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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1** mark may be from **one word** to **one sentence**.
(ii) Answers to questions carrying **3** marks may be from **50 – 75** words.
(iii) Answers to questions carrying **4 – 5** marks may be about **150** words.
(iv) Answers to questions carrying **6** marks may be about **200** words.
(v) Attempt all parts of a question together.

1. 'Bharat Express' specialises in Courier Services. Its 'wide range of express package and parcel services' help business firms to make sure that the goods are made available to the customers at the right place and at the right time.

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

Solution:

Concept:

- Working capital finances day-to-day business operations and current assets.
- The nature of business affects its requirement: service enterprises generally need less working capital than manufacturing enterprises.

Step 1: Identify the nature of the business Bharat Express specialises in courier services. It provides a service rather than manufacturing products, so it does not need to maintain substantial stocks of raw materials, work-in-progress and finished goods.

Step 2: Relate this to current assets With relatively little money tied up in inventories, its working capital requirement is low compared with a manufacturing concern. It still needs funds for routine expenses, but that does not change the effect of its service nature.

Step 3: Conclusion The working capital requirement of Bharat Express will be low because it is a service enterprise with little inventory to finance.

Quick Tip to Solve: For a nature-of-business question, connect service activity with low inventories and therefore lower working capital.

2. 'Maruti Vega Ltd.' entered into the market with coloured television and have now introduced products like audio systems, air-conditioners washing machines, etc. The company is not only offering the products but also handling complaints and offering after-sales services.

Identify the element of marketing-mix discussed here. [1 mark]

Solution:

Concept:

- The product element of the marketing mix includes goods and the benefits and services offered with them.
- Product decisions include the product range, quality, design, branding and customer support services.

Step 1: Identify the clues in the case Maruti Vega Ltd. offers a range of products, including televisions, audio systems, air-conditioners and washing machines. This concerns what the company offers to satisfy customer needs.

Step 2: Include the accompanying services The company also handles complaints and offers after-sales services. These support services form part of the total product offering, so they reinforce the product element rather than changing the answer to promotion or physical distribution.

Step 3: Conclusion The element of the marketing mix discussed is Product, also referred to as product

mix.

Quick Tip to Solve: Complaint handling and after-sales support are part of the product offering; do not classify them as promotion merely because they attract customers.

3. Himanshu purchased a new car from 'Galaxy Motors' for ₹ 25 lakhs. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5,000 km, 10,000 km and 15,000 km respectively. When Himanshu took the car for the first free servicing, he was told that the car was not new and first service had already been availed on this car. He felt cheated and filed a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file an appeal against it.

Can Himanshu appeal against the decision of the State Commission ? Give reason in support of your answer. [1 mark]

Solution:

Concept:

- Under the consumer protection framework applicable to this 2015 paper, an appeal against a State Commission order lies with the National Commission.
- The ordinary time limit for such an appeal is 30 days from the date of the order.

Step 1: Apply the time limit Himanshu decided to appeal after two months. This exceeds the prescribed period of 30 days, so an appeal at that time is outside the ordinary time limit.

Step 2: State the answer for the given facts He cannot appeal as a matter of course after two months. A delayed appeal may be entertained if sufficient cause for the delay is established, but the case states no such cause. Mere dissatisfaction with the decision does not extend the time limit.

Step 3: Conclusion No, on the stated facts: Himanshu has exceeded the 30-day period for appealing to the National Commission against the State Commission decision.

Quick Tip to Solve: For this historical question, distinguish the forum for the appeal from the deadline: State Commission to National Commission, within 30 days.

4. Explain, how management helps in the development of society. [1 mark]

Solution:

Concept:

- Management helps organisations achieve their objectives while recognising their responsibility towards society.
- Efficient use of resources and provision of useful goods and services contribute to social development.

Step 1: Explain the contribution through production Management organises scarce resources efficiently to provide good-quality goods and services at reasonable prices. This helps meet the needs of

people and improves their standard of living.

Step 2: Link organisational activity with social welfare By running and expanding productive activities, management creates employment opportunities. It can also adopt new technology and support welfare activities, thereby contributing to the development of society along with organisational growth.

Step 3: Conclusion Management develops society by using resources effectively, supplying useful quality products at reasonable prices and creating employment and welfare opportunities.

Quick Tip to Solve: Link social development to concrete outcomes: better products, reasonable prices, employment and welfare.

5. 'Himalaya Ltd.', is engaged in manufacturing of washing machines. The target of the organisation is to manufacture 500 washing machines a day. There is an occupational specialisation in the organisation which promotes efficiency of employees. There is no duplication of efforts in such type of organisation structure.

Identify the type of organisation structure described above. [1 mark]

Solution:

Concept:

- A functional structure groups jobs requiring similar skills or functions into specialised departments.
- Functional specialisation promotes efficiency and reduces duplication of effort within each function.

Step 1: Locate the identifying features The case explicitly states that occupational specialisation promotes employee efficiency and that there is no duplication of efforts. These are characteristic advantages of a functional structure.

Step 2: Identify the appropriate structure Activities such as production, finance and marketing are grouped according to function, allowing employees to develop specialised expertise. Manufacturing a single broad product line, washing machines, is also consistent with this form of organisation.

Step 3: Conclusion Himalaya Ltd. has a functional organisation structure.

Quick Tip to Solve: Use occupational specialisation and avoidance of duplicated functional work as the decisive clues for functional structure.

6. How does 'cost of equity' affect the choice of capital structure of a company ? Explain. [1 mark]

Solution:

Concept:

- Capital structure is the proportion of debt and equity used to finance a company.
- Equity shareholders require a return for the financial risk they bear; increased debt increases that risk because interest is a fixed obligation.

Step 1: Explain the effect of greater debt When a company increases the debt proportion, fixed interest commitments increase the financial risk borne by equity shareholders. Shareholders consequently

expect a higher return, raising the cost of equity.

Step 2: Apply this to the financing decision Debt may be used while its benefits are not offset by an excessive rise in equity cost. Beyond a suitable level, further borrowing makes equity too costly. The company should therefore choose a judicious debt-equity mix rather than increase debt without limit.

Step 3: Conclusion The company should use debt only up to a level at which the resulting increase in cost of equity does not outweigh its financing advantage.

Quick Tip to Solve: Cheap debt is not unlimited: more debt raises shareholders' financial risk and therefore their required return.

7. What is meant by 'liberalisation' ? [1 mark]

Solution:

Concept:

- Liberalisation concerns reducing unnecessary government controls and restrictions on business and industry.
- It gives enterprises greater freedom to make operating and investment decisions within the applicable legal framework.

Step 1: State the meaning Liberalisation means freeing business and industry from unnecessary government restrictions and controls. The emphasis is on removing obstacles that limit the freedom of enterprises to operate and grow.

Step 2: Clarify its application Measures such as reducing industrial licensing requirements and relaxing restrictions on expansion give firms greater decision-making freedom. It does not mean that all laws cease to apply; it refers to reducing unnecessary controls on economic activity.

Step 3: Conclusion Liberalisation is the removal or relaxation of unnecessary government controls and restrictions on business and industry.

Quick Tip to Solve: Remember the core phrase: freedom from unnecessary government restrictions; selling government enterprises is privatisation.

8. Give the meaning of 'Policy' as a type of plan. [1 mark]

Solution:

Concept:

- Policies are standing plans that guide decisions on recurring matters and help managers interpret organisational objectives.
- A policy lays down a broad framework within which a manager may exercise judgement; it does not prescribe every detailed action.

Step 1: Define policy A policy is a general statement that guides thinking and channels decision-making towards the achievement of organisational objectives. It establishes the broad limits within which decisions are to be taken.

Step 2: Explain its role as a plan For example, a policy of recruiting suitable candidates from within the organisation guides decisions whenever a vacancy arises. Managers can choose an appropriate eligible employee within that framework. The policy therefore provides a consistent basis for decisions without laying down a detailed sequence of operations.

Step 3: Conclusion A policy is a general guideline for thinking and decision-making that directs managerial choices towards organisational objectives.

Quick Tip to Solve: Remember policy as a guide to decisions; a procedure instead gives a sequence of steps.

9. What is meant by 'Informal Organisation' ? State its any two advantages. [3 marks]

Solution:

Concept:

- Informal organisation is the network of social relationships that arises spontaneously through interaction among people at work.
- Its relationships are based on personal association rather than the authority and reporting relationships prescribed by management.

Step 1: State the meaning Informal organisation means the network of personal and social relations that emerges spontaneously when employees interact at work. Friendship, shared interests and regular contact create these relationships. Management does not deliberately design them, and they may extend across departments and levels of authority.

Step 2: State two advantages **Faster communication:** Information can travel rapidly through informal channels without following the formal chain of command. This enables employees to receive information quickly and provides managers with feedback about employee reactions.

Fulfilment of social needs: Informal groups provide friendship, acceptance and a sense of belonging. These relationships give members emotional support and recognition, increasing their job satisfaction and helping them feel secure in the workplace.

Step 3: Conclusion Informal organisation is a spontaneously formed network of social relationships. Its advantages include faster communication and the fulfilment of employees' social needs.

Quick Tip to Solve: Identify informal organisation through spontaneous friendships, then link each advantage to what those relationships provide.

10. 'The Stock Exchange performs many vital functions in today's commercial world.' Explain any three such functions. [3 marks]

Solution:

Concept:

- A stock exchange provides an organised market for the purchase and sale of existing securities, subject to its rules and regulations.
- Its functions support investors as well as the economy by making investments transferable and

facilitating the allocation of funds.

Step 1: Explain liquidity and marketability **Providing liquidity and marketability to existing securities:** A stock exchange offers a continuous market where investors can buy and sell securities already issued. An investor who needs money can sell an investment instead of waiting for its maturity. This ability to convert securities into cash increases their marketability; the company need not repay its capital merely because an investor wants to exit.

Step 2: Explain price discovery **Pricing of securities:** Trading on the stock exchange brings together the demand for and supply of securities. Their interaction determines market prices. These quoted prices supply useful information to both buyers and sellers and enable investors to assess the current value of their investments.

Step 3: Explain safety of transactions **Safety of transactions:** Securities trading takes place within a regulated framework. Stock exchanges admit securities under prescribed conditions, and trading is conducted through authorised members under rules and regulatory supervision. This helps ensure fair dealing and protects participants against improper practices, although it does not remove the risk of changes in market prices.

Step 4: Conclusion Three vital functions are providing liquidity and marketability, determining prices through demand and supply, and promoting the safety of securities transactions.

Quick Tip to Solve: For each function, name the textbook term and explain its practical benefit to an investor.

11. Jaideep recently joined as the Managing Director of 'Tivori Ltd.', an apparel designing company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestions which were neither appreciated nor rewarded by the company. Instead the company outsourced its services to some renowned fashion designers and paid them a good compensation for their services. Because of this the employees felt disheartened and stopped giving useful suggestions.

(a) Identify the communication barrier discussed above.

(b) State the category of this communication barrier.

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

Solution:

Concept:

- Personal barriers arise from the attitudes, motives or personal circumstances of the sender and receiver and can obstruct effective communication.
- Lack of proper incentives discourages subordinates from communicating useful ideas when suggestions receive neither appreciation nor reward.

Step 1: Identify the barrier in the case **(a) Lack of proper incentives:** The employees regularly offered useful suggestions, but these were "neither appreciated nor rewarded. Meanwhile, outside designers were paid for their services. The absence of appreciation or reward discouraged the employees, so they stopped giving suggestions. This is the personal communication barrier called lack

of proper incentives.

Step 2: State its category **(b) Personal barrier:** This barrier belongs to the category of personal barriers to communication. It concerns the employees' motivation and willingness to communicate ideas rather than a language problem or the formal rules of the organisation.

Step 3: Explain another barrier in the same category **(c) Lack of confidence of a superior in subordinates:** When a superior does not trust the competence of subordinates, the superior may not seek their advice or accept their suggestions. Employees then find that useful information and ideas are disregarded. This attitude obstructs upward communication and prevents management from benefiting from employees' knowledge. It is another personal barrier because it results from the superior's attitude towards subordinates.

Step 4: Conclusion The identified barrier is lack of proper incentives, a personal barrier to communication. Lack of confidence of a superior in subordinates is another barrier in the same category.

Quick Tip to Solve: Unrewarded suggestions indicate lack of incentives; always name the category separately before explaining another personal barrier.

12. How do the 'Company-related factors' affect the choice of channels of distribution ? Explain.

[3 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to consumers. Company-related considerations concern the producer's resources and the control it wants over this route.
- The two main company-related factors are its financial strength and the degree of control desired over channel members and marketing activities.

Step 1: Explain the effect of financial strength **Financial strength:** Direct distribution requires a company to finance its own sales force, outlets, storage and other distribution facilities. A financially strong company can bear these costs and may therefore choose a direct or shorter channel. A company with limited funds generally uses intermediaries, who perform these activities and reduce the producer's investment in distribution. Thus, a longer channel may be appropriate where the company cannot afford its own distribution network.

Step 2: Explain the effect of the control desired **Degree of control:** A company seeking close control over the price charged, the manner of selling, product presentation and customer service prefers a direct or short channel. Fewer independent intermediaries make it easier to implement the company's marketing policy and maintain direct customer contact. If the company is willing to share control with independent wholesalers and retailers, it can choose a longer channel and use their established selling network.

Step 3: Conclusion Strong financial resources make direct distribution feasible, while limited resources encourage the use of intermediaries. Similarly, a desire for greater control favours a shorter channel; willingness to share control permits a longer one.

Quick Tip to Solve: For company-related factors, link money to the ability to finance distribution and control to the number of independent intermediaries.

13. 'A.S. Ltd.' is a large company engaged in assembly of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping.

(a) Identify the function of management discussed above.

(b) State those steps in the process of the function identified which are discussed in the above paragraph. [3 marks]

Solution:

Concept:

- Controlling means ensuring that actual performance conforms to planned standards. It involves setting standards, measuring actual performance, comparing the two, analysing deviations and taking corrective action.
- A standard supplies the benchmark for judging results. An unfavourable deviation must be investigated to identify its cause before a suitable correction can be chosen.

Step 1: Identify the management function **(a) Controlling:** The company checks performance against the planned output and investigates the shortfall. The words "compared actual performance of each worker" and the observation through C.C.T.V. show the exercise of control. The earlier time and motion studies supply a basis for the standard; the function illustrated by the performance check is controlling.

Step 2: State the steps illustrated in the case **(b) Setting performance standards:** The expected output is ten air-conditioners per worker per day, with a company target of 1,000 units per day. These quantitative standards specify the performance to be achieved.

Measurement of actual performance: The company ascertains that its actual daily assembly is only 800 units and examines workers' actual performance.

Comparison of actual performance with standards: Actual output of 800 units is compared with the target of 1,000 units. This reveals an unfavourable shortfall of 200 units per day.

Analysing deviations: To find the reason for the shortfall, the company observes workers through C.C.T.V. and discovers that some are "busy in gossiping". This identifies a cause of the deviation despite attractive allowances and worker satisfaction. The paragraph does not describe a subsequent corrective action, so that final step is not claimed as an action already taken.

Step 3: Conclusion The function is controlling. The steps discussed are setting standards, measuring actual performance, comparing actual performance with standards, and analysing the deviation to discover its cause.

Quick Tip to Solve: Map the case in order: target, actual output, shortfall, and reason. State corrective action only when the case describes an actual correction.

14. State any four features of principles of management. [4 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers handle organisational situations effectively.
- Their nature differs from rigid scientific laws: management deals with people and changing circumstances, so principles guide judgement rather than prescribe an identical action in every situation.

Step 1: State their scope and guiding character **Universal applicability:** Management principles can be applied to all types of organisations—business and non-business, large and small, public and private—and at different managerial levels. However, the extent of their application varies with the nature of the organisation, the task and the circumstances. For example, coordination is relevant both in a school and in a factory, although its practical arrangements will differ.

General guidelines: Principles provide broad guidance for managerial action; they do not give ready-made solutions to every organisational problem. Actual business situations are complex and change continually. Managers therefore use a principle together with their experience and judgement to choose a suitable course of action.

Step 2: State how principles develop and adapt **Formed by practice and experimentation:** Management principles have been developed through managers' experience, observation and repeated experimentation. Practical problems are studied, possible solutions are tested, and useful conclusions are formulated as principles. They are therefore based on an understanding of what works in organisational practice rather than on arbitrary personal opinions.

Flexible: Principles are not rigid prescriptions that must be followed mechanically. Managers may modify their application according to the demands of a situation. For example, the amount of centralisation appropriate to an organisation depends on its size, employees and operating conditions. Flexibility allows a principle to remain useful as circumstances change.

Step 3: Conclusion Four features of principles of management are universal applicability, their role as general guidelines, formation through practice and experimentation, and flexibility. Together, these features explain why managers must apply principles with sound judgement.

Quick Tip to Solve: Give a distinct feature as a bold heading and then explain it. Distinguish universal relevance from identical application: a principle may apply everywhere while its use varies with circumstances.

15. Explain the concept of 'consumer protection' and any three points of its importance from the point of view of consumers. [4 marks]

Solution:

Concept:

- Consumer protection means safeguarding consumers against unfair trade practices and exploitation, while promoting their interests and protecting their rights as buyers and users of goods and services.

- From the consumers' point of view, its importance arises particularly from consumer ignorance, the unorganised nature of consumers and widespread exploitation by unscrupulous business practices.

Step 1: Explain the concept of consumer protection **Meaning:** Consumer protection covers measures that safeguard consumers' rights and interests. It includes educating consumers about their rights and responsibilities, helping them obtain fair treatment and providing remedies when goods or services are defective or deficient. It seeks to protect buyers against practices such as adulteration, misleading advertisements, overcharging and the supply of unsafe products. Thus, its scope includes both preventing exploitation and securing redress when a consumer suffers loss.

Step 2: Explain its importance from the consumers' viewpoint **Consumer ignorance:** Many consumers are unaware of the rights available to them, the responsibilities they should fulfil and the remedies they can seek. This lack of awareness makes them vulnerable to exploitation. Consumer protection educates them about these matters so that they can make informed purchases and assert their rights when necessary.

Unorganised consumers: Consumers are widely scattered and generally act individually. Compared with organised producers and sellers, an individual consumer often lacks the resources and bargaining strength to protect personal interests. Consumer protection encourages consumer organisations and collective action, giving consumers a stronger voice and assistance in seeking redress.

Widespread exploitation of consumers: Unfair practices such as adulteration, false weights and measures, defective goods, misleading advertisements and excessive prices can harm consumers. Consumer protection is needed to check such practices and provide relief to affected buyers. It also makes consumers aware that they need not silently accept unfair treatment by sellers.

Step 3: Conclusion Consumer protection safeguards and promotes consumers' rights and interests. It is especially important because consumers may be ignorant of their rights, may lack collective organisation and may face widespread exploitation in the marketplace.

Quick Tip to Solve: For the consumers' viewpoint, remember ignorance, lack of organisation and exploitation. Keep these separate from arguments about business reputation or social responsibility, which explain the business viewpoint.

16. 'Mission Coach Ltd.' is a large and creditworthy company manufacturing coaches for Indian Railways. It now wants to export these coaches to other countries and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

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

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

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

Solution:

Concept:

- Commercial paper is a short-term, unsecured and negotiable promissory note issued by large and creditworthy companies to raise money-market finance.
- Bridge financing meets an immediate financing need while the organisation waits for funds from a proposed capital-market issue. Commercial paper can finance the floatation expenses of such an issue.

Step 1: Identify and explain the instrument in part (a) **Commercial paper** is the suitable instrument. Mission Coach Ltd. is described as a "large and creditworthy company", which fits the type of company that can issue it. It is an unsecured promissory note: the issuer promises repayment on maturity without pledging a specific asset as security. It is also negotiable, so the holder can transfer it. The company's credit standing is therefore important to investors who supply these short-term funds.

Step 2: Connect the finance to the proposed equity issue The new machines need long-term finance, which the company proposes to obtain through equity shares. However, the issue itself involves immediate floatation expenses. Commercial paper provides **bridge finance** for these expenses until the equity issue brings in funds. Thus the instrument finances the temporary gap associated with raising the long-term capital; it does not turn the money market into a source of permanent equity capital.

Step 3: State the duration in part (b) Commercial paper has a maturity ranging from **15 days to one year**. Mission Coach Ltd. can choose a suitable maturity within this short-term range according to when it expects the equity proceeds to become available.

Step 4: Give another use in part (c) Commercial paper can also be used to meet **working-capital requirements**, such as financing inventories and other short-term operating needs. This is distinct from meeting the floatation expenses mentioned in the case.

Step 5: Conclusion (a) Mission Coach Ltd. can issue commercial paper, an unsecured and negotiable short-term promissory note, as bridge finance for floatation expenses. (b) Its maturity ranges from 15 days to one year. (c) Another use is financing working-capital requirements.

Quick Tip to Solve: Link "large and creditworthy" and "floatation expenses" to commercial paper and bridge finance; distinguish the temporary financing need from the long-term equity issue.

17. Beni, after completing her MBA, took up a job with a multinational company named 'Fortio'. The company was paying good salary and perks to its employees. The wages were within the paying capacity of the company that provided the employees a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates. Beni was very happy in this organisation, but due to long working hours she did not have time to cook her meal. She had to depend upon outside food, which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office goers at a reasonable price. At the end of the day she was also distributing the left-over food in the nearby night-shelters.

(a) State the dimension of business environment being discussed above.

(b) State the principle of management being followed by 'Fortio'.

(c) Identify any two values being communicated by the company to the society in the above case.

[4 marks]

Solution:

Concept:

- The social environment includes changes in lifestyles, social trends and the role of women. These changes affect consumer needs and create opportunities for business.
- Fayol's principle of remuneration of employees requires fair and reasonable pay that satisfies employees and is within the organisation's paying capacity.
- Business values include concern for people's health and welfare, service to society and compassion for disadvantaged people. Identify each value through an action actually stated in the case.

Step 1: Identify the dimension in part (a) The dimension is the **social environment**. The case refers to an "increase in the number of working women" and the lack of time to prepare hygienic home-cooked meals. These are changes in social roles and lifestyles, which create demand for packaged home-cooked food. Beni recognises this unmet need as an opportunity and starts supplying food to office goers. The clue is the social change creating the demand, rather than a change in technology or government policy.

Step 2: Identify Fortio's principle in part (b) Fortio follows the principle of **remuneration of employees**. It pays a "good salary and perks", and the wages are within its paying capacity while giving employees a "reasonable standard of living". Fair remuneration should be satisfactory to employees and reasonable for the employer. These specific statements establish the principle; the separate reference to pleasant behaviour of superiors does not replace the pay-related evidence.

Step 3: Identify two values in part (c) with evidence **Concern for health and welfare:** Supplying hygienic home-cooked food at a reasonable price addresses the health problem caused by dependence on outside food. The service attends to the well-being of working people rather than merely selling a meal.

Compassion and social responsibility: Distributing the left-over food in nearby night-shelters shows concern for needy people and willingness to share available resources. This action serves the

community and also avoids wasting edible food. Both values follow from Beni's food enterprise as described in the case.

Step 4: Conclusion (a) The dimension is the social environment. (b) Fortio follows remuneration of employees. (c) Two values illustrated are concern for health and welfare through hygienic, reasonably priced food, and compassion or social responsibility through distribution of food at night-shelters.

Quick Tip to Solve: Match each answer to its own clue: working women's changing lifestyle gives the social dimension; fair pay gives remuneration; food quality and night-shelter distribution give the values.

18. The workers of 'Gargya Ltd.' are unable to work on new computerised machines imported by the company to fulfil the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers.

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

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

Solution:

Concept:

- Training is the systematic process of increasing employees' knowledge and skills for performing a particular job. It helps employees adapt their work methods to new technology.
- Training benefits workers through improved career prospects, higher earning capacity and greater safety in handling machines. These employee benefits must be distinguished from benefits to the organisation.

Step 1: Identify and recommend training The supervisor should arrange suitable **training** for the workers in operating the new computerised machines. The clues are that workers are "unable to work on new computerised machines" and repeatedly seek "extra guidance". Their problem is a gap in job-related skills and knowledge. Planned instruction, demonstrations and supervised practice on the equipment can bridge this gap. Workers can then perform the assigned operations independently instead of calling the supervisor for every difficulty.

Step 2: Explain three benefits to the workers **Better career prospects:** Training improves workers' skills and knowledge, equipping them for greater responsibilities and helping them progress in their careers. Competence in computerised operations also makes them better prepared for future job requirements.

Higher earning capacity: Improved performance after training can enable workers to earn more. By learning the correct methods, they can perform their work more effectively and improve their productivity; this strengthens their capacity to obtain better earnings.

Greater safety: Workers learn the correct and safe ways of handling the imported machines. Familiarity with operating procedures and precautions reduces errors and the risk of accidents, protecting the workers while they carry out their duties.

Step 3: Conclusion The supervisor should provide training in operating the computerised machines. In addition to enabling independent work, it offers the workers better career prospects, higher earning

capacity and greater safety.

Quick Tip to Solve: When a case describes difficulty using new machines, identify training; if benefits to workers are asked, choose career growth, earnings and safety rather than organisational benefits.

19. Neeraj Gupta started a company 'YoYo Ltd.' with ten employees, to assemble economical computers for the Indian rural market. The company did very well in its initial years. As the product was good and marketed well, the demand went up. To increase production the company decided to recruit additional employees. Neeraj Gupta, who was earlier taking all decisions for the company, had to selectively disperse the authority. He believed that people are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features.

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

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

Solution:

Concept:

- Decentralisation means the systematic dispersal of decision-making authority throughout the levels of an organisation, while major policy decisions remain with top management.
- Decentralisation reflects confidence in employees' competence and willingness to accept responsibility. Its importance includes developing initiative, providing managerial talent for the future, and facilitating growth.

Step 1: Identify decentralisation from the case **(a) The concept is decentralisation.** Neeraj, who earlier took all decisions himself, began to "selectively disperse the authority". His belief that people are "competent, capable and resourceful" and can assume responsibility also indicates confidence in decision making at lower levels. Thus, authority is dispersed beyond the owner so that additional employees can contribute to decisions as the business grows.

Step 2: Explain three points of importance **(b) Developing initiative among subordinates:** Giving subordinates authority allows them to take decisions and work with greater freedom. They learn to rely on their own judgement, develop confidence and take initiative. Accountability for their decisions also encourages responsibility instead of dependence on Neeraj for every instruction.

Developing managerial talent for the future: Decentralisation gives employees experience of handling decisions and their consequences. This practical learning helps reveal and develop their abilities as managers. The company thereby builds a pool of capable people who can shoulder greater responsibilities as its activities expand.

Facilitating growth: Dispersing authority reduces the need to refer every operating decision to the top. Different units can respond to their own requirements, while senior management concentrates on important issues. This makes expansion easier. In the case, YoYo Ltd. increased production and also "expanded its product range with different features", illustrating this advantage.

Step 3: Conclusion Neeraj Gupta used decentralisation. It develops initiative, prepares managerial talent for future responsibilities and facilitates organisational growth, helping YoYo Ltd. manage its expanding operations.

Quick Tip to Solve: Systematic dispersal of authority with trust in employees signals decentralisation. Link each importance point to initiative, management development or expansion instead of merely repeating the definition.

20. What is meant by 'Delegation' ? State any four points which highlight the importance of delegation in an organisation. [5 marks]

Solution:

Concept:

- Delegation is the downward transfer of authority from a superior to a subordinate so that the subordinate can perform an assigned task. It involves assigning responsibility, granting the necessary authority and creating accountability.
- A manager delegates authority to share work, but remains accountable to the superior for the final performance. Delegation therefore creates a working relationship rather than freeing the manager from overall responsibility.

Step 1: Define delegation and explain effective management **Meaning:** Delegation means entrusting a subordinate with responsibility for a task and giving the authority needed to carry it out. For example, a manager can authorise a supervisor to allocate daily duties while retaining overall accountability for the department's output.

Effective management: Delegation reduces a manager's routine workload. Subordinates handle the tasks entrusted to them, leaving the manager more time to concentrate on important decisions, planning and exceptional problems. Thus work receives attention at the appropriate level instead of every matter waiting for the superior.

Step 2: Explain employee development and motivation **Employee development:** When employees receive authority to make decisions, they gain experience in handling problems and accepting responsibility. They learn by doing and develop managerial skills. This prepares them to undertake more challenging assignments and higher positions in the future.

Motivation of employees: Entrusting authority shows the superior's confidence in a subordinate's ability. It gives the employee a sense of recognition, importance and achievement. As a result, the subordinate is encouraged to take initiative and improve performance rather than merely wait for detailed orders.

Step 3: Explain how delegation facilitates organisational growth **Facilitation of growth:** Delegation develops a pool of capable employees who can manage additional units and responsibilities. When the organisation expands, these trained people can take charge of new activities. Expansion becomes easier because the enterprise is less dependent on a few senior managers for every operational decision.

Step 4: Conclusion Delegation is the transfer of the necessary authority to a subordinate for an

assigned task, with the superior retaining overall accountability. Its importance is reflected in effective management, employee development, employee motivation and facilitation of organisational growth.

Quick Tip to Solve: Link each advantage to the transfer of authority: it frees the manager, trains the subordinate, builds confidence and prepares people for expansion.

21. Mohit Gupta is working with 'Yellow Security Services Ltd.' He is also recruiting security guards for the company. The company provide security services in Delhi and Noida at short notice to various companies. The guards are recruited on temporary basis. The guards provided by this company are known for their honesty and punctuality. Mohit Gupta is well known in his village for providing employment to unskilled people.

(a) Name the source of recruitment used by 'Yellow Security Services Ltd.'

(b) State any one disadvantage of this source of recruitment.

(c) Identify the need of 'Security Guards' which is being fulfilled by the company as per Maslow's need hierarchy.

(d) Identify any two values communicated to the society in the above stated case. [5 marks]

Solution:

Concept:

- Labour contractors are an external source of recruitment. They maintain contact with workers and can supply labour to organisations at short notice, particularly for temporary jobs requiring unskilled workers.
- Maslow's basic physiological needs include food, clothing and shelter. Employment provides income with which workers can satisfy these needs. The occupation of a security guard must not be confused with the separate need for safety and security.

Step 1: Identify the recruitment source in part (a) **Labour contractors:** The source is recruitment through labour contractors. Mohit maintains contact with people in his village and helps obtain workers for the company, which supplies guards to other companies. The clues are that guards are recruited on a "temporary basis", are supplied "at short notice", and that Mohit provides employment to "unskilled people". These features correspond to the textbook description of labour contractors as a recruitment source.

Step 2: State one disadvantage for part (b) **Dependence on the contractor:** Workers recruited through this source may remain closely attached to the contractor who brought them employment. If that contractor leaves the organisation, the workers may also leave with him. The organisation can therefore face a sudden shortage of labour and disruption of its work, making this source less reliable for maintaining a stable workforce.

Step 3: Identify the need satisfied in part (c) **Basic physiological needs:** By providing employment and hence income, the company helps guards meet basic needs such as food, clothing and shelter. These are the first level of Maslow's need hierarchy. The question asks about the guards' own needs satisfied through employment; the word "security" in their job title does not by itself establish safety needs. In particular, the case describes temporary employment rather than an assurance of permanent

job security.

Step 4: Identify two values for part (d) **Concern for employment and social welfare:** Mohit is known for "providing employment to unskilled people". Creating livelihood opportunities reflects concern for people who may otherwise find it difficult to secure work.

Honesty and integrity: The guards are known for their "honesty". Honest service reflects integrity and encourages trust in dealings with customers and society. These values are directly supported by the case rather than inferred from an unstated company policy.

Step 5: Conclusion (a) The source is labour contractors. (b) Workers may leave when their contractor leaves, causing disruption. (c) Employment helps meet the guards' basic physiological needs. (d) The case communicates concern for employment and social welfare, and honesty and integrity.

Quick Tip to Solve: Use the clues "temporary", "short notice" and "unskilled" to identify labour contractors. For Maslow, distinguish the worker's livelihood needs from the name of the occupation.

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22. Anjali had been working with 'Tata Enterprises' for the last ten years. She was famous for her dedication towards the work. When the Manager senior to her retired, all her colleagues thought that now Anjali would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Monika'. Anjali felt demoralised and her performance started declining. She would absent herself often and could not meet her targets.

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

(a) Identify the function of management being performed by Monika.

(b) Name the element of the above function of management which helped Monika to improve Anjali's behaviour.

(c) State any three features of the element identified in (b) above. [5 marks]

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- Motivation is the process of stimulating people to act towards desired goals. Employee participation in decision-making is a non-financial incentive that can meet needs for recognition and involvement.

Step 1: Identify the function in part (a) The function performed by Monika is **directing**. The case says she would "not only instruct her subordinates, but also guide and inspire them". These actions help employees put plans into practice by influencing how they work. She notices Anjali's declining performance and acts to improve it, rather than merely filling a vacancy or allocating a task.

Step 2: Identify the element in part (b) The element is **motivation**. Anjali feels demoralised after losing the expected promotion. Monika starts "involving Anjali in decision-making" and makes her

"a part of a high-level joint management committee". This employee participation is a non-financial incentive: it gives Anjali involvement and recognition and helps restore her willingness to contribute. The evidence is that she becomes punctual and her performance improves.

Step 3: State three features for part (c)

- **Motivation is an internal feeling:** Needs, desires and aspirations within an individual influence behaviour. Management offers suitable incentives to stimulate these inner needs; it cannot directly observe the feeling itself.
- **Motivation produces goal-directed behaviour:** It encourages a person to work towards a desired objective. Anjali's renewed participation and improved performance show effort being directed towards organisational targets.
- **Motivation is a complex process:** Individuals differ in needs, expectations and reactions. The same incentive may not motivate everyone equally, so a manager must understand the particular employee and select an appropriate incentive.

Step 4: Conclusion (a) Monika performs the directing function. (b) Motivation improves Anjali's behaviour, using employee participation as a non-financial incentive. (c) Motivation is an internal feeling, produces goal-directed behaviour and is a complex process.

Quick Tip to Solve: Distinguish the element from its technique: motivation is the element of directing; participation in decision-making is the non-financial incentive used here.

23. Explain the following principles of management :

(a) Scalar chain.

(b) Harmony, not discord. [6 marks]

Solution:

Concept:

- Fayol's scalar chain explains the formal line of authority and communication within an organisation, while allowing a gang plank for urgent communication.
- Taylor's principle of harmony, not discord emphasises cooperation between management and workers through a change in their attitudes towards each other.

Step 1: Explain scalar chain in part (a)

- **Meaning:** Scalar chain is the chain of superiors ranging from the highest authority to the lowest rank. Each employee's position in this hierarchy establishes the formal route through which authority and communication pass.
- **Normal communication route:** Fayol suggests that communication should ordinarily follow this chain. For example, an employee in one department communicates with an employee in another through the respective superiors and the common superior. This maintains orderly communication and makes responsibility clear.
- **Gang plank for urgency:** Strictly following a long chain can delay action in an emergency. Fayol therefore permits a gang plank, a direct contact between employees at the same level in different departments, with their superiors' knowledge or permission. It shortens the communication route

without abandoning the formal hierarchy.

Step 2: Explain harmony, not discord in part (b)

- **Mutual cooperation:** Taylor advocates complete harmony between management and workers instead of conflict. Both groups contribute to the organisation and depend on one another for its success; constant disagreement wastes effort and lowers productivity.
- **Mental revolution:** Harmony requires a complete change in the attitudes of both management and workers towards each other. They should recognise that their interests can be served together by increasing organisational prosperity, instead of treating each other as opponents and quarrelling over the existing surplus.
- **Conduct of both sides:** Management should share the gains of improved productivity with workers and attend to their welfare. Workers should cooperate with management, work sincerely and avoid unreasonable demands or disruptive conflict. Their joint effort increases output and creates benefits for both sides.

Step 3: Conclusion Scalar chain provides an orderly hierarchy for authority and communication, with a gang plank for urgent direct contact. Harmony, not discord calls for a mental revolution and cooperation between management and workers so that the prosperity of the organisation benefits both.

Quick Tip to Solve: Link scalar chain to Fayol, hierarchy and gang plank; link harmony, not discord to Taylor, mental revolution and the shared prosperity of workers and management.

24. **Radhika was a student of Business Studies of Class XII. Her father was a farmer who grew different varities of rice and was well-versed about various aspects of rice cultivation. He was also selected by the government for a pilot-project on rice cultivation. As a project-work in Business Studies she decided to study the feasibility of marketing good quality rice at a reasonable price. Her father suggested her to use internet to gather customers' views and opinions. She found that there was a huge demand for packaged organic rice. She knew that there were no pre-determined specifications in case of rice because of which it would be difficult to achieve uniformity in the output. To differentiate the product from its competitors, she gave it the name of 'Malabari Organic Rice' and classified it into three different varieties namely — Popular, Classic and Supreme, based on the quality. She felt that these names would help her in product differentiation.**

Explain the three functions of marketing, with reference to the above paragraph. [6 marks]

Solution:

Concept:

- Marketing Management includes gathering and analysing market information, standardisation and grading, and branding. These functions connect the product offered by a business with the needs of its customers.
- Market information guides business decisions; standardisation and grading make quality identifiable; branding gives the product a distinct identity in the market.

Step 1: Explain gathering and analysing market information **Gathering and analysing market**

information: A marketer collects and analyses information about customers' needs, preferences, purchasing behaviour and the market environment. It helps identify opportunities and decide what product to offer, to whom and on what terms. In the case, Radhika's father suggested that she "use internet to gather customers' views and opinions". Her finding that "there was a huge demand for packaged organic rice" is the result of studying that information. It guides her decision to examine the feasibility of supplying good quality organic rice at a reasonable price, rather than choosing a product without understanding demand.

Step 2: Explain standardisation and grading **Standardisation and grading:** Standardisation means producing goods according to predetermined specifications so that output has uniform characteristics such as quality, size or design. When uniformity is difficult, particularly with agricultural products, grading classifies the output into groups having similar quality or other important characteristics. Such classification helps buyers understand what they are buying and facilitates pricing. The case says that rice has "no pre-determined specifications" and that achieving "uniformity in the output" would be difficult. Radhika therefore classified the rice into "Popular, Classic and Supreme, based on the quality". These quality-based varieties illustrate grading within the marketing function of standardisation and grading.

Step 3: Explain branding **Branding:** Branding is giving a product a name, sign, symbol or other distinctive identity that enables customers to identify it and distinguish it from competing products. A recognisable brand helps in repeat purchases, promotion and building customer loyalty. Radhika gave her product the name "Malabari Organic Rice" to "differentiate the product from its competitors". This is branding. The name identifies her offering, whereas the quality-based classification into Popular, Classic and Supreme explains its grades. Thus the brand and the grades perform related but distinct roles in her marketing plan.

Step 4: Conclusion The three marketing functions are gathering and analysing market information, standardisation and grading, and branding. They are shown respectively by the internet study of customers, the quality-based rice varieties, and the name "Malabari Organic Rice".

Quick Tip to Solve: Match each case clue to its purpose: customer views indicate market information, quality-based groups indicate grading, and a distinctive product name indicates branding.

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

It has taken a loan of ₹ 50 lakhs from I.C.I.C.I. Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement.

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

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

Solution:

Concept:

- The dividend decision determines the portion of profit distributed to shareholders and the portion retained in the business for future requirements.
- Relevant factors include the amount and stability of earnings, cash flow position, growth opportunities, shareholders' preferences and contractual constraints. The following four are directly supported by the case.

Step 1: Identify the cash flow position **Cash flow position:** The case states, "There is availability of enough cash in the company". Dividend payment normally involves an outflow of cash. Therefore, besides accounting profit, a company needs adequate liquid funds to pay dividends while meeting its operating and other obligations. Abhishek Ltd.'s adequate cash position supports its ability to pay a dividend. Profit alone would not establish this ability if cash were tied up in debtors or other assets. The stated cash availability is thus a favourable factor for dividend payment, subject to the company's other requirements and restrictions.

Step 2: Identify growth opportunities **Growth opportunities:** The relevant words are "good prospects for growth in future". A company with attractive investment opportunities needs funds to expand its business. Retaining a larger part of its profits provides internal finance for these opportunities, reducing the amount available for distribution. Accordingly, Abhishek Ltd. may retain more earnings and pay a smaller dividend than it otherwise could, so that future projects can be financed. The factor concerns the use of profits for future development; it does not imply that profitable growth automatically requires a larger current dividend.

Step 3: Identify shareholders' preferences **Shareholders' preferences:** The case states, "It has many shareholders who prefer to receive a regular income from their investments". When deciding dividends, management considers the income expectations of its shareholders. Investors seeking regular income generally prefer a reasonable, regular dividend rather than retention of all profits. This preference supports distributing a suitable portion of Abhishek Ltd.'s earnings, while balancing the need for funds for future growth. Management must consider these preferences together with the company's financial position rather than treating them as an unconditional promise of payment.

Step 4: Identify contractual constraints **Contractual constraints:** The company "is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement". Lenders may impose conditions limiting the rate or amount of dividends to protect the security and repayment of

their loans. Abhishek Ltd. must comply with the conditions attached to its I.C.I.C.I. Bank loan before declaring dividends. Even if profits and cash are sufficient and shareholders want regular income, the dividend cannot breach those contractual restrictions. The question does not specify their exact limit, so no particular payout amount can be calculated.

Step 5: Conclusion Any four relevant factors are required. Cash flow position, growth opportunities, shareholders' preferences and contractual constraints are four factors illustrated by the quoted lines. They jointly influence how much profit Abhishek Ltd. distributes and how much it retains.

Quick Tip to Solve: For dividend cases, distinguish the ability to pay cash, the need to retain funds for growth, investors' income preferences and restrictions imposed by lenders. Quote a separate case line for each factor.