CBSE Class 12 Business Studies Question Paper 2015 with Solution PDF-Set 66/1/2

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. '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.
- Nature of business affects the amount needed: a service enterprise normally requires less working capital than a manufacturing enterprise.

Step 1: Identify the nature of the enterprise Indian Logistics provides warehousing services. The case says its 'warehousing services help business firms'; it is not described as purchasing raw materials and manufacturing goods.

Step 2: Relate its operations to current assets A service enterprise does not normally need substantial stocks of raw materials, work-in-progress and finished goods. Its investment in these current assets is therefore comparatively small, even though it still needs cash to meet routine expenses.

Step 3: Conclusion The working capital requirement of Indian Logistics will be comparatively low because it is a service enterprise.

Quick Tip to Solve: Separate investment in warehouse buildings, which is fixed capital, from the funds required for daily operations.

2. '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 interests of the business and the long-term welfare of society.
- Protection of the environment is a concern for societal welfare, beyond merely meeting an immediate customer need.

Step 1: Identify the customer and social concerns The company satisfies its customers and also believes in 'overall protection of the planet'. Its plant-based materials reinforce the environmental concern stated in the case.

Step 2: Name the philosophy The combination of consumer satisfaction and long-term social well-being identifies the societal marketing concept. A customer focus alone would indicate the marketing

concept; the explicit concern for the planet adds the societal dimension.

Step 3: Conclusion Beauty Products Ltd. follows the societal marketing concept.

Quick Tip to Solve: When a case combines customer satisfaction with environmental or social welfare, identify the societal marketing concept.

3. 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 framework applicable to this paper, an appeal against a District Forum order lies before the State Commission.
- The normal period for filing that appeal is 30 days from the date of the order.

Step 1: Compare the elapsed time with the appeal period The case states that Sonika decided to appeal 'after two months'. This exceeds the normal 30-day period for appealing against the District Forum's decision.

Step 2: Apply the rule to the case She cannot appeal as a matter of right within the ordinary limitation period because it has expired. A delayed appeal could be entertained only if the State Commission accepts sufficient cause for the delay; the case does not establish such a cause.

Step 3: Conclusion No, Sonika cannot ordinarily appeal after two months: the prescribed appeal period is 30 days, and that period has elapsed.

Quick Tip to Solve: Identify both the next forum and the time limit: a District Forum appeal goes to the State Commission within 30 days.

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

Solution:

Concept:

- Employees have personal objectives, including financial rewards, recognition, security and opportunities for development.
- Management harmonises individual objectives with organisational objectives so that the achievement of one supports the other.

Step 1: Recognise employees' needs People join an organisation to meet their own needs as well as

to contribute to its work. Management recognises these differing financial, social and developmental expectations.

Step 2: Integrate personal and organisational goals Management motivates employees through suitable rewards, recognition and opportunities for growth. By integrating their personal goals with organisational goals, it helps them satisfy their needs while contributing to organisational performance.

Step 3: Conclusion Management helps achieve personal objectives by motivating employees and integrating their individual needs with organisational goals.

Quick Tip to Solve: For personal objectives, connect employee motivation and need satisfaction with the integration of individual and organisational goals.

5. 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 activities, assigns duties and establishes authority-responsibility relationships.
- A clear reporting relationship tells each employee who is accountable to whom and helps coordinate the work of different positions.

Step 1: Locate the decisive clues The case states that an 'authority-responsibility relationship is established' and that there is clarity on 'who is to report to whom'. These describe the creation of a working organisational structure.

Step 2: Identify the management function Establishing positions and reporting relationships is organising. The daily target of 100 buckets is an objective, but the question focuses on how duties and relationships are arranged to achieve that objective.

Step 3: Conclusion The management function described is organising.

Quick Tip to Solve: Use authority-responsibility and reporting relationships as the strongest clues for organising, even when a case also mentions a target.

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

Solution:

Concept:

- Capital structure is the relative proportion of debt and equity used to finance an enterprise.

- The cost of debt is the interest cost incurred on borrowed funds; it influences how attractive borrowing is as a source of finance.

Step 1: Assess the borrowing cost A lower cost of debt makes borrowing comparatively economical. Other factors remaining the same, the company can consider a larger debt component in its capital structure.

Step 2: Explain the effect of a higher cost A higher cost of debt increases the interest burden and makes borrowing less attractive, encouraging a lower debt proportion and greater reliance on equity. The financing choice must also remain consistent with the company's capacity to meet fixed interest obligations.

Step 3: Conclusion Other things being equal, lower cost of debt encourages a higher debt proportion, while higher cost of debt discourages the use of debt in the capital structure.

Quick Tip to Solve: State the direction clearly: a cheaper borrowing cost favours debt, subject to the ability to pay interest.

7. What is meant by 'co-ordination' in management? [1 mark]

Solution:

Concept:

- Coordination integrates the efforts of individuals and departments towards common organisational objectives.
- It gives unity of action to interdependent activities so that separate contributions work together as a coherent whole.

Step 1: Identify the need to integrate efforts Different individuals and departments perform different tasks, but their work is interdependent. If they work in isolation, their separate efforts may conflict or fail to support the common goal.

Step 2: Define the coordinating process Coordination is the process by which a manager synchronises and integrates the efforts of different individuals and groups to ensure unity of action in the pursuit of common objectives. It connects their activities, rather than merely asking each person to work harder.

Step 3: Conclusion Coordination means integrating and synchronising individual and departmental efforts to ensure unity of action towards common organisational objectives.

Quick Tip to Solve: Include both integration of efforts and unity of action towards common objectives when defining coordination.

8. Define 'Planning'. [1 mark]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done.

- It involves setting objectives and developing appropriate courses of action to achieve those objectives.

Step 1: Identify the future objective A manager first decides the result that the organisation wants to achieve. This gives a definite purpose to future activities.

Step 2: Decide the course of action The manager then decides beforehand the activities and methods needed to attain that result. Thus planning bridges the gap between where we are and where we want to go.

Step 3: Conclusion Planning is the process of setting objectives and developing an appropriate course of action to achieve them; it decides in advance what to do and how to do it.

Quick Tip to Solve: For a definition of planning, join two ideas: setting objectives and deciding the course of action in advance.

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

Solution:

Concept:

- A divisional structure groups organisational activities into separate divisions on the basis of different products or product lines.
- Each division brings together the functions needed for its product and is generally treated as a separate profit centre.

Step 1: Define the structure Under a **divisional structure**, the enterprise is divided into relatively self-contained product divisions. Each division may have its own production, purchasing, marketing and finance activities, while overall policies remain with top management. For example, different product lines can be managed as different divisions rather than placing all production work in one department.

Step 2: Explain two advantages

- **Product specialisation:** A divisional head gains experience in all functions relating to a particular product. This develops general management skills and prepares the manager for higher responsibility.
- **Accountability for performance:** Revenues and costs can be identified separately for each division, so its profit or loss can be assessed. Responsibility for poor performance can be fixed and suitable corrective action taken.

Step 3: Conclusion A divisional structure organises activities around products or product lines. Two advantages are the development of general management skills through product specialisation and clear accountability for divisional performance.

Quick Tip to Solve: In a divisional structure, identify the product first; functions are grouped within each product division, rather than all similar functions being grouped across the enterprise.

10. '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 others who require funds.
- By directing savings towards productive uses and facilitating trade in financial assets, it helps allocate scarce resources in the economy.

Step 1: Explain mobilisation and allocation of savings **Mobilisation of savings and channelising them into the most productive uses:** Financial markets facilitate the transfer of savings from savers to investors. They offer savers investment alternatives and help firms obtain funds. Funds can thereby move towards enterprises offering productive opportunities, rather than remaining idle with individual savers.

Step 2: Explain price discovery **Facilitating price discovery:** In a financial market, households supply funds and business firms demand them. The interaction of demand and supply helps establish prices of financial assets. These prices provide information to buyers and sellers and guide their decisions about investing funds.

Step 3: Explain liquidity **Providing liquidity to financial assets:** Financial markets provide a mechanism for the ready purchase and sale of financial assets. Investors can convert their securities into cash when required instead of having to hold them indefinitely. This makes investment more attractive and encourages the flow of savings into financial assets.

Step 4: Conclusion Three functions are mobilisation and productive allocation of savings, facilitating price discovery, and providing liquidity to financial assets. Together they connect the suppliers and users of funds and support efficient resource allocation.

Quick Tip to Solve: Keep each function distinct: mobilisation moves funds, price discovery determines asset prices, and liquidity enables investors to sell assets for cash.

11. 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:

- Semantic barriers arise from problems in the meaning of words and symbols used in communication.
- A badly expressed message uses inadequate vocabulary, wrong words or omissions, so the receiver

does not understand the meaning intended by the sender.

Step 1: Identify the barrier from the case (a) The barrier is a **badly expressed message**. Neeraj has an "inadequate vocabulary and omission of needed words and "uses wrong words. These defects prevent the customers from receiving the intended meaning. His hard work does not overcome the difficulty because the problem lies in how the message is expressed.

Step 2: State the category (b) It is a **semantic barrier**. Semantics concerns the meaning of words and sentences. Here the words selected and the incomplete expression distort the sales message, creating misunderstanding between Neeraj and his clients.

Step 3: Explain another barrier in the same category (c) **Symbols with different meanings:** A word or symbol may have several meanings, and the receiver may interpret a meaning different from that intended by the sender. For example, the word "value can refer to a price, usefulness or a moral belief. Unless its meaning is clear from the context, the sender and receiver may understand different things even though they use the same word.

Step 4: Conclusion (a) Badly expressed message; (b) semantic barrier; (c) symbols with different meanings are another semantic barrier because the same word or symbol may be interpreted differently by sender and receiver.

Quick Tip to Solve: Link inadequate vocabulary, wrong words and omissions to a badly expressed message; then name its category as semantic before giving another example from that category.

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

Solution:

Concept:

- Channels of distribution are the routes through which goods pass from a producer to consumers. A direct channel has no intermediary, whereas indirect channels include wholesalers, retailers or agents.
- Product-related factors include the nature of the product, its unit value and its technical complexity. A suitable channel must deliver the product in usable condition at a reasonable distribution cost.

Step 1: Examine the nature of the product **Nature of the product:** Industrial products generally need shorter channels, as buyers are relatively few and concentrated and may require personal attention. Consumer products generally use longer channels because many buyers are geographically dispersed. Perishable goods, such as fruits, need short channels to reach buyers before deterioration. Bulky goods also favour short channels because repeated handling and transportation increase their distribution cost.

Step 2: Consider the unit value **Unit value:** Expensive products normally use shorter channels. Their higher unit value can support personal selling and direct contact with a limited number of buyers. Low-priced products generally use longer channels, so intermediaries can distribute large quantities widely and spread selling costs over many units.

Step 3: Assess technical complexity **Technical complexity:** Technically complex products requiring

installation, demonstration or specialised after-sales service need short channels, preferably direct selling or specialised dealers. This allows the producer to explain operation and provide expert assistance. Simple, standardised products that require little technical support can move through longer channels involving wholesalers and retailers.

Step 4: Conclusion The nature, unit value and technical complexity of a product determine the appropriate channel: perishable, bulky, expensive or complex goods usually favour shorter channels, while widely demanded, inexpensive standardised consumer goods can use longer channels.

Quick Tip to Solve: For product factors, organise the answer around nature, unit value and complexity; link each factor explicitly to a shorter or longer channel.

---

13. 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. Leadership style describes how a leader exercises authority and involves subordinates.
- Under democratic or participative leadership, the leader consults subordinates, encourages their participation in decisions and develops policies with their acceptance.

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 decisions rather than unilateral instructions. The factory's daily output describes the setting; consultation is what identifies the leadership style.

Step 2: Describe participation in decisions **Consultation and joint decision-making:** A democratic leader invites employees to express their views and considers their suggestions before making decisions. Policies and work plans are developed through group discussion. The leader guides the discussion towards the organisation's objectives while giving subordinates an opportunity to contribute their knowledge and experience.

Step 3: Explain the leader's role and its effect **Guidance and cooperation:** The leader acts as a member of the group, supports its efforts and encourages cooperation rather than relying only on commands. Participation helps employees understand and accept decisions, improving their willingness to implement them. Pramod can therefore guide workers towards smooth, uninterrupted production while retaining his responsibility as supervisor; participation does not mean abandoning leadership.

Step 4: Conclusion Pramod uses democratic leadership: he consults his subordinates and frames policies with the group's acceptance, encouraging their participation and cooperation in achieving the

factory's production objectives.

Quick Tip to Solve: In a leadership case, quote the decision-making clue: consultation signals democratic leadership, whereas unilateral orders signal autocratic leadership.

14. What is meant by principles of management? State any three points of their importance. [4 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers deal with recurring managerial situations.
- These principles are developed through observation, experience and experimentation. Their application is flexible and depends on the circumstances of the organisation.

Step 1: Define principles of management Principles of management are general guidelines that direct the decisions and actions of managers. They indicate how managers may organise work and deal with people to achieve organisational objectives. They are not rigid rules: a manager applies them with judgement according to the needs of a particular situation.

Step 2: State three points of importance

- **Providing managers with useful insights into reality:** The principles condense knowledge gained from managerial experience. They help a manager understand practical situations, anticipate the likely results of actions and avoid repeating earlier mistakes. For example, unity of command helps explain the confusion caused when a worker receives conflicting instructions from several superiors.
- **Optimum utilisation of resources and effective administration:** Principles guide the best possible use of human and material resources. They reduce waste, duplication and unnecessary effort. Clear duties and authority relationships make administration orderly and help employees work towards common objectives.
- **Scientific decisions:** Principles encourage managers to base decisions on facts, logic and a considered assessment of the situation, rather than on personal bias or guesswork. A decision supported by relevant managerial knowledge is more balanced and can be explained to those who implement it.

Step 3: Conclusion Management principles are broad guidelines for managerial decisions and behaviour. They are important because they provide practical insights, promote efficient resource use and effective administration, and support scientific decision-making.

Quick Tip to Solve: First define the principles as general guidelines; then use three distinct NCERT headings and explain how each helps a manager.

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

(a) Right to Safety; and

(b) Right to be Heard. [4 marks]

Solution:

Concept:

- Consumer protection safeguards buyers against unfair practices and ensures that their interests receive attention. The Consumer Protection Act, 1986 recognises specific consumer rights.
- The right to safety concerns protection from dangerous goods and services. The right to be heard concerns the representation and consideration of consumer interests and complaints.

Step 1: Explain the right to safety **(a) Right to Safety:** A consumer has the right to be protected against goods and services that are hazardous to life and health. This includes protection from unsafe products such as defective electrical appliances that may cause electric shock or fire. The consumer should be able to expect that a product, when used as directed, will not expose the user to avoidable danger.

To exercise this right, consumers should seek products with appropriate quality assurance and standardisation marks, such as the ISI mark on relevant electrical goods, and follow the manufacturer's safety instructions. Such precautions support the consumer's protection against unsafe goods; they do not remove the producer's responsibility to supply safe products.

Step 2: Explain the right to be heard **(b) Right to be Heard:** A consumer has the right to have a complaint heard and to have consumer interests given due consideration at appropriate forums. A dissatisfied consumer must have an opportunity to present the grievance, rather than being ignored by the seller or service provider.

Business firms should therefore maintain suitable arrangements, such as consumer service cells, for receiving and attending to complaints. Consumer organisations may also represent consumers and help ensure that their concerns receive attention. This right gives consumers a voice in matters affecting their interests; obtaining compensation for an established loss is covered separately by the right to seek redressal.

Step 3: Conclusion The right to safety protects consumers against goods and services hazardous to life and health. The right to be heard ensures that their grievances and interests are heard and duly considered at the appropriate forums.

Quick Tip to Solve: Link safety with protection from danger, and being heard with an opportunity to present complaints; keep compensation under the separate right to seek redressal.

16. '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:

- The money market supplies short-term funds, whereas an equity issue provides long-term ownership capital. A temporary expense associated with a long-term issue can therefore be financed separately in the money market.
- Commercial paper is an unsecured, negotiable promissory note issued by large, credit-worthy companies to raise short-term funds at a lower cost than many other sources.

Step 1: Identify and explain the instrument **(a) Commercial paper:** Ganesh Steel Ltd. can issue commercial paper. The case calls it a 'large and credit-worthy company' and says that it needs funds 'to meet the expenses of floatation cost'. These are the decisive clues. Commercial paper is an unsecured promissory note, issued at a discount and redeemed at its face value on maturity. Its issue does not require the company to pledge specific assets as security; its credit standing supports investors' confidence. Using it to meet flotation expenses while the equity issue is being arranged is known as **bridge financing**. The equity issue itself remains the source of the long-term funds needed for the machines.

Step 2: State the permissible duration **(b) Maturity:** The company can raise funds through commercial paper for a period ranging from **15 days to one year**. This is a short-term instrument; it should not be confused with the permanent equity capital that finances the substantial machinery investment.

Step 3: State another use of commercial paper **(c) Working capital:** Commercial paper can also finance the company's short-term working-capital requirements, such as purchasing raw materials or meeting operating expenses. This use meets a temporary funding need in the course of production and trading, rather than providing permanent capital for fixed assets.

Step 4: Conclusion The appropriate instrument is **commercial paper**, an unsecured short-term promissory note. It can provide funds for **15 days to one year**; besides bridge financing for flotation costs, it can meet **working-capital needs**.

Quick Tip to Solve: Link 'credit-worthy company' and 'flotation expenses' to commercial paper and bridge financing; keep the short-term instrument separate from the long-term equity issue.

17. '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 requires managers to promote unity, harmony and team spirit among employees so that they work together towards organisational objectives.
- Management is a group activity and is all pervasive. People coordinate their efforts towards common goals, and management is needed in educational institutions as well as business organisations.

Step 1: Identify the management principle **(a) Esprit de corps:** The principle is **esprit de corps**, or team spirit. The statement that 'there was a spirit of unity and harmony and all members supported each other' directly demonstrates it. Their 'mutual trust and belongingness' enabled the prefects to plan and execute the programme successfully. Instead of treating individual tasks as unrelated, the members acted as a team for the success of the whole function.

Step 2: State two features of management with evidence **(b) Management is a group activity:** The case says that 'a committee of ten prefects was constituted to plan different aspects of the function'. The common programme required the coordinated contribution of several people, whose individual efforts were directed towards the shared objective.

Management is all pervasive: The same management principle was applied in a school and in a business. Kartik 'asked his father to apply the same principle in his business', and his father said that 'he was already using this principle'. Thus management is needed in different kinds of organisations, although its application may vary with the activity and circumstances.

Step 3: Identify two values communicated by the school **(c) Environmental responsibility:** The decision 'to use recycled paper for decoration' promotes conservation of resources and concern for the environment by encouraging reuse rather than unnecessary consumption of fresh materials.

Cooperation and mutual respect: The facts that 'all members supported each other' and worked with 'mutual trust and belongingness' communicate the value of helping others and respecting their contributions. These values support harmonious collective action in society as well as within the school.

Step 4: Conclusion The principle is **esprit de corps**. The two features are **management as a group activity** and **its all-pervasive nature**. The school communicated **environmental responsibility** and **cooperation and mutual respect**.

Quick Tip to Solve: Separate the principle, the features and the values: unity signals esprit de corps, school plus business shows pervasiveness, and recycled paper shows environmental responsibility.

18. 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 systematic process of increasing employees' knowledge and skills for performing a particular job. In Staffing, it equips existing workers to use new technology effectively.
- Benefits to employees include improved career prospects, higher earnings through better performance, and greater safety and confidence in handling machines.

Step 1: Identify the remedy from the workers' difficulty The supervisor should arrange **training** for the workers in operating the new machines. The case says that they are "unable to work on new and hi-tech machines" and are "seeking extra guidance from the supervisor". Their immediate need is job-related knowledge and practical operating skills. Demonstration, supervised practice and feedback can teach them the correct procedures so that they can handle routine work independently instead of repeatedly calling the supervisor.

Step 2: State three benefits to the workers

- **Better career prospects:** Training improves the workers' skills and knowledge. By becoming competent in using advanced equipment, they become better prepared for higher responsibilities and future advancement in their careers.
- **Higher earnings:** Improved performance enables workers to produce more and work more efficiently. Where earnings are linked to performance, this can increase their earnings; they benefit from their greater ability to perform the job well.
- **Greater safety:** Learning the correct operating procedure and precautions makes workers more efficient in handling machines and less prone to accidents. This is particularly relevant to the unfamiliar hi-tech equipment in the case.

Step 3: Conclusion The supervisor should provide job-related training. It will help the workers operate the imported machines independently while offering them better career prospects, the possibility of higher earnings and greater safety in handling equipment.

Quick Tip to Solve: When a case stresses a lack of skills for current machines, identify training and give benefits to employees rather than benefits such as lower supervision costs to the employer.

19. 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. [4 marks]

19(a). Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights. [1 mark]

Solution:

Concept:

- Decentralisation means systematic delegation of authority throughout the organisation, allowing lower levels to make decisions within their assigned areas.
- It reflects confidence in subordinates' competence and willingness to accept responsibility.

Step 1: Identify the change in decision making Initially, Samir Gupta was taking all decisions himself. With expansion, he had to 'selectively disperse the authority', so decision-making power was spread to subordinate levels.

Step 2: Relate the case to decentralisation Samir believed that subordinates were 'competent, capable and resourceful' and could implement their own decisions. This trust and dispersal of authority identify decentralisation, rather than continued concentration of decisions at the top.

Step 3: Conclusion The concept used by Samir Gupta is **decentralisation**.

Quick Tip to Solve: In a case, connect dispersal of decision-making authority and trust in lower levels with decentralisation.

19(b). Also explain any three points of importance of this concept. [3 marks]

Solution:

Concept:

- Decentralisation distributes decision-making authority to lower organisational levels while overall accountability remains with top management.
- Its importance lies in developing capable managers, encouraging initiative and making decisions closer to the point of action.

Step 1: Recognise the concept in the case Samir had to 'selectively disperse the authority' and trusted subordinates to implement decisions. The concept is decentralisation. Its importance can be explained through the following three points.

Step 2: Explain the three benefits

- **Develops initiative among subordinates:** When employees are allowed to take decisions, they gain freedom to act and learn to rely on their own judgement. This increases confidence, self-

reliance and willingness to accept responsibility. Samir's belief that employees are 'competent, capable and resourceful' supports such initiative.

- **Develops managerial talent for the future:** Lower-level managers gain practical experience in identifying problems, evaluating alternatives and implementing decisions. They learn from both success and mistakes and become better prepared for higher positions as the organisation grows.
- **Quick decision making:** Decisions are taken by people nearer to the activity who know its circumstances, without referring every matter to senior managers. Fewer approvals reduce delay and permit prompt action, helping an expanding enterprise respond to operating needs.

Step 3: Conclusion Decentralisation encourages initiative, develops future managerial talent and enables quick decisions. These benefits support growth such as Donira Ltd.'s increased production and expanded product range.

Quick Tip to Solve: Explain each benefit through its mechanism: freedom builds initiative, experience develops managers, and fewer referrals speed decisions.

20. State any five points which highlight the importance of delegation of authority. [5 marks]

Solution:

Concept:

- Delegation means entrusting responsibility and the necessary authority to a subordinate to perform a task. The superior remains accountable for the final result.
- Delegation is important because it distributes managerial work and develops the ability of employees to take decisions within clearly defined limits.

Step 1: Explain how delegation improves work and develops employees

- **Effective management:** By assigning routine duties and the authority to perform them to subordinates, a manager reduces the personal workload. The manager can then concentrate on important decisions, planning and other matters requiring greater attention.
- **Employee development:** Delegation gives employees opportunities to use their knowledge, exercise judgement and solve problems themselves. Through experience in handling responsibility, they acquire managerial skills and become capable of undertaking more challenging work.
- **Motivation of employees:** Entrusting authority demonstrates the superior's confidence in the subordinate. Recognition and responsibility satisfy employees' needs for esteem, strengthen their confidence and encourage initiative and better performance.

Step 2: Explain how delegation supports organisational growth

- **Facilitation of growth:** Delegation creates a pool of experienced and competent managers. These employees can take up positions in new departments, branches or projects, making expansion easier without overburdening the existing top management.
- **Better coordination:** Delegation establishes clear superior–subordinate relationships and specifies who must perform each task and who has authority over it. This clarity reduces duplication and confusion, allowing the efforts of different employees to be coordinated towards common objectives.

Step 3: Conclusion The five points highlighting the importance of delegation are effective management, employee development, employee motivation, facilitation of growth and better coordination. Delegation benefits both the manager and the organisation by combining distributed authority with clearly assigned responsibility.

Quick Tip to Solve: Link each benefit to what delegation changes: it frees the manager, trains and motivates employees, prepares managers for expansion and clarifies working relationships.

21. 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. [5 marks]

21(a). Identify the functions of management discussed above.

Solution:

Concept:

- Controlling compares actual performance with standards, examines the causes of deviations and takes corrective action so that organisational objectives can be achieved.
- Staffing puts the right person in the right job. Estimating manpower requirements identifies the number and types of employees needed, while selection matches applicants' abilities with job requirements.

Step 1: Identify controlling from the production shortfall The first function is **controlling**. The target of producing 300 bulbs a day "was not met, so management investigated why actual performance fell short. The findings of electricity failure and shortage of workers, together with the need for alternative arrangements, show that management was examining deviations and considering corrective action.

Step 2: Identify staffing from the personnel decisions The second function is **staffing**. The company assessed that "88 additional workers were required, listed the qualifications and job specifications, and tried "to match the ability of the applicants with the nature of work. These activities concern obtaining suitable people for jobs. The passage therefore goes beyond production control to the human-resource function of placing the right people in the right positions.

Step 3: Conclusion The functions discussed are **controlling and staffing**: controlling addresses the production deviation, while staffing addresses the number and suitability of employees required.

Quick Tip to Solve: Investigating a missed target signals controlling; assessing personnel requirements and matching applicants to jobs signal staffing.

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

Solution:

Concept:

- Controlling compares actual performance with standards, examines the causes of deviations and takes corrective action so that organisational objectives can be achieved.
- Staffing puts the right person in the right job. Estimating manpower requirements identifies the number and types of employees needed, while selection matches applicants' abilities with job requirements.

Step 1: State the two controlling steps illustrated **(b) Analysing deviations:** The company investigated the failure to meet its production target and found that "the workers were not at fault". Electricity failure and shortage of workers were identified as the actual causes. Thus management analysed why actual performance differed from the standard instead of blaming employees without investigation.

Taking corrective action: The finding that "alternative arrangements were needed" indicates the corrective-action step. Arrangements to overcome electricity failure and the shortage of workers are required to remove the causes of the deviation and enable achievement of the target.

Step 2: State the two staffing steps illustrated **Estimating manpower requirements:** The company assessed its additional requirement as 88 workers, comprising 8 departmental heads and 10 subordinates under each head. It also enlisted "the required qualifications and job specifications". This identifies both the quantity and the quality of personnel needed.

Selection: The statement that all efforts were made "to match the ability of the applicants with the nature of work" indicates selection. It involves choosing suitable candidates whose abilities meet the requirements of the jobs, rather than merely attracting applications.

Step 3: Conclusion The controlling steps are **analysing deviations** and **taking corrective action**. The staffing steps are **estimating manpower requirements** and **selection**.

Quick Tip to Solve: Keep each step tied to its clue: causes, remedies, number and quality of workers, then matching applicants to jobs.

21(c). List any two values which the company wants to communicate to the society.

Solution:

Concept:

- Staffing decisions can communicate social values when an organisation gives disadvantaged groups fair access to responsible work.
- Equality of opportunity and social inclusion concern fair treatment and participation; they are the values behind the employment policy rather than steps of the staffing process.

Step 1: Identify equal opportunity and gender equality **Equal opportunity and gender equality:** The company provides necessary relaxation to "encourage women to assume responsible positions. This communicates respect for women's capabilities and a commitment to fair opportunities for

advancement. Responsibility is opened to qualified women rather than restricted by gender.

Step 2: Identify social inclusion **Social inclusion and concern for disadvantaged groups:** The company also encourages "persons from backward and rural areas and persons with special abilities. Its policy recognises that these groups may face barriers to employment. Giving them opportunities to take responsible positions communicates concern for disadvantaged sections and supports their participation in economic life. This value is supported directly by the stated relaxation policy.

Step 3: Conclusion Two values are **equal opportunity, including gender equality**, and **social inclusion and concern for disadvantaged groups**.

Quick Tip to Solve: For a values question, name the social principle and quote the employment policy that demonstrates it.

22. 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]

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

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people so that they contribute towards organisational objectives.
- Motivation is the process of stimulating people to take action to accomplish desired goals. Employee participation is a non-financial incentive: involving employees in decisions can satisfy their need for recognition and belonging.

Step 1: Recall the directing function **Directing** is the management function concerned with instructing, guiding, counselling, motivating and leading employees towards organisational objectives. It operates through people and converts plans into purposeful action by helping employees understand their work and encouraging them to contribute willingly.

Step 2: Connect Rita's actions to directing The case says Rita would "not only instruct her subordinates but would also guide and inspire them. These are direct indicators of directing. She notices Smita's declining performance and takes action to improve her willingness to work. Involving Smita in decisions helps restore her contribution, with the result that she becomes punctual and performs better. The focus is therefore on guiding and influencing an employee's work behaviour.

Step 3: Conclusion Rita is performing the **directing function of management**, as shown by her instructions, guidance and inspiration of subordinates.

Quick Tip to Solve: Look for actions directed at people: instructing, guiding and inspiring are standard clues for directing.

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

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people so that they contribute towards organisational objectives.
- Motivation is the process of stimulating people to take action to accomplish desired goals. Employee participation is a non-financial incentive: involving employees in decisions can satisfy their need for recognition and belonging.

Step 1: Name the element responsible for the change The element is **motivation**, the process of stimulating people to act in order to accomplish desired goals. Smita had felt demoralised after being passed over for promotion. Rita improves her willingness to contribute by satisfying her need for recognition and involvement rather than merely issuing more instructions.

Step 2: Identify the motivating incentive in the case Rita starts "involving Smita in decision making-issues and makes her "a part of high level joint-management committee. This is employee participation, a non-financial incentive. It makes Smita feel that her views and experience matter. The renewed punctuality and improved performance demonstrate the resulting motivated behaviour. Leadership is also evident in Rita's general conduct, but the particular change comes from motivating Smita through participation.

Step 3: Conclusion The relevant element is **motivation**; Rita uses **employee participation as a non-financial incentive** to improve Smita's behaviour.

Quick Tip to Solve: Name motivation as the element, then identify participation in decisions as the specific incentive Rita uses.

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

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people so that they contribute towards organisational objectives.
- Motivation is the process of stimulating people to take action to accomplish desired goals. Employee participation is a non-financial incentive: involving employees in decisions can satisfy their need for recognition and belonging.

Step 1: State motivation as an internal feeling **Motivation is an internal feeling:** The urge to act arises within the individual from needs, desires and aspirations. A manager can provide incentives, but willingness to respond develops within the employee. Rita's participation initiative helps meet Smita's need for recognition after she "felt demoralised.

Step 2: State its goal direction and possible approaches **Motivation produces goal-directed behaviour:** It channels energy towards a desired goal. In the case, Smita becomes "punctual in office and her "performance started improving, showing purposeful work behaviour.

Motivation can be positive or negative: Positive motivation uses rewards, recognition or participation to encourage action. Negative motivation uses fear of an undesirable consequence, such as a warning or penalty. Rita uses the positive approach by including Smita in decisions rather than threatening her.

Step 3: Conclusion Three features are that motivation is **an internal feeling**, produces **goal-directed behaviour**, and can be **positive or negative**.

Quick Tip to Solve: For features, describe the nature of motivation; participation itself is an incentive, not a separate feature.

23. Explain the following techniques of scientific management: [6 marks]

23(i). Differential piece wage system; and

Solution:

Concept:

- Taylor's scientific management seeks greater efficiency by replacing rule-of-thumb methods with scientifically determined standards.
- The differential piece wage system distinguishes efficient from inefficient workers through two wage rates per unit, linked to a scientifically established output standard.

Step 1: Set a scientific standard and two piece rates **Establish standard output:** Management determines the standard performance of a worker under proper conditions through scientific study. It then fixes two rates per piece: a higher rate for workers achieving or exceeding the standard and a lower rate for workers falling below it. Payment therefore depends on output and the efficiency category reached, rather than being a uniform reward irrespective of performance.

Step 2: Apply the higher or lower rate to actual output **Reward efficiency:** A worker meeting the standard receives the higher rate for each unit produced; a worker below the standard receives the lower rate. For example, if the illustrative standard is 10 units a day, with rates of Rs 5 and Rs 4 per unit respectively, a worker making 10 units receives Rs 50, while one making 9 units receives Rs 36. The higher rate applies to the efficient worker's output as a whole, not merely the extra units.

Encourage improved performance: The difference in earnings provides a financial incentive to reach the standard and distinguishes efficient workers from inefficient workers. Taylor used it to promote individual efficiency and increased productivity.

Step 3: Conclusion The **differential piece wage system** pays a higher piece rate to workers who

meet the standard and a lower rate to those who do not, providing a monetary incentive for efficiency.

Quick Tip to Solve: Remember two rates tied to one output standard; the efficient worker receives the higher rate on the units produced.

23(ii). Motion study.

Solution:

Concept:

- Taylor's scientific management studies the method of doing work so that unnecessary effort can be removed and productivity improved.
- Motion study examines the movements made while performing a job, such as lifting, putting objects down, sitting and changing position. Its focus is the method and movement, rather than simply the time taken.

Step 1: Study the movements involved in the operation **Observe and analyse motions:** The job is broken into the movements made by a worker while carrying it out. The observer identifies productive movements, incidental movements and unnecessary movements. The aim is to understand exactly how the task is performed, including handling tools and materials and moving between positions. Recording the sequence makes repeated or avoidable actions visible.

Step 2: Eliminate unnecessary motions and standardise the method **Remove wasteful movements:** Unnecessary motions are eliminated and the essential movements are arranged in a simpler, more efficient sequence. Tools and materials can be positioned conveniently so that the worker does not repeatedly bend, search or walk without contributing to the job.

Improve efficiency and reduce fatigue: A better sequence reduces wasted effort and helps complete the operation with less exhaustion. Management can then teach and standardise the improved method. The purpose is to secure the best way of doing the work with economical movements; determining the standard completion time is the separate purpose of time study.

Step 3: Conclusion **Motion study** identifies and eliminates unnecessary movements while performing a task, thereby simplifying the method, reducing fatigue and improving efficiency.

Quick Tip to Solve: Motion study asks which movements can be removed; time study asks how long the standard task should take.

24. '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:

- Marketing mix is the combination of controllable marketing variables that a firm uses to prepare its market offering and achieve its marketing objectives in the target market.
- Its four elements are product, price, place and promotion, often called the four Ps. They must be coordinated so that customers receive a suitable product at an acceptable price through convenient outlets and know about its benefits.

Step 1: Identify and explain the product variable **Product:** The clue is, "Their products include chips, biscuits, sweets and squashes", together with the statement that Hayaram "sells quality products". Product means the goods and services offered to satisfy customers' needs. Product decisions include the variety, quality, features, design, branding, packaging and labelling of the offering. Here the range of food and beverage products and their quality form Hayaram's product mix. Quality is a product characteristic even though it also helps justify the price charged.

Step 2: Identify and explain the price variable **Price:** The case says, "It charges a comparatively higher price than its competitors" and "it offers regular discounts to its customers and easy credit terms to its retailers". Price is the amount customers must pay to obtain the product. Price decisions cover the basic price, discounts, payment periods and credit terms. Hayaram uses a relatively high price to reflect its quality, while discounts and credit terms influence the amount and timing of payment. These are all parts of its pricing policy.

Step 3: Identify and explain the place variable **Place or physical distribution:** The clues are "It has five of its own retail shops" and "It also sells its products through various grocery stores". Place involves making products available to target customers at the right place, in the right quantity and at the right time. It includes selection of distribution channels and intermediaries, transportation, warehousing, inventory control and order processing. Hayaram combines its own outlets with grocery retailers to make its products conveniently available.

Step 4: Identify and explain the promotion variable **Promotion:** The clue is, "It regularly uses different communication tools to increase its sales". Promotion means informing and persuading potential customers about the product and its benefits so that they purchase it. The promotion mix includes advertising, personal selling, sales promotion and public relations. The case does not specify each communication tool used, so it establishes promotion generally rather than any one particular tool.

Step 5: Conclusion Hayaram uses the four variables of the marketing mix: product, price, place and promotion. Its product range and quality, pricing and payment terms, retail distribution network and

communication activities together create its market offering.

Quick Tip to Solve: Match each clue to a P: what is offered is product, payment conditions are price, availability is place, and communication is promotion.

25. '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 concerns how much profit a company distributes to shareholders and how much it retains for future business requirements.
- Dividend is paid from earnings but requires cash for payment. Management must balance shareholders' expectations with the company's financing needs and contractual obligations.

Step 1: Explain the effect of stability of earnings **Stability of earnings:** The relevant line is, "It has been consistently earning good profits for many years." A company with stable earnings is better placed to commit itself to regular dividends because it can reasonably expect earnings to continue. It may therefore pay a higher dividend than a company with fluctuating earnings, which needs a larger safety margin. Sarah Ltd's consistent profit record supports a regular dividend policy; it does not by itself mean that all profits should be distributed.

Step 2: Explain the cash-flow position **Cash-flow position:** The case states, "There is availability of enough cash in the company". Dividend payment involves an outflow of cash. Thus a company must have adequate cash, in addition to accounting profits, before declaring a cash dividend. A firm can be profitable yet have funds tied up in inventories or receivables. Sarah Ltd's availability of sufficient cash makes payment of dividends easier, subject to its other requirements and restrictions.

Step 3: Explain the effect of growth opportunities **Growth opportunities:** The relevant words are, "good prospects for growth in future". A company with attractive growth opportunities generally needs funds for expansion. Retained earnings provide an internal source of finance and avoid the need to raise all the required funds externally. Therefore, other things being equal, Sarah Ltd may retain a larger share of its profits and distribute a smaller share as dividends to finance future growth.

Step 4: Explain the contractual constraints **Contractual constraints:** The case states that the company "is bound by certain restrictions on the payment of dividend according to the terms of loan agreement". Lenders may impose conditions restricting dividend payments to protect their interests

and preserve the borrower's ability to service its debt. Sarah Ltd must comply with the conditions attached to its IDBI loan when deciding the amount of dividend. Even sufficient profits and cash do not permit a dividend that breaches those conditions. The case does not state the exact limit, so a numerical dividend cannot be calculated.

Step 5: Conclusion Any four relevant factors are required. Stability of earnings, cash-flow position, growth opportunities and contractual constraints are four factors supported directly by the quoted lines. The first two support dividend payment, growth encourages retention, and the loan agreement places binding limits on distribution.

Quick Tip to Solve: For each dividend factor, first quote its case clue, then explain whether it supports payment, encourages retention or restricts the company's freedom to distribute profits.