CBSE Class 12 Business Studies Question Paper 2015 with Solution PDF-Set 66/1/3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answer 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. On the eve of Diwali Ravi purchased two kilograms of sweets from Nandan Sweets. On consumption of sweets his wife fell sick and was to be hospitalized. Ravi wanted to file a case in the consumer forum but could not do so because he did not have any proof of buying the sweets from Nandan sweets. Name the document that Ravi could had obtained for filing the complaint in the consumer forum. [1 mark]

Solution:

Concept:

- A cash memo or purchase bill is documentary evidence of a consumer transaction.
- A consumer should insist on a cash memo when purchasing goods so that the seller, goods, quantity and transaction can be established.

Step 1: Identify the missing evidence Ravi could not prove that the sweets had been purchased from Nandan Sweets. His wife's illness alone would not establish which seller supplied the sweets.

Step 2: Name the document Ravi should have obtained a cash memo (purchase bill or receipt) from Nandan Sweets. It would provide documentary proof of the purchase when filing his consumer complaint.

Step 3: Conclusion The required document is the cash memo or purchase bill issued by Nandan Sweets.

Quick Tip to Solve: Always ask for and retain a cash memo; it links a consumer complaint to the particular purchase.

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2. A TV manufacturing company is spending substantial amount of money to persuade the target customers to buy its T.V. sets through advertisements, personal selling and sales promotion techniques. Identify the element of marketing mix referred here. [1 mark]

Solution:

Concept:

- Promotion is the element of the marketing mix that informs and persuades customers about a product.
- The promotion mix includes advertising, personal selling, sales promotion and public relations.

Step 1: Identify the common purpose The company is trying to persuade target customers to buy its television sets. The focus is on communicating with prospective buyers and encouraging purchase.

Step 2: Connect the techniques to the element Advertising, personal selling and sales promotion are all tools of promotion. Their use together therefore points to the promotion element of the marketing mix.

Step 3: Conclusion The element of the marketing mix is promotion.

Quick Tip to Solve: When advertising, personal selling and sales promotion occur together, identify the common element as promotion.

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3. A textile company is diversifying and starting a steel manufacturing plant. State with reason the effect of diversification on the fixed capital requirements of the company. [1 mark]

Solution:

Concept:

- Fixed capital is invested in long-term assets such as land, buildings, plant and machinery.
- Diversification into a new line of business generally increases the investment required in fixed assets.

Step 1: Identify the new investment The company is moving beyond textiles and establishing a steel manufacturing plant. This requires assets suitable for steel production rather than merely using its existing textile facilities.

Step 2: State the effect with the reason Its fixed capital requirements will increase because setting up the new steel plant involves additional investment in long-term assets, especially buildings, plant and machinery.

Step 3: Conclusion Diversification increases fixed capital requirements because the new steel business needs additional fixed assets.

Quick Tip to Solve: For diversification questions, link the new line of business to additional investment in long-term assets.

4. Besides the investment decision the finance function is concerned with two other broad decisions. Name these decisions. [1 mark]

Solution:

Concept:

- The finance function involves investment, financing and dividend decisions.
- Financing concerns the sources of funds; the dividend decision concerns distribution and retention of profits.

Step 1: Name the financing decision The financing decision determines how the funds required by the business should be raised, including the appropriate combination of debt and owners' funds.

Step 2: Name the dividend decision The dividend decision determines how much of the profit should be distributed to shareholders as dividend and how much should be retained in the business.

Step 3: Conclusion The other two broad decisions are the financing decision and the dividend decision.

Quick Tip to Solve: Remember the finance decisions as investment of funds, raising funds and distribution of profits.

5. To make the annual function of the school successful the principal of the school divided all the activities into task groups each dealing with a specific area like rehearsals, decoration, stage management, refreshments etc. Each group was placed under the overall supervision of a senior teacher. Identify the function of management performed by the Principal in doing so. [1 mark]

Solution:

Concept:

- Organising identifies and divides work, groups related activities and assigns duties and authority.
- Establishing reporting relationships helps different people carry out the planned work in a coordinated manner.

Step 1: Identify the division and grouping of work The principal divided the annual-function activities into task groups for rehearsals, decoration, stage management and refreshments. This is division of work followed by grouping of related activities.

Step 2: Identify the assignment of responsibility Each group was placed under a senior teacher's supervision. Assigning responsibility and establishing supervision are features of organising.

Step 3: Conclusion The principal performed the organising function of management.

Quick Tip to Solve: Grouping activities and placing each group under a responsible supervisor signal the organising function.

6. Give the meaning of 'Method' as a type of plan. [1 mark]

Solution:

Concept:

- A method is a standing plan that prescribes the manner in which a task is to be performed.
- It specifies the prescribed way of carrying out an activity, taking into account the objective and the available facilities.

Step 1: Explain what a method specifies A method lays down the way or manner of performing a particular task. It guides the person doing the work by prescribing how the activity should be carried out.

Step 2: Relate it to a particular operation For example, a prescribed method of employee training explains how that training is to be conducted. A method focuses on the manner of doing a task, rather than the overall goal to be achieved.

Step 3: Conclusion A method is a prescribed way or manner in which a particular task is to be performed.

Quick Tip to Solve: Associate method with how a particular task is done; a procedure sets out the sequence of activities.

7. How does co-ordination integrates group efforts ? State. [1 mark]

Solution:

Concept:

- Coordination integrates individual and departmental efforts into a unified group effort.
- It brings unity of action by reconciling the different interests and activities of people working towards common organisational goals.

Step 1: Recognise the need for integration Different individuals and departments perform specialised activities and may pursue their own immediate priorities. Without coordination, these efforts may conflict or fail to support one another.

Step 2: Explain how coordination integrates them Coordination unifies these diverse activities and gives them a common focus. It reconciles differences and ensures that the efforts of all members contribute together towards organisational objectives.

Step 3: Conclusion Coordination integrates group efforts by unifying diverse activities and ensuring unity of action towards common goals.

Quick Tip to Solve: For integration of group efforts, connect diverse activities with a common focus and unity of action.

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

Solution:

Concept:

- Efficiency concerns the economical use of resources while carrying out an activity.
- The resources involved include money, time, materials and effort; management seeks to avoid their wastage.

Step 1: Define efficiency Efficiency means doing a task correctly and achieving its output with the minimum possible cost and resource consumption. It focuses on the relationship between the resources used and the output obtained.

Step 2: Identify its focus An efficient manager uses available resources economically, reduces waste and avoids unnecessary expenditure. For a given output, using fewer resources improves efficiency; for given resources, obtaining more output also improves efficiency.

Step 3: Conclusion Efficiency in management means completing the task correctly with minimum cost and optimum use of resources.

Quick Tip to Solve: Associate efficiency with resource use and cost; effectiveness asks whether the intended objective was achieved.

9. State any three limitations of informal organization. [3 marks]

Solution:

Concept:

- An informal organisation is the network of personal and social relationships that develops spontaneously among people at work.
- Its communication and group norms operate outside the formally prescribed authority structure and may hinder organisational objectives.

Step 1: State the communication limitation **Spread of rumours:** Informal communication does not always follow verified official channels. Incomplete or inaccurate information can spread quickly through the grapevine and become a rumour. It may mislead employees, create anxiety and distrust, and disrupt the smooth working of the organisation.

Step 2: State the limitation concerning change **Resistance to change:** Informal groups may protect established habits and relationships. When management introduces a change that members believe threatens their interests, the group can collectively resist it. This opposition makes implementing improvements and new policies difficult, even when these serve organisational needs.

Step 3: State the limitation concerning group pressure **Pressure to conform to group norms:** The informal group develops its own standards of behaviour and expected output. Members may feel compelled to follow these standards to retain acceptance. If the group discourages high performance or its interests conflict with organisational interests, such pressure can restrict individual initiative and reduce productivity.

Step 4: Conclusion The three limitations are the spread of rumours, resistance to change, and pressure on members to conform to group norms that may conflict with organisational goals.

Quick Tip to Solve: Remember the three risks as information, change and conformity: rumours, resistance and group pressure.

10. Neha was a regional sales manager in 'Good Look Garments Ltd' for ten years. On the retirement of the marketing manager Neha applied for the same post as she was extremely ambitious and had dedicated all her energies to obtain the post of marketing manager. However, the top management of the company decided to fill this post by selecting a better person from outside the company. Because of this Neha was heart-broken and her performance declined.

When the new marketing manager joined, one of her major problems was how to motivate and inspire Neha to her former level of performance ?

Suggest any three non-financial incentives that the new marketing manager may use to motivate Neha. [3 marks]

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and esteem needs rather than providing direct monetary rewards.

- Neha's ambition for the marketing manager's post and her disappointment indicate a need for recognition, responsibility and future growth.

Step 1: Recognise her contribution **Employee recognition programmes:** The new manager can acknowledge Neha's achievements and her ten years of dedicated service through sincere appreciation, a letter of recognition or public praise for good work. The case says she had 'dedicated all her energies' to obtaining the higher post. Recognition can restore her sense of being valued without reversing the selection decision.

Step 2: Provide meaningful responsibility **Employee empowerment:** The manager can give Neha greater autonomy and responsibility in decisions concerning her region, within clearly defined limits. This expresses confidence in her experience and ability. Involving her in important sales decisions can rebuild her self-esteem and commitment after the disappointment that left her 'heart-broken'.

Step 3: Offer opportunities for advancement **Career advancement opportunity:** The manager can provide suitable training, challenging assignments and a clear, fair path for future promotion. Since Neha is described as 'extremely ambitious', visible opportunities to develop her competence and qualify for higher responsibilities can renew her motivation. These must be credible opportunities, rather than an unsupported promise of promotion.

Step 4: Conclusion Employee recognition, employee empowerment and career advancement opportunities are three suitable non-financial incentives to help restore Neha's motivation and performance.

Quick Tip to Solve: Link each incentive to the employee: recognition for contribution, empowerment for responsibility and growth opportunities for ambition.

11. 'Efficient functioning of stock exchange creates a conducive climate for active and growing primary market for new issues as well as for an active and healthy secondary market.' In the light of this statement state any three functions of a stock exchange. [3 marks]

Solution:

Concept:

- A stock exchange provides an organised market in which existing securities are bought and sold under established rules.
- An active secondary market also supports the primary market because investors are more willing to buy new issues when they can later sell them.

Step 1: Explain liquidity and marketability **Providing liquidity and marketability to existing securities:** The stock exchange gives investors a ready, continuous market for purchasing and selling securities. Investors can convert their investments into cash through sale to other investors, without requiring the issuing company to repay its capital. This exit facility makes investment in new issues more attractive.

Step 2: Explain price determination **Pricing of securities:** Demand and supply in the stock market determine security prices. Buyers and sellers use these prices to assess investments and make decisions. The availability of publicly quoted market prices helps investors value their holdings and directs funds towards securities and enterprises considered promising.

Step 3: Explain transaction safety **Safety of transactions:** Trading takes place within a regulated framework, with membership and listing requirements and rules governing transactions. Such regulation helps protect investors and promotes fair dealings. Confidence in an organised and supervised trading system encourages participation in the secondary market and supports investment in fresh issues.

Step 4: Conclusion Three functions are providing liquidity and marketability, determining security prices, and promoting safety of transactions. Together they encourage investment and support active primary and secondary markets.

Quick Tip to Solve: Choose distinct functions: ease of resale, discovery of prices and regulated dealings; connect each to investor confidence.

12. Name and define the process that helps in finding possible candidates for a job or a function.

[3 marks]

Solution:

Concept:

- Staffing involves obtaining suitable people for the organisation and placing them in appropriate jobs. Recruitment is the step that creates a pool of prospective employees.
- Recruitment is a positive process: it encourages qualified people to apply, increasing the choice available to the employer before selection begins.

Step 1: Identify the process from the clue The words "finding possible candidates for a job or a function" refer to **recruitment**. The organisation first identifies where suitable people can be found and attracts them towards its available positions. At this stage, the aim is to bring prospective applicants into contact with the employer, rather than decide which one will finally be appointed.

Step 2: State the definition and its meaning **Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.** Searching identifies potential candidates through sources such as existing employees, educational institutions or advertisements. Stimulating means informing and encouraging suitable people to submit applications. Thus recruitment provides a sufficiently large pool of applicants from which the organisation can subsequently select employees. Selection follows recruitment and chooses the most suitable person from this pool.

Step 3: Conclusion The process is **recruitment**: searching for prospective employees and stimulating them to apply for jobs in the organisation.

Quick Tip to Solve: Associate "searching and attracting applicants" with recruitment; "choosing the best applicant" identifies selection.

13. There are some characteristics that should be kept in mind while choosing a brand name. Explain any two such characteristics that a good brand name should have. [3 marks]

Solution:

Concept:

- A brand name is the part of a brand that can be spoken, such as a word, name or combination of letters. It helps buyers recognise and distinguish the seller's product.
- Choosing an effective brand name supports identification and recall. Its characteristics should make it easy for customers to recognise the product and connect the name with its benefits.

Step 1: Explain simplicity and ease of recall **Short, easy to pronounce, spell, recognise and remember:** A good brand name should be simple enough for buyers to say correctly, read without difficulty and recall when making a purchase. A lengthy or complicated name may confuse customers or make it difficult to ask for the product. A brief, familiar-sounding name improves recognition in advertisements and at the point of sale. For example, names such as Lux and Vim are short and easy to remember.

Step 2: Explain the link with product benefits **Suggest the product's benefits and qualities:** The name should preferably convey something about what the product offers, its use or its desirable attributes. This gives the buyer a helpful initial association with the product and makes the name meaningful rather than merely a label. For example, the name Fairglow suggests a glowing complexion, while the name Promise used for a toothpaste suggests an assurance associated with the product. The name should therefore support the product's intended image in the customer's mind.

Step 3: Conclusion Any two desirable characteristics are that the brand name should be **short and easy to pronounce, spell, recognise and remember**, and should **suggest the product's benefits and qualities**.

Quick Tip to Solve: For each brand-name characteristic, state the feature first and then explain how it helps the buyer recognise or remember the product.

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14. Mr. Naresh recently completed his M.B.A. from one of the Indian Institutes of Management in Human Resource Management. He has been appointed as Human Resource Manager in a Truck Manufacturing Company. The company has 1,500 employees and has an expansion plan in hand that may require additional 500 persons for various types of jobs. Mr. Naresh has been given the complete charge of the company's Human Resource Department.

List out the specialized activities that Mr. Naresh is supposed to perform as the Human Resource Manager of the company. [4 marks]

Solution:

Concept:

- Staffing places the right person in the right job and develops employees so that organisational objectives can be achieved.
- Human Resource Management is the specialised management of people. Its responsibilities extend

from acquiring employees to developing, rewarding and maintaining them.

Step 1: Relate the responsibility to the case Mr. Naresh has been given the complete charge of the company's Human Resource Department. Therefore, his responsibility covers the existing 1,500 employees as well as the additional 500 persons required for expansion. He must undertake the following specialised human resource activities rather than merely fill the new vacancies.

Step 2: List the activities for acquiring and developing employees

- **Job analysis:** Analyse jobs and collect information about them to prepare job descriptions and the specifications of the people required.
- **Recruitment:** Search for and attract qualified candidates for the various jobs that the company needs to fill.
- **Selection:** Choose suitable persons from the applicants and appoint them to the appropriate jobs.
- **Orientation:** Introduce new employees to the organisation, its rules, their work and their colleagues so that they can settle into their jobs.
- **Training and development:** Train employees and arrange for their development to improve their performance and prepare them for future responsibilities.

Step 3: List the activities for rewarding and maintaining employees

- **Compensation:** Develop suitable compensation and incentive plans for the company's employees.
- **Performance appraisal:** Assess employees' job performance to provide a basis for appropriate personnel decisions and improvement.
- **Employee motivation and welfare:** Motivate employees, provide social security and welfare facilities, and protect their interests.
- **Employee relations:** Handle employees' grievances and complaints and maintain sound labour relations, including relations with labour unions.

Step 4: Conclusion Mr. Naresh should carry out job analysis, recruitment, selection, orientation, training and development, compensation planning, performance appraisal, employee motivation and welfare, and the handling of grievances and labour relations. Together these activities meet both the expansion needs and the continuing needs of the existing workforce.

Quick Tip to Solve: Organise an HR manager's activities as acquire, develop, reward and maintain people; include employee relations as well as recruitment.

15. It is deciding in advance what to do and how to do ? It is one of the basic managerial functions. It requires that before doing something, the manager must formulate an idea of how to work on a particular task. This function is closely connected with creativity and innovation. It seeks to bridge the gap between where we are and where we want to go and is performed at all levels of management. Inspite of this the function of management referred above has a number of limitations. Explain any two such limitations. [4 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.
- Plans guide action, but their usefulness is limited by the commitment to a predetermined course and by changes in the environment on which the plans depend.

Step 1: Identify the function described The function is **planning**. The expressions 'deciding in advance what to do and how to do' and 'bridge the gap between where we are and where we want to go' identify it. Although planning gives direction to managerial action, it does not remove uncertainty or ensure that a predetermined course will remain suitable. Any two limitations may be explained; the following are two such limitations.

Step 2: Explain how planning leads to rigidity **Planning leads to rigidity:** A plan specifies the objectives to be achieved and the course of action and time schedule for achieving them. Once plans have been drawn up, managers tend to follow them and employees are expected to act in accordance with them. This commitment can restrict their freedom to respond to an unexpected situation or adopt a better course of action. An existing plan may no longer suit changed circumstances, yet continuing to follow it can harm the organisation. Thus, excessive adherence to a fixed plan makes managerial action rigid when flexibility is needed.

Step 3: Explain the difficulty of planning in a dynamic environment **Planning may not work in a dynamic environment:** Business operates in an environment whose economic, social, technological, political and legal conditions continually change. Planning relies on assumptions about these future conditions, but managers cannot accurately predict every change. A change in government policy, customer preferences or technology may invalidate the assumptions on which a plan was based. Consequently, a plan prepared for one set of conditions may become unsuitable under another, and the organisation must review it. Planning therefore cannot fully anticipate or control the changing external environment.

Step 4: Conclusion The function described is planning. Two limitations are that it can lead to rigidity in action and that it may not work effectively in a dynamic environment because its assumptions can become outdated.

Quick Tip to Solve: For rigidity, explain restricted flexibility inside the organisation; for a dynamic environment, explain changes outside it that upset planning assumptions.

16. An environmental conscious multinational company "AXN Ltd." follows certain well defined business principles that result to minimize the employee turnover. Following are some of the important environmental factors followed by 'AXN Ltd.'

(1) Honour the law of every country in which it operates.

(2) Respect the culture and customs of all nations.

(3) Provide clean and safe products to enhance the quality of life throughout the world.

(4) Develop a culture in the company that enhances individual creativity and team work while honouring mutual trust and respect between management and labour.

From the above :

(i) identify and state any one general principle of management and any one dimension of business environment.

(ii) also identify any two values which the above guiding principles and environmental factors are conveying to the society. [4 marks]

Solution:

Concept:

- Principles of Management: Fayol's principle of stability of personnel concerns retaining employees for a reasonable period instead of frequent changes in staff.
- Business Environment: the legal dimension comprises the laws and regulations within which an enterprise must operate. Organisational conduct also conveys ethical and social values.

Step 1: Identify and state the management principle **Stability of personnel:** The case says that AXN Ltd.'s business principles "minimize the employee turnover". This indicates Fayol's principle of stability of personnel. After careful selection, employees should be given reasonable security of tenure and sufficient time to learn their jobs and demonstrate their abilities. Frequent changes of personnel increase recruitment and training costs and disturb organisational work; retaining employees supports efficiency and commitment.

Step 2: Identify and state a dimension of the environment **Legal environment:** The instruction to "Honour the law of every country in which it operates" identifies the legal dimension of the business environment. It includes the laws, rules, regulations and judicial decisions that govern business operations. As a multinational enterprise, AXN Ltd. must understand and comply with the applicable legal requirements in each country where it conducts business.

Step 3: Identify two values conveyed by the case **Respect for cultural diversity:** "Respect the culture and customs of all nations" conveys tolerance and respect for different traditions and ways of life. The company recognises the dignity of people belonging to different societies.

Concern for consumer welfare: "Provide clean and safe products to enhance the quality of life" conveys responsibility towards consumers and their health and safety. The company places public well-being alongside its commercial objectives rather than treating product safety as unimportant.

Step 4: Conclusion The management principle is **stability of personnel**, and the environmental dimension is the **legal environment**. Two values conveyed are **respect for cultural diversity** and **concern for consumer welfare**.

Quick Tip to Solve: Match each identification to its own clue: lower employee turnover points to stability of personnel, while obeying a country's laws points to the legal environment.

17. Explain how does the understanding of business environment help the management in the following :

(a) tapping useful resources ; and

(b) coping with rapid changes. [4 marks]

Solution:

Concept:

- Business Environment: an enterprise depends on outside forces for resources and for acceptance of its goods and services. Understanding these forces helps management make appropriate decisions.
- The environment is dynamic. Awareness of changes in markets, technology, competition and government policy enables managers to adjust their plans and operations.

Step 1: Explain how understanding the environment helps tap resources **Identify and obtain useful inputs:** A business draws resources such as finance, materials, machinery, labour and managerial expertise from its environment. By studying that environment, management can identify the sources, availability and terms on which these inputs can be obtained, and arrange the resources required for its operations.

Provide what the environment expects in return: The enterprise supplies goods and services to customers and makes payments such as wages, interest and taxes to other groups. Understanding the needs of customers, employees, investors and government helps it design suitable outputs and meet these expectations. This cooperation enables the business to secure continuing access to useful resources from its environment.

Step 2: Explain how understanding the environment helps cope with change **Recognise changes early:** Modern business faces rapid technological developments, changing consumer preferences, intense competition and changes in government policy. Regular environmental study makes management aware of these developments and their likely effects on the enterprise instead of allowing it to continue with outdated assumptions.

Adapt the organisation's response: Managers can modify products, improve methods of production, train employees and revise policies to suit the changed conditions. For example, awareness of a shift in customer preferences helps management adjust its product offering. By sensitising management to changes, understanding the environment helps it develop an appropriate course of action and respond effectively.

Step 3: Conclusion Understanding the business environment helps management **tap useful resources** by identifying sources of inputs and meeting the expectations of outside groups. It helps management **cope with rapid changes** by recognising developments and adapting business decisions and operations accordingly.

Quick Tip to Solve: For resources, explain the exchange of inputs and outputs with the environment; for rapid changes, link early awareness to a suitable managerial response.

18. State any four factors except diversification which affects the fixed capital requirements of a company. [4 marks]

Solution:

Concept:

- Fixed capital is the investment in long-term assets such as land, buildings, plant and machinery. These assets support operations for several years rather than being consumed in one operating cycle.
- Financial Management: the fixed capital requirement depends on the nature and size of operations and on the production and replacement methods chosen. Diversification is excluded by the question.

Step 1: State the factors relating to the business and its size **1. Nature of business:** A manufacturing company generally requires substantial investment in factory buildings, plant and machinery. A trading concern, which purchases and sells finished goods, normally needs less investment in such fixed assets. Thus, the kind of activity determines the basic fixed capital requirement.

2. Scale of operations: A company operating on a large scale needs a larger production plant, more equipment and greater supporting infrastructure. It therefore needs more fixed capital than a comparable company operating on a small scale.

Step 2: State the factors relating to technology and replacement **3. Choice of technique:** A capital-intensive production technique relies heavily on machinery and automation and therefore requires more fixed capital. A labour-intensive technique uses relatively more workers and less machinery, so its requirement of investment in fixed assets is lower.

4. Technology upgradation: In industries where technology changes rapidly, machinery becomes obsolete sooner and must be replaced or upgraded more frequently. Such companies need larger provision for fixed capital than companies using relatively stable technology. This concerns technological obsolescence, even when an existing machine can still physically operate.

Step 3: Conclusion The four factors are nature of business, scale of operations, choice of technique and technology upgradation. Each affects the amount or frequency of investment needed in long-term assets.

Quick Tip to Solve: Link each factor to a fixed asset: what the business does, how much it produces, how it produces and how soon its technology must be replaced.

19. Your company has setup a food processing unit in Kashmir with a production capacity of 10,000 litres of apple juice per day. The company plans to market the apple juice in tetra pack of 100 mili litres. Design a label for the same. [4 marks]

Solution:

Concept:

- Labelling means designing the label attached to or printed on a product's package. It identifies the product and brand, describes its contents and gives information needed for purchase and use.

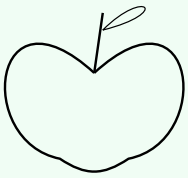
- A food-product label should communicate the product name, net quantity, ingredients, manufacturer details, price, batch and date information, and relevant handling instructions. It should also carry applicable food identification and approval information.

Step 1: Select the identity and information for the pack Use the proposed brand name **Kashmir Orchard** and prominently state **Apple Juice**. Print **Net quantity: 100 ml**, because this is the amount in one tetra pack. The unit's capacity of 10,000 litres per day is not the quantity sold to an individual buyer and must not replace the net quantity.

Show a simple apple motif so that the product is immediately recognisable. The design below is a model label; bracketed entries are fields to be filled with the manufacturer's actual product and packing information, rather than unsupported claims about the juice.

Step 2: Design the label and include the consumer information The front panel gives the proposed brand, product and quantity. The information panel provides the actual ingredients and nutrition declaration, the manufacturer's name and complete address in Kashmir, the batch number, manufacture or packing date, best-before declaration, maximum retail price and consumer-contact details. Include the appropriate vegetarian symbol and food-licence details, as applicable, in the finished commercial label.

Printing the actual ingredients informs the buyer about composition; batch and date information helps identify the production lot and usable period. Storage and serving instructions should match the product's real requirements. For example, the pack can state "Store in a cool, dry place; refrigerate after opening" if those are the manufacturer's verified instructions. Do not add an unverified "100% pure" or "no preservatives" claim.

KASHMIR ORCHARD **APPLE JUICE**  **NET QUANTITY: 100 ml** Tetra pack	**Product information** Ingredients: [actual ingredient list] Nutrition: [actual nutrition declaration] Manufactured by: [company name] Address: [complete address], Kashmir Batch No.: [number] Packed on: [date] Best before: [actual period/date] MRP: Rs [price], inclusive of all taxes Storage/use: [verified instructions] Consumer care: [contact details] Food licence: [number, as applicable] [Appropriate food symbol]

Proposed label; bracketed fields are completed with actual product particulars.

Step 3: Conclusion The proposed label identifies Kashmir Orchard Apple Juice in a 100 ml tetra pack and provides clearly marked spaces for the product, manufacturer, price, batch, date, nutrition and consumer-use information. The design combines identification, description and promotion without confusing production capacity with pack size.

Quick Tip to Solve: For a label-design answer, draw the brand and product prominently, then check quantity, contents, maker, price, dates, batch and use instructions.

20. A company has been registered under the Companies Act with an authorized share capital of ₹ 20,000 crores. Its registered office is situated in Delhi and manufacturing unit in a backward district of Rajasthan. Its marketing department is situated in Bhopal. The company is manufacturing Fast Moving Consumer Goods (FMCG).

(i) Suggest with the help of a diagram a suitable organization structure for the company.

(ii) State any three advantages of this organization structure. [5 marks]

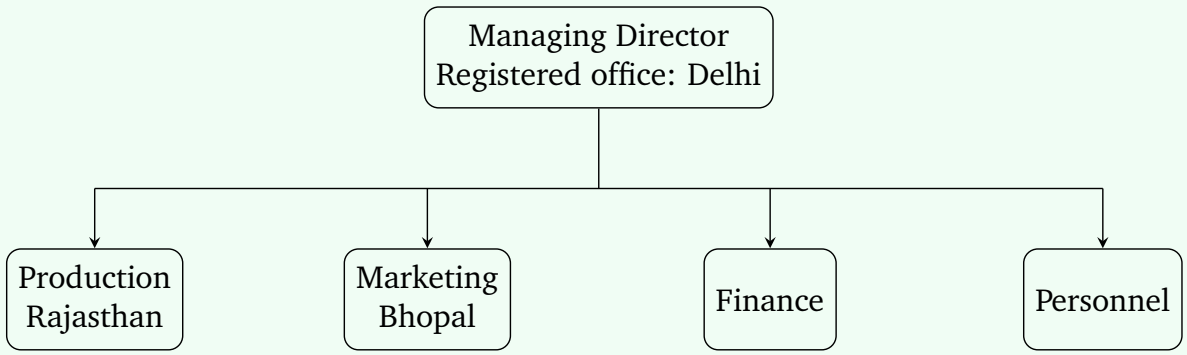
Solution:

Concept:

- A functional structure groups jobs of a similar nature into departments such as production, marketing, finance and personnel. Each department is placed under a functional specialist.
- It suits a large organisation with specialised activities and a relatively uniform product category. Divisional structure instead groups activities around distinct product lines, each with its own functions.

Step 1: Select the structure from the activities described **(i) Functional organisation structure** is suitable for this company. The case states that the company is "manufacturing Fast Moving Consumer Goods (FMCG)" and separately identifies its "manufacturing unit" and "marketing department". These are different functions contributing to the company's business, so related tasks can be grouped by function under the overall control of top management.

The registered office in Delhi, manufacturing unit in Rajasthan and marketing department in Bhopal can remain at their stated locations. Geographical separation does not by itself require product divisions; the case does not identify separate product lines around which to form divisions. The chart below shows a suitable functional arrangement. Finance and personnel are supporting functional departments, rather than additional product divisions.



Suitable functional organisation structure

Step 2: Explain three advantages of functional structure **(ii) The three advantages are:**

- **Functional specialisation:** Employees perform similar tasks repeatedly under a specialist departmental head. Their expertise and proficiency improve; for example, production specialists can concentrate on manufacturing while marketing specialists concentrate on selling and promoting the FMCG products.
- **Better coordination and control within a department:** Activities of a similar nature are grouped together and supervised by one functional head. This makes it easier to coordinate related work,

assign responsibility and monitor performance within each department, even when different functions operate from different locations.

- **Greater managerial and operational efficiency:** Each department concentrates on a specific range of activities. Specialised attention, clear functional responsibilities and focused supervision improve the quality and efficiency of its work, helping the company achieve its objectives effectively.

Step 3: Conclusion The company should adopt a **functional organisation structure**, with production, marketing and other functional departments reporting to top management. Its advantages include functional specialisation, easier coordination and control within departments, and increased managerial and operational efficiency.

Quick Tip to Solve: Identify the basis of grouping: production and marketing indicate functions; distinct product lines with their own departments indicate divisions. Different office locations alone do not decide the structure.

21. 'The organizations which are keen on developing effective communication, should adopt suitable measures to overcome the barriers to communication and improve communication effectiveness.' Suggest and explain any such five measures. [5 marks]

Solution:

Concept:

- Effective communication means that the receiver understands the message in the sense intended by the sender. Directing requires this common understanding to guide employees towards organisational objectives.
- Barriers can arise from unclear ideas, unsuitable language, different levels of understanding or a lack of feedback. Measures should improve both the sending and receiving of the message.

Step 1: Clarify the idea before communicating **Clarify the ideas before communication:** The sender should first be clear about the purpose of the message and the main information to be conveyed. The problem, audience and intended response should be analysed before the message is prepared. Clear thinking helps the sender organise the message logically and prevents vague or contradictory instructions.

Step 2: Adapt the message to the receiver **Communicate according to the needs of the receiver:** The sender must consider the education, experience and level of understanding of the receiver. The message should be expressed in terms the receiver can understand rather than at the sender's own level of technical knowledge. For example, technical instructions to a new employee need a simple explanation of unfamiliar terms.

Step 3: Consult others before communicating **Consult others before communicating:** Involve the people concerned while developing a plan or message whenever appropriate. Their suggestions can reveal missing information, possible misunderstandings and practical difficulties. Participation also encourages acceptance and cooperation because employees understand how the decision was reached.

Step 4: Choose suitable language and tone **Be aware of language, tone and content:** Use simple, familiar words and avoid ambiguous expressions or unnecessary jargon. The tone should be appropri-

ate to the relationship and purpose, while the content should be relevant and complete. A respectful tone makes the receiver more willing to listen; clear wording reduces semantic barriers.

Step 5: Obtain feedback **Ensure proper feedback:** Encourage the receiver to ask questions and respond to the message. The sender may ask the receiver to explain the instruction in their own words rather than merely ask whether it was understood. This verifies actual understanding and allows errors or doubts to be corrected before action is taken.

Step 6: Conclusion The organisation can improve communication by clarifying ideas, adapting the message to the receiver, consulting others, choosing suitable language and tone, and ensuring feedback. Together these measures help create shared understanding and appropriate action.

Quick Tip to Solve: Link each measure to the barrier it removes: unclear thinking, different understanding, lack of participation, unsuitable words or unverified understanding.

22. 'i-phone India Ltd.' is a manufacturer of advanced category of mobile phones. The company trained its engineers from Japan. It markets its mobile phones domestically as well as internationally. The company had a substantial market share and had a loyal customer following because of quality of its i-phone. From the last financial year the company had been unable to achieve its targets because of competition in the market. The company is planning to revamp its controlling system.

(i) Identify the concepts of management involved in the above para.

(ii) State the steps of the revamped controlling process to be followed by the company to solve this problem.

(iii) Also, state any one value which the company wants to communicate to the society. [5 marks]

Solution:

Concept:

- Controlling compares actual performance with planned standards, identifies significant deviations and ensures corrective action. Its purpose is to help the organisation achieve its objectives.
- The case also refers to training under staffing and marketing of the product. Identify each concept from its own evidence rather than treating every activity as controlling.

Step 1: Identify the concepts in the case **(i) Concepts of management: Staffing, through training and development,** is evident from "the company trained its engineers from Japan". Training improves employees' knowledge and skills. **Marketing** is indicated by "markets its mobile phones domestically as well as internationally" and its loyal customer following. **Controlling** is the central concept because the company has been "unable to achieve its targets" and plans to "revamp its controlling system". Actual results must therefore be compared with the targets to restore performance.

Step 2: Set standards and measure actual performance **(ii) Steps of the controlling process: 1. Set performance standards:** Establish clear, realistic standards against which results can be judged, such as sales targets, market share and product-quality standards. These should reflect current competitive conditions.

2. Measure actual performance: Collect reliable and timely information about actual sales, market share, quality and other relevant results. Use comparable measures and the same period as the

standards so that the comparison is meaningful.

Step 3: Compare results and analyse deviations **3. Compare actual performance with standards:** Determine the gap between actual results and the planned targets. The failure to meet sales targets becomes a measurable deviation rather than a general impression.

4. Analyse deviations: Find the causes of significant differences. The company should examine how competition affects demand, and whether product quality, pricing or marketing weaknesses contribute. Focus on critical areas and deviations beyond acceptable limits, distinguishing controllable causes from changes outside management's control.

Step 4: Take corrective action **5. Take corrective action:** Select action suited to the cause, such as strengthening marketing, improving the product or providing further training where needed. If a standard has become unrealistic because circumstances changed, revise it after proper analysis. The company should then monitor whether the action restores performance; corrective action must address the cause of the deviation.

Step 5: State a value communicated to society **(iii) Value: Commitment to quality and customer satisfaction.** The case says customers remained loyal "because of quality of its i-phone". By maintaining quality and improving its performance, the company communicates concern for giving customers reliable products rather than pursuing sales without regard to their interests.

Step 6: Conclusion The case involves staffing through training, marketing, and controlling. The revamped control system should set standards, measure performance, compare results, analyse deviations and take corrective action. Commitment to quality and customer satisfaction is a value supported by the case.

Quick Tip to Solve: For a controlling case, write the five steps in order and apply each to the performance gap. Support the value with an explicit clue such as product quality.

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23. Aman, Ahmad and Ally are partners in a firm engaged in the distribution of dairy products in Maharashtra state. Aman is a holder of Senior Secondary School Certificate from Central Board of Secondary Education with Business Studies as one of his elective subjects. Ahmad had done his post graduation in History and Ally in dairy farming. One day their was a serious discussion between Ahmad and Ally regarding the nature of management, Ahmad argued that management was a profession. Where as Ally argued against it saying that the legal and medical profession are the only professions because they fulfill all the conditions of profession.

Aman on the basis of his knowledge of business studies explained the nature of management as a profession to Ahmad and Ally.

Explain, how Aman would have satisfied both Ahmad and Ally ? [6 marks]

Solution:

Concept:

- Nature and Significance of Management: a profession is an occupation based on specialised knowledge, with restricted entry, a professional association, an ethical code and a service motive.
- Management possesses some characteristics of a profession, but does not satisfy all of them fully.

Aman can therefore reconcile Ahmad's view with Ally's objection by distinguishing professional features from compulsory professional requirements.

Step 1: Explain the specialised knowledge supporting Ahmad's view **Well-defined body of knowledge:** Management has a systematic body of principles and techniques, taught in universities and management institutes. Managers can acquire this knowledge through study and training. Thus Ahmad's statement that "management was a profession" has a basis: management has developed specialised knowledge, rather than depending entirely on personal intuition.

Step 2: Compare entry requirements and professional associations **Restricted entry:** Entry into established professions such as medicine and law requires prescribed qualifications and the necessary professional registration. No particular degree or licence is compulsory for becoming a manager. In the case, Ahmad studied History and Ally studied dairy farming, yet both participate in managing the firm. Hence management does not fully meet this condition.

Professional association: Managers have associations, such as the All India Management Association, which promote professional standards and exchange of knowledge. However, membership is not compulsory for practising management, unlike the regulatory requirements governing established professions. The existence of associations supports professionalisation, but does not create a mandatory entry restriction.

Step 3: Compare ethics and service orientation **Ethical code of conduct:** Professional associations prescribe ethical standards for their members. Management associations also encourage ethical behaviour, but their codes do not bind every manager through compulsory membership. This condition is therefore only partially fulfilled.

Service motive: A profession places service to clients and society above purely personal gain. A business seeks profit for survival, but effective management also serves employees, consumers and society by providing good products and conducting business responsibly. Management increasingly recognises these social obligations, although a service motive is not universally enforced as a professional condition.

Step 4: Conclusion Aman would explain that management is moving towards professional status and has a well-defined body of knowledge, associations and an increasing concern for ethics and service. This satisfies Ahmad's recognition of its professional features. Ally is justified that management does not yet fulfil every condition as fully as medicine and law, especially compulsory qualifications and registration. Thus management is not a full-fledged profession at present; saying that only law and medicine can ever be professions would also be too narrow.

Quick Tip to Solve: Compare management against all five professional features, and distinguish the existence of a feature from its being compulsory for every manager.

24. Describe the role of public relations in sales promotion. [6 marks]

Solution:

Concept:

- Public relations means managing communication and relationships with the firm's various publics to create a favourable image and goodwill. These publics include customers, employees, dealers, investors, government and the media.
- Public relations supports the promotion of sales by making the firm and its products known and trusted. It uses publicity, news, events, publications and public-service activities; it is broader than short-term incentives such as discounts or coupons.

Step 1: Explain how public relations creates awareness and credibility **Building awareness:** News stories, press releases, events and other publicity draw attention to the organisation and its products. By placing informative material in the media, the firm reaches potential customers who may otherwise remain unaware of its offering. This is especially useful when introducing a new product or entering a new market.

Building credibility: Information appearing as news or a report is often regarded as more credible than a paid advertisement. Favourable coverage and responsible conduct develop confidence in the firm's claims. Customers are consequently more willing to consider and try its products, which supports sales.

Step 2: Show how it motivates the selling network **Stimulating the sales force:** Favourable publicity about the company and its products increases salespersons' pride and confidence. It provides them with useful material to discuss with prospective customers and makes their selling efforts more persuasive.

Increasing dealers' enthusiasm: Dealers are more willing to stock, display and recommend products of a company enjoying a good public reputation. Public relations therefore strengthens the support of intermediaries, helping the products reach customers and improving their chances of being sold.

Step 3: Explain the cost and goodwill benefits **Reducing promotion costs:** Public relations can obtain substantial media attention without purchasing the equivalent advertising space or airtime. Although planning events and preparing publicity still involve expenditure, favourable coverage can spread information at a lower overall promotional cost.

Maintaining goodwill and public confidence: Clear communication, community activities and prompt responses to complaints or adverse reports help protect the company's image. By correcting misunderstandings and maintaining favourable relations with its publics, the firm reduces resistance to its products and creates conditions for continued customer support and sales.

Step 4: Conclusion Public relations promotes sales by building awareness and credibility, motivating salespersons and dealers, lowering the cost of reaching the public and maintaining goodwill. It creates a favourable environment in which advertising, personal selling and other sales promotion efforts can work more effectively.

Quick Tip to Solve: Link each public-relations activity to its effect on sales: awareness, trust, selling-network support, cost efficiency or lasting goodwill.

25. Explain the functions of financial market. [6 marks]

Solution:

Concept:

- A financial market brings together savers who have surplus funds and business firms or other users who require funds. It facilitates the creation and exchange of financial assets.
- Its four main functions are mobilisation and productive allocation of savings, price discovery, liquidity, and reduction in transaction costs. These functions help funds move efficiently from savers to investors.

Step 1: Explain the mobilisation and allocation of savings **Mobilisation of savings and channelising them into the most productive uses:** A financial market gives savers a choice of investment opportunities and makes their savings available to those needing finance. By comparing the available investments in terms of expected return and risk, savers can channel funds towards suitable productive activities. Businesses obtain resources for investment instead of savings remaining idle. Thus the market links the supply of savings with the demand for investible funds and supports capital formation.

Step 2: Explain how prices are discovered **Facilitating price discovery:** The interaction of the demand for funds by business firms and the supply of funds by households and other savers helps establish the price of a financial asset. Buyers and sellers express the prices at which they are willing to transact. Their interaction in the market determines the price at which a security can be exchanged. A financial market therefore supplies a mechanism for arriving at prices rather than requiring each participant to determine a price in isolation.

Step 3: Explain the provision of liquidity **Providing liquidity to financial assets:** Financial markets provide a mechanism through which investors can buy and sell securities. An investor who needs cash can sell an existing financial asset to another investor, subject to market conditions, rather than necessarily holding it until maturity. The ability to convert an investment into money makes financial assets more liquid and gives savers confidence to invest. Such trading transfers ownership of an existing security without requiring the issuing business to repay its capital on each transfer.

Step 4: Explain the saving in transaction costs **Reducing the cost of transactions:** A financial market provides information about the securities available, their prices and the participants willing to buy or sell. It gives buyers and sellers a common mechanism for dealing with each other. This reduces the time, effort and expense of searching separately for a suitable counterparty and obtaining relevant information. By facilitating transactions and making information available, it makes the exchange of financial assets more economical.

Step 5: Conclusion Financial markets mobilise savings for productive investment, facilitate price discovery, provide liquidity to financial assets and reduce transaction costs. Together, these functions make the transfer of funds between savers and users of finance more efficient.

Quick Tip to Solve: Remember the four functions as savings, price, liquidity and cost. Explain how each benefits a saver or a user of funds; merely naming the functions does not explain them.