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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

Solution:

Concept:

- A consumer should obtain and preserve a cash memo or bill whenever goods are purchased.
- The bill identifies the seller and records the purchase, making it documentary evidence for a consumer complaint.

Step 1: Identify the missing evidence Kalpana could not establish that the sweets had been purchased from Koyal sweets. The missing evidence is therefore proof of that particular purchase, rather than merely proof of the illness.

Step 2: State the document required She should have obtained a cash memo or purchase bill from Koyal sweets when buying the two kilograms of sweets. It would connect the purchase with the seller against whom she wishes to complain.

Step 3: Conclusion Kalpana should have obtained and retained a cash memo or bill for the sweets purchased from Koyal sweets.

Quick Tip to Solve: Always ask for a bill and preserve it: it is the basic documentary proof linking a purchase to the seller.

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

Solution:

Concept:

- The marketing mix comprises product, price, place and promotion.
- Product decisions include the range and variety of goods that a business offers to its customers.

Step 1: Identify the clue in the case The company offers several kinds of consumer products, including toiletries, detergent powder and food products. The case describes what the company sells and the variety within its offering.

Step 2: Name the element This is the product element of the marketing mix. There is no information about prices, distribution channels or promotional communication; the decisive clue is the range of goods offered.

Step 3: Conclusion The element is Product, specifically the product range or product mix offered by the company.

Quick Tip to Solve: When a case lists the kinds or variety of goods sold, identify the product element of the marketing mix.

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

Solution:

Concept:

- Fixed capital is invested in long-term assets such as land, buildings, plant and machinery.
- Diversification into a new business generally increases fixed capital requirements because new assets and facilities must be established.

Step 1: Identify the additional investment The steel company is entering another business by starting a thermal power plant. The new activity requires long-term assets, including power-generating plant, machinery and related facilities.

Step 2: Explain the effect on fixed capital Funds must be committed to these assets in addition to the investment already made in steel manufacturing. Consequently, diversification increases the total fixed capital required by the company.

Step 3: Conclusion The fixed capital requirement will increase because starting a thermal power plant requires investment in additional long-term assets.

Quick Tip to Solve: Link diversification to the additional long-term facilities needed for the new business, then state that fixed capital rises.

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

Solution:

Concept:

- Financial management involves three broad decisions: investment, financing and dividend decisions.
- Investment decisions concern the use of funds, while financing decisions concern the sources from which funds are raised.

Step 1: Name the investment decision The investment decision determines how the firm should allocate funds among assets and investment opportunities. It covers decisions concerning long-term assets as well as short-term assets.

Step 2: Name the financing decision The financing decision determines the sources of finance and the appropriate mix of owners' funds and borrowed funds. It addresses how the funds required for the business will be obtained.

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

Quick Tip to Solve: Remember the three broad decisions as investment, financing and dividend; remove the one already named in the question.

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

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

Solution:

Concept:

- Organising identifies and divides work, groups related activities, assigns duties and establishes reporting relationships.
- Work is allocated to people so that the planned activities can be performed systematically.

Step 1: Identify the organising activities The Headmaster divided the sports-day activities into task groups for events, medals and refreshments. This is division and grouping of the work required to achieve the planned objective.

Step 2: Connect the allocation of responsibility The groups were placed under senior teachers and specific duties were assigned to teachers according to their areas. Grouping work, assigning duties and establishing supervision together identify organising.

Step 3: Conclusion The management function performed by the Headmaster is Organising.

Quick Tip to Solve: Division of work followed by grouping, duty allocation and supervision is a direct signal of organising in a case study.

6. Define 'Planning'. [1 mark]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it.
- It involves setting objectives and developing an appropriate course of action to achieve those objectives.

Step 1: State the meaning Planning is deciding in advance what is to be done and how it is to be done. It gives direction to future action instead of leaving decisions entirely to the moment of performance.

Step 2: Include the objective and course of action The process involves setting objectives and developing an appropriate course of action to achieve them. Thus, a plan connects the desired future result with the actions required to reach it.

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

Quick Tip to Solve: A complete definition of planning links objectives with an advance decision about the course of action needed to achieve them.

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

Solution:

Concept:

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

Step 1: State the levels responsible Managers at all levels, namely top, middle and supervisory or operational levels, are responsible for coordination. It is not restricted to a separate department or to top management alone.

Step 2: Explain why responsibility is shared Top managers coordinate the organisation as a whole, middle managers integrate departmental activities, and supervisory managers coordinate the work of employees. Each level must bring its related efforts into harmony.

Step 3: Conclusion Managers at all levels of management are responsible for coordination.

Quick Tip to Solve: For responsibility for coordination, write all levels: its scope runs from overall organisational goals to employees' daily work.

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

Solution:

Concept:

- Management is an intangible force: it cannot be seen or touched as a physical object.
- Its presence is experienced through the results of coordinated organisational activities.

Step 1: Explain why it is intangible Management consists of directing, coordinating and guiding people towards common objectives. These activities do not have a separate physical form that can be seen or touched.

Step 2: Identify the evidence of its presence Its presence can be felt when targets are achieved, order replaces confusion and employees work with satisfaction. Such results reveal effective management even though management itself remains invisible.

Step 3: Conclusion Management is called an intangible force because it cannot be seen, but its presence can be felt through the way an organisation functions and achieves its objectives.

Quick Tip to Solve: Link intangible with invisible, then state one observable result such as achievement of targets or orderly work.

9. State the limitations of informal organization. [3 marks]

Solution:

Concept:

- Informal organisation develops spontaneously from personal relationships and social interaction among employees.
- Its unofficial communication and group norms can create difficulties for the formal organisation.

Step 1: State the communication limitation **Spread of rumours:** Informal communication is not checked through an established official channel. It may therefore carry rumours or inaccurate information, misleading employees and creating uncertainty. This can obstruct the smooth functioning of the organisation.

Step 2: State the limitation concerning change **Resistance to change:** Informal groups may oppose a change introduced by management when they believe that it threatens their interests or relationships. Even a useful change can become difficult to implement if members collectively resist it.

Step 3: State the limitation concerning group pressure **Pressure to conform to group norms:** Informal groups pressurise their members to follow group expectations. When such norms conflict with organisational interests, members may restrict their output or avoid following official directions in order to retain acceptance within the group.

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

Quick Tip to Solve: Recall the three risks as information, change and conformity; explain how each can hinder formal work.

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

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

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

Solution:

Concept:

- Non-financial incentives satisfy psychological, social and esteem needs through the job and the work environment.
- Sultan is disappointed by the loss of an expected promotion, so recognition, responsibility and credible growth opportunities can help restore his motivation.

Step 1: Provide career advancement opportunities **Career advancement opportunities:** Sultan

was 'extremely ambitious' and had worked towards the Marketing Manager's post. The manager can provide suitable training and a clear opportunity to progress to a higher position in future on the basis of performance. This gives Sultan a constructive goal and shows that his long-term development matters.

Step 2: Recognise his contribution **Employee recognition:** Sultan had served the company for 'the last eight years'. The manager can acknowledge his experience and good work through appreciation, a commendation or recognition before colleagues. Recognising actual contributions can rebuild his esteem after the disappointment and encourage a return to strong performance.

Step 3: Enrich his job **Job enrichment:** Give Sultan challenging regional assignments, greater responsibility and appropriate autonomy in carrying them out. Work that allows him to use his experience, exercise judgement and see meaningful results can make the job more satisfying and restore his sense of achievement.

Step 4: Conclusion Career advancement opportunities, employee recognition and job enrichment are three suitable non-financial incentives to motivate Sultan.

Quick Tip to Solve: Match each incentive to a case clue: ambition suggests advancement, experience suggests recognition and lost enthusiasm suggests meaningful responsibility.

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

Solution:

Concept:

- SEBI promotes the growth of a fair and efficient securities market as well as regulating it.
- Developmental functions improve the knowledge, professional capability and orderly development of market participants and intermediaries.

Step 1: State the training function **Training of intermediaries:** SEBI promotes the training of intermediaries of the securities market. Better professional knowledge and skills enable intermediaries to perform their work competently, serve market participants effectively and contribute to the development of an efficient securities market.

Step 2: State the research and publication function **Research and publication:** SEBI conducts research and publishes information useful to all market participants. Such information improves understanding of securities-market operations and developments. It provides a more informed basis for decisions and helps participants function effectively within the market.

Step 3: State the flexible development function **Measures to develop the capital market:** SEBI adopts a flexible approach in undertaking measures for capital-market development. For example, it permits internet trading through registered stockbrokers. Such measures allow market practices and facilities to develop in response to changing requirements while operating within the recognised market framework.

Step 4: Conclusion The developmental functions are training intermediaries, conducting research and publishing useful information, and undertaking measures to develop the capital market through a flexible approach.

Quick Tip to Solve: Recall the developmental trio: train intermediaries, research and publish, and adopt flexible measures such as internet trading through registered stockbrokers.

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

Solution:

Concept:

- Staffing involves finding and placing suitable people in jobs. Selection is the stage at which candidates are assessed against the requirements of a particular job.
- Recruitment attracts prospective applicants, whereas selection chooses the most suitable person from the applicants available.

Step 1: Identify the process The process is **selection**. The decisive words are "choosing the best person out of a number of prospective candidates". They describe making a choice from an existing pool of applicants, rather than merely encouraging people to apply for the job.

Step 2: Define selection and explain its purpose **Selection is the process of choosing the best person from among the prospective candidates for a job.** It involves assessing applicants' qualifications, abilities and suitability in relation to the job's requirements. The organisation uses appropriate screening, tests and interviews to distinguish suitable candidates from those who do not meet its needs. Its purpose is to place the right person in the right job, so that the employee can perform effectively and contribute to organisational objectives. Thus, it is a choice based on suitability for the specified work, rather than simply choosing the applicant with the highest qualification in isolation.

Step 3: Conclusion The required staffing process is **selection**: choosing the best person from among the prospective candidates for a particular job after assessing their suitability.

Quick Tip to Solve: Link "attracting applicants" with recruitment and "choosing from applicants" with selection; the latter wording decides this answer.

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

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product. It protects the product and makes handling, storage and use more convenient.
- The three levels are primary packaging, secondary packaging and transportation packaging. They differ according to their closeness to the product and the purpose they serve.

Step 1: Explain primary packaging **Primary packaging:** This is the product's immediate container or wrapper. It directly holds the product and stays with it until the product is used; sometimes it remains throughout its use. For example, the tube containing toothpaste or the bottle containing cough syrup is primary packaging. It protects the actual contents and allows the consumer to store, handle and use them conveniently. The important test is whether the package immediately contains the product itself.

Step 2: Explain secondary packaging **Secondary packaging:** This is the additional layer of protection around the primary package. It is generally discarded when the product is ready for use. For example, the cardboard box surrounding a toothpaste tube or a cough-syrup bottle is secondary packaging. It helps protect the immediate container during handling and display and provides space for product information. Unlike the tube or bottle, it does not directly hold the toothpaste or syrup. These examples show that the level is determined by the package's role, not simply by the material from which it is made.

Step 3: Conclusion Two levels are **primary packaging**, the immediate container of the product, and **secondary packaging**, the additional protective covering around that container.

Quick Tip to Solve: For a toothpaste example, identify the tube as primary packaging and the outer cardboard box as secondary packaging; this makes their distinction clear.

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

Solution:

Concept:

- Training is a systematic process of increasing employees' knowledge and skills for a specific job. It improves their ability to perform present duties efficiently.
- Training benefits both the organisation and its employees: better job competence reduces dependence on supervision and also improves employees' confidence and prospects.

Step 1: Identify the remedy from the case The company should provide training to its workers in operating the hi-tech machines. The words "lack of knowledge regarding the use of these hi-tech machines show a gap in job-related knowledge and skill. Planned instruction, demonstration and supervised practice will equip workers to operate the sophisticated equipment correctly. They can then work productively instead of remaining idle and will require less repeated assistance from engineers and the foreman, reducing avoidable overhead charges.

Step 2: Explain how training helps employees

- **Better career prospects:** Improved skills and knowledge enable employees to perform more demanding duties and improve their chances of promotion and career growth.
- **Higher earnings:** Training improves performance and productivity, which can help employees earn higher wages or performance-related rewards.

- **Greater safety:** Workers learn the correct procedures for handling complex machines. This makes them more efficient at their jobs and less prone to accidents.
- **Higher morale and satisfaction:** Competence gives workers confidence and a sense of achievement. They can perform their work with less frustration, improving morale and job satisfaction.

Step 3: Conclusion Systematic job-related training will overcome the workers' lack of knowledge, reduce idle time and the need for constant technical supervision, and benefit employees through career growth, higher earnings, safety and satisfaction.

Quick Tip to Solve: When workers are idle because they cannot use new equipment, identify a training need; explain employee benefits separately from savings to the company.

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

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

Solution:

Concept:

- Delegation means the downward transfer of authority from a superior to a subordinate to carry out assigned work. It enables a manager to extend the scope of activities through others.
- The three elements of delegation are authority, responsibility and accountability. Giving authority to a subordinate does not absolve the superior of ultimate accountability.

Step 1: Identify the activity The activity is **delegation of authority**. The statement says that without it the manager would be restricted to "only what he himself can do. By assigning duties and granting the authority needed to perform them, the manager enables subordinates to act on his behalf. This releases managerial time for important matters and allows a wider area of operations to be managed.

Step 2: State and explain the three elements

- **Authority:** It is the right to command subordinates, take decisions and act within the scope of one's position. In delegation the superior grants the subordinate sufficient authority to use resources and make decisions necessary for the assigned task. Authority flows downwards from superior to subordinate.
- **Responsibility:** It is the obligation of a subordinate to perform the duty assigned by the superior. The subordinate must carry out the work properly and in accordance with the superior's directions. Responsibility arises from the superior-subordinate relationship and flows upwards.
- **Accountability:** It means being answerable for the final outcome of the assigned work. The subordinate must explain performance to the superior. Accountability cannot be delegated: the superior remains ultimately answerable to his own superior even after entrusting work to others.

Step 3: Conclusion The statement refers to delegation of authority. Its elements are authority, responsibility and accountability; together they enable work through subordinates while preserving answerability for results.

Quick Tip to Solve: Use the three questions: Who may decide (authority)? Who must do the work (responsibility)? Who must answer for the result (accountability)?

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

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

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

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

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

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

From the above (i) Identify and state any one general principle of management and any one dimension of business environment. (ii) Also identify any two values which the above guiding principles and environmental factors are conveying to the society. [4 marks]

Solution:

Concept:

- Fayol's general principles guide managerial behaviour. Stability of personnel calls for avoiding unnecessary employee turnover so that employees have time to learn their work and contribute effectively.
- The legal environment comprises laws and regulations within which an enterprise must operate. Business values also guide its responsibility towards consumers, employees and society.

Step 1: Identify and state a general principle of management **Stability of personnel:** The case states that the company's principles "minimize the employee turnover". Fayol advised that employees should be selected carefully and retained for a reasonable period. Frequent transfers or replacement prevent employees from becoming efficient, raise recruitment and training costs, and disturb the organisation's working. Giving employees stability therefore helps both their development and the company's performance.

Step 2: Identify and state a dimension of business environment **Legal environment:** The direction to "Honour the law of the country as well as that of the states in which it operates" identifies this dimension. It consists of the laws, statutory requirements and regulations governing business conduct. GVN Ltd. must comply with the applicable national and state laws in every location where it conducts business; managerial decisions must remain within that legal framework.

Step 3: Identify two values conveyed to society **Concern for consumer welfare:** Providing "clean and safe products" shows responsibility towards consumers' health, safety and quality of life. The company places their welfare alongside its commercial objectives.

Respect for cultural diversity: Respecting "the culture and customs of all states" conveys tolerance and respect for different communities. It recognises that a business operating throughout the country should deal sensitively with the beliefs and practices of the people it serves.

Step 4: Conclusion The selected management principle is stability of personnel, and the selected environmental dimension is the legal environment. The two values are concern for consumer welfare and respect for cultural diversity, each supported by the company's stated practices.

Quick Tip to Solve: Match each case phrase to its category: low employee turnover indicates stability of personnel, while compliance with laws indicates the legal environment.

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

(a) Identification of threats and early warning signals

(b) Improving performance. [4 marks]

Solution:

Concept:

- The business environment includes external forces that influence business decisions and results. Understanding these forces helps management anticipate change and adapt its actions.
- Threats are external developments that can obstruct the firm's performance. Continuous environmental scanning provides early warning and supports decisions that improve the firm's long-term performance.

Step 1: Explain identification of threats and early warning signals **Detect external dangers:** Awareness of the business environment helps managers identify developments that can adversely affect the enterprise. Such threats may arise from new competitors, changing consumer preferences, technological advances or changes in government policy. Recognising these developments early allows management to understand the risk before its full effect is felt.

Take timely protective action: Environmental understanding acts as an early warning system. Managers can prepare a response instead of waiting for the threat to cause a loss. For example, learning that a competitor is introducing an improved substitute can prompt a firm to improve its own product, service or costs in advance. The warning is useful because it gives management time to adjust its strategy and protect its market position.

Step 2: Explain improvement in performance **Monitor change continuously:** Enterprises that continuously monitor their environment can recognise opportunities as well as threats. Management can review whether its existing products, methods and policies still suit external conditions, rather than carrying on with decisions that have become outdated.

Adopt suitable business practices: A firm can then adapt its strategy and practices to the changing environment. It may respond to customers' changing needs, make use of a useful technology or prepare for a policy change. Such timely adjustment improves the firm's ability to compete and remain effective. Enterprises that are sensitive to their environment and adopt suitable practices are therefore better placed to improve current performance and continue succeeding over the longer term.

Step 3: Conclusion Understanding the business environment helps management detect threats early and prepare timely responses. Continuous monitoring and suitable adaptation also improve the enterprise's performance and prospects for sustained success.

Quick Tip to Solve: For threats, link early detection to timely protection; for performance, link continuous monitoring to adaptation and improved results.

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

Solution:

Concept:

- Working capital finances day-to-day operations such as purchase of materials, payment of wages and holding inventories. Its requirement depends on the amount and duration of funds tied up in current assets.
- The operating conditions of a business determine the time between paying for inputs and collecting cash from sales. A longer interval generally requires more working capital.

Step 1: State the operating factors **1. Nature of business:** A trading concern usually needs less working capital than a manufacturing concern because it does not convert raw materials into finished goods. A service concern may need still less because it generally holds little inventory. Manufacturing ties up funds in raw materials, work-in-progress and finished goods.

2. Scale of operations: A company operating on a large scale generally needs more working capital in absolute terms. Larger output requires larger purchases, inventories, wage payments and other routine expenses. A smaller scale of operations usually involves smaller current-asset balances.

Step 2: State the time and sales factors **3. Production cycle:** The production cycle is the time taken to convert raw materials into finished goods. A longer cycle keeps funds invested in work-in-progress for longer and increases working-capital requirements. A shorter production cycle releases these funds sooner.

4. Credit allowed to customers: Liberal credit terms increase debtors and postpone the collection of cash from sales. Consequently, the company needs more working capital to continue paying operating expenses while it waits for customers to pay. Cash sales or a shorter credit period reduce this requirement.

Step 3: Conclusion Four factors are the nature of business, scale of operations, length of the production cycle and credit allowed to customers. Each affects either the volume of current assets needed or the period for which cash remains blocked in operations.

Quick Tip to Solve: For working-capital factors, link each point to inventory, operating payments or the delay in collecting cash; this explains the direction of its effect.

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

Solution:

Concept:

- A product label identifies the product and its brand, describes its contents and use, and supplies information needed for purchase and traceability.
- For a hair-oil bottle, the label should prominently show the brand and product identity, net quantity, manufacturer information, batch details, dates, price and directions. Variable commercial

particulars must be filled before sale.

Step 1: Select the information for the bottle The principal display panel should show **Kale Kesh**, the brand specified in the question, followed by **Coconut Hair Oil** and **Net Volume: 100 mL**. The bottle size is 100 mL; the factory's production capacity of 10,000 bottles a day is an operational fact and need not appear on the consumer label. Identify the manufacturer and its complete address in Coastal Kerala so that the product can be traced to its source.

Step 2: Design the label and provide particulars The model below provides an arrangement for the bottle. The blanks indicate particulars to be entered by the company, rather than invented manufacturing facts or prices. The ingredients panel must reflect the actual formulation. Include the batch number, manufacturing date, use-before information and maximum retail price inclusive of taxes. Give simple directions and an external-use caution to help the buyer use the product correctly. A consumer-care contact enables enquiries or complaints.

KALE KESH
Coconut Hair Oil
Net Volume: 100 mL

Ingredients: [Actual ingredients to be declared]
Manufactured by: [Company name]
Address: [Complete address], Coastal Kerala, India
Batch No.: _____ Mfg. Date: _____
Use before: _____
MRP: Rs _____ (inclusive of all taxes)
Directions: Apply a small quantity to hair and scalp.
Caution: For external use only. Avoid contact with eyes.
Consumer care: [Telephone / e-mail / postal contact]

Proposed label for the 100 mL bottle

Step 3: Conclusion The proposed label identifies Kale Kesh as coconut hair oil in a 100 mL bottle and combines brand recognition with product, manufacturer, price, date, batch and usage information. The company should fill all variable particulars accurately before the bottles are marketed.

Quick Tip to Solve: When designing a label, combine an attractive brand panel with quantity, manufacturer, batch, dates, price and directions; avoid unsupported quality or medicinal claims.

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

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

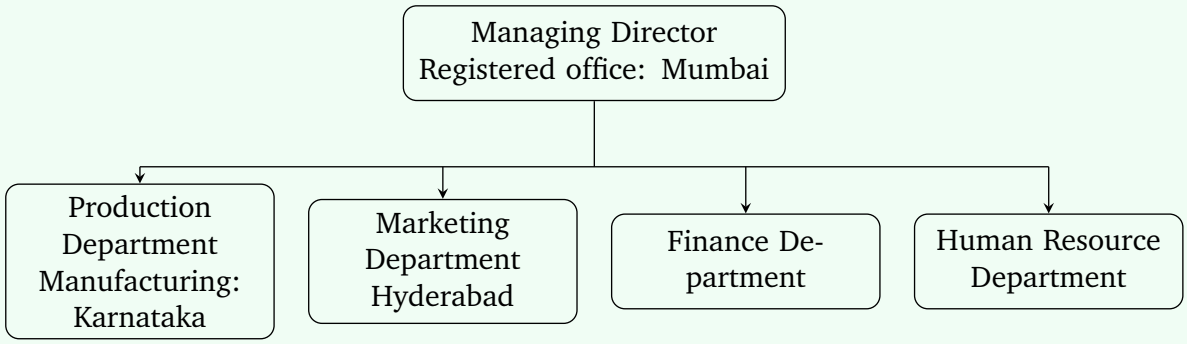
(ii) State any three limitations of this organization structure. [5 marks]

Solution:

Concept:

- A functional organisation structure groups jobs of a similar nature into major functions, such as production, marketing and finance. Each department is headed by a specialist responsible for that function.
- Functional structure is suitable for a large enterprise carrying out several specialised functions and producing a single product or a related range of products. Divisional structure is more appropriate when separate product divisions are required.

Step 1: Suggest and illustrate the suitable structure The company should adopt a **functional organisation structure**. Its large scale of operations permits specialised departments. The case separately mentions a manufacturing unit and a marketing department, indicating that work is grouped by function. The locations of these units do not by themselves make them independent product divisions: the case does not describe several distinct product lines requiring separate divisions. The following chart shows the major functions under the managing director; the locations mentioned in the question are attached to their respective functions.



Functional organisation structure

Step 2: Explain the limitations of functional structure

- **Functional empires and neglect of organisational objectives:** A departmental head may give greater importance to the objectives of the department than to the objectives of the company. For example, production may concentrate on producing large quantities while overlooking what the marketing department can sell. Thus, departmental interests can take priority over the common organisational goal.
- **Difficulty in coordination:** When departments specialise in different activities, their decisions and priorities may differ. Coordination becomes difficult where the work of one department depends upon another. For this company, production and marketing must agree on quantities and delivery

schedules; failure to cooperate can disrupt the overall flow of work.

- **Inflexibility and a narrow perspective:** Employees and managers repeatedly perform the same kind of specialised work. They may develop a limited departmental outlook, resist changes affecting their established methods and find it difficult to appreciate problems outside their own function. This reduces flexibility and the development of broadly experienced managers.

Step 3: Conclusion A functional structure, with specialised departments reporting to the managing director, is suitable. Its three limitations are the creation of functional empires, difficulty in coordinating interdependent departments, and inflexibility arising from a narrow functional perspective.

Quick Tip to Solve: Choose functional structure when work is grouped as production, finance and marketing; choose divisional structure when separate product lines each need their own functions. Different office locations alone do not establish product divisions.

21. Explain any five semantic barriers to communication. [5 marks]

Solution:

Concept:

- Semantic barriers arise when the words, symbols or expressions used in a message do not convey the same meaning to the sender and receiver.
- Communication is effective only when the receiver understands the message in the sense intended by the sender. Encoding, translation and the interpretation of language can obstruct this understanding.

Step 1: Explain barriers in expressing and interpreting words **1. Badly expressed message:** A manager may fail to express the intended meaning clearly because of inadequate vocabulary, omission of necessary words, wrong choice of words or poor sentence structure. The receiver consequently has to guess what the sender intends. For example, an instruction to dispatch goods "soon" does not specify the required dispatch date.

2. Symbols with different meanings: The same word or symbol may have several meanings. The receiver may select a meaning different from the one intended by the sender. For example, the word "value" may refer to a price, usefulness or an ethical principle. Without sufficient context, the message becomes ambiguous.

Step 2: Explain barriers caused by translation and specialised language **3. Faulty translations:** In an organisation, a message may have to be translated from one language into another. If the translator does not understand both languages or the subject adequately, the translation may alter the original meaning. A literally translated instruction can therefore convey an incorrect procedure to employees.

4. Technical jargon: Specialists may use technical terms that people outside their profession do not understand. For example, a production engineer's specialised vocabulary may confuse a salesperson. The use of such language without an explanation prevents the receiver from decoding the message correctly.

Step 3: Explain the effect of unstated assumptions **5. Unclarified assumptions:** A sender may base a message on assumptions that are neither stated nor explained. The receiver may not share those

assumptions and may interpret the instruction differently. For example, a request to arrange a meeting may assume that the recipient already knows its date and venue; if this is untrue, the arrangements may be wrong. The relevant assumptions must therefore be made explicit.

Step 4: Conclusion Five semantic barriers are badly expressed messages, symbols with different meanings, faulty translations, technical jargon and unclarified assumptions. Each can create a difference between the meaning intended by the sender and the meaning understood by the receiver.

Quick Tip to Solve: For a semantic barrier, explain how language or meaning causes misunderstanding; distinguish it from fear, distrust or organisational hierarchy.

22. 'Jony India Ltd.' is the manufacturer of large sized curved televisions. The company imparted training to its engineers at an advanced training centre at Germany. It sells its television sets throughout the country. The company had a substantial market share and had a loyal customer following because of the quality products. From the last financial year the company had been unable to achieve its targets because of competition in the market. The company is planning to revamp its controlling system.

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

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

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

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, identifies significant deviations and ensures corrective action so that organisational objectives are achieved.
- Training develops employees' knowledge and skills for their present jobs. It is an important part of the staffing function and helps employees use improved technology effectively.

Step 1: Identify the management concepts in the case **Training under staffing:** The company "imparted training to its engineers at an advanced training centre at Germany". This develops the engineers' ability to perform their jobs and supports the production of quality televisions.

Controlling: The company has been "unable to achieve its targets" and is "planning to revamp its controlling system". This indicates the need to compare actual results with targets, examine the shortfall and take corrective action.

Step 2: State the steps of the revamped controlling process **1. Setting performance standards:** Establish clear, measurable standards against which results can be judged, such as sales targets, product-quality standards, permissible costs and delivery schedules.

2. Measurement of actual performance: Collect reliable information about actual sales, costs, customer complaints and product quality through reports, observation and other suitable methods.

3. Comparing actual performance with standards: Compare actual results with the predetermined standards to identify the extent and direction of deviations.

4. Analysing deviations: Identify the causes of significant deviations rather than reacting equally to

every small difference. In this case, examine how competition has affected sales and whether other factors, such as pricing or distribution, contribute to the shortfall.

5. Taking corrective action: Act on the identified causes, for example by improving marketing or distribution where the analysis shows a weakness. If standards prove unrealistic in the changed competitive environment, revise them appropriately.

Step 3: State one value communicated to society **Commitment to quality and customer satisfaction:** The company has earned a loyal customer following "because of the quality products". By maintaining quality and developing its engineers' skills, it communicates a commitment to supplying dependable products that satisfy customers.

Step 4: Conclusion The case involves training as part of staffing and the controlling function. The company should set standards, measure performance, compare results, analyse deviations and take corrective action. One value it communicates is commitment to quality and customer satisfaction.

Quick Tip to Solve: In a controlling case, use the sequence standards, measurement, comparison, analysis and action; link the concept and the value to words actually given in the case.

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

Solution:

Concept:

- Management as a science means an organised body of knowledge containing principles developed through observation and experimentation. The scientific character of management must be judged against the features of science.
- Management studies human behaviour, which varies between people and situations. It is therefore an inexact or social science, rather than an exact science like physics or chemistry.

Step 1: Examine the systematic body of knowledge **Systematised knowledge:** Science consists of a systematic body of knowledge, with theories and principles explaining relationships between variables. Management also has its own organised concepts, theories and principles. For example, principles concerning authority, responsibility and unity of command guide managerial action. This supports Devid's view that management possesses a scientific foundation.

Step 2: Explain how management principles are developed **Observation and experimentation:** Scientific principles are developed through observation and repeated experiments. Management principles too have evolved through observation and experimentation in organisations. Taylor's

scientific management studies and Fayol's observations of managerial practice helped develop such principles. However, management deals with people, whose behaviour cannot always be predicted or reproduced under identical controlled conditions. Its experiments therefore do not produce the same precision as experiments in the natural sciences.

Step 3: Assess the extent of universal validity **Universal validity:** Principles of an exact science generally hold under specified conditions and permit precise prediction. Management principles have broad applicability, but their application must be modified according to the situation. Different employees, organisations and business environments respond differently to the same managerial action. A method that motivates one employee may not motivate another to the same extent. Thus management principles provide flexible guidelines rather than rigid laws with uniformly predictable results.

Step 4: Reconcile the two partners' views Devid's statement that 'Management was a science' is correct insofar as management has a systematic body of knowledge and principles developed through observation and experimentation. Khan's objection is justified only if he means that management is not an exact science: its principles lack the precision and unconditional universality of natural-science laws. Kamal can therefore explain that neither an outright rejection of its scientific character nor treating it as an exact science is appropriate.

Step 5: Conclusion Kamal would satisfy both partners by explaining that management is a science, but an inexact or social science. It has systematic and experimentally developed knowledge, while the variability of human behaviour makes its principles flexible and their results less precisely predictable.

Quick Tip to Solve: Test management against three features of science: systematic knowledge, experimentation and universal validity. Explain the limitation alongside the matching scientific feature.

24. Describe the following rights of a consumer :

(a) Right to be informed

(b) Right to seek redressal

(c) Right to choose [6 marks]

Solution:

Concept:

- Consumer protection gives buyers rights that safeguard them against unsafe goods, misleading information, unfair trade practices and deficient services. These rights enable an informed purchase and a remedy when the consumer suffers a wrong.
- The three rights asked here operate at different stages: the right to be informed supplies knowledge, the right to choose protects freedom of purchase, and the right to seek redressal provides a remedy for a legitimate grievance.

Step 1: Describe the right to be informed **Meaning:** A consumer has the right to obtain complete information about the product being purchased, including its quality, quantity, ingredients, purity, standard and price. Such information helps the buyer compare products and protects the buyer against misleading claims and unfair trade practices.

Practical application: The package or label should disclose relevant particulars such as the manufacturer's identity, maximum retail price, net quantity, date of manufacture, expiry date where applicable, directions for use and necessary safety warnings. The consumer can then decide whether the product meets the intended need and whether its price is reasonable. For example, the expiry date on a medicine helps the buyer avoid an unsuitable purchase.

Step 2: Describe the right to seek redressal **Meaning:** A consumer has the right to seek relief against unfair trade practices, restrictive trade practices and other forms of exploitation, including defective goods and deficient services. A genuine complaint must have an avenue for settlement rather than leaving the consumer to bear the loss without a remedy.

Available relief: Depending on the facts, the remedy may include removal of the defect, replacement of the goods, refund of the price, removal of the deficiency in service, or compensation for loss or injury suffered. The consumer may approach the appropriate consumer redressal forum with supporting evidence such as the bill, warranty and correspondence. For example, a buyer supplied a defective appliance may seek repair or replacement and other appropriate relief.

Step 3: Describe the right to choose **Meaning:** A consumer has the right to choose from a variety of goods and services at competitive prices. The buyer should be able to compare alternatives and select the product, brand, size or service that best matches personal needs and purchasing power.

Freedom from compulsion: The seller should not force the consumer to purchase an unwanted product as a condition for buying the desired one. Nor should pressure or an artificial restriction on alternatives take away meaningful choice. For instance, a buyer seeking a particular household item should not be compelled to buy an unrelated accessory along with it. Availability of alternatives enables the consumer to exercise an independent purchasing decision.

Step 4: Conclusion The right to be informed ensures access to relevant product information; the right to seek redressal ensures appropriate relief for a legitimate grievance; and the right to choose ensures freedom to select among alternatives at competitive prices without being forced into an unwanted purchase.

Quick Tip to Solve: Keep the rights distinct: information helps evaluate a product, choice lets the buyer select it freely, and redressal supplies a remedy when the transaction goes wrong.

25. Explain the functions of Financial Market. [6 marks]

Solution:

Concept:

- A financial market brings together savers who supply funds and business enterprises that need funds. It facilitates the creation and exchange of financial assets such as shares and debentures.
- Its four main functions are mobilisation of savings and their productive allocation, price discovery, provision of liquidity, and reduction of transaction costs.

Step 1: Explain how savings reach productive uses **Mobilisation of savings and channelising them into the most productive uses:** A financial market facilitates the transfer of savings from savers to investors. Households and other savers can invest their surplus funds in financial assets instead of

leaving the money idle. Business enterprises obtain funds for productive activities such as establishing or expanding operations. The market gives savers a choice of investments and helps direct savings towards uses that can generate income and support capital formation. Thus, it connects those with surplus funds with those who can employ them productively.

Step 2: Explain how prices are discovered **Facilitating price discovery:** The price of a financial asset is determined through the interaction of demand and supply in the financial market. Savers supply funds, while business firms demand them for investment. Buyers and sellers express the prices at which they are willing to transact, and their interaction helps establish the market price of a security. The market therefore provides a mechanism for discovering prices rather than requiring each participant to determine a price in isolation.

Step 3: Explain how investors obtain liquidity **Providing liquidity to financial assets:** Financial markets facilitate the purchase and sale of financial assets. An investor who needs money can sell an existing investment through the market and convert it into cash, subject to market conditions. This gives liquidity to assets that would otherwise tie up the investor's funds. The opportunity to exit an investment also makes people more willing to invest their savings in securities. Liquidity means the possibility of conversion into cash; it does not mean that a security's original purchase price is guaranteed.

Step 4: Explain how dealing costs are reduced **Reducing the cost of transactions:** Financial markets provide information about securities being traded, their prices and the availability of buyers and sellers. They provide a common meeting place or trading mechanism, so an investor need not individually search for every counterparty. This saves the time, effort and money involved in locating suitable parties and gathering information before a transaction. By reducing these search and information costs, financial markets make the buying and selling of financial assets easier and more economical.

Step 5: Conclusion Financial markets perform four key functions: they mobilise and allocate savings, facilitate price discovery, provide liquidity to financial assets and reduce transaction costs. Together, these functions help funds move efficiently from savers to productive investment.

Quick Tip to Solve: Remember the four functions as savings, price, liquidity and costs. Explain liquidity as resale for cash, and transaction-cost reduction as saving search time and information costs.