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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) 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. 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 is the management function of identifying and dividing work, grouping activities and assigning duties and authority.
- A suitable organisation structure links people with tasks so that a common objective can be achieved.

Step 1: Identify the division and grouping of work The Headmaster **"divided all the activities into task groups"**, each dealing with an area such as events, medals or refreshments. Dividing work and grouping related activities are steps in organising.

Step 2: Link duties with responsibility Each group was put under a senior teacher, and specialist teachers were assigned particular duties. This allocation of responsibilities establishes working relationships and enables the sports day arrangements to be carried out systematically.

Step 3: Conclusion The function performed is **organising**. The Headmaster grouped activities and assigned responsibilities to teachers.

Quick Tip to Solve: When a case describes grouping activities and assigning duties to people, identify organising.

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

Solution:

Concept:

- Financial management concerns obtaining funds and using them effectively to achieve the financial objectives of the business.
- Its three broad decisions are investment, financing and dividend decisions.

Step 1: Name the decision about using funds The **investment decision** determines how the funds of the business are invested in different assets. It covers both long-term assets and short-term asset requirements.

Step 2: Name the decision about obtaining funds The **financing decision** determines the sources from which funds will be raised and the appropriate mix of owners' funds and borrowed funds. The dividend decision, already mentioned in the question, deals with distributing or retaining profits.

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

Quick Tip to Solve: Remember the three finance decisions as use of funds, sources of funds and distribution of profits.

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 refers to funds invested in long-term assets such as land, buildings, plant and machinery.
- Diversification into a new business generally increases fixed capital requirements because additional long-term assets are needed.

Step 1: Identify the new investment The company is **"diversifying and starting a thermal power plant"**. This adds a new line of business to its existing steel manufacturing operations.

Step 2: Explain the effect on fixed capital The new thermal power plant requires investment in additional land, buildings, plant, machinery and other long-term facilities. These assets must be financed for long-term use, increasing the amount of funds tied up in fixed assets.

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

Quick Tip to Solve: For diversification questions, connect the new business to additional plant, buildings and machinery.

4. 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 consists of product, price, place and promotion decisions.
- The product element includes decisions about the goods offered, their variety, quality, design, branding and packaging.

Step 1: Identify what the company offers The case mentions a **"number of consumer products like toiletries, detergent powder, food products"**. This describes the range and variety of goods offered to consumers.

Step 2: Connect variety with the marketing mix Deciding which products and product lines to offer is a product decision. The statement does not describe the prices charged, distribution channels used or communication methods adopted; it specifically describes the company's offering.

Step 3: Conclusion The element of the marketing mix is **product**; the company is offering a variety of consumer goods.

Quick Tip to Solve: A list of goods or product varieties points to product; channels point to place and advertising to promotion.

5. 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:

- Consumers should insist on a cash memo or bill as documentary evidence of a purchase.
- The purchase document helps establish the seller, the product purchased, the date and the amount paid when seeking redressal.

Step 1: Identify the missing evidence The case states that Kalpana **"did not have any proof of buying sweets from Koyal sweets"**. Her immediate difficulty is establishing the purchase from that seller.

Step 2: State the document she should obtain She should have obtained and preserved a **cash memo or bill** from Koyal sweets at the time of purchase. It would provide documentary proof of the transaction and support her claim concerning the sweets purchased.

Step 3: Conclusion Kalpana should have obtained a **cash memo or bill** from Koyal sweets as proof of purchase for her consumer complaint.

Quick Tip to Solve: Whenever a consumer case asks for proof of purchase, state cash memo or bill and explain what it establishes.

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

Solution:

Concept:

- Management is an intangible force: it cannot be directly seen or physically touched.
- Its presence is felt through results such as achievement of targets, orderly work and satisfied employees.

Step 1: Explain why management is intangible Management consists of coordinating efforts and directing work rather than a physical object that can be seen. We observe people and activities, but management itself has no visible or tangible form.

Step 2: Identify how its presence is recognised Effective management is recognised through outcomes: organisational targets are achieved, work proceeds in an orderly manner and employees are satisfied. These results reveal the effect of management even though the force producing them cannot itself be seen.

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

Quick Tip to Solve: Use the contrast between an unseen process and visible results to explain management as an intangible force.

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

Solution:

Concept:

- Coordination integrates individual and group efforts towards common organisational objectives.
- It is the responsibility of all managers and is required at every level of the organisation.

Step 1: Identify the responsible levels **Managers at all levels**—top, middle and supervisory or operational—are responsible for coordination. It is not confined to a single management level or a separate department.

Step 2: Explain their shared responsibility Top managers coordinate the overall activities of the organisation, middle managers link departments and translate plans into coordinated action, and supervisory managers coordinate employees' day-to-day efforts. Each level must ensure that its work supports the common objectives.

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

Quick Tip to Solve: For coordination, remember all levels and all functions: every manager must integrate the efforts under their responsibility.

8. Define 'Planning'. [1 mark]

Solution:

Concept:

- Planning is the management function that sets objectives and decides the course of action for achieving them.
- It involves deciding in advance and choosing among alternative courses of action.

Step 1: State the definition 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 2: Identify the essential elements The objectives specify the desired future result, while the course of action specifies how that result will be achieved. Thus, planning bridges the gap between where the organisation is and where it wants to go.

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

Quick Tip to Solve: Link the definition to two essentials: the objective to be achieved and the action chosen in advance to achieve it.

9. State any three advantages of informal organisation. [3 marks]

Solution:

Concept:

- Informal organisation is the network of social relationships that arises spontaneously from interaction among people at work.
- Personal relationships cut across formal positions and can support communication, satisfaction and organisational performance.

Step 1: State the communication advantage **Faster communication:** Informal relationships do not depend on the prescribed chain of command. Information can therefore travel quickly between people at different levels and in different departments. The informal network also allows quicker feedback, which can help the organisation respond to issues promptly.

Step 2: State the social and performance advantages

- **Fulfilment of social needs:** Friendship and interaction give employees a sense of belonging and personal acceptance. Such relationships meet social needs that the formal structure alone may not satisfy and can improve job satisfaction.
- **Support for organisational objectives:** Informal relationships help employees cooperate and compensate for inadequacies in the formal organisation. For example, personal contact can help obtain assistance where a formal procedure does not provide an immediate solution, supporting the achievement of organisational goals.

Step 3: Conclusion Three advantages of informal organisation are faster communication and feedback, fulfilment of employees' social needs, and support in achieving organisational objectives by overcoming inadequacies of the formal structure.

Quick Tip to Solve: Remember three distinct benefits: speed of information, a sense of belonging, and support for the formal organisation.

10. 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's developmental functions strengthen the institutions, knowledge and practices needed for the growth of the securities market.
- Developmental functions differ from protective functions and regulatory requirements. The answer must identify measures specifically directed towards developing the market.

Step 1: Connect development with the question The question refers to the "emerging nature of the securities market in India" and SEBI's twin task of "regulation and development". The development aspect concerns improving the market's capacity and helping it grow as conditions change. SEBI

performs the following developmental functions.

Step 2: State the developmental functions

- **Training of intermediaries:** SEBI promotes the training of intermediaries operating in the securities market. Better professional knowledge and skills help them provide competent services and contribute to orderly market growth.
- **Research and publication of information:** SEBI conducts research and publishes information useful to market participants. Such information improves participants' understanding of market developments and provides a sounder basis for their decisions.
- **Measures to develop capital markets:** SEBI undertakes measures to develop the capital markets by adopting a flexible and adaptable approach. This allows developmental measures to respond to changing market conditions and the evolving requirements of market participants.

Step 3: Conclusion SEBI's developmental functions include training securities-market intermediaries, conducting research and publishing useful information, and undertaking measures to develop capital markets through a flexible and adaptable approach.

Quick Tip to Solve: Recall the developmental trio: training, research and publication, and flexible measures for capital-market development.

11. 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 needs such as recognition, status, responsibility, participation and personal growth rather than directly increasing monetary rewards.
- An incentive should address the employee's unsatisfied need. Sultan's disappointment concerns advancement and recognition after long service.

Step 1: Identify Sultan's motivational need Sultan was "extremely ambitious" and had "dedicated all his energies to obtain the post of Marketing Manager". When an outsider was selected, he was "heart-broken and his performance declined". These lines indicate that his need for career growth and recognition was frustrated. The new manager may use the following non-financial benefits without reversing the appointment already made.

Step 2: Suggest three suitable non-financial benefits

- **Career advancement opportunities:** Discuss a clear path for future growth and provide suitable training and development opportunities. This responds to Sultan's ambition for advancement and helps him see a future in the company; it need not involve promising the occupied post.
- **Employee recognition:** Acknowledge his contribution and good performance, privately and through appropriate appreciation before colleagues. Recognition of the employee who has served for "the last eight years" can restore his sense of being valued.
- **Employee participation:** Involve him in relevant marketing decisions and invite his suggestions. Meaningful participation demonstrates respect for his experience, builds his sense of importance and encourages renewed commitment to the department's work.

Step 3: Conclusion Career advancement opportunities, employee recognition and employee participation are three suitable non-financial benefits for motivating Sultan to regain his former performance level.

Quick Tip to Solve: Match each incentive to the case: ambition calls for career growth, disappointed effort for recognition, and experience for participation.

12. 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. A product may use different layers for immediate containment, additional protection and transportation.
- The three levels are primary packaging, secondary packaging and transportation packaging. The following two levels answer the question.

Step 1: Explain primary packaging **Primary packaging:** This is the product's immediate container, which directly holds or encloses the product. It protects the contents and makes the product convenient to handle and use. The consumer normally retains this container until the product is used up. For example, the tube containing toothpaste is its primary package; similarly, a bottle containing cough syrup is primary packaging. The defining point is that it is the immediate container, rather than the outer carton used for extra protection.

Step 2: Explain secondary packaging **Secondary packaging:** This is the additional layer of protection around the primary package. It is generally removed or discarded when the product is ready for use. For example, the cardboard box in which a toothpaste tube is sold is secondary packaging: the tube remains in use, while the outer box can be discarded. This layer gives the immediate container added protection and can also carry product information. Thus, the tube and its outer box illustrate two distinct packaging levels of the same product.

Step 3: Conclusion Primary packaging is the immediate container holding the product, whereas secondary packaging is its additional protective outer layer. A toothpaste tube and the cardboard box enclosing it are examples of these two levels respectively.

Quick Tip to Solve: Follow the product outward: toothpaste is held in the tube (primary), and the tube is enclosed in a cardboard box (secondary).

13. 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 putting the right person in the right job. Recruitment creates a pool of prospective candidates, while selection identifies those most suitable for the available jobs.
- Selection compares applicants' qualifications, abilities and other relevant qualities with the requirements of the job so that the organisation can choose the best candidate.

Step 1: Identify the process **Selection:** The process is selection. The words "choosing the best person out of a number of prospective candidates" show that applicants are already available and that the organisation must choose among them. This is the selection stage of staffing, rather than recruitment, which searches for prospective employees and encourages them to apply. The choice must be based on suitability for the particular job, rather than simply the number of applicants.

Step 2: Define selection and explain its purpose **Meaning:** Selection is the process of choosing, from among the pool of prospective job candidates developed at the recruitment stage, those who have the required qualifications and competence to fill jobs in the organisation. It involves assessing applicants against job requirements and eliminating those who are unsuitable. Screening, tests and interviews can provide information for this assessment. Its purpose is to match the person's abilities with the work to be done, so that the chosen employee can perform the job effectively. Thus, selection ends in a suitable choice from the available applicants, rather than merely attracting applications.

Step 3: Conclusion The process is **selection**: choosing from the pool of prospective job candidates those with the qualifications and competence required to fill jobs in the organisation.

Quick Tip to Solve: Link "attracting applicants" with recruitment and "choosing the most suitable applicant" with selection; the question uses the second clue.

14. 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 is the downward transfer of authority from a superior to a subordinate to perform specified duties. It enables the manager to share work while retaining ultimate accountability for its results.
- Its three interrelated elements are authority, responsibility and accountability. Assigning a duty requires sufficient authority to perform it and an obligation to report the outcome.

Step 1: Identify the activity from the statement **Delegation:** The activity is delegation of authority. The words "extend his area of operations" show that the manager gets work performed through subordinates instead of doing every task personally. Without delegation, his output would be limited

to "only what he himself can do." Delegation frees him to concentrate on important managerial activities.

Step 2: State the three elements of delegation

- **Authority:** The right of an individual to command subordinates and take decisions within the scope of the position. The manager grants the subordinate sufficient decision-making power and access to resources to carry out the assigned duty. Authority flows downwards from superior to subordinate.
- **Responsibility:** The obligation of a subordinate to perform properly the duty assigned by the superior. It arises from the superior–subordinate relationship. A person accepting the assignment becomes responsible for its performance; authority should be commensurate with that responsibility.
- **Accountability:** The obligation to answer for the final outcome of the assigned task. The subordinate is answerable to the superior for performance, and accountability flows upwards. A superior cannot escape ultimate accountability merely by delegating authority to another person.

Step 3: Conclusion The activity is **delegation of authority**; its elements are **authority, responsibility and accountability**. Together they let a manager extend operations through others while maintaining control over results.

Quick Tip to Solve: Link delegation to three questions: What decisions may I take (authority)? What duty must I perform (responsibility)? To whom must I explain the result (accountability)?

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

(a) Identification of threats and early warning signals

(b) Improving performance. [4 marks]

Solution:

Concept:

- Business environment comprises the external individuals, institutions and forces that affect an enterprise's performance. Managers must understand economic, social, technological, political and legal developments because these influence business decisions.
- A threat is an external trend or change that can hinder the firm's performance. Environmental understanding provides warning of such threats and helps managers adapt their plans, policies and actions.

Step 1: Explain identification of threats and early warning signals

- **Recognise adverse changes:** Awareness of the environment helps management identify changes likely to harm the business, such as a new competitor, a substitute product or a shift in customers' preferences. Scanning converts an external development into a specific threat the firm can understand.
- **Take timely preventive action:** Recognising these developments early gives management warning before their full adverse impact is felt. It can prepare a response, revise its strategy and reduce

possible damage. For example, noticing a rival's technological improvement early allows the firm time to improve its own product and protect its market position.

Step 2: Explain improvement in performance

- **Monitor and adapt continuously:** Enterprises that continuously monitor the environment and adopt suitable business practices improve their chances of success. Knowledge of changing customer needs, technology and market conditions helps management keep its policies relevant rather than follow outdated practices.
- **Improve present and future results:** An environment-sensitive enterprise can make better decisions and adjust its activities to external conditions. This improves current performance and helps it sustain success over a longer period. Environmental understanding therefore supports both the achievement of present objectives and the firm's ability to remain competitive in the future.

Step 3: Conclusion Understanding the environment enables management to **detect threats early and prepare a timely response**. By continuously monitoring changes and adapting its practices, it also **improves performance now and in the longer run**.

Quick Tip to Solve: Keep the two links distinct: threat identification gives warning and time to respond; performance improves when continuous environmental monitoring leads to suitable changes in business practices.

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

Solution:

Concept:

- Training is the systematic process of improving an employee's knowledge, skills and abilities for performing a particular job. It closes the gap between the skills a job requires and those the employee presently possesses.
- Training benefits both the enterprise and its employees: competent workers use equipment efficiently, while employees gain competence, confidence and opportunities for advancement.

Step 1: Identify and explain the remedy The company should provide **training** in operating its hi-tech machines. The decisive case line is that workers remain idle because of "lack of knowledge regarding the use of these hi-tech machines". Training should explain the operating procedure, demonstrate correct machine handling and allow supervised practice until workers can perform the job correctly and safely. For such sophisticated equipment, practical training under a qualified instructor is appropriate; vestibule training can familiarise workers with similar equipment away from the actual production floor. Once workers acquire the required skills, idle time and dependence on frequent engineers' visits and constant foreman supervision will fall, thereby reducing overhead charges.

Step 2: Explain how training helps the employees **Better career opportunities:** Improved skills and knowledge make employees capable of taking greater responsibility, helping their future growth and promotion.

Higher earnings: Better performance and productivity enable workers to earn more where remuneration is linked to output or performance.

Greater safety: Learning the proper operating procedure makes workers more efficient at handling these machines and less prone to accidents at work.

Greater satisfaction and morale: Understanding their work and being able to perform it successfully increases employees' confidence, job satisfaction and morale. They no longer have to remain idle or depend constantly on others for routine operation.

Step 3: Conclusion Systematic job-related training will remove the workers' skill deficiency and enable efficient operation of the sophisticated machines. It also improves employees' career prospects, earning capacity, safety and satisfaction.

Quick Tip to Solve: In a staffing case, a worker's lack of knowledge of a specific machine points to training. Link the remedy to the skill gap, then state benefits to employees separately from savings to the employer.

17. 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. Esprit de corps means promoting team spirit, unity and harmony among employees so that they work together towards organisational objectives.
- The legal environment consists of laws, rules, judicial decisions and regulations affecting business. A business must operate within these requirements in each jurisdiction in which it works.

Step 1: Identify and state one management principle **Esprit de corps:** GVN Ltd. develops a culture that enhances "team work while honouring mutual trust and respect between management and labour". This directly reflects Fayol's principle of esprit de corps. Management should promote unity and a spirit of cooperation rather than division among employees. Treating employees as members of

one team builds mutual confidence, reduces conflict and encourages them to pursue the company's common objectives. The quoted commitment to teamwork is the evidence for this identification.

Step 2: Identify and state one environmental dimension **Legal environment:** The instruction to "Honour the law of the country as well as that of the states in which it operates" identifies the legal dimension. This includes the statutory requirements and regulations under which business is conducted. Since GVN Ltd. operates throughout the country, it must comply with applicable national laws as well as the relevant laws of each state. Legal compliance therefore forms part of its guiding business conduct.

Step 3: Identify two values conveyed to society **Respect for cultural diversity:** The commitment to "Respect the culture and customs of all states" conveys respect for different traditions and social practices. It shows sensitivity towards the communities in which the company operates.

Concern for health, safety and social welfare: The commitment to "Provide clean and safe products to enhance the quality of life throughout the country" conveys responsibility towards consumers and society. It places people's well-being and product safety among the company's concerns.

Step 4: Conclusion One management principle is esprit de corps, supported by the emphasis on teamwork and mutual trust. One environmental dimension is the legal environment, shown by compliance with national and state laws. The two values are respect for cultural diversity and concern for health, safety and social welfare.

Quick Tip to Solve: Separate the three demands in this case: a Fayol principle, an environmental dimension and two values. Support each identification with the precise case line that reveals it.

18. What is meant by financial planning ? State any three points of its importance. [4 marks]

Solution:

Concept:

- Financial planning estimates an enterprise's financial requirements and specifies the sources from which those requirements will be met.
- It seeks to make funds available when needed while avoiding unnecessary fund raising. Its concern includes both the amount and timing of finance.

Step 1: Define financial planning Financial planning is the process of estimating the funds required by a business and determining the sources from which they will be raised. It translates plans for investment and operations into financial requirements, so that suitable finance can be arranged in advance rather than only after a shortage arises.

Step 2: State three points of importance

- **Helps in forecasting future situations:** Financial planning assesses likely future requirements and the availability of funds. Management can prepare for changing conditions and take steps to meet financial challenges instead of being taken by surprise.
- **Helps in avoiding business shocks and surprises:** By anticipating the financial consequences of different situations, the enterprise can prepare a suitable response. Advance arrangements reduce the disruption that an unexpected shortage of funds could cause to business operations.

- **Helps in coordinating business functions:** Production, sales, investment and other departmental plans require finance. Financial planning brings their requirements together and checks that the available resources support these plans consistently, so that departments work towards the enterprise's common objectives.

Step 3: Conclusion Financial planning determines the amount and sources of finance in advance. It is important because it forecasts future situations, reduces shocks and surprises, and coordinates the financial needs of the various business functions.

Quick Tip to Solve: Define financial planning through two questions: how much money is needed, and where will it come from? Then state three distinct benefits with their effects on the business.

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

Solution:

Concept:

- A label identifies a product and its brand, describes its contents and provides information needed for purchase and use. It may be attached to the container or printed on it.
- The label for this product must prominently show the brand Kale Kesh, identify it as coconut hair oil and state the net quantity of 100 ml. It should also provide manufacturer, price, batch and date particulars.

Step 1: Select the information for the label

- **Brand and product identity:** The case specifies the brand name 'Kale Kesh' and describes a 'coconut hair-oil factory'. Hence the front of the label should read Kale Kesh – Coconut Hair Oil, making the brand and the nature of the product immediately clear.
- **Net contents:** The case states '100 milli-litre' bottles. Therefore print 'Net quantity: 100 ml'. The capacity of 10,000 bottles per day is factory information, not the quantity in a bottle.
- **Manufacturer and purchase information:** Provide spaces for the company's name, full factory address in Coastal Kerala, batch number, manufacturing date, use-before particulars and maximum retail price inclusive of taxes. The question does not supply their actual entries, so the design leaves those fields to be completed.
- **Use and care information:** Identify the product for hair application and show simple directions and an external-use caution. These help the customer use the product appropriately without making unsupported claims about its benefits.

Step 2: Present the bottle-label design The following design places the brand and product name above the net contents, with the remaining particulars clearly grouped below. Blank entry fields are for the manufacturer's actual details; they do not represent information supplied in the case.

KALE KESH

COCONUT HAIR OIL

Net quantity: 100 ml

Manufactured by: _____

Factory address: _____

Coastal Kerala, India.

Batch No.: _____ **Mfg. date:** _____

Use before: _____

MRP: Rs _____ (inclusive of all taxes)

Directions: Apply a small quantity to the hair and scalp; massage gently.

Caution: For external use only. Avoid contact with eyes.

Storage: Keep the bottle tightly closed.

Label design for a 100 ml bottle of Kale Kesh coconut hair oil

Step 3: Conclusion The label identifies Kale Kesh as coconut hair oil, correctly states 100 ml as the bottle's contents, and provides clear spaces for manufacturer, batch, date and price details along with directions for use.

Quick Tip to Solve: Make the brand, product identity and net quantity prominent. In a label-design question, show a real label layout and use entry fields for facts the case does not provide.

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

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

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

Solution:

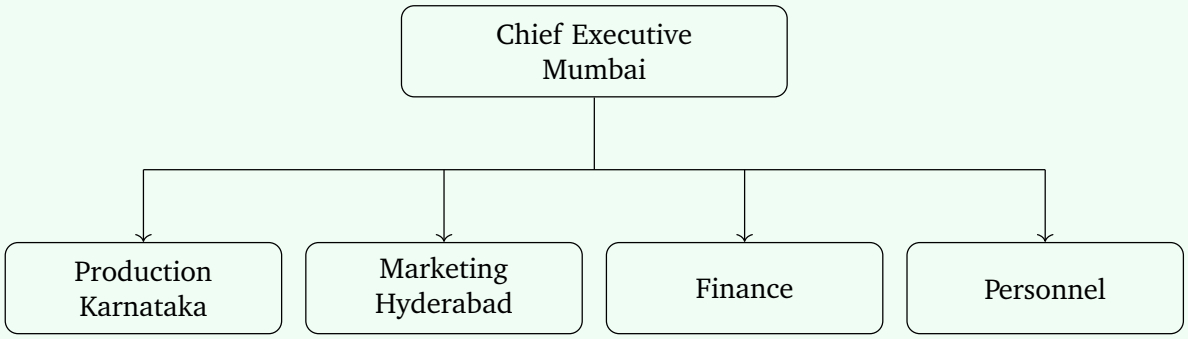
Concept:

- A functional structure groups jobs of a similar nature into departments such as production, marketing, finance and personnel, each headed by a specialist.
- It is suitable for a large organisation carrying out several major functions. A divisional structure is generally preferred when there are several distinct product categories requiring separate divisions.

Step 1: Suggest the suitable structure and relate it to the case **(i) Functional organisational structure** is suitable. The case describes a company with an authorised share capital of Rs 400 crores that is "manufacturing consumer goods". It identifies its activities by function: a "manufacturing unit

in a backward district of Karnataka" and a "marketing department ... in Hyderabad". These activities can be grouped into specialist functional departments under the overall management at Mumbai.

The different locations do not by themselves establish separate product divisions. The case identifies manufacturing and marketing functions, rather than several distinct product lines. The diagram therefore places functional heads under one chief executive. Finance and personnel are shown as suggested supporting departments, not as additional facts stated in the case.



Suggested functional organisational structure (finance and personnel are supporting functions).

Step 2: Explain any three limitations of the functional structure

- **Difficulty in coordination:** Each department specialises in its own activity. Coordination becomes difficult when its priorities differ from those of other departments. For example, production schedules and marketing requirements need to be brought into agreement so that the company's overall objectives are achieved.
- **Conflict of interests:** Functional heads may pursue departmental interests at the expense of organisational interests. A production manager may seek longer production runs, while marketing may want frequent changes to meet customer demand. Such competing priorities can produce interdepartmental conflict.
- **Inflexibility and narrow perspective:** Employees doing the same specialised work may develop a limited understanding of other functions and become unwilling to accept different viewpoints. This functional emphasis can reduce flexibility and make it harder to respond to changes that require cooperation across departments.

Step 3: Conclusion The company should adopt a functional structure with specialised departments under a common chief executive. Its three limitations are coordination difficulties, conflicts between departmental interests, and inflexibility arising from a narrow functional perspective.

Quick Tip to Solve: Identify the basis of grouping: production and marketing indicate functions. Different cities alone do not establish product divisions; look for distinct product lines before recommending a divisional structure.

21. Explain the organizational barriers to communication. [5 marks]

Solution:

Concept:

- Organisational barriers arise from the organisation's policies, rules, authority relationships, structure and communication facilities. They can obstruct an otherwise clear message.
- Effective communication requires information to reach the right person accurately and in time, with an opportunity for clarification and feedback.

Step 1: Explain barriers created by policies and procedures **Organisational policy:** A policy that discourages free communication restricts the exchange of information. For example, a policy requiring every message to pass through the immediate superior prevents employees from communicating directly with the person who can resolve a problem. Employees may withhold useful suggestions when openness is discouraged.

Rules and regulations: Rigid rules and cumbersome procedures delay communication. If a simple message must pass through prescribed channels and repeated formal approvals, information may arrive too late for action. Excessive insistence on procedure can also discourage employees from reporting difficulties promptly.

Step 2: Explain barriers created by authority and structure **Status:** Status differences between superiors and subordinates can become a barrier. A subordinate may hesitate to communicate bad news, disagree with a superior or ask for clarification because of fear of the superior's reaction. A status-conscious superior may also ignore information from a lower position.

Complexity in organisation structure: When a message passes through many managerial levels, it may be delayed, filtered or distorted. Every additional link creates a chance that information will be omitted or interpreted differently, reducing the accuracy of the message that finally reaches its receiver.

Step 3: Explain the role of communication facilities **Organisational facilities:** Inadequate facilities obstruct effective communication. Regular meetings, suggestion and complaint mechanisms, and suitable telephone or other communication arrangements help people exchange information. Their absence or poor functioning makes it harder to obtain information, give feedback and clarify misunderstandings.

Step 4: Conclusion The organisational barriers are organisational policy, rules and regulations, status, complexity in organisation structure, and inadequate organisational facilities. They reduce the speed, accuracy or openness of communication within the organisation.

Quick Tip to Solve: Recall the five organisational sources: policy, rules, status, structure and facilities. Explain how each one delays, distorts or discourages a message.

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:

- Training is a systematic process of increasing an employee's knowledge and skills for a particular job. Sending engineers to a specialised training centre is a form of off-the-job training.
- Controlling compares actual performance with established standards, analyses deviations and takes corrective action so that organisational objectives can be achieved.

Step 1: Identify the management concepts from the case **Training, under staffing:** The company "imparted training to its engineers at an advanced training centre at Germany." This develops the job-related knowledge and skills of the engineers away from their normal workplace and illustrates off-the-job training.

Controlling: The company has been "unable to achieve its targets because of competition in the market" and is "planning to revamp its controlling system." These lines show a gap between desired and actual performance and the need to identify its causes and correct them. The targets provide the standards against which performance is controlled.

Step 2: State the steps of the revamped controlling process **1. Setting performance standards:** Establish clear standards against which results can be assessed, such as sales targets, market-share goals and product-quality standards. Standards should be measurable wherever possible and sufficiently clear for the responsible employees to understand them.

2. Measurement of actual performance: Measure the company's actual sales, market share and quality performance through appropriate records and reports. Use the same basis and period as the standards so that the comparison is meaningful.

3. Comparison of actual performance with standards: Compare actual results with the targets and identify the deviations. This shows the extent to which the company has fallen short of the desired performance.

4. Analysing deviations: Investigate significant deviations and their causes, giving attention to critical areas and exceptions. The case identifies market competition as a reason for missed targets; management should examine how it affects performance rather than treating every deviation as equally important.

5. Taking corrective action: Act on the causes identified, for example by improving the competitive response or addressing deficiencies revealed by the analysis. Assign responsibility and follow up the action. If investigation shows that a standard itself is unrealistic, review it in the light of current

conditions rather than merely concealing the shortfall.

Step 3: State one value communicated to society **Commitment to quality and customer satisfaction:** The case states that the company had "a loyal customer following because of the quality products." Providing quality televisions communicates concern for customers and a commitment to satisfying their needs through reliable products.

Step 4: Conclusion The case illustrates training under staffing and the management function of controlling. The company should set standards, measure actual performance, compare results, analyse deviations and take corrective action. Its quality products communicate the value of customer satisfaction.

Quick Tip to Solve: Link each concept to a quoted case line, then state the controlling sequence in order: standards, measurement, comparison, analysis and corrective action.

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

Solution:

Concept:

- Science is a systematic body of knowledge explaining general truths through principles. Its main features are a systematised body of knowledge, principles based on experimentation, and universal validity.
- Management has scientific foundations, but deals with changing human behaviour. It is therefore an inexact science rather than a pure science such as physics or chemistry.

Step 1: Explain why Devid is partly correct Devid's opinion that "Management was a science" is supported by the following features:

1. Systematised body of knowledge: Management has an organised body of concepts, theories and principles dealing with activities such as planning, organising and controlling. These provide a coherent basis for studying how organisations function.

2. Principles based on observation and experimentation: Management principles have developed through repeated observation of managerial practice and experiments in different organisations. They are reasoned conclusions drawn from experience, rather than merely personal guesses.

3. General applicability: Management principles provide guidance in different kinds of organisations. For example, division of work can improve efficiency in both manufacturing and service organisations, even though its detailed application will differ.

Step 2: Explain the limitations underlying Khan's argument Khan's statement that "Management was not a science" recognises its differences from an exact science, but is too absolute. Kamal could explain these limitations:

4. Human behaviour is variable: Management studies people whose reactions depend on needs, attitudes and circumstances. Identical managerial actions need not produce identical responses from different employees.

5. Experiments cannot be reproduced with complete precision: Organisational and human conditions continually change. Management experiments consequently cannot always establish the same precise cause-and-effect relationship as controlled experiments in the natural sciences.

6. Principles require modification: Their application is not universally exact. Managers must adapt general principles to the organisation and situation; they cannot mechanically apply a fixed rule and guarantee an identical result everywhere.

Step 3: Conclusion Kamal could reconcile the two views by explaining that management is a science because it has systematic knowledge and principles developed through observation and experimentation, but it is an inexact science because human behaviour and circumstances vary. Thus Devid is correct about its scientific basis, while Khan's concern about its lack of exactness is also valid.

Quick Tip to Solve: Test management against the three features of science, then explain why variable human behaviour makes its principles flexible and its predictions inexact.

24. Explain the three tier machinery under The Consumer Protection Act for redressal of consumers grievances. [6 marks]

Solution:

Concept:

- The Consumer Protection Act, 1986 establishes a three-tier quasi-judicial machinery for inexpensive and speedy redressal of consumer grievances: the District Forum, State Commission and National Commission.
- Original jurisdiction depends on the value of the goods or services and the compensation claimed. Higher bodies also hear appeals against orders of the lower tier.

Step 1: Describe the District Forum **Composition and establishment:** The State Government establishes a District Forum in each district. It consists of a President, who is or has been or is qualified to be a District Judge, and two other members, one of whom must be a woman.

Jurisdiction and appeal: It entertains complaints where the value of goods or services and the compensation claimed does not exceed Rs 20 lakh. If a party is dissatisfied with its order, an appeal can be made to the State Commission within 30 days of the order.

Step 2: Describe the State Commission **Composition and establishment:** The State Government establishes a State Commission. It consists of a President, who is or has been a Judge of a High Court, and at least two other members, one of whom must be a woman.

Jurisdiction and appeal: It entertains complaints where the value of goods or services and compensation claimed exceeds Rs 20 lakh but does not exceed Rs 1 crore. It also hears appeals against

District Forum orders. An appeal against its order made in original jurisdiction can be filed before the National Commission within 30 days.

Step 3: Describe the National Commission **Composition and establishment:** The Central Government establishes the National Commission. It consists of a President, who is or has been a Judge of the Supreme Court, and at least four other members, one of whom must be a woman.

Jurisdiction and appeal: It entertains complaints where the value of goods or services and compensation claimed exceeds Rs 1 crore, and hears appeals against State Commission orders. An appeal against an order made by the National Commission in its original jurisdiction can be made to the Supreme Court within 30 days.

Step 4: Conclusion The District Forum, State Commission and National Commission provide redressal at district, state and national levels respectively. Their original monetary jurisdictions are up to Rs 20 lakh, above Rs 20 lakh up to Rs 1 crore, and above Rs 1 crore, including compensation claimed. The appellate hierarchy enables a dissatisfied party to seek review at the prescribed higher level.

Quick Tip to Solve: Remember the historical 1986 Act thresholds in this paper as 20 lakh and 1 crore. Apply each threshold to the goods or services value together with the compensation claimed.

25. Distinguish between Money market and Capital market on the basis of :

(a) Participants

(b) Instruments

(c) Duration and

(d) Safety [6 marks]

Solution:

Concept:

- The money market deals in short-term funds through monetary assets whose maturity is up to one year. It helps institutions meet temporary funding needs and employ short-term surpluses.
- The capital market deals in medium- and long-term funds, including equity capital. It channels savings into investment for the growth and development of business enterprises.

Step 1: Compare the participants and instruments Compare the same basis across both markets, rather than describing each market separately. The following differences explain who normally participates and which securities are used.

Basis	Money market	Capital market
Participants	The major participants are the Reserve Bank of India, commercial banks, financial institutions and corporate houses. Institutional participants dominate this market, generally dealing in large amounts.	Participants include financial institutions, banks, corporate entities, foreign investors and the general investing public. Individual investors can also participate, for example by buying shares or debentures.
Instruments	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are the main instruments. They provide short-term borrowing and investment facilities.	Equity shares, preference shares, debentures and bonds are the principal instruments. They provide ownership capital or medium- and long-term debt finance.

Step 2: Compare duration and safety Duration refers to the period for which funds are provided; safety concerns the risk borne by the investor. A shorter maturity usually reduces exposure to changes in the borrower's position, while long-term investments involve greater uncertainty.

Basis	Money market	Capital market
Duration	It deals in short-term funds. Instruments have a maturity of up to one year; call money may be lent for a single day.	It deals in medium- and long-term funds, generally for more than one year. Equity shares have no fixed maturity or repayment date.
Safety	Instruments are generally safer because of their short duration and the financial standing of issuers, such as the government, banks and established companies. This is relative safety, not a guarantee that every instrument is risk-free.	Instruments generally involve greater risk. Returns and market values can change over a longer period, and repayment or income depends on the issuer's performance. Equity returns, in particular, are not assured.

Step 3: Conclusion The money market is mainly an institutional market for relatively safe, short-term monetary instruments. The capital market brings institutions and individual investors together for medium- and long-term finance through shares and debt securities, generally with greater risk. The four requested bases are participants, instruments, duration and safety.

Quick Tip to Solve: For a distinction question, use a Basis column and compare matching features in each row. Remember: money market means up to one year; capital market means longer-term finance, including equity with no fixed maturity.