is then preferable to increasing debt merely for leverage. Expected returns and their stability must be examined because debt commitments continue even when returns decline.

Step 4: Consider the tax rate **4. Tax rate:** Interest on debt is a deductible expense in computing the company's taxable profit, while equity dividends are paid out of profit after tax. A higher corporate tax rate therefore increases the tax saving associated with interest and lowers the effective cost of

debt, making debt relatively more attractive. At a lower tax rate, this tax advantage is smaller and debt becomes less attractive on this consideration. The tax benefit does not remove the obligation to pay interest or repay the loan; the final financing mix must still remain within the company's capacity to bear financial risk.

Step 5: Conclusion Cash flow position, interest coverage ratio, return on investment and tax rate affect the choice between debt and equity. Adequate cash and interest coverage support borrowing, while favourable returns and tax savings can make debt beneficial; the company must nevertheless keep its fixed payment obligations manageable.

Quick Tip to Solve: Link each capital structure factor to one of two questions: can the company safely service debt, and will using debt benefit the equity shareholders?

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

Solution:

Concept:

- Public relations is the planned effort to build and maintain good relations with the firm's various publics by obtaining favourable publicity, building a good corporate image, and handling unfavourable stories and events.
- In promotion, public relations creates credibility and favourable attitudes towards the organisation and its offerings. News reports, events and public communication can support marketing without being direct paid advertisements.

Step 1: Explain how public relations builds the market

- **Assisting the launch of new products:** Public relations can generate news coverage, organise launch events and provide useful information about a new product. This attracts attention and makes potential customers aware of the offering when it enters the market.
- **Repositioning a mature product:** An existing product may need a fresh image or a different use to remain relevant. Public relations communicates the changed positioning and helps the public reconsider the product instead of treating it as outdated.
- **Building interest in a product category:** Public relations can create awareness of the benefits of a whole category, rather than merely promote a particular brand. For example, information about the benefits of regular exercise can increase interest in fitness-related goods and services.

Step 2: Explain how public relations builds confidence

- **Influencing specific target groups:** Communication and activities directed at selected groups can create favourable attitudes towards the organisation. By addressing their concerns and interests, the firm develops acceptance among the people important to its marketing effort.
- **Defending products facing public problems:** When a product faces criticism or an adverse incident, prompt and accurate public communication can clarify facts and explain corrective action. This helps reduce misunderstanding and restore confidence; it should never conceal a genuine defect.
- **Building the corporate image:** Responsible conduct, community activities and effective communi-

cation create a favourable image of the firm. Such goodwill reflects positively on its products and services, making customers more willing to consider and trust them.

Step 3: Conclusion Thus, public relations promotes products and services by creating awareness and interest, supporting new or repositioned offerings, influencing relevant groups and protecting confidence. Its continuing contribution is the goodwill and credibility that support the firm's wider promotional effort.

Quick Tip to Solve: Organise this answer around six roles: launch, reposition, category interest, target groups, defence and corporate image. Explain how each role supports promotion, rather than merely listing PR tools.

OR

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

Solution:

Concept:

- Marketing mix is the combination of marketing tools used by a firm to achieve its marketing objectives in the chosen target market. The tools are controllable by the firm and must be coordinated to satisfy customers.
- The four important elements are product, price, place and promotion, commonly called the four Ps. Together, they decide what is offered, what the buyer pays, how it reaches the buyer and how buyers learn about it.

Step 1: Explain the offering and its price

- **Product:** Product means the goods, services or anything of value offered to a market for satisfying a need or want. Product decisions include the range of products, quality, features, design, branding, packaging and labelling. They also cover supporting services such as installation, after-sales service and handling complaints. A firm must offer a combination of benefits that its target customers value; merely manufacturing a physical article is not enough.
- **Price:** Price is the amount of money the customer pays to obtain the product. Price decisions include the basic price, discounts, allowances and credit terms. While setting a price, the firm considers costs, customer demand, competition and its objectives. The price should be acceptable to the intended buyers while allowing the firm to meet its objectives. A suitable product can fail if its price does not fit its target market.

Step 2: Explain availability and communication

- **Place or physical distribution:** This element concerns making the product available to target customers at the right place and time. It includes choosing channels of distribution, such as selling directly or through wholesalers and retailers, and arranging physical movement. Transportation, warehousing, inventory control and order processing help ensure availability. For a service, convenient access to the service also matters.
- **Promotion:** Promotion covers activities that communicate the product's merits and persuade customers to buy it. The promotion mix includes advertising, personal selling, sales promotion and

public relations. The firm selects a suitable combination to inform customers, create interest and encourage purchase. Communication should match the product's actual benefits and the needs of its audience.

Step 3: Conclusion The four elements of marketing mix are product, price, place and promotion. They work together: an appropriate offering must carry a suitable price, be available through convenient channels and be supported by effective communication. A coordinated mix helps the firm satisfy its target customers and achieve its marketing objectives.

Quick Tip to Solve: Recall the four Ps by asking: What is sold? What does it cost? Where can it be obtained? How will customers hear about it? Add decisions under each heading to explain the elements fully.

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 authority to a subordinate to carry out an assigned task, while the superior retains ultimate accountability.
- Apart from effective management and employee development, delegation promotes motivation, organisational growth, a clear management hierarchy and better coordination.

Step 1: Explain how delegation motivates employees **Motivation of employees:** Delegation shows that the superior trusts the subordinate's ability and judgement. Being entrusted with meaningful work and the authority to perform it gives the employee recognition, a sense of responsibility and an opportunity to demonstrate competence. This strengthens self-confidence and job satisfaction. The employee feels that his or her contribution matters to the organisation and is encouraged to improve performance rather than merely follow instructions mechanically.

Step 2: Explain how delegation facilitates growth **Facilitation of growth:** Delegation helps build a pool of capable managers who have experience of handling responsibilities and making decisions. When the organisation expands, opens new branches or undertakes new projects, these employees can take charge of the additional activities. The enterprise can therefore grow without depending on one manager for every decision. Delegation makes competent managerial personnel available for future requirements and helps the organisation use growth opportunities.

Step 3: Explain how delegation establishes a hierarchy **Basis of management hierarchy:** Delegation establishes superior-subordinate relationships because it specifies who assigns work, who performs it and to whom the employee is answerable. The extent of authority delegated also indicates the position and powers associated with each managerial job. Repeated delegation through different levels creates the organisation's chain of authority. Employees can consequently understand their reporting relationships and the channels through which decisions and instructions should pass.

Step 4: Explain how delegation improves coordination **Better coordination:** Delegation clearly defines each employee's duties, authority and accountability. People know the work expected of them and the powers available to carry it out. This clarity reduces duplication, overlapping duties

and disputes about who should act. Defined reporting relationships also help employees combine their efforts and resolve work-related difficulties through the appropriate superior. Thus, individual contributions can be coordinated towards the organisation's common objectives.

Step 5: Conclusion The four additional benefits are motivation of employees, facilitation of growth, establishment of the management hierarchy and better coordination. Each arises from clearly assigning responsibility together with the authority needed to discharge it.

Quick Tip to Solve: When two benefits of delegation are excluded, list the remaining textbook headings first; then explain the distinct organisational benefit under each heading.

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, giving lower levels greater freedom to take decisions within their assigned areas.
- It involves selective dispersal of authority: lower levels receive appropriate decision-making powers, while top management retains authority over major policy matters and overall control.

Step 1: Explain how decentralisation develops initiative **Develops initiative among subordinates:** Decentralisation gives lower-level managers freedom to decide how to deal with matters within their authority. They are challenged to use their own judgement and resourcefulness instead of approaching a superior for every instruction. This encourages them to identify opportunities, devise suitable methods and take responsibility for results. As employees gain confidence in making decisions, they become more willing to take initiative in pursuing organisational goals.

Step 2: Explain how decentralisation builds managerial talent **Develops managerial talent for the future:** Managers at lower levels gain practical experience by exercising decision-making authority. They learn to analyse problems, weigh alternatives and accept the consequences of their choices. They can recognise weaknesses in their decisions and improve through experience. This provides training in real managerial situations and develops the ability to shoulder greater responsibility. The organisation consequently builds a pool of competent managers who can occupy higher positions in future.

Step 3: Explain why decisions become quicker **Quick decision-making:** Under decentralisation, decisions on operating matters can be taken at the level where action is needed. The manager dealing with the work usually knows the local facts and does not have to send every issue through a long chain of superiors for approval. The reduction in consultation and communication delays permits a faster response to problems and opportunities. This is especially useful when timely action is needed to serve customers or keep operations running smoothly.

Step 4: Explain how top management gains relief **Relief to top management:** By assigning authority for routine and operating decisions to lower levels, decentralisation reduces the number of matters

requiring the personal attention of senior managers. Top management can devote more time to policy formulation, long-term planning and other strategic issues affecting the whole enterprise. This does not remove its overall responsibility or control; it allows senior managers to concentrate on major matters while lower-level managers handle decisions within their allotted authority.

Step 5: Conclusion Decentralisation develops initiative, builds future managerial talent, enables quicker decisions and relieves top management. These benefits follow from granting suitable decision-making powers to lower levels while retaining major policy decisions and overall control at the top.

Quick Tip to Solve: Link each benefit to authority at lower levels: freedom builds initiative and talent, nearby decisions save time, and fewer routine referrals free senior managers for 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 means overseeing employees' work and guiding their efforts towards organisational objectives. A supervisor works directly with operative employees and translates managerial instructions into action.
- The supervisor's position connects management with workers. Close contact enables the supervisor to understand practical difficulties, maintain cooperation and help employees perform effectively.

Step 1: Relate supervision to the statement The statement emphasises that the supervisor is "directly related with the workers". Unlike managers who mainly frame plans and policies, the supervisor observes day-to-day work and interacts personally with employees. This makes the following four functions especially important.

Step 2: Explain four functions of a supervisor

- **Maintaining day-to-day contact and friendly relations:** The supervisor remains in regular personal contact with workers and understands their abilities, needs and difficulties. By listening sympathetically and treating them fairly, the supervisor builds confidence and a friendly working relationship. Workers can then seek guidance promptly instead of allowing problems to interrupt work.
- **Acting as a link between workers and management:** The supervisor communicates management's plans, policies, orders and expectations to workers in understandable terms. In the other direction, the supervisor conveys workers' suggestions, grievances and practical problems to management. This two-way link reduces misunderstandings and helps management frame workable decisions.
- **Ensuring achievement of work targets:** The supervisor guides employees, clarifies their duties, provides instructions and observes actual performance. Progress is checked against assigned targets, and mistakes or delays are corrected through timely assistance. Thus, the work of

individual employees contributes to the organisation's planned quantity, quality and completion schedule.

- **Providing on-the-job training:** Because the supervisor knows the work and observes employees closely, the supervisor demonstrates correct methods, explains the use of equipment and helps workers practise required skills. Immediate correction and feedback improve competence and confidence. Such training makes employees more efficient and reduces avoidable errors and wastage.

Step 3: Conclusion A supervisor maintains personal relations, links workers with management, ensures work targets are achieved and provides on-the-job training. These functions explain why direct contact with operative employees makes the supervisor vital to organisational performance.

Quick Tip to Solve: For each supervisory function, name the function and explain how direct contact with workers helps it operate; keep communication, target achievement and training distinct.

OR

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

Solution:

Concept:

- Effective communication requires the intended message to be received and understood correctly, with an opportunity for feedback. Personal factors affecting either the sender or receiver can obstruct this process.
- Personal barriers arise from an individual's attitudes, fears, lack of confidence or unwillingness to communicate. They differ from semantic barriers, which concern language and meaning, and organisational barriers, which arise from organisational arrangements.

Step 1: Identify the nature of personal barriers Even when a communication channel is available and the words are clear, communication may fail because a person deliberately withholds information, distrusts another person or sees no benefit in sharing ideas. The following four personal barriers explain such failures.

Step 2: Describe the four personal barriers

- **Fear of challenge to authority:** A superior may fear that communicating particular information will weaken the superior's authority or position. The superior may therefore withhold or suppress it. For example, an employee's useful suggestion may not be forwarded because the superior fears that recognising it would expose a weakness in the superior's own decisions. Relevant information consequently fails to reach those who need it.
- **Lack of confidence of the superior in subordinates:** When a superior doubts subordinates' ability to understand or act on information, the superior may avoid seeking their advice or opinions. Their ideas and knowledge are then excluded from the communication process. The absence of trust restricts participation and prevents useful upward communication, even when employees possess relevant experience.

- **Unwillingness to communicate:** A subordinate may withhold information when its disclosure is expected to harm personal interests. For example, an employee may conceal a mistake through fear of punishment or an unfavourable assessment. Management then receives incomplete information and cannot understand the actual situation or take corrective action in time.
- **Lack of proper incentives:** When suggestions and contributions receive no recognition or reward, employees may see no reason to communicate useful information. They may stop offering ideas for improvement because the effort brings no appreciation or benefit. The organisation consequently loses valuable feedback and employee suggestions that could improve its functioning.

Step 3: Conclusion The main personal barriers are fear of challenge to authority, a superior's lack of confidence in subordinates, unwillingness to communicate and lack of proper incentives. Each restricts the exchange of information through personal attitudes or motives, even where formal communication facilities exist.

Quick Tip to Solve: Remember the four personal causes as authority, confidence, willingness and incentives; explain whose attitude obstructs communication and what information is lost.