CBSE Class 12 Business Studies Question Paper 2015 with Solution PDF-Set 66/1/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 80**

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. What is meant by 'efficiency' in management? [1 mark]

Solution:

Concept:

- Efficiency means doing a task correctly with minimum cost and minimum wastage of resources.
- It concerns the relationship between inputs used and output produced, including money, materials, effort and time.

Step 1: Identify the resource criterion An efficient manager uses the available resources economically. For a given level of output, the aim is to minimise the inputs consumed without compromising the required quality.

Step 2: State the meaning precisely Efficiency in management means completing activities in the best possible manner at the least possible cost. It therefore emphasises doing things right and avoiding unnecessary wastage.

Step 3: Conclusion Efficiency is doing the task correctly at minimum cost, using the least possible resources and avoiding wastage.

Quick Tip to Solve: Link efficiency with economical use of inputs; link effectiveness with achievement of the intended objective.

2. How does management help in achieving personal objectives? State. [1 mark]

Solution:

Concept:

- Personal objectives are the individual needs and aspirations of employees, such as fair remuneration, recognition and growth.
- Management integrates individual objectives with organisational objectives so that working for the organisation also benefits employees.

Step 1: Recognise employees' needs Employees join an organisation to satisfy needs such as earning an adequate salary, obtaining recognition and developing their abilities. Management must take these individual expectations into account.

Step 2: Explain how management helps Through motivation, fair rewards and opportunities for personal development, management enables employees to achieve their personal objectives while contributing to the goals of the organisation.

Step 3: Conclusion Management helps achieve personal objectives by motivating employees and meeting their financial and developmental needs in harmony with organisational goals.

Quick Tip to Solve: For personal objectives, connect employee needs and rewards with the organisation's goals rather than discussing profit alone.

3. Define 'planning premises'. [1 mark]

Solution:

Concept:

- Planning is concerned with future action, but future conditions cannot be known with certainty.
- Planning premises are the assumptions about the future environment on which plans are based.

Step 1: Identify the need for assumptions Before preparing a plan, managers make assumptions about the conditions likely to prevail during the period of the plan. These may concern demand, prices, costs or government policy.

Step 2: Define the term Planning premises are assumptions about future conditions and events that provide the base for developing plans. They give planners a common basis for deciding what course of action to adopt.

Step 3: Conclusion Planning premises are the assumptions about future conditions on which plans are formulated.

Quick Tip to Solve: Remember premises as the assumed future setting of a plan; they are its foundation, rather than the plan's final objective.

4. Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are co-ordinated and interlinked and authority-responsibility relationship is established among various job positions. There is clarity on who is to report to whom.

Name the function of management discussed above. [1 mark]

Solution:

Concept:

- Organising identifies and groups work, assigns duties and establishes authority-responsibility relationships.
- The organising function creates a structure that clarifies reporting relationships among job positions.

Step 1: Locate the decisive case evidence The case states that an 'authority-responsibility relationship is established among various job positions' and that there is 'clarity on who is to report to whom'. These are direct indicators of organising.

Step 2: Connect the evidence with the function By linking departments and defining authority and responsibility, the company creates the framework within which employees perform their assigned work. This establishes the organisation structure needed to achieve its production objective.

Step 3: Conclusion The function of management discussed is organising.

Quick Tip to Solve: Identify organising from assignment of duties, authority-responsibility relationships and clarity of reporting lines.

5. Explain how 'cost of debt' affects the choice of capital structure of a company. [1 mark]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company.
- The cost of debt, principally interest payable on borrowed funds, influences how attractive debt is as a source of finance.

Step 1: Consider a lower borrowing cost When a company can borrow at a lower rate of interest, debt becomes relatively cheaper. Other things remaining the same, the company can therefore prefer a larger proportion of debt in its capital structure.

Step 2: Consider a higher borrowing cost If the cost of debt rises, the interest burden increases and debt becomes less attractive. The company then tends to rely less on debt and more on equity, subject to its risk and repayment capacity.

Step 3: Conclusion Lower cost of debt encourages a higher proportion of debt, whereas higher cost of debt discourages its use in the capital structure, other factors remaining the same.

Quick Tip to Solve: Compare borrowing costs before choosing debt: cheaper interest favours debt, while a higher interest burden reduces its appeal.

6. 'Indian Logistics' has its own warehousing arrangements at key locations across the country. Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time.

State with reason, whether the working capital requirements of 'Indian Logistics' will be high or low. [1 mark]

Solution:

Concept:

- Working capital finances day-to-day operations through current assets such as inventories and receivables.
- The nature of business affects this requirement: service enterprises generally need less working capital than manufacturing enterprises.

Step 1: Identify the nature of the business 'Indian Logistics' provides 'warehousing services' to business firms. It is therefore a service enterprise, rather than a manufacturer that must maintain raw materials and work-in-progress.

Step 2: Relate the service activity to working capital A service business generally does not need to invest heavily in inventories of raw materials and finished goods. Its own warehouses are fixed assets; owning them does not by itself imply a high requirement for day-to-day working capital.

Step 3: Conclusion The working capital requirement of Indian Logistics will be low because it is a service enterprise and does not need substantial inventory investment.

Quick Tip to Solve: Distinguish the cost of owning warehouses, a fixed-capital investment, from funds tied up in day-to-day inventories.

7. 'Beauty Products Ltd' is a natural and ethical beauty brand famous for offering organic beauty products for men and women. The company uses plant based materials for its products and is the No. 1 beauty brand in the country. It not only satisfies its customers but also believes in overall protection of the planet.

Identify the marketing management philosophy being followed by 'Beauty Products Ltd.' [1 mark]

Solution:

Concept:

- The societal marketing concept balances customer satisfaction, the firm's objectives and the long-term welfare of society.
- It extends the marketing concept by considering social and environmental consequences rather than customer satisfaction alone.

Step 1: Identify evidence of customer satisfaction The company 'not only satisfies its customers'. This shows that it takes consumer needs into account in its marketing decisions.

Step 2: Identify the wider social concern It also 'believes in overall protection of the planet' and uses 'plant based materials'. This concern for environmental welfare, together with customer satisfaction, points to the societal marketing concept.

Step 3: Conclusion Beauty Products Ltd. follows the societal marketing concept, combining customer satisfaction with protection of the environment and society's long-term welfare.

Quick Tip to Solve: When a case combines satisfied customers with environmental or social welfare, identify societal marketing rather than marketing alone.

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8. On Sonika's birthday her mother gave her a pair of gold earrings. After one month Sonika observed that the ear-rings are losing their shine. She checked the mark on the ear-rings and found that it was not a proper Hallmark and her mother had been cheated by the shopkeeper. So, she filed a complaint in the district forum which rejected it. Not satisfied by the decision of district forum, she was very much disturbed and after two months decided to appeal further.

Can Sonika appeal against the decision of the district forum? Give reason in support of your answer.

[1 mark]

Solution:

Concept:

- Under the consumer-redressal machinery applicable to this paper, an aggrieved party may appeal against a District Forum order to the State Commission.
- The normal time limit for filing this appeal is 30 days from the date of the order.

Step 1: Identify the applicable appeal period A consumer dissatisfied with a District Forum decision must ordinarily approach the State Commission within 30 days. This period concerns the appeal against the order, rather than the time since buying or receiving the goods.

Step 2: Apply the period to Sonika The case says Sonika decided to appeal 'after two months'. She has exceeded the normal 30-day limit. Therefore, on the facts stated, she cannot appeal in the ordinary

prescribed period. No sufficient cause for condoning this delay is established in the question.

Step 3: Conclusion No. Sonika decided to appeal after two months, whereas an appeal against the District Forum order should be filed before the State Commission within 30 days of the order.

Quick Tip to Solve: For an appeal question, identify the forum above the one that decided the complaint and count the time from its order.

9. What is meant by 'functional structure' of an organisation? State its any two advantages. [3 marks]

Solution:

Concept:

- A functional structure groups activities and jobs of a similar nature into separate departments, such as production, finance, marketing and personnel.
- Each department specialises in a particular business function, allowing employees performing similar work to develop expertise.

Step 1: Define the basis of grouping **Meaning:** A functional structure is an organisational structure formed by grouping jobs of a similar nature under major functions. For example, production activities are placed in the production department and financial activities in the finance department. A functional head directs and coordinates the work within each department, while the departments contribute to the overall objectives of the enterprise.

Step 2: Explain two advantages **Occupational specialisation:** Repeated performance of related tasks and interaction with people doing similar work develop expertise in a function. Specialists concentrate on their own area, improving the quality and efficiency of its performance.

Economy of operations: Activities of the same kind are brought together, reducing duplication of effort and facilities. Human and material resources can be used more effectively within the function, helping to lower operating costs.

Step 3: Conclusion A functional structure groups similar jobs into functional departments. Two advantages are occupational specialisation and economy of operations.

Quick Tip to Solve: Identify the grouping basis first: departments called production, finance and marketing indicate a functional structure, whereas departments based on products indicate a divisional structure.

10. Explain how the 'product related factors' affect the choice of channels of distribution? [3 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the ultimate consumer.
- Product characteristics determine how much handling, storage, selling effort and technical service the channel must provide. These characteristics therefore influence the length and type of channel.

Step 1: Consider the nature and life of the product **Industrial or consumer product:** Industrial goods generally need fewer intermediaries because buyers are relatively few and often need specialist advice. Consumer goods usually require wider market coverage, so wholesalers and retailers may be used.

Perishability: Perishable products require a short channel so that they reach buyers quickly, with fewer delays and less risk of spoilage. Durable products can generally pass through longer channels.

Step 2: Consider value, complexity and physical bulk **Unit value:** High-value products normally favour shorter channels; their value can support direct selling costs. Low-unit-value articles generally require intermediaries to distribute them economically to many buyers.

Technical complexity: Complex products often need demonstration, installation and after-sales service, favouring direct selling or specialised dealers.

Bulk and weight: Bulky or heavy goods favour shorter channels to reduce repeated handling and transport costs.

Step 3: Conclusion The nature, perishability, unit value, technical complexity and bulk of a product guide channel selection. A short channel suits goods needing quick delivery, specialist service or minimal handling; widely purchased consumer articles may need longer channels for market coverage.

Quick Tip to Solve: Connect each product characteristic to its distribution need: speed for perishables, expert service for complex goods and lower handling costs for bulky goods.

11. Pramod was a supervisor at 'Annapurna Aata' factory. The factory was producing 200 quintals of aata every day. His job was to make sure that the work goes on smoothly and there was no interruption in production. He was a good leader who would give orders only after consulting his subordinates and work out the policies with the acceptance of the group.

Identify and describe the leadership style being adopted by Pramod. [3 marks]

Solution:

Concept:

- Leadership is the process of influencing people so that they willingly work towards organisational objectives.
- A democratic or participative leader consults subordinates and involves them in decisions, rather than deciding every matter alone.

Step 1: Identify the style from the case Pramod adopts **democratic or participative leadership**. The decisive evidence is that he gives orders 'only after consulting his subordinates' and works out policies 'with the acceptance of the group'. These statements show participation in decision-making, rather than unilateral commands.

Step 2: Describe how this leadership operates **Consultation and participation:** A democratic leader invites the views and suggestions of subordinates when making decisions and framing policies. Communication flows in both directions, allowing employees to discuss work problems with their supervisor.

Group involvement and support: The leader explains proposed decisions and seeks the cooperation

of the group. Participation can improve acceptance of decisions and encourage employees to take responsibility for implementing them.

Guidance with involvement: The leader continues to guide and coordinate the work; participation does not mean leaving employees entirely on their own. Pramod remains responsible for smooth production while consulting his team.

Step 3: Conclusion Pramod is a democratic or participative leader: he consults his subordinates before giving orders and frames policies with the acceptance of the group.

Quick Tip to Solve: Use the decision-making clue: consultation and group acceptance indicate democratic leadership; decisions imposed alone indicate autocratic leadership.

12. 'Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions.' Explain any three such functions. [3 marks]

Solution:

Concept:

- A financial market links savers who have surplus funds with businesses and other users who need funds for productive activities.
- By facilitating the movement and exchange of financial assets, the market helps scarce savings reach suitable investment opportunities.

Step 1: Explain mobilisation of savings and their allocation **Mobilisation of savings and channelling them into the most productive uses:** A financial market facilitates the transfer of savings from savers to investors. It offers savers different investment avenues and enables businesses to raise funds. Savers can compare available opportunities and direct their funds towards productive investments. Thus, money that might otherwise remain idle becomes available for economic activity.

Step 2: Explain how the market discovers prices **Facilitation of price discovery:** The interaction of demand for funds by businesses and supply of funds by households helps establish the price of financial assets. Buyers and sellers express the prices at which they are willing to trade. Their interaction in the financial market determines security prices and provides information that guides investment decisions.

Step 3: Explain the provision of liquidity **Provision of liquidity to financial assets:** Financial markets provide a mechanism through which financial assets can be bought and sold. Investors can convert their holdings into cash by selling them in the market, rather than waiting for the investment to mature. This ease of exit makes investors more willing to commit savings to financial assets in the first place.

Step 4: Conclusion Mobilising and channelling savings, facilitating price discovery, and providing liquidity are three functions through which financial markets support the allocation of scarce financial resources in an economy.

Quick Tip to Solve: For each financial-market function, explain the service it provides: moving savings, discovering prices, or making investments saleable for cash.

13. Neeraj, a sales representative of 'Omida Ltd.' has changed seven jobs in the last one year. He is a hard working person but is not able to finalise deals with the customers due to his inadequate vocabulary and omission of needed words. Sometimes he uses wrong words because of which intended meaning is not conveyed. All this created a mis-understanding between him and his clients.

(a) Identify the communication barrier discussed above.

(b) State the category of this communication barrier.

(c) Explain any other communication barrier of the same category. [3 marks]

Solution:

Concept:

- Communication is effective when the receiver understands the message in the sense intended by its sender. Encoding the idea clearly is therefore essential.
- Semantic barriers arise from problems in the meaning and interpretation of words, symbols and messages. They include badly expressed messages and faulty translations.

Step 1: Identify the specific barrier in the case **(a) Badly expressed message:** Neeraj is unable to express his ideas clearly through appropriate words. The case mentions his "inadequate vocabulary and omission of needed words" and says that he sometimes "uses wrong words". These are direct signs of a badly expressed message. The customers consequently fail to understand the intended meaning, which explains the misunderstanding and his difficulty in finalising deals. His hard work does not remove this defect in the expression of his message.

Step 2: State its category **(b) Semantic barrier:** A badly expressed message belongs to the category of semantic barriers. Here, the problem concerns the words used to encode the message and the meaning conveyed to the receiver. It is not identified merely from Neeraj's frequent job changes; the decisive evidence is his inadequate and incorrect use of words.

Step 3: Explain another barrier in the same category **(c) Faulty translations:** When the sender and receiver use different languages, a message may need translation. If the translator is not proficient in both languages, or translates words without preserving their intended meaning, the translated message can differ from the original. The receiver then acts on an incorrect interpretation. This is another semantic barrier because the obstacle lies in conveying the correct meaning through language; it is an illustration of the category, not an additional event stated in Neeraj's case.

Step 4: Conclusion Neeraj faces the barrier of a **badly expressed message**, which is a **semantic barrier**. **Faulty translations** are another semantic barrier: an inaccurate translation changes or obscures the intended meaning.

Quick Tip to Solve: Distinguish the specific barrier from its category: wrong or missing words indicate a badly expressed message, within semantic barriers.

14. What is meant by 'business environment'? State any three points of its importance. [4 marks]

Solution:

Concept:

- Business environment is the sum total of all individuals, institutions and other forces outside the control of a business enterprise that may affect its performance.
- Customers, competitors, suppliers, government and economic, social, political, legal and technological conditions form the external environment. Understanding them helps an enterprise respond to change.

Step 1: State the meaning of business environment The term refers to the totality of external forces that influence the functioning and performance of an enterprise, although they lie outside its control. These forces may affect a business directly, as customers and competitors do, or indirectly, through wider economic and social conditions. A firm therefore has to study its surroundings rather than make decisions in isolation.

Step 2: Identify opportunities and gain the first-mover advantage **Recognising opportunities:** Environmental understanding enables a firm to identify positive external changes early and use them to its advantage. For example, noticing a growing preference for healthier food can help an enterprise introduce suitable products before its competitors. Acting early allows it to establish a favourable position in the market.

Step 3: Identify threats and obtain early warning signals **Recognising threats:** A study of the environment helps a firm detect adverse developments, such as a new competitor or a change in technology, before they seriously damage its business. These warning signals give management time to prepare a response, improve its products or revise its methods and thereby reduce the effect of the threat.

Step 4: Assist planning and policy formulation **Improving plans and policies:** Information about customers, competition, government policy and other external conditions provides a sound basis for deciding the firm's future course of action. Plans grounded in the actual environment are more realistic, and policies can be adjusted when conditions change. This helps the enterprise pursue its objectives effectively.

Step 5: Conclusion Business environment comprises the external forces affecting an enterprise. Its understanding helps identify opportunities and gain first-mover advantage, detect threats early, and formulate suitable plans and policies.

Quick Tip to Solve: After defining the external environment, explain three distinct benefits; show how each benefit helps the enterprise take a better decision.

15. Explain the following rights of a consumer as provided under Consumers Protection Act 1986 :

(a) Right to be informed; and

(b) Right to seek redressal. [4 marks]

Solution:

Concept:

- Consumer rights protect buyers against unfair trade practices and exploitation. The right to be informed enables an informed purchase, while the right to seek redressal provides a remedy when the consumer suffers a justified grievance.
- Under the Consumer Protection Act, 1986, consumers may seek relief for defective goods, deficient services and unfair trade practices through the consumer redressal machinery.

Step 1: Explain the right to be informed **Meaning:** A consumer has the right to obtain complete information about the product or service being purchased. This includes its quality, quantity, potency, purity, standard and price. Such information enables the consumer to compare alternatives, judge suitability and make a considered buying decision instead of relying on misleading claims.

Step 2: Describe the information that makes the right useful **Practical protection:** Product information may include ingredients, date of manufacture, expiry date, directions for use and the maximum retail price, as applicable. For example, checking an expiry date helps a buyer avoid an expired product, while knowing the stated quantity and price helps the buyer identify short supply or overcharging. Labels and other relevant disclosures therefore allow consumers to protect their interests before purchasing.

Step 3: Explain the right to seek redressal **Meaning:** A consumer has the right to seek relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation. If goods are defective or services are deficient, the consumer can have a genuine complaint considered by the appropriate consumer redressal agency. A small financial loss does not remove the consumer's right to seek a remedy.

Step 4: State the relief that may be provided **Suitable remedies:** Depending on the facts of the complaint, relief may include removal of the defect, replacement of the goods, refund of the price paid, or reasonable compensation for the loss or injury suffered. For example, a purchaser supplied with a defective appliance can seek an appropriate remedy rather than simply bear the loss. The remedy must relate to the grievance established in the case.

Step 5: Conclusion The right to be informed ensures access to complete product information for an informed choice. The right to seek redressal enables the consumer to obtain suitable relief, such as replacement, refund or compensation, for a justified complaint.

Quick Tip to Solve: Separate these rights by timing: information guides the buying decision; redressal provides relief when a justified consumer grievance arises.

16. Samir Gupta started a telecommunication company, 'Donira Ltd.' to manufacture economical mobile phones for the Indian rural market with 15 employees. The company did very well in its initial years. As the product was good and marketed well, the demand of its products went up. To increase production the company decided to recruit additional employees. Samir Gupta, who was earlier taking all decisions for the company had to selectively disperse the authority. He believed that subordinates are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range.

(a) Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights.

(b) Also explain any three points of importance of this concept. [4 marks]

Solution:

Concept:

- Decentralisation is the systematic dispersal of decision-making authority to lower levels of management, except for authority that must remain at the centre.
- It expresses confidence in the ability of subordinates and allows them to take decisions within the authority entrusted to them. Its importance includes developing initiative, developing managerial talent and facilitating growth.

Step 1: Identify the concept from the case **(a) Decentralisation:** Samir Gupta adopted decentralisation. He had previously taken all decisions himself, but now had to 'selectively disperse the authority'. His belief that subordinates are 'competent, capable and resourceful' and can implement their decisions shows trust in decision-making at lower levels.

Step 2: Explain how it develops initiative **(b)(i) Develops initiative among subordinates:** When employees can decide how to handle matters within their authority, they learn to rely on their own judgement. They gain confidence, take responsibility for results and show initiative instead of referring every matter to Samir. This helps the growing company respond to operational needs.

Step 3: Explain how it develops managerial talent **(ii) Develops managerial talent for the future:** Making and implementing decisions gives subordinates practical experience in handling problems. They learn to assess alternatives and take responsibility for outcomes. This prepares them for more demanding managerial positions as Donira Ltd. expands.

Step 4: Explain how it facilitates growth **(iii) Facilitates growth:** Distributing authority gives lower levels greater autonomy and reduces dependence on a single decision maker. Departments can function more independently, while senior management concentrates on important matters. This supports expansion, as reflected in the company's ability to 'increase its production' and 'expanded its product range'.

Step 5: Conclusion The concept is **decentralisation**. It helped Donira Ltd. by encouraging initiative, developing future managers and enabling the organisation to grow through a wider distribution of decision-making authority.

Quick Tip to Solve: Link decentralisation to systematic dispersal of authority across levels; identify the case clue first, then explain each benefit separately.

17. The workers of 'Vyam Ltd.' are unable to work on new and hi-tech machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor. The supervisor is overburdened with the frequent calls of workers.

Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently?

Also state any three benefits that the workers will derive by the decision of the supervisor. [4 marks]

Solution:

Concept:

- Training is the process of increasing employees' knowledge, skills and aptitude for a specific job. It equips them to use the methods and equipment required in that job.
- Benefits of training to employees include better career opportunities, higher earnings through improved performance, and greater safety through correct handling of machines.

Step 1: Recommend training for the workers **Provide training:** The supervisor should arrange training in the operation of the new machines. The clue is that workers are 'unable to work on new and hi-tech machines' and seek 'extra guidance'. Demonstration, guided practice and feedback can teach the required operating procedures and precautions. Once workers acquire these job-specific skills, they can perform routine work independently, reducing repeated calls to the supervisor.

Step 2: State the benefit of better career opportunities **(i) Better career opportunities:** Training improves workers' skills and knowledge and makes them more capable of handling their work. Such improved competence prepares them for more responsible jobs and better opportunities for promotion. They can adapt to technologically advanced work instead of remaining dependent on others for basic operating instructions.

Step 3: State the benefit of higher earnings **(ii) Higher earnings:** Improved skills enable workers to perform more efficiently and produce better results. Better performance can help them earn more, for example through performance-linked remuneration or opportunities for advancement. Training thus strengthens their earning capacity; it does not mean that a pay increase is automatic in every organisation.

Step 4: State the benefit of greater safety **(iii) Increased safety:** Workers who learn the correct way to operate complex machines can handle them more efficiently and follow necessary precautions. This reduces the likelihood of accidents and injury arising from improper operation. Training therefore helps protect the workers while enabling them to use the new equipment confidently.

Step 5: Conclusion The supervisor should provide **training** in operating the hi-tech machines. The workers can gain better career opportunities, improved earning capacity through better performance, and greater safety at work.

Quick Tip to Solve: When asked for benefits to workers, focus on their career, earnings and safety rather than only the employer's productivity or profits.

18. 'Aapka Vidyalaya' believes in holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its founders day a stage performance had to be put up. A committee of ten prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. There was a spirit of unity and harmony and all members supported each other. With mutual trust and belongingness the programme was systematically planned and executed. Kartik, one of the prefects realised that unknowingly the group had applied one of the principles of management while planning and executing the programme. He was so inspired by the success of the function that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.

(a) Identify the principle of management applied for the success of the programme.

(b) State any two features of management highlighted in the above para.

(c) Identify any two values which 'Aapka Vidyalaya' communicated to the society. [4 marks]

Solution:

Concept:

- Fayol's principle of esprit de corps promotes team spirit, unity and harmony among members of an organisation.
- Management is a group activity and is all-pervasive: people coordinate their efforts in organisations of different kinds.

Step 1: Identify the management principle in part (a) The principle is **esprit de corps**. The words "There was a spirit of unity and harmony and all members supported each other" show that the prefects worked as a united team. Their "mutual trust and belongingness" strengthened cooperation. Fayol advocated promoting team spirit and replacing an individualistic attitude with a sense of "we". Such unity enabled the committee to plan and execute the programme successfully.

Step 2: State two features of management for part (b) **Management is a group activity:** The school constituted "a committee of ten prefects" to plan the function. Different members combined and coordinated their efforts towards the common objective of a successful stage performance; management directed the work of the group rather than an isolated person.

Management is all-pervasive: The principle used in the school programme was also used in the father's business, as shown by "His father replied that he was already using this principle." Management is needed in educational institutions as well as business enterprises, although its specific practices may vary with the organisation.

Step 3: Identify two social values for part (c) **Environmental responsibility:** The decision to "use recycled paper for decoration" conveys concern for conservation of resources and protection of the environment.

Cooperation and mutual trust: The statement that "all members supported each other", together with their "mutual trust and belongingness", conveys the value of helping others and working harmoniously towards a common purpose.

Step 4: Conclusion (a) The principle is esprit de corps. (b) The two features are management as a group activity and its all-pervasive nature. (c) The school communicates environmental responsibility and cooperation with mutual trust.

Quick Tip to Solve: Separate the three demands: unity identifies Fayol's principle, school plus business shows pervasiveness, and recycled paper reveals an environmental value.

19. 'Ganesh Steel Ltd.' is a large and credit-worthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money-market.

(a) Name and explain the money-market instrument the company can use for the above purpose.

(b) What is the duration for which the company can get funds through this instrument?

(c) State any other purpose for which this instrument can be used. [4 marks]

Solution:

Concept:

- Commercial paper is an unsecured, negotiable, short-term promissory note issued by large and creditworthy companies to raise funds in the money market.
- Short-term funds raised through commercial paper can bridge an immediate financing need while the company arranges its permanent long-term finance.

Step 1: Name and explain the instrument for part (a) Ganesh Steel Ltd. can issue **commercial paper**. It is an unsecured promissory note, negotiable and transferable by endorsement and delivery, with a fixed maturity period. It is normally issued at a discount to its face value and redeemed at face value. As no specific asset is offered as security, an issuer needs a strong credit standing to attract investors. The case calls the company "large and credit-worthy", which makes commercial paper suitable. Its immediate requirement is "to meet the expenses of floatation cost" of the equity issue. Commercial paper supplies short-term bridge finance for these expenses while the company raises the long-term funds through shares. The money-market borrowing does not itself replace the equity finance intended for the new machines.

Step 2: State the duration for part (b) The company can raise funds through commercial paper for a period ranging from **15 days to one year**. This is a short-term instrument of the money market. The selected maturity should match the period for which the temporary funds are required, so that the company can meet its repayment obligation when the note matures.

Step 3: State another purpose for part (c) Commercial paper can also finance the company's **working capital requirements**. For example, it can provide temporary funds for purchasing raw materials or meeting routine operating expenses until receipts from sales become available. Thus, besides meeting flotation expenses, it helps a creditworthy company bridge a short-term gap between cash payments and cash receipts.

Step 4: Conclusion (a) The suitable instrument is commercial paper, an unsecured and negotiable short-term promissory note. (b) Its duration ranges from 15 days to one year. (c) It can also be used to finance working capital requirements.

Quick Tip to Solve: A large creditworthy company needing temporary funds for flotation expenses points to commercial paper; distinguish this bridge finance from the long-term equity issue itself.

20. State any five features of 'Planning'. [5 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It bridges the gap between the present position and the desired future position of the organisation.
- The features of planning describe its basic nature as a management function. They explain how plans guide objectives, other managerial activities and decisions at different organisational levels.

Step 1: State its focus on objectives and its primary position **1. Planning focuses on achieving objectives:** Plans specify the goals to be attained and the actions necessary to attain them. Activities are selected because they contribute to the organisation's objectives; planning therefore gives purposeful direction to effort rather than allowing unrelated activities to take place.

2. Planning is a primary function of management: Planning lays the foundation for the other management functions. Organising resources, staffing positions, directing employees and controlling performance are carried out within the framework of the plans. Managers must know what is to be achieved before deciding how people and resources will be arranged.

Step 2: State its scope, continuity and orientation to the future **3. Planning is pervasive:** Planning is required at all levels of management and in every department. Top management prepares plans for the organisation as a whole, while middle and supervisory managers prepare plans for their own areas. Its scope and detail differ with the level, but no level can dispense with it.

4. Planning is continuous: Plans are prepared for a definite period. At the end of that period, new plans are needed; during the period, changed circumstances may also require revision. Thus preparing, implementing and reviewing plans form an ongoing process rather than an isolated exercise.

5. Planning is futuristic: Planning involves looking ahead and anticipating future events. Managers use forecasts and assumptions about likely conditions to choose courses of action. It is concerned with making present decisions in the light of expected future opportunities and challenges, even though the future cannot be predicted with complete certainty.

Step 3: Conclusion Any five features are that planning focuses on achieving objectives, is the primary function of management, is pervasive, is continuous and is futuristic. Each feature describes the nature of planning and its role in directing organisational activity.

Quick Tip to Solve: For a question on features, use headings that describe the nature of planning, then add a sentence explaining each; keep benefits such as reducing waste for questions on its importance.

21. Smita had been working as an assistant manager with 'Johnson Enterprises' for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Smita would be promoted. But to everyone's surprise the vacant post was filled by an outsider, Mrs. Rita. Smita felt demoralised and her performance started declining. She would abstain herself often and could not meet her targets.

Mrs. Rita was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Smita's behaviour and felt that her performance could be improved. She started involving Smita in decision making-issues related to the organisation and made her a part of high level joint-management committee. Smita was now punctual in office and her performance started improving. [5 marks]

21(i). Identify the function of management being performed by Rita.

Solution:

Concept:

- Directing is the managerial function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- Directing initiates action by influencing employees to work effectively towards organisational objectives.

Step 1: Recognise the activities in the case Rita would "not only instruct her subordinates but would also guide and inspire them". These words show that she is influencing employees in the performance of their duties, rather than merely preparing plans or assigning positions.

Step 2: Connect the activities with the managerial function The function is **directing**. It includes instructing, guiding, counselling, motivating and leading employees so that their efforts contribute to organisational goals. Rita guides and inspires her subordinates and helps improve their performance, which brings planned work into effective action.

Step 3: Conclusion Rita is performing the **directing** function of management.

Quick Tip to Solve: Look for instructing, guiding and inspiring people: these actions identify directing as the overall managerial function.

21(ii). Name the element of the above function of management which helped Rita to improve Smita's behaviour.

Solution:

Concept:

- Motivation is the process of stimulating people to act in a desired manner to accomplish desired goals. It links an employee's needs with effort towards organisational goals.
- Employee participation is a non-financial incentive. Involving employees in decisions gives them recognition and a sense of belonging, which can improve their willingness to work.

Step 1: Identify the change in willingness to work Smita initially "felt demoralised and her perfor-

mance started declining". Rita responded by "involving Smita in decision making-issues related to the organisation" and making her part of the "high level joint-management committee". This participation provided recognition and a sense of belonging.

Step 2: Name the directing element The element is **motivation**: stimulating people to act in a desired manner to achieve desired goals. Employee participation is a non-financial incentive used here to motivate Smita. Its effect is evident because she became punctual and her performance improved; Rita restored her willingness to contribute.

Step 3: Conclusion The element is **motivation**, exercised through employee participation in organisational decisions.

Quick Tip to Solve: Distinguish the element from its incentive: motivation is the directing element; employee participation is the non-financial incentive used.

21(iii). State any three features of the element identified in (ii) above.

Solution:

Concept:

- Motivation is the process of stimulating people to act in a desired manner to accomplish desired goals. It links an employee's needs with effort towards organisational goals.
- Employees differ in their needs and responses, so motivation must take individual circumstances into account.

Step 1: State the internal and behavioural features

- **Motivation is an internal feeling:** Needs, desires and aspirations within a person create the urge to act. A manager supplies suitable incentives to stimulate this inner willingness; it cannot simply be imposed by an order.
- **Motivation produces goal-directed behaviour:** It directs a person's effort towards satisfying needs and achieving a purpose. When employees' needs are linked to organisational goals, their effort contributes to both. In the case, Smita was "now punctual in office and her performance started improving".

Step 2: Explain why the process is complex **Motivation is a complex process:** Individuals have different needs, expectations and reactions. The same incentive may motivate one person but not another, and needs may change over time. Rita therefore used participation suited to Smita's demoralised condition rather than assuming that a common incentive would work for everyone.

Step 3: Conclusion Three features are that motivation is an internal feeling, produces goal-directed behaviour and is a complex process.

Quick Tip to Solve: For features of motivation, state what it is like; do not substitute a list of financial and non-financial incentives.

22. A company was manufacturing 'LED bulbs' which were in great demand. It was found that the target of producing 300 bulbs a day was not met by the employees. On analysis, it was found that the workers were not at fault. Due to electricity failure and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed.

To meet the increased demand, the company assessed that approximately 88 additional workers were required out of which 8 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work.

(a) Identify the functions of management discussed above.

(b) State the two steps in the process of each function discussed in the above para.

(c) List any two values which the company wants to communicate to the society. [5 marks]

Solution:

Concept:

- Controlling compares actual performance with standards, identifies significant deviations and ensures corrective action so that organisational goals can be achieved.
- Staffing places the right person in the right job. It includes estimating manpower requirements and selecting applicants whose abilities suit the work.

Step 1: Identify the two management functions in part (a) The functions are **controlling** and **staffing**. Controlling is indicated by the unmet "target of producing 300 bulbs a day", the analysis of its causes and the need for "alternative arrangements". Staffing is indicated by the assessment that "approximately 88 additional workers were required" and efforts to "match the ability of the applicants with the nature of work".

Step 2: State the two controlling steps for part (b)

- **Analysing deviations:** The company investigated why actual output fell short of the standard. Its analysis showed that the workers were not at fault; the causes were "electricity failure and shortage of workers". Identifying the real causes prevents management from blaming employees for circumstances beyond their control.
- **Taking corrective action:** Once the causes were known, "alternative arrangements were needed". Corrective action must address those causes, such as arranging a reliable power supply and meeting the shortage of workers, so that production can reach the target. These are suitable remedial measures, rather than a reduction of the target without investigating the problem.

Step 3: State the two staffing steps for part (b)

- **Estimating manpower requirements:** The company assessed the number and type of employees required: 88 additional workers, including eight departmental heads and ten subordinates under each head. Enlisting "required qualifications and job specifications" identifies the skills and abilities needed for the different jobs, rather than merely counting vacancies.
- **Selection:** The company made efforts to "match the ability of the applicants with the nature of work". Selection means choosing the most suitable applicants for the jobs by assessing their

abilities against the job requirements. This is the right-person-for-the-right-job stage; recruitment, by contrast, concerns searching for and attracting prospective employees.

Step 4: List two values for part (c)

- **Gender equality and women's empowerment:** The proposed relaxation to "encourage women" to assume responsible positions supports equal opportunities for women in organisational leadership.
- **Social inclusion and equal opportunity:** Encouraging persons from "backward and rural areas" and "persons with special abilities" to assume responsible positions shows concern for disadvantaged groups and respect for their capabilities.

Step 5: Conclusion The functions are controlling and staffing. The controlling steps are analysing deviations and taking corrective action; the staffing steps are estimating manpower requirements and selection. Two values communicated are women's empowerment and social inclusion through equal opportunity.

Quick Tip to Solve: Link each case phrase to its precise process step: finding causes means analysing deviations, assessing numbers and qualifications means manpower estimation, and matching applicants to jobs means selection.

23. With the help of a diagram explain 'Functional Foremanship' as a technique of scientific management.

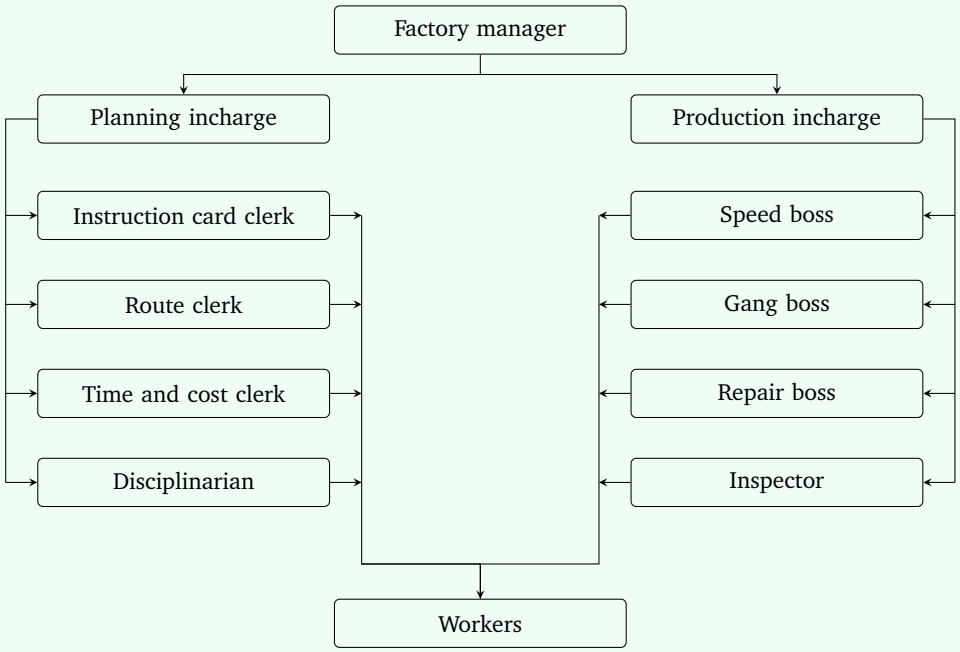
[6 marks]

Solution:

Concept:

- Functional foremanship is Taylor's technique of scientific management that extends specialisation to supervision. Supervisory work is divided among specialists instead of expecting one foreman to possess every technical and managerial quality.
- Planning is separated from execution. Four specialists work under the planning incharge and four under the production incharge; each worker receives directions from these eight specialists within their respective functions.

Step 1: Explain the arrangement of specialised supervision Taylor found that a single foreman could not be equally competent in planning, technical guidance, discipline, speed, maintenance and inspection. Functional foremanship therefore divides the work of supervision into eight specialised functions. Each specialist is responsible for a particular aspect and directly guides workers on that aspect. The planning incharge coordinates the preparation of work, while the production incharge coordinates its actual execution on the shop floor. The diagram shows the two groups and their functional guidance to workers; the specialists within each group are at the same level, rather than forming a chain of command among themselves.



Functional foremanship: eight specialists guide workers in their own functions.

Step 2: Describe the four planning specialists

- **Instruction card clerk:** Prepares instruction cards specifying the instructions workers should follow in handling their jobs, including the method of performing the work.
- **Route clerk:** Specifies the route of production, that is, the sequence of operations through which the work should pass. This avoids confusion about what operation follows the previous one.
- **Time and cost clerk:** Prepares time and cost sheets, specifying the time allowed for a job and its expected cost. These provide standards for carrying out and monitoring the work.
- **Disciplinarian:** Ensures that workers follow rules and instructions and maintains discipline in the organisation.

Step 3: Describe the four production specialists

- **Speed boss:** Ensures that the work is completed accurately and on time, with machines operated at the appropriate speed. The emphasis is on the prescribed pace of production.
- **Gang boss:** Keeps machines, materials, tools and other facilities ready for operation so that workers can begin and continue their assigned jobs without avoidable delay.
- **Repair boss:** Ensures that machines and tools remain in proper working condition through maintenance and repairs. This reduces interruptions arising from equipment failure.
- **Inspector:** Checks the quality of the work produced and ensures that it meets the prescribed specifications and standards.

Step 4: Explain how the technique improves supervision A worker obtains expert assistance for each specific problem: for example, the route clerk clarifies the sequence of operations, while the repair boss attends to a machine fault. Specialisation improves the quality of guidance and supports greater efficiency. Unlike the principle of unity of command, under which an employee has one superior, functional foremanship gives the worker several functional superiors, each with a clearly defined field

of authority.

Step 5: Conclusion Functional foremanship is specialised supervision under two groups: four planning specialists and four production specialists. Their separate expertise guides the same workers in planning and executing work efficiently, as shown in the diagram.

Quick Tip to Solve: Remember the planning group as instructions, route, time and cost, and discipline; remember the production group as speed, gang readiness, repairs, and inspection. Show both groups directing the same workers.

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24. 'Sarah Ltd.' is a company manufacturing cotton yarn. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organisation and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments.

It has taken a loan of ₹ 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement.

The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company.

Quoting the lines from the above discussion identify and explain any four such factors. [6 marks]

Solution:

Concept:

- The dividend decision determines the proportion of earnings distributed to shareholders and the proportion retained in the business for future investment.
- Dividend policy depends on the stability of earnings, availability of cash, growth requirements and contractual restrictions, among other factors. A profitable company must still consider its financing needs and obligations before declaring dividends.

Step 1: Identify stability of earnings **Stability of earnings:** The relevant line is: "It has been consistently earning good profits for many years." Companies with stable earnings can normally commit to higher and more regular dividends than companies whose earnings fluctuate. Sarah Ltd.'s consistent profits make a continuing dividend more dependable, because management can reasonably expect earnings to support payments in future years. A dividend policy should therefore consider the regularity of profits as well as the amount earned in the current year.

Step 2: Examine the cash-flow position **Cash-flow position:** The case states: "There is availability of enough cash in the company". Dividend involves an actual outflow of cash; accounting profit alone does not guarantee the money needed to make the payment. A sound cash position enables the company to pay dividends while meeting its operating commitments. Sarah Ltd.'s cash availability is therefore favourable to dividend payment, subject to its other needs and restrictions.

Step 3: Consider opportunities for growth **Growth opportunities:** The words "good prospects for growth in future" identify this factor. A company with attractive growth opportunities needs funds to finance expansion. It may retain a larger proportion of its profits, since retained earnings provide

internal finance without issuing new securities. Thus Sarah Ltd.'s growth prospects favour retention and may reduce the proportion distributed now, even though its profits and cash position permit payment.

Step 4: Respect contractual constraints **Contractual constraints:** The case says that the company "is bound by certain restrictions on the payment of dividend according to the terms of loan agreement." Lenders may impose conditions limiting dividend distribution to protect their loans. When declaring dividends, Sarah Ltd. must comply with the conditions attached to its IDBI loan of Rs 40 lakhs. It cannot distribute profits in breach of those terms merely because it has sufficient cash or because shareholders desire regular income.

Step 5: Conclusion Any four relevant factors are stability of earnings, cash-flow position, growth opportunities and contractual constraints. Sarah Ltd. must balance its capacity to pay dividends with the need to retain funds for growth and comply with the loan agreement.

Quick Tip to Solve: Match each case quotation to one distinct factor: regular profits show stability, cash permits payment, growth favours retention and loan terms impose contractual limits.

25. 'Hayaram' is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales.

The above para describes the combination of variables used by Hayaram to prepare its market offering. Identify and explain the variables. [6 marks]

Solution:

Concept:

- The marketing mix is the combination of variables chosen by a firm to prepare its market offering and achieve its marketing objectives in the target market.
- Its four elements are product, price, place and promotion, commonly called the four Ps. These decisions must work together to satisfy customers and support the firm's market position.

Step 1: Identify the product decisions **Product:** The case states: "Their products include chips, biscuits, sweets and squashes." Product means the goods or services offered to satisfy customers' needs. Product decisions cover the product range, quality, features, branding, packaging and related services. Hayaram's variety of food products constitutes its product offering, while its emphasis on quality helps distinguish that offering. These decisions determine what benefits customers receive from buying its products.

Step 2: Identify the price decisions **Price:** The case says: "It charges a comparatively higher price than its competitors as it sells quality products." It also "offers regular discounts to its customers and easy credit terms to its retailers." Price is the amount customers must pay to obtain the product. Pricing decisions include the basic price, discounts, allowances and credit terms. Hayaram's higher

price supports its quality positioning; discounts and credit terms affect the effective terms on which customers and retailers purchase its products.

Step 3: Identify the place decisions **Place or physical distribution:** The relevant evidence is: "It has five of its own retail shops. It also sells its products through various grocery stores". Place concerns making products available to target customers at the right place and time. It includes selecting distribution channels and arranging physical movement, transportation, storage and inventory. Hayaram uses both its own shops and grocery retailers as outlets so that customers can conveniently obtain the required quantities of its products.

Step 4: Identify the promotion decisions **Promotion:** The case states: "It regularly uses different communication tools to increase its sales." Promotion consists of communicating the availability, features and benefits of products to target customers and persuading them to buy. Its major tools include advertising, personal selling, sales promotion and public relations. The paragraph does not name every communication tool Hayaram actually uses, so these are the tools available under this element rather than additional case facts. Its regular use of communication to increase sales clearly identifies promotion.

Step 5: Conclusion The variables are **product, price, place and promotion**. Hayaram combines its range of quality products, pricing and purchase terms, retail distribution network and sales communication to prepare its market offering.

Quick Tip to Solve: Sort the case into four questions: what is sold, what buyers pay, where it is available and how buyers hear about it. These give product, price, place and promotion.