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

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. 'Reliable Transport Services Ltd.' specialises in transporting fruits and vegetables. It has a good reputation in the market as it delivers the fruits and vegetables at the right time and at the right place.

State with reason whether the working capital requirements of 'Reliable Transport Services' will be high or low. [1 mark]

Solution:

Concept:

- Service businesses usually need relatively little working capital because they do not manufacture goods or maintain large stocks of raw materials and finished goods.
- Working capital finances day-to-day operations; its requirement depends partly on the nature of the business.

Step 1: Identify the nature of the business Reliable Transport Services provides a transport service. The words 'specialises in transporting fruits and vegetables' show that it carries customers' goods rather than manufacturing or trading in its own inventory.

Step 2: Apply the working-capital requirement It therefore does not need substantial funds tied up in raw materials, work-in-progress or finished goods. It needs operating funds for expenses such as fuel and wages, but its service nature keeps its working-capital requirement relatively low.

Step 3: Conclusion The working-capital requirement will be **low**, because it is a service enterprise with little investment in inventory.

Quick Tip to Solve: For working capital, distinguish the goods a transporter carries for customers from inventory it owns.

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

Identify the marketing management philosophy being followed by 'Glow and Shine Ltd.' [1 mark]

Solution:

Concept:

- The societal marketing concept combines customer satisfaction with the long-term welfare of society.
- A business following this philosophy considers environmental and social effects as well as consumer needs and its own objectives.

Step 1: Identify the customer focus The company offers organic beauty products for men and women and 'satisfies its customers'. This establishes its concern for consumer needs.

Step 2: Connect the environmental concern The decisive statement is that it 'also believes in overall protection of the planet'. Its use of plant-based materials supports that concern. This additional concern for society's long-term welfare points to the societal marketing concept.

Step 3: Conclusion Glow and Shine Ltd. follows the **societal marketing concept**.

Quick Tip to Solve: Customer satisfaction plus the long-term welfare of society identifies societal marketing.

3. Pankaj purchased a car from 'Abhishek Motors' for ₹ 50 lakhs. The company offered many attractive gifts to Pankaj like — free insurance for first two years, free pick-up and drop facilities for free servicing upto 20,000 km, etc. But after a few days Pankaj noticed that the pick-up of the car was not good and there was some problems in the engine. The company serviced the car free of cost but even then Pankaj was not satisfied with its performance. 'Abhishek Motors' is not giving him the due response. So he filed a complaint in the State Commission but was not satisfied with its decision also. He was very much disturbed and after two months decided to appeal against it.

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

Solution:

Concept:

- Under the consumer-redressal system applicable to this paper, an appeal against a State Commission order lies before the National Commission.
- The ordinary time limit for such an appeal is 30 days from the order; dissatisfaction alone does not extend the period.

Step 1: Identify the appeal period A consumer dissatisfied with the State Commission's decision may ordinarily appeal to the National Commission within 30 days of the order.

Step 2: Compare the delay in the case Pankaj decided to appeal 'after two months', which exceeds the normal 30-day period. Thus, on the facts stated, he cannot appeal within the prescribed time. A delayed appeal would require the appellate authority to condone the delay on sufficient cause; no such cause or condonation is established in the case.

Step 3: Conclusion **No, on the facts stated.** Pankaj has exceeded the prescribed 30-day period for appealing to the National Commission.

Quick Tip to Solve: In an appeal question, identify the next commission and compare the elapsed time with the prescribed appeal period.

4. Why is it said that principles of management are mainly behavioural in nature ? [1 mark]

Solution:

Concept:

- Management principles guide managers in dealing with people and coordinating their efforts towards organisational objectives.
- Human behaviour varies with individual needs, attitudes and circumstances, so these principles guide conduct rather than operate like rigid physical laws.

Step 1: Identify the subject of the principles Management is carried out through people. Its principles chiefly influence employees' behaviour, relationships, cooperation and responses at work.

Step 2: Explain the behavioural link Principles such as unity of command or equity guide how a manager treats and directs employees. Their main concern is therefore human behaviour in the organisation, even though management also deals with material resources.

Step 3: Conclusion Principles of management are mainly behavioural because they aim at influencing and understanding **human behaviour** in organisations.

Quick Tip to Solve: Link 'behavioural' to how management principles guide relations with and among employees.

5. 'Bawa Cycles' was in the business of manufacturing racing-cycles and had a monopoly in the market. The business was doing very well and the company was consistently meeting its objective of 10% increase in sales every year. Encouraged by the good track record, the Managing Director of the company kept an ambitious target of 15% increase in sales for the next year. The same year two competitors also entered the market and because of this the company was not able to meet its target. Identify the limitation of one of the functions of management because of which the company was not able to achieve its target. [1 mark]

Solution:

Concept:

- Planning sets objectives and decides in advance how to achieve them, using assumptions about future conditions.
- Planning may not work in a dynamic environment because changes in competitive and other external conditions can upset those assumptions.

Step 1: Identify the environmental change Bawa Cycles based its higher sales target on its successful past performance. However, 'two competitors also entered the market', changing the conditions under which it had previously enjoyed a monopoly.

Step 2: Name the limitation shown The new competition affected the achievement of its planned sales target. This illustrates that **planning may not work in a dynamic environment**: external changes cannot always be anticipated or controlled through the firm's plans.

Step 3: Conclusion The limitation is that **planning may not work in a dynamic environment**, as new competition upset the company's assumptions.

Quick Tip to Solve: When a plan is upset by new competitors or other external changes, identify the dynamic-environment limitation.

6. How do 'Floatation costs' affect the choice of capital structure of a company ? State. [1 mark]

Solution:

Concept:

- Floatation costs are the expenses of raising finance, such as underwriting commission, brokerage and issue-related fees.
- Capital-structure decisions compare the costs of alternative financing sources as well as their other consequences.

Step 1: Compare the issue expenses Raising funds through an issue of equity shares or debentures involves floatation expenses. A loan from a financial institution generally involves lower fund-raising expenses than a public issue of securities.

Step 2: Explain the effect on the financing mix Higher floatation costs make the affected source less attractive. Other things remaining equal, the company prefers a source with lower floatation costs; consequently these costs influence its choice between debt and equity and the resulting capital structure.

Step 3: Conclusion Other things being equal, the company prefers financing sources with **lower floatation costs**, since these reduce the cost of raising capital.

Quick Tip to Solve: Floatation cost is the cost of raising funds; compare this initial cost separately from interest or dividends.

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

Solution:

Concept:

- Liberalisation means removing unnecessary government controls and restrictions on business and industry.
- It gives enterprises greater freedom to make business decisions and operate in a competitive environment.

Step 1: State the meaning Liberalisation is the process of freeing business and industry from unnecessary government licensing requirements, controls and restrictions.

Step 2: Explain the resulting freedom For example, relaxing industrial licensing requirements allows firms greater freedom to start or expand operations. The central idea is reduced restrictive regulation, enabling businesses to make more of their own economic decisions within the applicable legal framework.

Step 3: Conclusion **Liberalisation** means removing unnecessary government controls and restrictions on business and industry.

Quick Tip to Solve: Remember liberalisation as relaxation of controls; privatisation concerns ownership and globalisation concerns international integration.

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

Solution:

Concept:

- Rules are specific statements that tell employees exactly what must or must not be done in a given situation.
- A rule is a standing plan: it prescribes required conduct without allowing discretion or flexibility in

its application.

Step 1: Define the plan A rule specifies the action to be taken, or the action prohibited, in a particular situation. It does not permit employees to substitute their own judgement for the prescribed requirement.

Step 2: Illustrate its application For example, a rule prohibiting smoking in the factory tells every employee what conduct is forbidden. Unlike a procedure, which describes a sequence of activities, this rule states a definite requirement that must be followed.

Step 3: Conclusion A rule is a specific statement prescribing what is to be done or not done, with no discretion allowed in its application.

Quick Tip to Solve: Identify a rule by its definite requirement: it permits or prohibits an action without leaving a choice to the employee.

9. What is meant by functional structure of an organisation ? State its any two disadvantages.

[3 marks]

Solution:

Concept:

- A functional structure groups jobs of a similar nature into departments such as production, marketing, finance and personnel.
- Functional specialisation improves expertise, but each department may focus narrowly on its own interests and create difficulties in coordination.

Step 1: Define functional structure Functional structure is an organisational structure in which activities are grouped according to the functions performed. For example, production-related jobs form the production department, while selling and promotion jobs form the marketing department. Specialists supervise work within each functional area.

Step 2: State two disadvantages

- **Difficulty in coordination:** Each functional manager concentrates on departmental activities. Differences in priorities between departments can make coordination difficult; for example, production may favour long production runs while marketing wants frequent changes to satisfy customers.
- **Functional empires and conflicting interests:** Employees and managers may give greater importance to departmental objectives than to the organisation's overall objectives. Efforts to secure more resources or assert departmental importance can produce conflicts and obstruct the achievement of common goals.

Step 3: Conclusion Functional structure means grouping similar activities into specialised functional departments. Two disadvantages are difficulty in interdepartmental coordination and the growth of functional empires that place departmental interests above organisational interests.

Quick Tip to Solve: Begin with the basis of grouping: functions. Then connect each disadvantage to departments concentrating on their own specialised work.

10. Distinguish between Capital Market and Money Market on the basis of the following :

(a) Participants

(b) Instruments [3 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term funds, whereas the money market deals in short-term funds with a maturity of up to one year.
- Participants are the institutions or investors who operate in a market; instruments are the financial claims or securities traded there.

Step 1: Identify the two bases Compare who participates in each market and the financial instruments used. Both markets include financial institutions, so the distinction should not imply that banks operate only in the money market. Individual investors participate in the capital market, while the money market is dominated by institutional participants.

Step 2: Present the comparison

Basis	Capital Market	Money Market
(a) Participants	Development banks, commercial banks and corporate entities participate. Financial institutions, foreign investors and ordinary individual investors also buy and sell securities.	Major participants are the Reserve Bank of India, commercial banks, non-banking finance companies, state governments, large corporate houses and mutual funds. Institutional participants dominate this market.
(b) Instruments	Equity shares, preference shares, debentures, bonds and other medium- or long-term securities are traded.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are the principal instruments.

Step 3: Conclusion The capital market has a broader investor base including individuals and trades shares, debentures and bonds. The money market is dominated by institutions and uses short-term instruments such as treasury bills, commercial paper and call money.

Quick Tip to Solve: Keep participants and instruments separate: name the institutions in the first row and the financial securities or short-term claims in the second.

11. 'KPM Ltd.' is manufacturing breads and biscuits for many years. It has approximately 150 employees and most of them are not happy with the working environment. Because of this the labour turnover rate is very high. Therefore the company appoints a new Human Resource Manager, Naveen, to analyse the situation. Naveen finds that there is no free flow of communication, and there is no suggestion box for the employees to voice their suggestions or grievances. The company rarely organises a social or cultural gathering, the employees just come, finish their work and leave the organisation.

(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:

- Organisational barriers arise from the organisation's policies, structure, rules, status relationships or inadequate facilities for communication.
- Facilities such as suggestion boxes, meetings and social gatherings create opportunities for employees to express views and interact freely.

Step 1: Identify the barrier and support it from the case **(a) Lack of organisational facilities:** KPM Ltd. has not provided adequate opportunities and arrangements for effective communication. The case says there is "no suggestion box for the employees to voice their suggestions or grievances" and the company "rarely organises a social or cultural gathering". Employees therefore lack channels for sharing ideas and concerns and for informal interaction.

Step 2: State its category **(b) Organisational barrier:** The obstacle arises from inadequate communication facilities within the organisation. It concerns the arrangements provided by the company, rather than a language problem or an individual employee's ability to understand a message.

Step 3: Explain another barrier in the same category **(c) Organisational policy:** An organisational policy that does not support the free flow of communication can hamper communication. For example, if a policy requires every suggestion to pass through several levels before reaching senior management, employees may hesitate to communicate and useful information may be delayed. This is another organisational barrier; it is distinct from the lack of facilities identified in the case.

Step 4: Conclusion The barrier is lack of organisational facilities, which belongs to the category of organisational barriers. An unsupportive organisational policy is another barrier in the same category because it restricts the free flow of communication.

Quick Tip to Solve: Use the missing suggestion box and rare gatherings to identify lack of facilities; choose a different organisational barrier when answering part (c).

12. How do the 'market 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 the ultimate consumer. Market-related factors concern the buyers whom the producer must reach economically and conveniently.
- The number and location of buyers, the quantity they purchase and their buying habits determine how much assistance is needed from wholesalers and retailers.

Step 1: Examine the number and location of buyers

- **Number of buyers:** When buyers are few, a producer can contact and serve them directly, so a direct or shorter channel is suitable. When buyers are numerous, intermediaries help the producer reach them efficiently; a longer channel is generally required.
- **Geographical concentration:** A market concentrated in a small area can be served through a shorter channel or direct selling. Widely scattered buyers favour intermediaries with local distribution networks, since direct contact with each buyer would be costly.

Step 2: Consider purchase quantities and buying habits

- **Quantity purchased:** Buyers purchasing large quantities can be served economically through direct or shorter channels. Small and frequent purchases usually require retailers and other intermediaries to divide bulk supplies into convenient quantities.
- **Buying habits:** Customers' preferences for buying from particular outlets, receiving credit, obtaining personal attention or making convenient purchases influence the channel selected. For example, customers wanting nearby shops and retailer services favour a channel that includes retailers.

Step 3: Conclusion Market-related factors affect channel choice by determining the reach and services buyers need. A few concentrated bulk buyers generally favour shorter channels, while numerous scattered buyers making small purchases generally require intermediaries; buying habits determine the appropriate outlets and services.

Quick Tip to Solve: Organise market factors around the buyers: how many, where located, how much purchased and how they prefer to buy.

13. Aarav was working as a supervisor with 'Neer Purifier Ltd.' which was producing water purifiers. The target of the company was to produce 200 water purifiers every day. His job was to make sure that work goes on smoothly and there was no interruption in production. To achieve this, he always gives orders and insists that they are obeyed. He believes that reward or punishment both can be given depending upon the performance.

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

Solution:

Concept:

- Leadership is the process of influencing people's behaviour so that they willingly strive towards organisational goals. A leadership style describes the manner in which a leader directs and influences subordinates.
- In autocratic or authoritarian leadership, the leader exercises centralised authority, gives orders and expects obedience. Rewards and penalties may be used to secure the required performance.

Step 1: Identify the style from Aarav's conduct Aarav adopts an **autocratic or authoritarian leadership style**. The decisive evidence is that he "always gives orders and insists that they are obeyed." This shows that he directs the work himself and expects employees to follow his instructions. The production target of 200 water purifiers explains the organisational goal; it is his way of directing workers that identifies the style.

Step 2: Describe the features illustrated by the case

- **Centralised authority:** An autocratic leader makes decisions and prescribes what subordinates must do, rather than sharing decision-making with them. Aarav's practice of giving orders illustrates this concentration of authority.
- **Close direction and obedience:** Subordinates are expected to carry out the leader's instructions. Communication is mainly downward, with the leader telling employees what is to be done. Aarav's insistence that his orders be obeyed reflects this feature.
- **Control through rewards and penalties:** The leader may offer rewards for satisfactory work and use punishment for unsatisfactory performance. The case explicitly states that "reward or punishment both can be given depending upon the performance," confirming this means of control.

Step 3: Conclusion Aarav is an autocratic leader: he gives orders, demands obedience and uses performance-based rewards or punishment to direct workers towards uninterrupted production. These features distinguish his approach from participative leadership, where subordinates are consulted, and free-rein leadership, where they receive substantial freedom.

Quick Tip to Solve: In a leadership case, underline who gives directions and who decides: orders plus insistence on obedience point to autocratic leadership.

14. State any four points which highlight the importance of management. [4 marks]

Solution:

Concept:

- Management coordinates the efforts of people and uses available resources to achieve organisational objectives effectively and efficiently.
- Its importance is seen in the achievement of group goals, efficient use of resources, adaptation to change and fulfilment of employees' personal objectives.

Step 1: State how management achieves goals and improves efficiency

- **Management helps in achieving group goals:** An organisation contains people with different needs and interests. Management gives their efforts a common direction by identifying organisational goals and coordinating individual activities. Employees consequently work together towards the organisation's objectives instead of pursuing unrelated activities.
- **Management increases efficiency:** Managers plan and organise work so that resources such as labour, materials, machines and money are used in the best possible manner. By reducing wastage and avoiding unnecessary costs, management enables the organisation to produce more output with the resources available.

Step 2: State how management supports change and personal objectives

- **Management creates a dynamic organisation:** An enterprise operates in an environment that changes continuously. Employees may resist new methods because they fear losing familiar benefits or positions. Management helps people understand and accept necessary changes, enabling the organisation to adapt and maintain its competitive position.
- **Management helps in achieving personal objectives:** Through motivation, leadership and suitable rewards, management helps employees satisfy their needs while contributing to organisational goals. For example, opportunities for development and recognition encourage employees to perform well and help align their personal ambitions with the organisation's objectives.

Step 3: Conclusion Thus, management is important because it achieves group goals, increases efficiency, creates a dynamic organisation and helps employees achieve their personal objectives.

Quick Tip to Solve: Link each importance heading to its specific benefit: common goals, less wastage, acceptance of change and satisfaction of employee needs.

15. Explain the following rights of a consumer as provided under Consumer Protection Act, 1986 : [4 marks]

15(a). Right to choose

Solution:

Concept:

- Consumer Protection: the right to choose protects the consumer's freedom to select goods and services according to personal needs and preferences.
- Meaningful choice requires access to a variety of products at competitive prices, rather than

compulsion to accept a seller's preferred product.

Step 1: Explain freedom of selection **Freedom to choose:** A consumer has the right to choose from a variety of goods and services available at competitive prices. The consumer may compare available alternatives and select the product, brand, quality or service that best satisfies individual requirements and purchasing capacity.

Step 2: Explain the seller's responsibility **Availability of alternatives:** A marketer should offer a wide variety of products in terms of quality, brand, price and size, allowing the consumer to make an informed selection. The seller should not force a buyer to purchase a particular brand or an unwanted product as a condition for obtaining the desired product. For example, a buyer choosing a notebook should be able to compare available brands and sizes instead of being compelled to buy the seller's chosen brand.

Step 3: Conclusion The right to choose gives consumers access to alternatives at competitive prices and freedom to select the goods or services that suit their needs, without being forced by the seller.

Quick Tip to Solve: Link this right to two ideas: access to a variety at competitive prices, and freedom to select without compulsion.

15(b). Right to seek redressal

Solution:

Concept:

- Consumer Protection: the right to seek redressal protects a consumer who suffers because of an unfair trade practice, defective goods or deficient services.
- Redressal means obtaining a remedy for the grievance; the remedy should address the loss or injury suffered by the consumer.

Step 1: Explain the right to a remedy **Redressal against exploitation:** A consumer has the right to seek relief against unfair trade practices, restrictive trade practices or unscrupulous exploitation. If a product fails to meet the promised quality or a service is deficient, the consumer can complain and seek an appropriate remedy instead of having to bear the loss silently.

Step 2: Describe the relief that may be obtained **Appropriate relief:** Depending on the grievance, relief can include removal of a defect, replacement of defective goods, refund of the price paid, or compensation for loss or injury suffered. For example, a consumer receiving a defective appliance may seek its repair, replacement or refund as appropriate. The consumer can approach the consumer redressal machinery for relief, even when the amount involved is small; the right is concerned with correcting the wrong done to the consumer.

Step 3: Conclusion The right to seek redressal entitles consumers to seek relief against unfair practices and exploitation, including replacement, refund or compensation appropriate to their grievance.

Quick Tip to Solve: State the wrong first, such as a defective product, then connect it to a remedy such as repair, replacement, refund or compensation.

16. 'Zaira Ltd.' is a large and creditworthy company manufacturing air-conditioned buses for the Indian market. It now wants to export these buses 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. [4 marks]

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

Solution:

Concept:

- Commercial paper is an unsecured, negotiable promissory note issued by large and creditworthy companies to obtain short-term funds.
- Bridge financing provides temporary funds until expected long-term finance is received; commercial paper can finance the floatation expenses of an equity issue.

Step 1: Identify the instrument from the financing need Zaira Ltd. can use **commercial paper**. The case calls it a "large and creditworthy company" and says it needs funds to meet the "expenses of floatation cost". These are the clues to commercial paper used as bridge finance.

Step 2: Explain how commercial paper serves the purpose Commercial paper is an unsecured, short-term promissory note with a fixed maturity, normally issued at a discount and redeemed at face value. Investors rely on the issuer's creditworthiness rather than collateral. It supplies temporary money to pay issue expenses before the equity proceeds arrive. The equity issue finances the machines over the long term; commercial paper bridges the immediate financing gap.

Step 3: Conclusion The suitable instrument is **commercial paper**, an unsecured negotiable promissory note used here for bridge financing of floatation expenses.

Quick Tip to Solve: Connect a large, creditworthy issuer and floatation expenses with commercial paper used as bridge finance.

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

Solution:

Concept:

- Commercial paper is a money-market instrument used by creditworthy companies for short-term borrowing.
- Its maturity ranges from seven days to one year; the maturity states when the issuer must redeem the instrument.

Step 1: Recall the maturity range The company can obtain funds through commercial paper for a period ranging from **7 days to one year**. The actual maturity within this range is fixed when it is issued.

Step 2: Relate the period to the temporary requirement Zaira Ltd. needs money for the "expenses of floatation cost" before the equity proceeds become available. A short-term maturity suits this bridge-financing need. Commercial paper is not the long-term source for purchasing the machines;

the proposed equity shares fulfil that role.

Step 3: Conclusion The duration is **7 days to one year**, according to the agreed maturity of the commercial paper.

Quick Tip to Solve: For commercial paper remember the range 7 days to one year; do not confuse its short maturity with the life of equity capital.

16(c). State any other purpose for which this instrument can be used.

Solution:

Concept:

- Commercial paper is a short-term money-market borrowing instrument issued by large and credit-worthy companies.
- Besides bridge financing for issue expenses, it can meet seasonal working-capital requirements such as temporary inventory and receivables financing.

Step 1: State another use Commercial paper can also be used to finance **seasonal working-capital requirements**. This is a purpose other than meeting the "expenses of floatation cost" described in the case.

Step 2: Explain why short-term finance fits this use During a busy season a company may need extra funds to acquire inventory and support credit sales. The requirement is temporary: the company can repay the commercial paper from the cash generated when those goods are sold and receivables are collected. Its short maturity therefore matches a seasonal operating need.

Step 3: Conclusion Another use of commercial paper is meeting **seasonal working-capital needs**.

Quick Tip to Solve: For a second use of commercial paper, think of temporary funds tied up in seasonal inventory and receivables.

17. 'Adharshila Vidyalaya' believes in holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its Founders' Day a stage performance had to be put up. A committee of ten prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. As there was a spirit of unity and harmony and all members supported each other with mutual trust and belongingness, the programme was systematically planned and executed. Arvind, one of the prefects, realised that unknowingly the group had applied one of the principles of management while planning and executing the programme. He was so inspired by the success of the function, that he asked his father to apply the same principle in his business. His father replied that he was already using this principle. [4 marks]

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

Solution:

Concept:

- Fayol's principle of esprit de corps means promoting team spirit, unity and harmony among members of an organisation.
- Mutual trust and a sense of belonging help individuals coordinate their efforts towards a common objective.

Step 1: Identify the principle The principle is **esprit de corps**, or team spirit. The case explicitly states that "there was a spirit of unity and harmony" and that the members worked with "mutual trust and belongingness".

Step 2: Connect the team spirit with success The prefects supported one another instead of acting as isolated individuals. Their cooperation allowed the programme to be systematically planned and executed. This illustrates Fayol's view that management should build unity among members and encourage them to work as one team.

Step 3: Conclusion The principle applied for the success of the programme is **esprit de corps**.

Quick Tip to Solve: Unity and harmony, together with mutual trust and belongingness, are direct clues to esprit de corps.

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

Solution:

Concept:

- Management is a group activity: individual efforts are coordinated so that people work towards common organisational objectives.
- Management is all pervasive: it is needed in organisations of different kinds, including schools and business enterprises.

Step 1: State management as a group activity **Group activity:** A "committee of ten prefects" planned the function, and "all members supported each other". The coordinated efforts of several members helped achieve the common objective of a successful programme.

Step 2: State the all-pervasive nature of management **All pervasive:** The school used management

while planning and executing its function, while Arvind's father said that he was "already using this principle" in his business. Its application in both an educational institution and a business shows that management is required across different kinds of organisations.

Step 3: Conclusion The two highlighted features are **management as a group activity** and **management being all pervasive**.

Quick Tip to Solve: Link the committee to group activity and the school-business comparison to the all-pervasive nature of management.

17(c). Identify any two values which 'Adharshila Vidyalaya' communicated to the society.

Solution:

Concept:

- Value-based conduct can be identified from the actual decisions and relationships described in a case.
- Recycling communicates environmental responsibility, while teamwork based on mutual trust communicates cooperation and respect.

Step 1: Identify environmental responsibility **Concern for the environment:** The prefects "decided to use recycled paper for decoration". Reusing material conserves resources and communicates environmental responsibility to society.

Step 2: Identify cooperation and mutual respect **Cooperation and mutual respect:** The school "encourages team building", and its members supported one another with "mutual trust and belongingness". This communicates the value of helping and respecting others while working for a shared purpose, rather than pursuing only individual success.

Step 3: Conclusion Two communicated values are **environmental responsibility** and **cooperation and mutual respect**.

Quick Tip to Solve: Use the recycled-paper decision for environmental concern and the mutual-trust sentence for cooperation.

18. The workers of 'Swastik 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 prepares workers to use the methods and equipment their present work requires.
- Training benefits employees through better career prospects, higher earnings from improved performance, and greater safety while operating equipment.

Step 1: Recommend job-specific training The supervisor should arrange **training** for the workers in operating the new computerised machines. The clue is that workers are "unable to work on new computerised machines" and repeatedly seek "extra guidance". Their difficulty is a gap in job-related knowledge and skills. Demonstration, guided practice and feedback on machine operation would equip them to handle routine work independently, reducing repeated calls to the supervisor.

Step 2: State three benefits to the workers

- **Better career prospects:** Learning new technical skills makes the workers capable of taking up more responsible jobs. This improves their prospects for promotion and career growth.
- **Higher earnings:** Training improves workers' efficiency and job performance. Better performance can help them earn more through performance-linked payments or improved earning opportunities.
- **Greater safety:** Knowledge of correct machine operation and safety procedures helps workers avoid mistakes and accidents. They become less accident-prone while using the new equipment.

Step 3: Conclusion Job-specific training will enable the workers of Swastik Ltd. to operate the computerised machines independently. Three benefits to the workers are improved career prospects, higher earning potential and greater safety at work.

Quick Tip to Solve: When a case describes inability to operate new equipment, identify training and distinguish benefits to workers from benefits to the company.

19. Harsh started a company 'Tiny-Toys Ltd.' to manufacture economical toys for the Indian rural market, with 20 employees. The company did very well in its initial years. As the products were good and marketed well, the demand of its products went up. To increase the production the company decided to recruit additional employees. Harsh who was earlier taking all decisions for the company had to selectively disperse the authority. He believed that subordinates are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features. [4 marks]

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

Solution:

Concept:

- Decentralisation means systematic dispersal of decision-making authority to lower levels of management.
- It reflects confidence in subordinates' competence and willingness to let them take decisions and accept responsibility for implementation.

Step 1: Identify the concept from the authority decision The concept is **decentralisation**. Harsh earlier took every decision himself but later "had to selectively disperse the authority". Decision-making power was therefore spread to lower levels instead of remaining concentrated with him.

Step 2: Support the identification with the case Harsh believed that subordinates were "competent, capable and resourceful" and could assume responsibility for implementing their decisions. This is the philosophy underlying decentralisation. As the company expanded, employees could take and implement decisions within their areas instead of referring every matter to Harsh. The deliberate dispersal of authority supported increased production and a wider product range.

Step 3: Conclusion Harsh used **decentralisation**, dispersing decision-making authority to lower levels so that capable subordinates could decide and implement their decisions.

Quick Tip to Solve: Systematic dispersal of authority, together with confidence in subordinates, identifies decentralisation.

19(b). Also explain any three points of the importance of this concept.

Solution:

Concept:

- Decentralisation spreads decision-making authority to lower levels and gives subordinates opportunities to exercise their judgement.
- Its importance includes developing initiative, developing managerial talent for the future and facilitating organisational growth.

Step 1: Explain initiative and future managerial talent

- **Develops initiative among subordinates:** Decision-making freedom encourages employees to

think independently, find solutions and act responsibly. Harsh regarded subordinates as "competent, capable and resourceful", allowing them to use that ability rather than wait for instructions.

- **Develops managerial talent for the future:** Taking decisions gives subordinates practical experience in assessing situations, choosing alternatives and implementing decisions. Such experience prepares them for higher managerial responsibilities.

Step 2: Explain how decentralisation facilitates growth

- **Facilitates growth:** Sharing authority reduces dependence on a single top manager and lets different employees or units respond to their operating needs. Expansion becomes easier because decisions can be taken where the work is performed. In the case, Tiny-Toys Ltd. could "increase its production" and "expanded its product range with different features".

Step 3: Conclusion Three points of importance are **developing initiative**, **developing future managerial talent** and **facilitating growth**.

Quick Tip to Solve: Explain each importance point through its effect: independent thinking, managerial experience and easier expansion.

20. Give the meaning of 'Informal Organisation'. State its any two advantages and any two disadvantages.

[5 marks]

Solution:

Concept:

- An informal organisation is the network of social relationships that arises spontaneously when people interact at work. It is based on personal association rather than positions prescribed by management.
- Such relationships satisfy social needs and create an unofficial channel of communication. Their influence can support organisational goals or obstruct formal plans.

Step 1: Explain the meaning **Informal organisation:** It is the network of social relationships among employees that arises spontaneously from their interaction within a formal organisation. Employees form friendships and groups because of common interests, attitudes or experiences. Management does not deliberately create this network or prescribe its authority relationships.

Step 2: State two advantages

- **Faster communication:** Communication does not have to follow the prescribed chain of command. Information can therefore travel quickly through personal contacts, enabling members to exchange information and obtain feedback without lengthy formal procedures.
- **Fulfilment of social needs:** Friendship and acceptance within informal groups give employees a sense of belonging. This helps satisfy their social needs and can improve their satisfaction and cooperation at work.

Step 3: State two disadvantages

- **Spread of rumours:** The unofficial communication channel may transmit incomplete or inaccurate

information. Rumours can create confusion and uncertainty and interfere with the smooth functioning of the formal organisation.

- **Resistance to change:** An informal group may oppose changes introduced by management when its members perceive a threat to established habits or group interests. Collective resistance can delay the implementation of organisational plans.

Step 4: Conclusion Informal organisation develops naturally through social interaction. Faster communication and fulfilment of social needs are two advantages; the spread of rumours and resistance to change are two disadvantages.

Quick Tip to Solve: Remember that informal relationships arise spontaneously. Pair each benefit with its effect on employees or work, and each drawback with the problem it creates for management.

21. A company was manufacturing solar panels for charging of mobiles which were in great demand. It was found that the target of producing 500 solar panels a day was not being met by the employees. On analysis it was found that the workers were not at fault. Due to non-availability of raw materials and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed. To meet the increased demand the company assessed that approximately 66 additional workers were required out of which 6 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work. [5 marks]

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

Solution:

Concept:

- Controlling ensures that actual performance conforms to planned standards. It includes examining deviations and removing their causes.
- Staffing fills and keeps filled the positions in an organisation by determining personnel needs and securing suitable people.

Step 1: Identify controlling The first function is **controlling**. The company finds that the target of 500 panels a day is not met. It examines the causes: "On analysis it was found that the workers were not at fault." Identifying material and staff shortages and the need for alternative arrangements shows managerial control over performance.

Step 2: Identify staffing The second function is **staffing**. The company assesses that "approximately 66 additional workers were required" and specifies their qualifications. The statement "match the ability of the applicants with the nature of work" also shows staffing, since suitable people are being matched to organisational positions.

Step 3: Conclusion The management functions discussed are **controlling** and **staffing**.

Quick Tip to Solve: Distinguish the action: investigating a performance shortfall is controlling; determining and filling personnel requirements is staffing.

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

Solution:

Concept:

- Controlling compares performance with standards and follows up deviations through analysis and corrective action.
- The staffing process includes estimating manpower requirements and selecting applicants whose abilities suit particular jobs.

Step 1: State the two controlling steps

- **Analysing deviations:** The company investigates the shortfall and finds "non-availability of raw materials and shortage of workers". This determines the causes and establishes that the workers are not at fault.
- **Taking corrective action:** It recognises that "alternative arrangements were needed" to remove the causes and meet the daily production target.

Step 2: State the two staffing steps

- **Estimating manpower requirements:** The assessment that "approximately 66 additional workers were required", including six heads and ten subordinates under each, determines the number needed. Enlisting qualifications and job specifications determines the type needed.
- **Selection:** The effort to "match the ability of the applicants with the nature of work" identifies suitable applicants for the jobs.

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

Quick Tip to Solve: Quote an action for every named step: finding causes, arranging remedies, counting staff, and matching applicants correspond to four distinct process stages.

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

Solution:

Concept:

- Organisational decisions convey social values through the opportunities and treatment offered to different groups.
- Equal opportunity and social inclusion recognise merit and help groups that face barriers participate in responsible work.

Step 1: Identify gender equality **Gender equality and women's empowerment:** The company decides that relaxation should be given to "encourage women" to assume responsible positions. This communicates that women should have fair opportunities to participate in management and advance in employment. The value follows from the stated recruitment decision, rather than from an invented benefit or scheme.

Step 2: Identify social inclusion **Social inclusion and equal opportunity:** Encouraging "persons from

backward and rural areas and persons with special abilities" communicates concern for disadvantaged groups and respect for their capabilities. Helping them enter responsible positions expresses inclusion and supports their participation in organisational life.

Step 3: Conclusion Two values are **gender equality** and **social inclusion with equal opportunity**.

Quick Tip to Solve: For a values question, name a value and connect it to the exact group or action mentioned in the case.

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22. Kavya had been working with 'Reliable Ltd.' 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 Kavya would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Garima'. Because of this, Kavya felt demoralised and her performance started declining. She would absent herself often and could not meet her targets.

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

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

Solution:

Concept:

- Directing is the management function of instructing, guiding, inspiring and motivating employees to achieve organisational objectives.
- Directing initiates action and deals with people by influencing their efforts towards desired organisational performance.

Step 1: Identify the function Garima performs the **directing** function of management. The case explicitly says she would "not only instruct her subordinates but also guide and inspire them". These are central activities of directing, because they help employees understand their work and act willingly towards organisational goals.

Step 2: Link her actions to performance Garima notices Kavya's declining performance and acts to improve her willingness to work. She involves Kavya in decisions and gives her a place on a joint management committee. Kavya becomes punctual and performs better. The change illustrates directing in action: managerial guidance and encouragement activate an employee's efforts.

Step 3: Conclusion The function of management performed by Garima is **directing**.

Quick Tip to Solve: The cluster of words instruct, guide, inspire and motivate identifies directing in a management case.

22(b). Name the element of the above function of management which helped Garima to improve Kavya's behaviour.

Solution:

Concept:

- Motivation is the element of directing that stimulates people to act in a desired manner towards organisational goals.
- Employee participation is a non-financial incentive. Involvement in decisions can satisfy needs for recognition, status and belonging.

Step 1: Name the element The element is **motivation**. Kavya had felt demoralised after an outsider was appointed to the senior post. Garima seeks to restore her willingness to work rather than merely issuing more instructions or monitoring her attendance.

Step 2: Identify how the element operates Garima starts "involving Kavya in decision-making issues" and makes her "a member of a high-level joint management committee". This is employee participation, a non-financial incentive that gives Kavya a sense of importance and involvement. The incentive motivates her: she is now punctual and her performance improves. Thus participation is the method used, while motivation is the element asked for.

Step 3: Conclusion The element of directing is **motivation**, applied here through employee participation in decision-making.

Quick Tip to Solve: Keep the levels distinct: directing is the function, motivation its element, and employee participation the particular incentive.

22(c). State any three features of the element identified in (b) above.

Solution:

Concept:

- Motivation stimulates people to act towards desired goals by activating their needs, desires and aspirations.
- Motivation concerns human behaviour, so a manager must understand individual needs before choosing suitable incentives.

Step 1: State the internal and goal-directed features

- **Internal feeling:** The urge to act arises within an individual from needs, desires and aspirations. A manager offers incentives, but motivation develops inside the person.
- **Goal-directed behaviour:** Motivation channels effort towards achieving a desired goal. Here Kavya's renewed punctuality and improved performance show effort returning towards work objectives.

Step 2: Explain its complexity **Complex process:** People differ in needs, expectations and responses. The same incentive may not motivate everyone equally. A manager therefore has to understand the employee and select an appropriate incentive. In this case, "involving Kavya in decision-making issues" provides participation and recognition suited to her situation.

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

Quick Tip to Solve: State features of motivation itself; do not replace them with a list of financial or non-financial incentives.

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

23(a). Authority and Responsibility

Solution:

Concept:

- Fayol's principle of authority and responsibility requires a balance between managerial power and the duties assigned.
- Authority is the right to give orders and obtain obedience; responsibility is the obligation to perform assigned work properly.

Step 1: Explain the required balance

- **Meaning:** A manager requires authority to direct work and use resources, while responsibility makes that manager answerable for the duties entrusted to the position. The two arise together in managerial work.
- **Commensurate authority:** The authority granted should be sufficient to discharge the responsibility assigned. A person held responsible for a result needs suitable decision-making power and access to the resources required to achieve it.

Step 2: Show why imbalance must be avoided **Consequences of imbalance:** Excess authority without corresponding responsibility can encourage misuse of power. Excess responsibility with insufficient authority prevents effective performance and creates frustration. For example, a production manager responsible for a production target should have appropriate authority to allocate workers and obtain materials within approved limits. The principle calls for a proper balance between these powers and duties.

Step 3: Conclusion Authority and responsibility must be properly balanced: managerial powers should be commensurate with assigned duties.

Quick Tip to Solve: In explaining Fayol's principle, define both terms, state their balance, and show the problems caused by either kind of imbalance.

23(b). Development of Each and Every Person to His or Her Greatest Efficiency

Solution:

Concept:

- Taylor's scientific management aims to develop each person to the greatest efficiency and prosperity.
- Scientific selection, suitable job assignment and systematic training enable employees to realise

their capabilities and improve productivity.

Step 1: Select scientifically and assign suitable work

- **Scientific selection:** Management should assess each employee's physical, mental and intellectual capabilities rather than select arbitrarily. This identifies aptitude and suitability for the work.
- **Right person for the right job:** The task allotted should match the person's abilities. Suitable placement lets employees use their strengths effectively and avoids assigning work for which they lack the necessary aptitude.

Step 2: Train and develop each employee **Training and development:** Employees should learn the scientifically determined best method of doing the job. Management must provide suitable training so that every worker can improve skills and perform efficiently. This development raises productivity and helps employees realise their potential; it also supports prosperity for both workers and the enterprise. Developing each person is therefore an active managerial responsibility, rather than expecting efficiency to improve by itself.

Step 3: Conclusion Taylor's principle requires scientific selection, suitable placement and systematic training to develop every person to the greatest efficiency and prosperity.

Quick Tip to Solve: Remember the sequence: assess capabilities, match the job to the person, and train the person in the best method.

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24. Vasvi was a student of Commerce in class XII. Her father was a farmer, who grew different varieties of wheat and was well versed about various aspects of wheat cultivation. He was also selected by the government for a pilot-project on wheat cultivation. As a project she decided to study the feasibility of marketing good quality wheat at reasonable price. Her father suggested to her to use internet to gather customers' views and opinions. She found that there was a huge demand for organic-packed wheat. She knew that there were no pre-determined specifications in case of wheat, 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 'Mahan-organic-wheat' 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 identifies customers' needs and performs the activities needed to satisfy them. The case illustrates gathering and analysing market information, standardisation and grading, and branding.
- A function must be connected to the action in the case: researching demand supplies market information, classifying wheat by quality is grading, and naming it distinguishes the product through branding.

Step 1: Explain gathering and analysing market information **Gathering and analysing market information:** A marketer collects and analyses information about customers' needs, preferences and buying behaviour, competitors and market conditions. This identifies opportunities and helps the firm

decide what to produce and how to market it. Research reduces reliance on guesswork when judging the feasibility of an idea.

Case evidence: Her father suggested that she "use internet to gather customers' views and opinions," and she found "a huge demand for organic-packed wheat." Thus Vasvi used customer information to identify demand for organic wheat and assess the opportunity to market it at a reasonable price.

Step 2: Explain standardisation and grading **Standardisation and grading:** Standardisation means producing goods of predetermined specifications so that quality, size and other characteristics are consistent. Grading classifies products into groups with similar characteristics or quality. It is particularly useful for agricultural products whose quality varies and for which uniform predetermined specifications are difficult to achieve. Grades help buyers understand the quality offered and enable the seller to price and market different qualities separately.

Case evidence: Vasvi knew there were "no pre-determined specifications in case of wheat" and classified it into "Popular, Classic and Supreme, based on the quality." The actual activity here is grading, within the marketing function of standardisation and grading; the case does not say that uniform wheat output had already been achieved.

Step 3: Explain branding **Branding:** Branding gives a product a distinctive name, sign, symbol or design that identifies the seller's goods and distinguishes them from competitors' goods. It makes recognition and repeat purchase easier and supports a separate identity for the seller's offering in a market with otherwise similar products.

Case evidence: "To differentiate the product from its competitors, she gave it the name of 'Mahan-organic-wheat'." This is the brand name for Vasvi's wheat. The quality-based names Popular, Classic and Supreme distinguish its grades, while Mahan-organic-wheat identifies the overall branded product.

Step 4: Conclusion The three marketing functions are **gathering and analysing market information**, **standardisation and grading** (specifically grading in the case), and **branding**. They are shown respectively by the customer survey, the classification into quality varieties, and the distinctive name Mahan-organic-wheat.

Quick Tip to Solve: Match each action to its purpose: asking customers identifies demand, sorting by quality creates grades, and giving a distinctive product name creates a brand.

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

It has taken a loan of ₹ 60 lakhs from SBI 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 profit 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 how much of the company's profit is distributed to shareholders and how much is retained to finance future requirements. A dividend needs both distributable earnings and cash for payment.
- The decision balances investors' expectations with business needs and restrictions. Four factors supported by the case are stability of earnings, cash flow position, growth opportunities and contractual constraints.

Step 1: Identify stability of earnings **Stability of earnings:** The relevant line is: "It has been consistently earning good profits for many years." A company with stable earnings is better able to maintain a regular dividend than a company with fluctuating earnings. Predictable profits allow management to commit to a level of dividend with less risk of being unable to maintain it in a subsequent year. Silkiya's consistent profitability therefore supports a stable dividend policy. The additional statement that it has generated enough profits this year also establishes the availability of current earnings, although the decision must still consider the other factors.

Step 2: Identify the cash flow position **Cash flow position:** The relevant line is: "There is availability of enough cash in the company." Payment of dividend involves a cash outflow, so accounting profit alone is insufficient if cash is tied up in assets or receivables. A sound cash position makes dividend payment easier after providing for operating and other financial commitments. Silkiya's availability of cash supports the payment of dividend, subject to the amount it needs for future operations and the conditions attached to its loan.

Step 3: Identify growth opportunities **Growth opportunities:** The relevant words are: "good prospects for growth in future." A company with profitable opportunities for expansion may retain a larger proportion of earnings to finance those opportunities. Retained earnings are an internal source of finance and reduce the need to obtain funds from outside. Therefore Silkiya's growth prospects favour greater retention and may limit the dividend paid now, even though its earnings and cash position are satisfactory.

Step 4: Identify contractual constraints **Contractual constraints:** The relevant line is: "is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement." When lending funds, a financial institution may place conditions on dividend payments to protect its ability to recover the loan. The company must comply with such conditions before declaring dividend.

Consequently, Silkiya must check the restrictions in its SBI loan agreement and distribute profit only within the permitted limits. The case does not specify the exact restriction, so no particular payout ceiling can be calculated or assumed.

Step 5: Conclusion Any four relevant factors may be explained. Here, **stability of earnings** and a favourable **cash flow position** support dividend payment, while **growth opportunities** encourage retention and **contractual constraints** limit the dividend according to the loan agreement. The case does not supply enough information to determine a numerical dividend.

Quick Tip to Solve: Quote one precise case line for each factor, then explain its effect on distribution or retention. Keep stable profits, available cash, future growth and loan restrictions distinct.