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

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. Why is management called an intangible force ? State. [1 mark]

Solution:

Concept:

- Management is an intangible force: its presence cannot be seen or touched directly.
- The results of management reveal its presence through order, coordination and achievement of objectives.

Step 1: Recognise what intangible means An intangible force has no physical form that can be observed directly. Management consists of guiding and integrating human effort rather than a visible object.

Step 2: Identify the evidence of management We feel its presence when targets are achieved, employees work in coordination and activities proceed in an orderly manner. These outcomes show that management is operating, even though management itself cannot be seen.

Step 3: Conclusion Management is called an intangible force because it cannot be seen, but its presence can be felt through the results it produces.

Quick Tip to Solve: For intangible force, distinguish the invisible managerial process from its visible results.

2. Which level Managers are responsible for coordination ? State. [1 mark]

Solution:

Concept:

- Coordination integrates the efforts of individuals and departments towards common objectives.
- Coordination is the responsibility of all managers at every level of management.

Step 1: Identify the scope of coordination Coordination is required wherever people and departments depend on one another. It is therefore necessary throughout the organisation, rather than only at the top.

Step 2: Connect each level with its role Top managers coordinate overall organisational activities, middle managers integrate departmental work, and supervisory managers coordinate the work of their subordinates. Each level helps bring individual efforts into harmony with organisational goals.

Step 3: Conclusion Managers at all levels—top, middle and supervisory or operational—are responsible for coordination.

Quick Tip to Solve: When asked who coordinates, remember that coordination runs through every managerial level.

3. Define 'Planning'. [1 mark]

Solution:

Concept:

- Planning involves deciding in advance what is to be done and how it is to be done.
- It sets objectives and develops an appropriate course of action to achieve those objectives.

Step 1: State the advance decision Planning begins before the activity is performed. The manager decides the desired result and considers what work must be undertaken to obtain it.

Step 2: Specify the course of action The manager then selects an appropriate way of reaching that result. Thus planning connects the objectives with the actions required for their achievement and provides direction for future work.

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

Quick Tip to Solve: A complete definition of planning combines objectives with the course of action for attaining them.

4. To make the sports day of the school successful the Headmaster of the school divided all the activities into task groups each dealing with a specific area like holding of events, arrangement of medals, refreshments etc. Each group was placed under the overall supervision of a senior teacher. The physical education teacher was made responsible for holding different events, the home science teacher for refreshments and the Maths teacher for medals.

Identify the function of management performed by the Headmaster in doing so. [1 mark]

Solution:

Concept:

- Organising identifies and divides work, groups related activities and assigns duties.
- It establishes responsibility and authority relationships so that people can work effectively together.

Step 1: Identify the actions in the case The case states that the Headmaster 'divided all the activities into task groups'. This is direct evidence of division and grouping of work into specific areas, such as events, medals and refreshments.

Step 2: Match the actions to the function Each group was placed under a senior teacher, and duties were assigned to the physical education, home science and Maths teachers. Grouping activities and assigning responsibility are steps of organising.

Step 3: Conclusion The function performed by the Headmaster is **organising**.

Quick Tip to Solve: Division of work, grouping of activities and assignment of duties are strong clues to organising.

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

Solution:

Concept:

- Financial management involves decisions about investment, financing and dividends.
- Investment concerns the use of funds, while financing concerns the sources from which funds are raised.

Step 1: Identify the decision about using funds The investment decision determines how the funds of a business are invested in different assets. It includes choices involving long-term assets as well as short-term assets.

Step 2: Identify the decision about raising funds The financing decision determines the sources from which funds should be raised. It concerns the appropriate combination of owners' funds and borrowed funds to meet the needs of the business.

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

Quick Tip to Solve: Remember the finance trio: where to invest, how to finance and how much profit to distribute.

6. A Steel manufacturing company is diversifying and starting a thermal power 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 requirement of fixed capital.

Step 1: Identify the additional activity The company is 'diversifying and starting a thermal power plant'. This adds a new line of business to its existing steel operations and requires an additional productive facility.

Step 2: Link the activity to long-term assets Establishing the thermal power plant requires additional plant, machinery and other long-term infrastructure. Funds must be committed to these fixed assets, increasing the company's fixed capital needs.

Step 3: Conclusion The fixed capital requirement will **increase**, because diversification into a thermal power plant requires investment in additional fixed assets.

Quick Tip to Solve: For diversification questions, connect the new business activity with the additional long-term assets it needs.

7. A consumer products manufacturing company is offering a number of consumer products like toiletries, detergent powder, food products etc. Identify the element of marketing mix referred here. [1 mark]

Solution:

Concept:

- The product element of the marketing mix concerns the goods or services offered to customers.
- Product decisions include the range or mix of products that a business offers.

Step 1: Identify what the case describes The company offers 'toiletries, detergent powder, food products'. These named goods describe the range of products it places before consumers.

Step 2: Match the range to the marketing element Decisions about what goods to offer and how broad a product range to maintain fall under product. The case does not describe selling prices, distribution channels or promotional communication.

Step 3: Conclusion The element of the marketing mix referred to is **product**, specifically the company's product mix or range.

Quick Tip to Solve: A list of goods offered by a company points to product; price, place and promotion describe different decisions.

8. On the eve of Diwali Kalpana purchased two kilograms of sweets from Koyal sweets. On consumption of sweets her two children and husband fell sick and were to be hospitalized. Kalpana wanted to file a case in the consumer forum but could not do so because she did not have any proof of buying sweets from Koyal sweets. What proof could Kalpana had obtained for filing the claim in the consumer court ? [1 mark]

Solution:

Concept:

- A consumer should ask for a cash memo or bill whenever purchasing goods or services. It is documentary evidence of the transaction.
- A purchase bill identifies the seller and records the goods bought, enabling a consumer to support a complaint for defective goods.

Step 1: Identify the missing evidence The case states that she 'did not have any proof of buying sweets from Koyal sweets'. Kalpana therefore needed evidence connecting the purchase to that seller. The fact that her family became ill does not by itself establish which shop supplied them.

Step 2: Name the document she should obtain She should have obtained and retained the **cash memo or bill** from Koyal sweets for the two kilograms of sweets. This would connect the purchase with the seller when she filed her claim.

Step 3: Conclusion Kalpana should have obtained a **cash memo/bill as proof of purchase** from Koyal sweets.

Quick Tip to Solve: Always insist on a bill and preserve it; it links the product purchased to the seller named in a consumer complaint.

9. State any three advantages of formal organization to a large scale enterprise. [3 marks]

Solution:

Concept:

- Formal organisation is the officially prescribed structure of authority, responsibility and relationships created by management.
- Clearly defined jobs and reporting relationships help a large enterprise coordinate the efforts of many employees towards organisational objectives.

Step 1: Explain clear responsibility and authority **Fixes responsibility:** Duties and authority are clearly specified for each position. An employee knows the work expected and the authority available to perform it. Management can identify who is accountable for a particular task, avoiding uncertainty when work is delayed or left incomplete.

Step 2: Explain avoidance of duplication **Avoids duplication of effort:** Each member has a defined role and each activity is assigned to a particular position. Employees therefore do not unknowingly repeat the same work while other necessary tasks are neglected. This supports orderly use of resources in an enterprise with many departments.

Step 3: Explain coordinated achievement of goals **Facilitates achievement of objectives:** Formal organisation provides a framework for operations and coordinates the activities of different departments. Clearly stated relationships and procedures link individual efforts to the enterprise's common objectives, rather than allowing units to work without direction.

Step 4: Conclusion Three advantages are the clear fixing of responsibility, avoidance of duplicated effort, and coordinated achievement of organisational objectives.

Quick Tip to Solve: State an advantage as a heading, then explain how a defined job or relationship makes a large enterprise work more effectively.

10. There can be three different levels of packaging. Explain any two of them. [3 marks]

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product. Its levels describe the successive layers around the goods.
- Primary packaging is the immediate container; secondary packaging supplies additional protection until the product is used. The two should be distinguished by their relation to the product.

Step 1: Explain primary packaging **Primary packaging:** This is the product's immediate container, directly holding or enclosing it. It protects and contains the product during normal use. In some cases it remains with the product until the contents are completely consumed, as with a toothpaste tube or a soft-drink bottle. The tube containing toothpaste, rather than its outer cardboard box, is the primary package.

Step 2: Explain secondary packaging **Secondary packaging:** This is an additional layer of protection around the primary package. It is usually discarded when the product is ready for use. For example,

a cardboard box enclosing a toothpaste tube is secondary packaging. It protects the tube during handling and can also carry product information. It is different from transportation packaging, which provides further protection for storage, identification and transport of several units.

Step 3: Conclusion The two levels explained are **primary packaging**, the immediate container, and **secondary packaging**, the additional protective layer around it.

Quick Tip to Solve: Use one product consistently: the toothpaste tube is primary packaging, while its outer cardboard box is secondary packaging.

11. Name and define the process that helps in choosing the best person out of a number of prospective candidates for a job. [3 marks]

Solution:

Concept:

- Staffing involves finding and placing suitable people in organisational positions. Selection is the stage that chooses among prospective candidates.
- Selection seeks to match the qualifications, skills and abilities of applicants with the requirements of the vacant job.

Step 1: Name the process The process is **selection**. The reference to choosing the best person from several prospective candidates indicates selection, rather than recruitment. Recruitment attracts and searches for candidates; selection decides which of those candidates is suitable for appointment.

Step 2: Define selection **Selection is the process of choosing the best person from among the prospective candidates recruited for a job.** The choice is made by assessing candidates against the qualifications and abilities needed to perform the work. Its purpose is to select a person whose capabilities fit the requirements of the position.

Step 3: Clarify what the definition implies An organisation evaluates the applicants using appropriate selection procedures, such as tests and interviews, before making its final choice. It eliminates unsuitable candidates and retains the most suitable one for the available job. Thus, merely collecting applications is not selection; the decisive feature is choosing the best candidate from the available pool.

Step 4: Conclusion The process is **selection**: choosing the best person from among the prospective candidates recruited for a job.

Quick Tip to Solve: The word "attract" points to recruitment; the words "choose the best" point to selection.

12. Keeping in mind the emerging nature of the securities market in India, Securities and Exchange Board of India (SEBI) was entrusted with the twin task of regulation and development of securities market. Out of this, state the developmental functions of Securities and Exchange Board of India (SEBI). [3 marks]

Solution:

Concept:

- SEBI promotes the orderly development of the securities market in addition to regulating it and protecting investors.
- Developmental functions improve the knowledge, professional skills and institutional practices needed for an efficient securities market.

Step 1: State the educational and training functions **Training intermediaries:** SEBI trains intermediaries of the securities market, such as brokers and other market participants. Better professional knowledge helps these intermediaries provide competent services and supports the organised growth of the market.

Investor education: SEBI undertakes measures to educate investors about the securities market. Informed investors can understand market procedures and investment risks, and participate more effectively in the market.

Step 2: State the developmental research function **Conducting research and publishing information:** SEBI conducts research and publishes information useful to market participants. Such information helps investors and intermediaries understand market developments and improves the basis on which they make decisions. This promotes a more informed and efficient securities market.

Step 3: Conclusion The developmental functions are training securities-market intermediaries, educating investors, and conducting research and publishing information useful to market participants. These build the capabilities needed for market development.

Quick Tip to Solve: For SEBI's developmental role, recall training, investor education and research; keep these separate from regulatory and protective functions.

13. Sultan was a regional Manager in 'Homely Products Ltd.' for the last eight years. On the retirement of the Marketing Manager, Sultan applied for the same post because he was extremely ambitious and had dedicated all his energies to obtain the post of Marketing Manager. However, the top management decided to fill the position by selecting a better person from outside the company. Because of this Sultan was heart-broken and his performance declined.

When the new Marketing Manager joined, one of his major problems was how to motivate and inspire Sultan to his former level of performance.

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

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and higher-level needs, such as recognition, responsibility and personal growth, rather than directly offering more money.
- An incentive should address the employee's unmet need. Sultan's ambition and disappointment at losing the promotion indicate a need for advancement, recognition and greater responsibility.

Step 1: Address Sultan's desire for advancement **Career advancement opportunity:** The manager should provide suitable training and opportunities to develop the abilities required for higher responsibilities, together with fair prospects for future advancement. Sultan had "dedicated all his energies" to obtaining the higher post; a credible opportunity to grow can restore his interest in performing well. This does not mean promising an immediate promotion without assessing merit.

Step 2: Restore recognition and meaningful responsibility **Employee recognition programme:** The manager can acknowledge Sultan's valuable contributions and good performance through sincere appreciation or an appropriate public acknowledgement. Recognition of his work can rebuild his sense of importance after the disappointment described in the case.

Job enrichment: The manager can give Sultan more challenging and meaningful duties, greater autonomy and opportunities to use his managerial abilities. Enriching his existing regional-manager role provides responsibility and a sense of achievement, helping him regain enthusiasm without a direct monetary reward.

Step 3: Conclusion Career advancement opportunities, employee recognition and job enrichment are three suitable non-financial incentives. They address Sultan's growth, esteem and achievement needs and can help restore his former level of performance.

Quick Tip to Solve: Link each incentive to Sultan's unmet need: growth through career opportunities, esteem through recognition, and achievement through enriched work.

14. How does the understanding of business environment help the management in the following ?

(a) Identification of threats and early warning signals

(b) Improving performance. [4 marks]

Solution:

Concept:

- Business environment comprises the external forces that affect an enterprise's performance. Understanding these forces enables management to respond to changes instead of treating present conditions as permanent.
- Environmental awareness helps management identify threats early and improve performance by continuously adapting its policies and practices to external conditions.

Step 1: Explain identification of threats and early warning signals **Identify adverse external changes:** Threats are external trends and changes that hinder a firm's performance. Studying the environment enables managers to recognise developments such as stronger competition, changing customer preferences or technological changes that can make existing products less attractive.

Obtain early warning and prepare a response: Continuous scanning brings such developments to management's attention before they seriously damage the business. The firm gains time to revise its strategy, improve its product or adopt appropriate technology. For example, early awareness of a competing product enables a company to improve its own offering rather than wait until customers have already shifted away.

Step 2: Explain improvement in performance **Monitor the environment continuously:** Enterprises that keep track of environmental changes can relate their decisions to actual market conditions. Managers can review whether current methods, products and policies still meet customers' needs and the demands of the external environment.

Adapt and improve results: By adopting suitable business practices in response to these changes, a firm can improve its present performance and its long-term ability to survive and grow. Understanding the environment thus supports better decisions and more appropriate use of resources; merely collecting information without acting on it would not produce this benefit.

Step 3: Conclusion Understanding the business environment gives management early warning of threats and time to respond. Continuous monitoring and suitable adaptation also help the enterprise improve its performance and long-term prospects.

Quick Tip to Solve: Link threats to early detection and preventive action; link performance to continuous monitoring followed by adaptation of business practices.

15. An environmental conscious company 'GVN Ltd.' has its business in all parts of the country. The company follows certain well – defined business principles that result to minimize the employee turnover.

Following are some of the environmental factors followed by GVN Ltd. :

(1) Honour the law of the country as well as that of the states in which it operates.

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

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

(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:

- Fayol's general principles of management guide managerial behaviour. Stability of personnel concerns continuity of employment and avoiding unnecessary employee turnover.
- The legal environment consists of the laws and regulations within which an enterprise must operate. Values are the desirable standards of conduct reflected in its policies towards people and society.

Step 1: Identify and state one management principle **Stability of personnel:** The statement that the company's principles "minimize the employee turnover" indicates this principle. Fayol advocated minimising employee turnover to maintain organisational efficiency. Personnel should be selected carefully and given a reasonable period in a position to learn their work and demonstrate results. Frequent and unnecessary changes of employees increase recruitment and training costs and prevent employees from developing confidence and efficiency. Stability therefore benefits both employees and the organisation; it does not mean retaining an unsuitable employee regardless of performance.

Step 2: Identify and state one dimension of the business environment **Legal environment:** The direction to "Honour the law of the country as well as that of the states in which it operates" identifies the legal dimension. It includes the laws, regulations and legal requirements that regulate business activity. GVN Ltd. must frame and carry out its policies in accordance with the applicable national and state laws wherever it operates.

Step 3: Identify two values conveyed to society **Respect for cultural diversity:** The instruction to "Respect the culture and customs of all states" conveys respect for different communities and their ways of life. Operating throughout the country calls for sensitivity to these differences.

Concern for health and quality of life: The commitment to "Provide clean and safe products" conveys responsibility for consumer health, safety and welfare. The company recognises that its products should improve people's lives rather than expose them to harm.

Step 4: Conclusion One applicable management principle is stability of personnel, and one business-environment dimension is the legal environment. Two values conveyed are respect for cultural diversity and concern for consumer health, safety and quality of life.

Quick Tip to Solve: Match each answer to a specific case phrase: employee turnover indicates stability, laws indicate the legal environment, and customs and safe products reveal values.

16. It helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.

Identify the activity referred to, in the above statement and state its elements. [4 marks]

Solution:

Concept:

- Delegation means the transfer of authority from a superior to a subordinate to carry out an assigned task. It enables the manager to get work done through others.
- Its three elements are authority, responsibility and accountability. Delegating authority does not relieve the superior of ultimate accountability for the assigned work.

Step 1: Identify the activity in the statement The activity is **delegation of authority**. The clue is that it enables a manager to "extend his area of operations". Instead of personally doing every task, the manager assigns duties and grants suitable authority to subordinates. This multiplies the work that can be performed under the manager's direction and frees time for important managerial work.

Step 2: State the elements of delegation **Authority:** This is the right of an individual to command subordinates and take decisions within the scope of the position. The superior grants sufficient authority to enable the subordinate to perform the assigned duties. Authority flows downwards from superior to subordinate.

Responsibility: This is the obligation of the subordinate to perform the assigned duty properly. It arises from a superior-subordinate relationship. The subordinate is responsible to the superior who assigned the task; responsibility must be supported by adequate authority.

Accountability: This means being answerable for the final outcome of the assigned task. It flows upwards to the superior. A subordinate must explain performance, but the superior cannot escape ultimate accountability merely by delegating authority. Thus, delegation creates a duty to perform and an obligation to report results.

Step 3: Conclusion The activity is delegation of authority, and its elements are authority, responsibility and accountability. Their proper combination allows a manager to extend operations through subordinates while retaining ultimate accountability.

Quick Tip to Solve: Remember the sequence: grant the right to act, assign the duty to perform, and require an answer for the result.

17. A company manufacture very sophisticated switch gears used in automatic cars. For this the company uses hi-tech machines. Most of the times the workers of the factory remain idle because of lack of knowledge regarding the use of these hi-tech machines. The frequent visits by the engineers and constant supervision of the foreman results into high overhead charges. Explain the way by which this problem can be overcome. Also state how this help the employees. [4 marks]

Solution:

Concept:

- Training is the systematic process of improving employees' knowledge and skills for performing a particular job. It addresses a gap between the skills a job requires and the skills workers possess.
- Training benefits employees through career advancement, higher earnings, safer working and greater satisfaction, while improving efficiency for the organisation.

Step 1: Explain how training solves the operating problem The company should provide **training** in operating its hi-tech machines. The case states that workers remain idle because of "lack of knowledge" about these machines; therefore, the immediate need is job-related knowledge and operating skills. A planned programme should teach correct operating procedures, safe handling and routine care, with practical demonstration and supervised practice. Workers can then operate the equipment competently instead of repeatedly depending on engineers and the foreman. This reduces idle time, mistakes and the need for constant supervision, helping control overhead charges.

Step 2: State the benefits of training to employees **Better career opportunities:** Improved skills and knowledge equip employees to handle more demanding duties and improve their prospects of advancement.

Higher earnings: Better performance and increased productivity can enable employees to earn more, particularly where remuneration is linked to performance.

Fewer accidents: Knowledge of correct operating methods and safety precautions makes employees more efficient in handling machinery and less prone to accidents.

Greater satisfaction and morale: Confidence in doing the job reduces the anxiety and frustration caused by inability to use the equipment. Employees become more satisfied and motivated as they perform their work competently.

Step 3: Conclusion Job-related training will overcome the workers' lack of knowledge of hi-tech machinery. Besides improving machine utilisation and reducing supervision costs, it benefits employees through advancement opportunities, potential higher earnings, safer work and improved satisfaction and morale.

Quick Tip to Solve: When a case links idle machinery to a lack of operating knowledge, identify training and separate its employee benefits from its organisational benefits.

18. State any four factors that will affect the working capital requirements of a company. [4 marks]

Solution:

Concept:

- Working capital finances day-to-day operations through current assets such as cash, inventories and receivables. The requirement depends on the amount and duration of funds tied up in the operating cycle.
- Factors affecting working capital explain why two companies with similar sales may need different amounts of short-term finance. State both the factor and its effect on the requirement.

Step 1: State the operating characteristics

- **Nature of business:** Trading businesses generally need less working capital than manufacturing businesses because they do not process raw materials. Manufacturing businesses tie up funds in raw materials, work-in-progress and finished goods. Service businesses may need relatively little inventory.
- **Scale of operations:** A company operating on a large scale generally requires more working capital in absolute terms. It needs larger stocks, incurs higher day-to-day expenses and normally has more funds tied up in debtors than a smaller business.

Step 2: State the production and credit conditions

- **Production cycle:** A longer production cycle increases working capital requirements because funds remain blocked in raw materials and work-in-progress for a longer period before finished goods can be sold. A shorter cycle releases these funds sooner.
- **Credit allowed to customers:** A liberal credit policy increases working capital requirements because sales proceeds are collected later and more funds remain invested in debtors. Prompt collection or cash sales reduces the funds needed to finance receivables.

Step 3: Conclusion Four factors are the nature of business, scale of operations, length of the production cycle and credit allowed to customers. Larger operations, a longer production cycle and more liberal customer credit generally increase working capital requirements.

Quick Tip to Solve: For each factor, ask whether it ties up more money or ties it up for longer before cash returns; either effect generally increases working capital.

19. Your company has setup a coconut hair-oil factory in Coastal Kerala, with a production capacity of 10,000 bottles of 100 milli-litre per day. The company plans to market the hair-oil with the brand name 'Kale Kesh'. Design a label for the hair oil bottles. [4 marks]

Solution:

Concept:

- A label identifies a product and its brand, describes its contents and provides information needed for purchase and use. It can also promote the product through an attractive, readable design.
- A bottle label should distinguish the brand name from the product name and show the net quantity. Manufacturer details, batch identification, dates, price and consumer-contact information belong

in the information panel.

Step 1: Choose the identity and information panels **Brand and product:** Display "Kale Kesh" prominently, followed by "Coconut Hair Oil". Show the net quantity as 100 mL because each bottle contains that quantity. A coconut or hair motif could make the design recognisable without making unsupported claims about quality or therapeutic benefits.

Manufacturer and traceability: Provide spaces for the manufacturer's name and full address in Coastal Kerala, the batch number and the date of manufacture. The question supplies no company name, street address, selling price or dates, so those particulars are left as clearly marked fields to be completed before printing.

Step 2: Present the bottle label The following design combines a prominent front panel with a compact information panel. Blank lines identify variable particulars that the company must enter. The production capacity of 10,000 bottles per day is factory information, not the net contents of one bottle, so it does not replace the 100 mL declaration.

Product-use information: Include concise directions such as applying a small quantity to the hair and scalp. Provide an external-use caution, an ingredients field and a best-before field to be completed using the actual formulation and established shelf life. Give a consumer-care contact field so a buyer can raise a query or complaint.

KALE KESH

COCONUT HAIR OIL

Net quantity: 100 mL

Ingredients: _____

Manufactured by: _____

Full address: _____

Coastal Kerala

Batch No.: _____ Mfg. date: _____

Best before: _____

MRP Rs: _____ (inclusive of all taxes)

Directions: Apply a small quantity to hair and scalp.

Caution: For external use only.

Consumer care: _____

Proposed Kale Kesh bottle label; blank fields are completed before printing.

Step 3: Conclusion The proposed label identifies Kale Kesh as coconut hair oil in a 100 mL bottle and provides space for manufacturer details, ingredients, batch and date information, maximum retail price, directions and consumer contact. The company must complete the variable fields with the actual product particulars before using the label.

Quick Tip to Solve: Separate the brand, product name and bottle quantity from the manufacturing details; never confuse daily factory capacity with the quantity sold in one pack.

20. A company has been registered under the Companies Act with an authorized share capital of ₹ 400 crores. Its registered office is situated in Mumbai and manufacturing unit in a backward district of Karnataka. Its marketing department is situated in Hyderabad. The company is manufacturing consumer goods.

(i) With the help of a diagram suggest a suitable organization structure for the company.

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

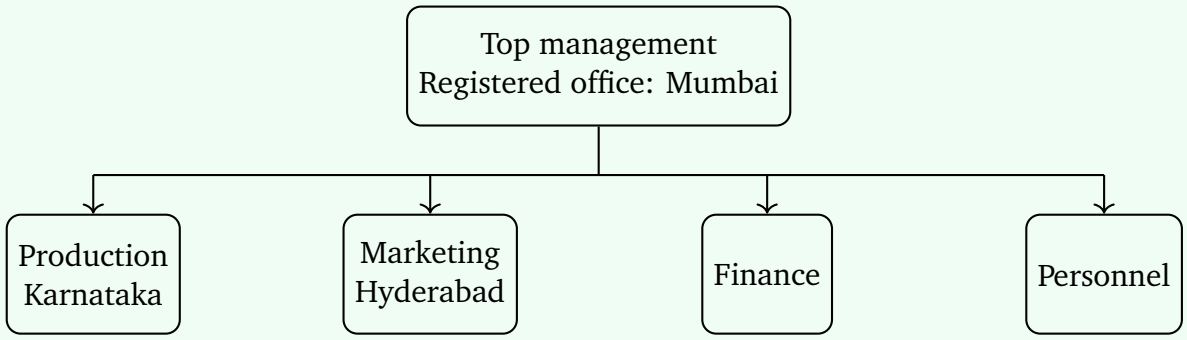
Solution:

Concept:

- A functional structure groups activities of a similar nature into specialised departments, such as production, marketing, finance and personnel, under a common top management.
- It is suitable for a large enterprise carrying out several major functions. A divisional structure is appropriate when an enterprise has different product lines requiring separate product divisions; different office locations alone do not establish such divisions.

Step 1: Suggest and justify the structure **(i) Functional organisation structure** is suitable. The company manufactures consumer goods and the case identifies specialised functions: its "manufacturing unit" is in Karnataka and its "marketing department" is in Hyderabad. Its registered office in Mumbai can provide overall direction. Grouping work by function allows specialists to supervise similar activities even when the departments operate at different locations. The authorised capital indicates the scale of the enterprise, but does not by itself determine its organisation structure. The case does not identify separate product lines that would justify product divisions.

Step 2: Show the functional hierarchy The diagram places the functional departments under a common head. Production includes the manufacturing unit in Karnataka, while marketing operates from Hyderabad. Finance and personnel are standard functional departments shown to complete the suggested structure; their locations are not specified in the case.



Suggested functional organisation structure

Step 3: State three limitations

- **Functional empires:** A functional head may concentrate on departmental objectives at the expense of the organisation's overall objectives. For example, marketing may press for greater variety while production seeks standardisation. Such narrow attention makes an integrated view of the business difficult.
- **Coordination problems:** Departments require one another's support, but their specialised outlook and separate priorities can make coordination difficult. Production and marketing must agree on

quantities and delivery schedules; differences between them can delay decisions and action.

- **Conflict between departments:** The interests of two or more departments may be incompatible. Each may seek a larger budget or defend its own performance, and blame another department when targets are missed. Resolving these conflicts adds to the burden on top management.

Step 4: Conclusion The company should adopt a **functional structure**, grouping work by specialised business functions under common management. Its limitations include functional empires, coordination difficulties and interdepartmental conflict.

Quick Tip to Solve: Identify the basis of grouping: production and marketing indicate functions, whereas separate product lines indicate divisions. Different cities alone do not require a divisional structure.

21. Explain the concept of leadership and its various styles. [5 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals.
- A leadership style describes how a leader exercises authority, involves subordinates in decisions and guides their work. The principal styles are autocratic, democratic and laissez-faire.

Step 1: Explain the meaning of leadership Leadership is an interpersonal process between a leader and followers. The leader influences employees to contribute willingly to a common objective, rather than merely obtaining obedience through orders. A manager acts as a leader when guidance, communication and personal influence motivate the team to work towards organisational goals. Leadership is a continuing process and is exercised in a particular situation; the most suitable style therefore depends on the task and the followers.

Step 2: Explain the autocratic style **Autocratic or authoritarian leadership:** The leader centralises authority, makes decisions personally and expects subordinates to carry out the instructions given. Communication is largely downward and employees have little participation in deciding how work is to be done. For example, a production supervisor may prescribe each worker's task and method without consultation. This can provide quick decisions and clear direction when urgent action or close supervision is necessary, although excessive use may discourage initiative.

Step 3: Explain the democratic style **Democratic or participative leadership:** The leader consults subordinates and encourages their participation in decision-making. Ideas and suggestions flow in both directions, while the leader retains responsibility for guiding the group towards its goals. For example, a manager may discuss alternative production schedules with the team before selecting one. Participation can improve commitment and motivation because employees feel that their views matter, though consultation takes time.

Step 4: Explain the laissez-faire style **Laissez-faire or free-rein leadership:** The leader gives subordinates substantial freedom to decide their objectives and methods within the organisation's overall goals. Employees largely plan and carry out their own work; the leader supplies information, resources and assistance when required. This style suits competent, responsible and self-motivated

employees, such as an experienced research team. Without such readiness, the lack of close direction may result in poor coordination.

Step 5: Conclusion Leadership secures voluntary effort towards common goals. Autocratic leaders decide and direct, democratic leaders involve the group, and laissez-faire leaders allow considerable freedom. A leader should choose the style suited to the situation rather than assume that one style always works best.

Quick Tip to Solve: Distinguish the styles by asking who makes decisions: the leader alone, the leader with the group, or the employees with considerable freedom.

22. 'Jony India Ltd.' is the manufacturer of large sized curved televisions. The company imparted training to its engineers at an advanced training centre at Germany. It sells its television sets throughout the country. The company had a substantial market share and had a loyal customer following because of the quality products. 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:

- Staffing includes training and development, which improve employees' knowledge and skills. Controlling compares actual performance with standards and initiates corrective action wherever necessary.
- Effective control follows a sequence: set standards, measure actual performance, compare results, analyse deviations and take corrective action. Quality consciousness reflects concern for consumers.

Step 1: Identify the concepts from the case **(i) Training under staffing:** The company "imparted training to its engineers at an advanced training centre at Germany". This develops their technical knowledge and skills for producing the televisions. **Controlling:** The company has been "unable to achieve its targets because of competition" and is "planning to revamp its controlling system". These statements show the need to check performance against planned targets and remove the causes of the shortfall.

Step 2: Set standards and measure actual performance **(ii) Setting performance standards:** Establish clear, measurable standards for the activities to be controlled, such as television sales, market share, product quality and costs. Standards provide the benchmark for judging performance and should be realistic in the competitive conditions. **Measurement of actual performance:** Collect reliable information about actual sales, market share, costs and quality through sales reports, accounts and other appropriate records. Measurement should use the same basis as the standards so that the comparison is meaningful.

Step 3: Compare performance and analyse deviations **Comparison with standards:** Compare the actual results with the targets to establish the extent and direction of any deviation. This shows where Jony India Ltd. is falling short rather than merely confirming that overall targets were missed. **Analysing deviations:** Investigate significant differences and their causes. Use critical point control to focus on key areas and management by exception to give attention to deviations outside acceptable limits. Examine the effect of competition and other relevant causes instead of assuming every shortfall is an employee's fault.

Step 4: Take corrective action and identify the value **Taking corrective action:** Select action suited to the cause found, such as improving marketing efforts, removing operating inefficiencies or providing further training where a skill deficiency exists. If investigation shows that standards were unrealistic in changed conditions, revise them appropriately. Follow up to see whether the action improves results. **(iii) Value communicated: Quality consciousness and concern for customers.** The case states that the company has a loyal customer following "because of the quality products". Its commitment to quality gives customers reliable products and reflects responsibility towards consumers.

Step 5: Conclusion The case illustrates training within staffing and the controlling function. Jony India Ltd. should set standards, measure actual performance, compare results, analyse deviations and take corrective action. Its quality products communicate concern for consumers through quality consciousness.

Quick Tip to Solve: Link each identified concept to words in the case, then write the controlling steps in order; corrective action must address the cause discovered in the analysis.

23. Kamal, Khan and Devid are partners in a firm engaged in the distribution of dairy products in Madhya Pradesh. Kamal is a holder of Senior Secondary School Certificate from Central Board of Secondary Education with Business Studies as one of his elective subjects. Khan had done his post-graduation in Hindi literature and Devid in Dairy Farming. One day there was a serious discussion between Khan and Devid regarding the nature of 'Management as a Science'. Khan argued that Management was not a science whereas Devid was of the opinion that Management was a science. Kamal intervened and corrected both Khan and Devid about the nature of Management as a Science with the help of his knowledge of Business Studies. Explain, how Kamal would have been able to satisfy both Khan and Devid. [6 marks]

Solution:

Concept:

- Science is a systematised body of knowledge that explains relationships through principles developed by observation and experimentation.
- Management has scientific features, but it is an inexact science because it deals with human beings whose behaviour varies with circumstances.

Step 1: Examine the systematised body of knowledge **Systematised body of knowledge:** Kamal could tell Devid that management has its own organised theories, concepts and principles. It has a vocabulary developed over time, such as authority, responsibility and unity of command. These principles explain relationships between managerial actions and organisational results. Management

therefore satisfies this characteristic of science; it is not merely a collection of personal opinions or guesses.

Step 2: Explain how management principles are developed **Observation and experimentation:** Like scientific principles, management principles are developed through observation and repeated practical experience. Managers and researchers study organisational situations, experiment with methods of work and analyse the results. For example, Taylor studied work methods scientifically to improve efficiency. However, managerial experiments cannot reproduce all conditions with the same precision as experiments in the natural sciences, since people and organisational circumstances change.

Step 3: Assess the applicability and precision of the principles **Limited universal validity:** Principles of natural science generally have universal validity under the specified conditions. Management principles are broad guidelines whose application must be modified to suit the situation. They deal with human behaviour, which is complex and cannot be predicted with complete accuracy. A method that motivates one employee may not motivate another in the same way. Hence management principles do not yield the exact, identical results associated with a pure science.

Step 4: Reconcile the views expressed in the case Devid's view that "Management was a science" is justified by its systematic knowledge and principles based on observation and experimentation. Khan's objection recognises that management lacks the precision of a pure science. Kamal could therefore explain that neither an absolute rejection of its scientific character nor equating it with an exact natural science is appropriate. Management is a social science, often called an inexact science, and its principles must be applied flexibly to the firm's circumstances.

Step 5: Conclusion Kamal would satisfy both partners by explaining that management is a science because it has an organised body of knowledge and experimentally developed principles, but it is not an exact science because human behaviour and situations vary. Its principles provide adaptable guidelines rather than rigid laws.

Quick Tip to Solve: Test management against the three features of science: systematic knowledge, observation and experimentation, and universal validity; qualify the last two for human behaviour.

24. Describe the following rights of a consumer :

(a) Right to be Heard.

(b) Right to Safety.

(c) Right to Consumer Education. [6 marks]

Solution:

Concept:

- Consumer rights protect buyers against unsafe products, unfair trade practices and the denial of their legitimate interests.
- Being heard, being safe and being educated are distinct rights: they respectively concern representation, protection from hazards and awareness needed for informed action.

Step 1: Describe the right to be heard **(a) Right to be Heard:** A consumer has the right to express a

complaint and to have it heard when dissatisfied with a good or service. The consumer's interests must receive due consideration at appropriate forums. For instance, if a product is defective or a service is deficient, the consumer can raise the grievance rather than silently accepting the loss. Business organisations may establish consumer-service and grievance cells, and consumer organisations also help buyers present their complaints. This right gives consumers an opportunity to put forward their case; it does not mean that every complaint must automatically be decided in their favour without examining the facts.

Step 2: Describe the right to safety **(b) Right to Safety:** A consumer has the right to be protected against goods and services that are hazardous to life and health. Defective electrical appliances, for example, may cause electric shocks or fires. Producers must observe prescribed safety requirements, while consumers should prefer standardised goods and use them as instructed. The ISI mark on an electrical appliance is an example of a quality certification consumers can look for. The right is concerned with preventing injury and health hazards, rather than merely obtaining a low price or an attractive product.

Step 3: Describe the right to consumer education **(c) Right to Consumer Education:** A consumer has the right to acquire knowledge and skills needed to become an informed consumer throughout life. This includes awareness of consumer rights and responsibilities, the remedies available against exploitation, and the procedure for seeking redressal. Government agencies, educational institutions and consumer organisations can spread this awareness through programmes and publications. An educated consumer can examine labels and quality marks, retain proof of purchase, recognise misleading claims and take suitable action when cheated. Thus education makes the other consumer rights practically usable.

Step 4: Conclusion The right to be heard ensures that consumer grievances receive consideration, the right to safety protects life and health from hazardous goods and services, and the right to consumer education enables consumers to understand and exercise their rights effectively.

Quick Tip to Solve: Link each right to its purpose: heard means voice and representation, safety means protection from hazards, and education means knowledge of rights and remedies.

25. Distinguish between Primary market and Secondary market. [6 marks]

Solution:

Concept:

- The primary market is the new issue market, where companies issue new securities to investors to raise funds. It connects savers with businesses requiring fresh capital.
- The secondary market deals in securities already issued. Investors transfer these securities among themselves, obtaining liquidity without the company making a fresh issue.

Step 1: Identify the two kinds of transaction A subscription to a company's new issue belongs to the primary market, even when an existing company issues additional shares. A later purchase of those shares from another investor belongs to the secondary market. Thus the distinction concerns a new issue versus a resale, rather than simply a new company versus an old company.

Step 2: Compare the markets on six bases

Basis	Primary market	Secondary market
Securities traded	New securities are issued by new companies or as fresh issues by existing companies.	Existing, previously issued securities are traded.
Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Securities are exchanged between investors; the issuing company is not the seller in the resale.
Capital formation	It directly promotes capital formation by making fresh funds available to the issuing company.	It indirectly promotes capital formation by providing liquidity and encouraging investment in securities.
Buying and selling	Investors can buy new securities; the new issue market does not provide their subsequent resale.	Investors can both buy and sell existing securities.
Price determination	The issue price is determined by the company, including through the prescribed issue-pricing process.	Prices change with the demand for and supply of securities in the market.
Location	A new issue is offered to investors without a fixed geographical market location.	Trading is associated with organised stock exchanges having a specified location and trading framework.

Step 3: Conclusion The primary market supplies fresh capital to companies through new issues, whereas the secondary market provides investors with a market for resale. The markets complement each other: liquidity in the secondary market makes investors more willing to subscribe to primary issues.

Quick Tip to Solve: Ask who receives the money: a fresh issue raises funds for the company; a resale pays the selling investor. This separates capital raising from liquidity.