CBSE Class 12 Business Studies Question Paper 2016 with Solution PDF-Set 66/1/3

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. Name the marketing function which is concerned with informing the customers about the firm's products. [1 mark]

Solution:

Concept:

- Promotion is the marketing function that communicates information about a firm's products to prospective customers.
- The promotion mix includes advertising, personal selling, sales promotion and public relations.

Step 1: Identify what the function does The question emphasises informing customers about the firm's products. Marketing communication makes buyers aware of the product, its features and the benefits it offers.

Step 2: Name the relevant function This communication role belongs to promotion. Product design concerns what is offered, pricing concerns the amount charged and distribution concerns availability; promotion conveys the information to customers.

Step 3: Conclusion The marketing function is **promotion**.

Quick Tip to Solve: Link words such as informing, persuading and communicating with promotion in the marketing mix.

---

2. Radhika and Vani who are young fashion designers left their job with a famous fashion designer chain to set-up a company 'Fashionate Pvt. Ltd.' They decided to run a boutique during the day and coaching classes for entrance examination of National Institute of Fashion Designing in the evening. For the coaching centre they hired the first floor of a nearby building. Their major expense was money spent on photocopying of notes for their students. They thought of buying a photocopier knowing fully that their scale of operations was not sufficient to make full use of the photocopier.

In the basement of the building of 'Fashionate Pvt. Ltd.' Praveen and Ramesh were carrying on a printing and stationery business in the name of 'Neo Prints Pvt. Ltd.' Radhika approached Praveen with the proposal to buy a photocopier jointly which could be used by both of them without making separate investment, Praveen agreed to this.

Identify the factor affecting fixed capital requirements of 'Fashionate Pvt. Ltd.' [1 mark]

Solution:

Concept:

- Fixed capital is the money invested in long-term assets such as machinery and equipment.
- Collaboration allows firms to share facilities and therefore reduces the fixed capital each firm needs.

Step 1: Locate the case evidence Radhika proposed buying a photocopier 'jointly which could be used by both of them without making separate investment'. Thus, Fashionate and Neo Prints would share an asset instead of buying separate machines.

Step 2: Identify the factor The factor is the level of collaboration. Joint use spreads the investment between the businesses and makes better use of available capacity. The low scale explains why sharing

is useful, but the joint purchase specifically illustrates collaboration.

Step 3: Conclusion The factor affecting Fashionate Pvt. Ltd.'s fixed capital requirement is **level of collaboration**.

Quick Tip to Solve: When two businesses share an asset or facility to avoid separate investment, identify collaboration.

3. The size of assets, the profitability and competitiveness are affected by one of the financial decisions. Name and state the decision. [1 mark]

Solution:

Concept:

- An investment decision concerns how the firm's funds are invested in different assets.
- Long-term investment decisions, also called capital budgeting decisions, determine the scale and composition of fixed assets.

Step 1: Recognise the decision The clues are the size of assets, profitability and competitiveness. These depend on which assets and projects the firm chooses to invest in, particularly assets with benefits over several years.

Step 2: State its meaning The investment decision is the decision about how the firm's funds are invested in different assets. Its long-term component, capital budgeting, involves committing funds to long-term assets and projects, affecting future earning capacity and competitive strength.

Step 3: Conclusion It is the **investment decision**: deciding how the firm's funds are invested in different assets.

Quick Tip to Solve: Use asset selection as the clue for investment; raising funds is financing, and distributing profits is dividend policy.

4. 'Management is the process of getting things done.' State the meaning of the term 'process' used in this statement. [1 mark]

Solution:

Concept:

- Management is a process consisting of interrelated functions directed towards organisational objectives.
- Its main functions are planning, organising, staffing, directing and controlling.

Step 1: Explain the word process A process is a series of interrelated activities performed to achieve a purpose. Management therefore involves several connected functions rather than a single isolated act.

Step 2: Relate it to management Managers plan the work, organise resources, staff positions, direct people and control performance. These functions influence one another and are performed as part of the continuing effort to achieve organisational goals efficiently and effectively.

Step 3: Conclusion The term **process** means the series of interrelated management functions: planning, organising, staffing, directing and controlling.

Quick Tip to Solve: For the meaning of management as a process, name the connected functions and relate them to common objectives.

5. Manuj bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complained about it to the company. The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available.

State the consumer right which Manuj exercised. [1 mark]

Solution:

Concept:

- The right to be heard gives consumers the opportunity to voice complaints and have their interests receive due consideration.
- The right to be informed concerns access to complete product information, including ingredients, quality and price.

Step 1: Identify the action taken Manuj 'complained about it to the company'. The company acknowledged the complaint through a written apology and promised to withdraw the packets and introduce legible labels.

Step 2: Match the action with the right By making his complaint heard and obtaining the company's attention, Manuj exercised the right to be heard. Illegible ingredients explain why he complained; the question asks which right he exercised through the complaint.

Step 3: Conclusion Manuj exercised the **right to be heard**.

Quick Tip to Solve: Distinguish the defect from the action: missing information is the problem, while voicing a complaint exercises the right to be heard.

6. Name the type of 'organisational structure' which promotes efficiency in utilisation of manpower. [1 mark]

Solution:

Concept:

- A functional structure groups activities according to specialised functions such as production, finance and marketing.
- Functional specialisation promotes efficiency in the utilisation of manpower.

Step 1: Identify the stated benefit Efficiency in manpower utilisation follows when people doing similar specialised work are grouped together. They can develop expertise and avoid unnecessary duplication of effort within the function.

Step 2: Name the structure This is a functional organisational structure. Employees are placed in departments based on the nature of their work, allowing specialists to concentrate on their own areas and helping managers supervise similar activities effectively.

Step 3: Conclusion The organisational structure is the **functional structure**.

Quick Tip to Solve: Link specialist departments and efficient use of manpower with functional structure; product divisions indicate divisional structure.

7. Give the meaning of 'accountability' as an element of delegation. [1 mark]

Solution:

Concept:

- Delegation involves assigning responsibility, granting authority and creating accountability.
- Accountability is the obligation to explain and be answerable for the outcome of assigned duties.

Step 1: State the meaning Accountability means being answerable for the final outcome of an assigned task. A subordinate who accepts responsibility must explain to the superior how the duty was performed and what results were achieved.

Step 2: Relate it to delegation Authority enables the subordinate to act and responsibility requires performance of the duty. Accountability makes the subordinate answerable to the superior for that performance. The superior remains accountable for the work delegated and cannot escape that accountability by delegating it.

Step 3: Conclusion **Accountability** is the obligation to be answerable for the final outcome of the duties assigned.

Quick Tip to Solve: Separate the three terms: authority is the right to act, responsibility is the duty to perform, and accountability is answerability for results.

8. State the role of 'inspector' in 'functional foremanship.' [1 mark]

Solution:

Concept:

- Functional foremanship divides supervision among specialists under Taylor's scientific management.
- The inspector is a specialist working under the production in-charge and is responsible for checking the quality of work.

Step 1: Identify the inspector's responsibility The inspector checks the quality of the work performed by workers. He compares the output with the quality standards laid down for the job.

Step 2: State the expected result He ensures that the work conforms to the prescribed quality specifications. Thus, his concern is the quality of the output produced, rather than the speed of work or the repair of machinery.

Step 3: Conclusion The inspector checks the quality of work and ensures that the output meets the prescribed standards.

Quick Tip to Solve: Associate the inspector with quality inspection; associate the speed boss with timely completion of work.

9. Ashish, the Marketing Head, Raman, the Assistant Manager and Jyoti, the Human Resource Manager of 'Senor Enterprises Ltd.' decided to leave the company.

The Chief Executive Officer of the company called Jyoti the Human Resource Manager and requested her to fill up the vacancies before leaving the organisation. Informing that her subordinate Miss Alka Pandit was very competent and trustworthy, Jyoti suggested that if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agreed for the same. Miss Alka Pandit contacted 'Keith Recruiters' who advertised for the post of marketing head for 'Senor Enterprises Ltd.' They were able to recruit a suitable candidate for the company.

Raman's vacancy was filled up by screening the database of unsolicited applications lying in the office.

(a) Name the internal / external sources of recruitment used by 'Senor Enterprises Ltd.' to fill up the above stated vacancies.

(b) Also state any one merit of each of the above identified source of recruitment. [3 marks]

Solution:

Concept:

- Recruitment searches for prospective employees and encourages them to apply for jobs. Internal recruitment draws on existing employees, whereas external recruitment brings candidates from outside the organisation.
- A promotion moves an employee to a higher position. Management consultants and casual callers are external sources of recruitment.

Step 1: Identify the source used for Jyoti's vacancy and give its merit **Promotion – internal source:** Jyoti suggested that Miss Alka Pandit "could be moved up in the hierarchy," and the Chief Executive Officer agreed. Alka therefore fills the Human Resource Manager's vacancy through promotion.

Merit: Promotion motivates employees, because they see an opportunity for advancement within the organisation. It encourages them to improve their performance to qualify for higher positions.

Step 2: Identify the source used for Ashish's vacancy and give its merit **Management consultants – external source:** Alka "contacted 'Keith Recruiters' who advertised for the post of marketing head." Keith Recruiters acts as a specialist recruitment agency or management consultant to fill the managerial vacancy.

Merit: Such consultants have specialised knowledge and access to suitable managerial talent, helping the company obtain a qualified candidate for a senior position.

Step 3: Identify the source used for Raman's vacancy and give its merit **Casual callers – external source:** Raman's vacancy was filled by "screening the database of unsolicited applications lying in the office." These applications came from people who had applied on their own initiative and were

retained for future use.

Merit: Using this database reduces recruitment cost, since the organisation can contact suitable applicants without issuing a fresh advertisement.

Step 4: Conclusion Jyoti's vacancy was filled by promotion, Ashish's by management consultants, and Raman's by casual callers. Their respective merits are employee motivation, access to specialised managerial talent, and lower recruitment cost.

Quick Tip to Solve: Match the clue to the source: movement up the hierarchy means promotion; a specialist recruiter means management consultants; stored unsolicited applications mean casual callers.

10. Mr. Sanjay Nehra was the Chairman of 'Taran Bank.' The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce taking over of 'Vena Bank.' Mr. Sanjay Nehra knew that the share price of 'Taran Bank' would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Sudhir and asked him to invest ₹ 5 crores in shares of his bank promising him the capital gains.

As expected the share prices went up by 40% and the market price of Sudhir's shares was now ₹ 7 crores. He earned a profit of ₹ 2 crores. He gave ₹ 1 crore to Mr. Sanjay Nehra and kept ₹ 1 crore with himself. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. The SEBI imposed a heavy penalty on Mr. Sanjay Nehra.

By quoting the lines from the above para identify and state any two functions that were performed by SEBI in the above case. [3 marks]

Solution:

Concept:

- SEBI protects investors and regulates the securities market. Its protective functions include controlling insider trading and preventing unfair practices.
- Its regulatory functions include calling for information from intermediaries and undertaking inspections, enquiries and audits of market participants.

Step 1: Link inspection and enquiries to the regulatory function **Regulatory function – undertaking inspections and enquiries:** The relevant words are "On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity."

SEBI examines the activities of intermediaries such as brokers and calls for information to check compliance with securities-market rules. In this case, these inspections and enquiries enabled it to discover the improper transactions.

Step 2: Link the penalty to the protective function **Protective function – controlling insider trading:** The relevant line is "The SEBI imposed a heavy penalty on Mr. Sanjay Nehra."

Nehra knew about the proposed takeover before its public announcement. He used this price-sensitive information by asking Sudhir to purchase shares, then shared the resulting gain. Insider trading

involves using confidential, price-sensitive company information to gain an unfair advantage in trading. By acting against this practice, SEBI protects other investors and promotes fair dealing in the market.

Step 3: Conclusion The two functions are the regulatory function of undertaking inspections and enquiries of brokers, and the protective function of controlling insider trading through action against Nehra's misuse of confidential information.

Quick Tip to Solve: Classify investigation of brokers as regulatory; classify action to prevent an insider's unfair gain as protective. Quote a separate case line for each function.

11. State any three functions performed by non-governmental organisations for consumer protection.

[3 marks]

Solution:

Concept:

- Non-governmental organisations are voluntary bodies that promote and protect consumers' interests independently of the government.
- They help consumers through education, independent product information and assistance in obtaining redressal against unfair business practices.

Step 1: State the educational function **Educating consumers:** NGOs organise training programmes, seminars and workshops to make consumers aware of their rights and responsibilities. This enables buyers to recognise unfair practices, examine product information and make informed purchasing decisions.

Step 2: State the product-testing function **Conducting comparative product tests:** NGOs test consumer products in accredited laboratories to compare their quality and safety. They publish the results and information about defects or adulteration so that consumers can judge competing products on reliable evidence instead of relying only on advertisements.

Step 3: State the redressal-support function **Providing legal assistance and guidance:** NGOs advise consumers who have suffered from defective goods, deficient services or unfair trade practices. They guide them in preparing and presenting complaints before the appropriate consumer redressal agency and in seeking suitable relief.

Step 4: Conclusion Three functions of NGOs are educating consumers about their rights and responsibilities, conducting and publishing comparative product tests, and providing legal assistance and guidance for consumer complaints.

Quick Tip to Solve: Remember three distinct forms of NGO support: awareness before purchase, testing to guide choice, and assistance with redressal after a problem occurs.

12. Mr. Shubhendu Bose is the owner of 'Bikmac Enterprises' carrying on the business of manufacturing various kinds of biscuits. There was a lot of discontentment in the organisation and the targets were not being met. He asked his son, Naval, who had recently completed his MBA, to find out the reason.

Naval found that all decision making of the enterprise were in the hands of his father. His father didn't believe in his employees. As a result both the employer and the employees were not able to understand each others messages in the same sense. Thus, the employees were not happy and targets were not met.

(a) Identify any two communication barriers because of which Bikmac Enterprises was not able to achieve its target.

(b) State one more barrier each of the types identified in (a) above. [3 marks]

Solution:

Concept:

- Communication is effective when the receiver understands the message in the sense intended by the sender. Barriers prevent this common understanding.
- Organisational barriers arise from policies, rules and the authority structure; psychological barriers arise from the mental state or attitudes of the parties communicating.

Step 1: Identify the two barriers from the case **(a) Organisational policy, an organisational barrier:** Naval found that 'all decision making of the enterprise were in the hands of his father'. This centralised policy discourages a free flow of communication and employees' participation. Employees have little encouragement to convey their ideas and difficulties upwards.

Distrust, a psychological barrier: The statement that his father 'didn't believe in his employees', followed by the inability to understand each other's messages 'in the same sense', indicates distrust. When the parties lack trust, they doubt the intention or credibility of a message rather than accepting its intended meaning. This weakens mutual understanding and contributes to discontentment.

Step 2: State another barrier of each identified type **(b) Organisational barrier—rules and regulations:** Rigid rules requiring messages to follow prescribed channels can delay communication and restrict the free exchange of information.

Psychological barrier—premature evaluation: A person may judge a message before the sender has completed it. Such a judgement prevents careful listening and can cause the message to be misunderstood. These are additional examples of the two categories, rather than further facts asserted about Bikmac Enterprises.

Step 3: Conclusion The case illustrates organisational policy and psychological distrust. One additional organisational barrier is rigid rules and regulations, and one additional psychological barrier is premature evaluation.

Quick Tip to Solve: Link centralisation to organisational policy and doubt about the sender's message to distrust; then give the extra example from the same category.

13. Explain any three points of importance of planning. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It sets objectives and specifies the course of action needed to achieve them.
- By giving work a purpose and anticipating future conditions, planning helps managers coordinate activities and use resources effectively.

Step 1: Explain how planning guides action **1. Planning provides directions:** Planning makes objectives clear and states how they are to be achieved. Employees therefore know what the organisation expects them to do and how their work contributes to its goals. Their efforts move towards a common purpose instead of becoming separate, uncoordinated activities. For example, a production target guides decisions about the quantity to manufacture and the work to assign.

Step 2: Explain how planning prepares for change **2. Planning reduces the risks of uncertainty:** Managers look ahead, anticipate possible changes and prepare suitable responses. Forecasting demand, prices or competition helps them decide what action may be needed if conditions change. Planning cannot remove uncertainty or guarantee an accurate forecast, but advance preparation reduces the impact of unexpected events.

Step 3: Explain how planning avoids waste **3. Planning reduces overlapping and wasteful activities:** A clear plan defines the work to be done and coordinates the efforts of different departments and individuals. This avoids unnecessary repetition, confusion and activities that do not contribute to objectives. Because responsibilities and the sequence of work are clear, resources such as time, labour and materials can be used more efficiently.

Step 4: Conclusion Three points of importance are that planning provides directions, reduces the risks of uncertainty, and reduces overlapping and wasteful activities. Together, these help the organisation pursue its objectives with coordinated effort.

Quick Tip to Solve: For each importance point, name the NCERT heading and explain its effect on work; say that planning reduces uncertainty, rather than eliminating it.

14. 'Alfa Ltd.' was dealing in renewable energy. To get the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the leader used to travel by air, whereas his team travelled by road / train. It was not only time consuming but also at time forced female team members to travel alone.

As a result, the subordinates were not acting in a desired manner to achieve organisational goals. The CEO came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that all the members including the leader would travel together in future and would usefully utilise the travelling time in discussion with the subordinates about presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.

State the features of the element of the function of management used by the CEO. [4 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they strive willingly and enthusiastically towards the achievement of organisational goals.
- It is an element of directing. Leadership operates through the relationship between a leader and followers and helps align their efforts with a common purpose.

Step 1: Identify the element from the change in behaviour The element used by the CEO is **leadership**. After the travel policy changed, "every member of the team started acting in a manner as desired by the team leader." This shows influence over behaviour towards organisational goals. Travelling together also enabled the leader to discuss the client presentations with the subordinates, strengthening interaction within the team.

Step 2: State the features of leadership

- **Ability to influence others:** Leadership indicates the ability of an individual to influence other people's behaviour. The change in the team's willingness to act as desired illustrates this influence.
- **Interpersonal relationship:** Leadership involves a relationship between the leader and the followers. Their interaction is essential; in this case, joint travel creates an opportunity for discussion between the leader and the team.
- **Common organisational goals:** Leadership is exercised to achieve common goals of the organisation. Here, the team's coordinated efforts are directed towards effective client presentations and obtaining business.
- **Continuous process:** Leadership is an ongoing process of influencing behaviour. The leader must continue guiding and interacting with the team as it undertakes future presentations; one policy decision alone does not end this responsibility.
- **Changing followers' behaviour:** Leadership tries to bring about a change in the behaviour of others. The team moves from not acting as desired to cooperating with the leader towards the organisation's goals.

Step 3: Conclusion The element is **leadership**: influence over behaviour through a continuing relationship between the leader and followers, directed towards common organisational goals.

Quick Tip to Solve: In a leadership case, link the phrase about influencing people's behaviour to the leader-follower relationship and the common organisational goal.

15. A company was marketing 'water purifiers' which were very popular due to their quality and after sales services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits the company ignored the after sales services. As a result its relations with the customers got spoiled and the image of the company was damaged in the public. Top management became concerned when the profits for the current quarter fell steeply. On analysis it was revealed that ignoring the after sales services was its reason. Therefore the company took all possible measures to protect and promote its favourable image in the eyes of the public. As a result the goodwill of the company improved in the society.

(a) Name and state the communication tool used by the marketer in the above case to improve its image.

(b) Also explain role of the tool as identified in part (a). [4 marks]

Solution:

Concept:

- Public relations is a communication tool involving activities designed to protect and promote the favourable image of an organisation and its products in the eyes of the public.
- Good relations with customers and other sections of the public support the company's reputation. Public relations complements other promotional efforts by building confidence and goodwill.

Step 1: Name and state the communication tool **(a) The tool is public relations.** It involves a variety of programmes designed to protect and promote the favourable image of a company and its products in the eyes of the public. The decisive words in the case are that the company took measures to "protect and promote its favourable image in the eyes of the public."

Step 2: Explain the role of public relations **(b) Public relations plays the following roles:**

- **Building awareness:** Media stories draw attention to the organisation, its products and its activities. They help the public learn about its efforts to serve customers.
- **Building credibility:** Favourable communication in an editorial or independent media context can be more credible than paid advertising. This helps create public confidence and rebuild a damaged reputation.
- **Stimulating the sales force and dealers:** Favourable news encourages sales personnel and dealers. It gives them positive information to share with customers and confidence in promoting the product.
- **Lowering promotion costs:** Publicity through media coverage need not involve buying equivalent advertising space or time. A planned programme can therefore support promotion at a relatively lower cost.

For this company, improving after-sales service addresses customer dissatisfaction, while public relations communicates its efforts and rebuilds goodwill.

Step 3: Conclusion The marketer used **public relations** to protect and promote the company's image. Its roles include building awareness and credibility, encouraging the sales force and dealers, and supporting promotion at a relatively lower cost.

Quick Tip to Solve: When a case stresses public image or goodwill, identify public relations; explain its role through awareness, credibility, dealer support and promotion costs.

16. A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by Directorate of Education. He was awarded first prize for his invention.

Identify and explain the dimensions of business environment discussed in the above case. [4 marks]

Solution:

Concept:

- The business environment includes external forces that influence business decisions and opportunities. Its dimensions help distinguish a change in financing conditions from a change in production knowledge.
- The economic environment includes interest rates, availability of credit, income and other economic conditions. The technological environment includes scientific improvements and innovations that provide new ways of producing goods and services.

Step 1: Identify and explain the economic dimension **Economic environment:** The case states that a "rate cut in the interest on loans announced by the Banks" encouraged Amit to borrow from the State Bank of India. Interest rates and the availability and cost of bank finance are parts of the economic environment.

A reduction in the lending rate makes borrowed funds less costly. It therefore encourages people to finance new projects and investment. Here, the lower interest cost encouraged Amit to obtain the loan needed for his experiment; this links the change in economic conditions directly to his decision.

Step 2: Identify and explain the technological dimension **Technological environment:** Amit sought to "develop cars to be powered by fuel produced from garbage" and successfully developed such a car. This is a scientific innovation involving a new source of fuel and its application to a vehicle.

The technological dimension includes developments in scientific knowledge and methods that change products or production processes. Such developments can create opportunities for new products, improve resource use and make existing methods less attractive. Amit's invention illustrates this dimension because it introduces a different technology for powering a car. Its exhibition at the science fair and the award recognise that invention; the key evidence is the new fuel technology itself.

Step 3: Conclusion The dimensions discussed are the **economic environment**, illustrated by the reduction in bank lending rates, and the **technological environment**, illustrated by the development of a car powered by fuel produced from garbage.

Quick Tip to Solve: Link each dimension to a precise case phrase: interest rates indicate the economic environment, while a scientific invention or a new production method indicates the technological environment.

17. 'Steelo Ltd.' decided to set-up its steel manufacturing factory in the backward area of Orissa where very less job opportunities were available. People of that area welcomed this effort of 'Steelo Ltd.' To attract people to work in its factory it also decided to provide many other facilities like school, hospital, market etc. in the factory premises.

'Steelo Ltd.' started earning huge profits. Another competing company asked its production manager 'Aslam' to investigate the reasons of earning huge profits by 'Steelo Ltd.'

Aslam found that in both the companies there was systematic co-ordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organisation communication took place only through the scalar chain whereas 'Steelo Ltd.' was allowing flow of communication in all the directions as per the requirement which lead to faster spread of information as well as quick feedback. [4 marks]

17(a). Identify the type of organisation which permits 'Steelo Ltd.' the flow of communication in all the directions.

Solution:

Concept:

- An informal organisation is the network of personal and social relationships that develops spontaneously among people working in a formal organisation.
- Its communication channels are not restricted to the officially prescribed scalar chain.

Step 1: Identify the decisive case evidence Steelo Ltd. allows 'flow of communication in all the directions as per the requirement'. This indicates that employees can interact beyond the prescribed superior-subordinate route.

Step 2: Name the organisation The type is **informal organisation**. Its network allows rapid exchange of information and quick feedback. The systematic allocation of responsibility mentioned earlier describes the formal framework; the unrestricted communication distinguishes the informal network operating within it.

Step 3: Conclusion The organisation permitting communication in all directions is the informal organisation.

Quick Tip to Solve: Look at the communication route: an unrestricted social network indicates informal organisation even when a formal structure also exists.

17(b). State another advantage of the type of organisation identified in (a) above.

Solution:

Concept:

- Informal organisation grows from personal interaction and social relationships among employees.
- Besides speedy communication, it fulfils social needs by providing friendship, belonging and mutual support.

Step 1: Choose an additional advantage An additional advantage is **fulfilment of social needs**. Employees develop personal relationships within the informal group and gain a sense of belonging to

their workplace.

Step 2: Explain how it helps employees The group offers emotional support and opportunities to share concerns with trusted colleagues. This can improve job satisfaction because employees feel accepted and connected. Steelo's speedy information flow is already stated in the case, so social satisfaction provides a distinct advantage rather than repeating it.

Step 3: Conclusion Informal organisation fulfils employees' social needs by giving them friendship, belonging and support.

Quick Tip to Solve: When asked for another advantage, select social satisfaction instead of repeating the rapid communication already described.

17(c). State any two values which 'Steelo Ltd.' wanted to communicate to the society.

Solution:

Concept:

- Business decisions can reflect social objectives as well as the pursuit of profits.
- Values must be supported by the actions described in the case, rather than by unsupported claims about the company.

Step 1: Identify concern for regional development **Social responsibility and inclusive development:** Steelo sets up its factory in a 'backward area of Orissa where very less job opportunities were available'. Creating employment there expresses concern for the livelihood and development of a disadvantaged community.

Step 2: Identify concern for community welfare **Concern for health, education and welfare:** The company provides facilities such as 'school, hospital, market etc.' in its premises. The school and hospital show care for the educational and health needs of employees and the surrounding community.

Step 3: Conclusion The two values are social responsibility through employment in a backward area, and concern for community welfare through education and healthcare facilities.

Quick Tip to Solve: Link each value to a separate action: the factory creates employment, while the school and hospital support welfare.

18. Explain any four points that highlight the nature of principles of management. [4 marks]

Solution:

Concept:

- Management principles are broad statements that guide managerial decisions and behaviour. Their nature describes their basic characteristics, rather than the benefits of applying them.
- They deal with people and changing business situations, so they are applied with judgement. Any four characteristics may be explained; the following are four standard NCERT points.

Step 1: Explain universal applicability **Universal applicability:** Principles of management apply to

all types of organisations, whether business or non-business, small or large, and to different levels of management. However, the extent of their application varies with the organisation's nature, size and circumstances. For example, division of work can be useful in both a school and a manufacturing enterprise.

Step 2: Explain their role as general guidelines **General guidelines:** These principles guide managers in making decisions but do not provide a ready-made solution to every problem. Actual business situations are complex and influenced by several factors. A manager must therefore assess the situation and use the relevant principle with discretion, rather than treat it as an exact scientific prescription.

Step 3: Explain how they are formed **Formed by practice and experimentation:** Management principles develop from managers' experience, observation and repeated practice, as well as experiments in organisations. A useful relationship observed across situations becomes a guide to action. For instance, experience shows that work becomes more efficient when tasks are divided according to employees' specialisation.

Step 4: Explain their flexibility **Flexibility:** Management principles are not rigid rules. Managers can modify the way a principle is applied according to the needs of a particular situation. This flexibility allows them to use their initiative and judgement. Thus, the degree of centralisation or decentralisation adopted may differ with the enterprise's requirements.

Step 5: Conclusion Four features of the nature of management principles are universal applicability, their character as general guidelines, formation through practice and experimentation, and flexibility in application.

Quick Tip to Solve: For a question on nature, explain what management principles are like. Do not substitute their significance, such as optimum resource use or improved understanding.

19. State any four methods of floatation of new issues in the primary market. [4 marks]

Solution:

Concept:

- The primary market deals in securities issued for the first time. It enables a company to raise fresh capital directly or through intermediaries, unlike the secondary market where existing securities are traded.
- Floatation means bringing a new issue of securities to investors. Four methods are offer through prospectus, offer for sale, private placement and rights issue.

Step 1: State offer through prospectus **Offer through prospectus:** The company invites the general public to subscribe to its new securities by issuing a prospectus. The prospectus gives information about the company, the purpose of the issue, its financial position and the issue's terms, enabling potential investors to decide whether to apply. Investors subscribe to the company's issue through the public offer.

Step 2: State offer for sale **Offer for sale:** The company sells securities to an intermediary, such as an issuing house or stockbroker, at an agreed price. The intermediary then offers those securities to

the investing public, usually at a higher price. Thus, the public offer is made through the intermediary rather than by the company directly inviting applications through its own prospectus.

Step 3: State private placement **Private placement:** The company allots securities to institutional investors and selected individuals instead of offering them to the public at large. This method can raise capital more quickly and with lower issue expenses than a general public offer. It is useful where suitable investors can be approached directly for the new securities.

Step 4: State rights issue **Rights issue:** The company offers additional shares first to its existing equity shareholders in proportion to their current shareholdings. This gives those shareholders a preferential opportunity to subscribe and maintain their proportionate ownership if they choose to take up the offer. For example, a company may offer one new share for every five shares already held.

Step 5: Conclusion Any four methods of floatation are **offer through prospectus, offer for sale, private placement and rights issue**. They differ mainly in whether the offer reaches the public directly, through an intermediary, selected investors or existing shareholders.

Quick Tip to Solve: Associate prospectus with the general public, offer for sale with an intermediary, private placement with selected investors, and rights issue with existing shareholders.

20. Arun is working in a multinational company in Gurgaon. He was running temperature for the last many days. When his blood was tested, he was found positive for dengue with a very low platelet count. Therefore, he was admitted in the hospital and a blood transfusion was advised by the doctors. One of his colleagues sent a text message about it to his immediate superior 'Mr. Narain'. 'Mr. Narain' in turn sent a text message to the employees of the organisation requesting them to donate blood for Arun. When the General Manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings.

(a) From the above para quote lines that indicate formal and informal communication.

(b) State any two features of informal communication.

(c) Identify any two values that are being communicated to the society in the above case. [5 marks]

Solution:

Concept:

- Formal communication follows the officially prescribed authority and reporting relationships of an organisation and concerns the discharge of organisational duties.
- Informal communication arises from personal and social interaction among people. It does not depend on the prescribed chain of command; its network is often called the grapevine.

Step 1: Identify and quote the formal communication **(a) Formal communication:** "When the General Manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings." This is an official instruction issued by the General Manager in the exercise of managerial authority. It directs preventive action at the workplace, so it is formal downward communication.

Step 2: Identify and quote the informal communication **(a) Informal communication:** "One of his colleagues sent a text message about it to his immediate superior 'Mr. Narain'." The message

shares personal information about Arun's illness. The subsequent message requesting employees to donate blood also spreads a personal appeal for help through social concern among colleagues. These exchanges illustrate informal communication. A message is not automatically formal merely because it is sent by text or reaches a superior; its relationship to official duties and prescribed channels is decisive.

Step 3: State two features of informal communication

- **(b) No prescribed route:** Informal messages flow through personal and social contacts without necessarily following the organisational hierarchy. They can travel between people at different levels or in different departments.
- **Rapid transmission:** Information generally spreads quickly through the grapevine because people share it freely with their contacts. This enables a personal appeal, such as a request for blood donation, to reach many colleagues promptly.

Step 4: Identify two values supported by the case

- **(c) Compassion and concern for others:** The appeal "requesting them to donate blood for Arun" reflects care for a colleague in distress and willingness to cooperate to save a life.
- **Concern for health and a clean environment:** The order for "fumigation in the company premises and cleanliness of the surroundings" reflects responsibility for preventing disease and protecting people's health through sanitation.

Step 5: Conclusion The General Manager's official sanitation order is formal communication, while the sharing of Arun's personal medical situation and the appeal for help illustrate informal communication. The case promotes compassion and responsibility for health and cleanliness.

Quick Tip to Solve: Classify communication by its purpose and prescribed authority, not by the medium: an official order is formal, whereas a personal appeal can be informal even when a manager passes it on.

21. Two years ago Madhu completed her degree in food technology. She worked for sometime in a company manufacturing chutneys, pickles and murabbas. She was not happy in the company and decided to have her own organic food processing unit for the same. She set the objectives and the targets and formulated action plan to achieve the same.

One of her objective was to earn 10% profit on the amount invested in the first year. It was decided that raw materials like fruits, vegetables, spices etc. will be purchased on three months credit from farmers cultivating organic crops only. She also decided to follow the steps required for marketing of the products through her own outlets. She appointed Mohan as a Production Manager who decides the exact manner in which the production activities are to be carried out. Mohan also prepared a statement showing the number of workers that will be required in the factory throughout the year. Madhu informed Mohan about her sales target for different products, area wise for the forthcoming quarter. While working on the production table a penalty of ₹ 100 per day for not wearing the caps, gloves and apron was announced.

Quoting lines from the above para identify and explain the different types of plans discussed.

[5 marks]

Solution:

Concept:

- Plans differ in purpose: objectives specify desired results; policies guide decisions; procedures prescribe a sequence of activities; and methods specify how a particular activity is performed.
- A budget expresses expected results or requirements in numerical terms, whereas a rule specifies an action that must or must not be taken and permits no discretion in its application.

Step 1: Identify the objective and the purchase policy

- **Objective:** "One of her objective was to earn 10% profit on the amount invested in the first year." An objective is the desired end result towards which organisational activity is directed. Here the return and the first-year time period make the intended result clear and measurable.
- **Policy:** Raw materials "will be purchased on three months credit from farmers cultivating organic crops only." A policy is a general guideline for making decisions. This purchase policy guides repeated decisions about eligible suppliers and credit terms while leaving managers to select suitable purchases within those limits.

Step 2: Identify the procedure and the production method

- **Procedure:** "She also decided to follow the steps required for marketing of the products through her own outlets." A procedure lays down the sequence in which activities are to be carried out. The reference to the required steps in marketing therefore indicates a procedure.
- **Method:** Mohan "decides the exact manner in which the production activities are to be carried out." A method prescribes the particular way of doing a task or one step of a procedure. It specifies how production work is performed, rather than merely stating its desired outcome.

Step 3: Identify the numerical budgets and the compulsory rule

- **Budget:** Mohan prepared "a statement showing the number of workers that will be required in the factory throughout the year." This is a manpower budget: a numerical statement of anticipated labour requirements. Budgets need not be expressed only in money. Similarly, Madhu's "sales target for different products, area wise for the forthcoming quarter" indicates a sales budget, setting out expected sales for a defined future period by product and area.
- **Rule:** "A penalty of Rs 100 per day for not wearing the caps, gloves and apron was announced." A rule states precisely what must or must not be done, allowing no discretion about compliance. Here workers must wear the specified protective clothing, and the stated penalty enforces that requirement.

Step 4: Conclusion The case illustrates objectives, policy, procedure, method, budget and rule. The profit target defines the desired result, the purchasing policy guides decisions, marketing steps form a procedure, the production manner is a method, numerical manpower and sales statements are budgets, and compulsory protective clothing is a rule.

Quick Tip to Solve: Match the clue to the plan: desired result means objective, decision guideline means policy, sequence means procedure, exact way means method, numerical statement means budget, and compulsory conduct means rule.

22. Explain the relationship between controlling and planning functions of management. [5 marks]

Solution:

Concept:

- Planning decides in advance the objectives to be achieved and the course of action for achieving them. It supplies the standards against which actual performance is judged.
- Controlling compares actual performance with planned standards, analyses significant deviations and takes corrective action so that organisational objectives are attained.

Step 1: Explain why each function needs the other

- **Planning is a prerequisite for controlling:** Control is possible only when standards have first been established through planning. Without a target, a manager cannot judge whether actual performance is satisfactory or whether a deviation has occurred. For example, a production target provides the benchmark for reviewing actual output.
- **Controlling makes planning meaningful:** A plan alone does not ensure results. Controlling checks whether activities follow the plan and initiates corrective action when they do not. Thus, planning without controlling remains merely an exercise on paper, while controlling without planning has no basis for measurement.

Step 2: Connect their time perspectives and feedback

- **Planning is both forward-looking and backward-looking:** It selects a future course of action, but uses past experience and information about previous results to make future plans realistic.
- **Controlling is both backward-looking and forward-looking:** It reviews performance that has already occurred by comparing it with standards. The resulting corrective action prevents repetition of mistakes and helps improve future performance and plans.
- **The functions form a continuous cycle:** Planning establishes objectives and standards; controlling measures results and identifies deviations. Feedback from control reveals weaknesses in assumptions or execution and becomes the basis for revised standards and subsequent plans. The two functions therefore reinforce one another rather than operating in isolation.

Step 3: Conclusion Planning and controlling are interdependent and inseparable functions, often described as the Siamese twins of management. Planning provides the basis for control, while controlling ensures achievement of plans and supplies feedback for better future planning.

Quick Tip to Solve: Build the answer around standards, comparison and feedback. Explain both time perspectives: planning uses past experience, and control improves future action.

23. Ashima purchased a bottle of tomato-sauce from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under Consumer Protection Act and got the relief. [6 marks]

23(a). Identify the important aspect neglected by the marketer in the above case.

Solution:

Concept:

- Labelling is the marketing activity of designing and providing the label attached to a product or its package.
- A label identifies the product and gives material information about its contents and use, helping buyers make informed choices.

Step 1: Locate the neglected feature The crucial evidence is that 'the information provided on the bottle was not clear'. The failure concerns the information on the product container. It therefore points to **labelling**, an element associated with product decisions in marketing.

Step 2: Explain the identification in context The tomato-sauce bottle should carry clear, readable information relevant to the buyer, such as its identity, contents and necessary directions. A label communicates such details; its purpose goes beyond decorating a package. The case says Ashima became ill after consuming the sauce, but does not identify the precise cause or specify which particular entry was missing. We should therefore identify the information failure without inventing an expiry date, ingredient defect or other unstated fact. Her successful complaint is the consumer-protection outcome; it does not change the neglected marketing aspect into a different activity.

Step 3: Conclusion The important aspect neglected by the marketer is labelling: the bottle did not communicate its product information clearly to the consumer.

Quick Tip to Solve: Unclear information on a bottle points to labelling. Distinguish the marketing omission from the later consumer complaint and its relief.

23(b). Explain briefly the functions of the aspect identified in (a) above.

Solution:

Concept:

- Labelling communicates product information through a label attached to, printed on or forming part of the package.
- NCERT groups its functions under product description, identification, grading, promotion and provision of legally required information.

Step 1: Explain the information and identification functions

- **Describe the product and specify its contents:** A label states what the product contains and provides relevant details such as directions for use and precautions. Clear information is especially important here because 'the information provided on the bottle was not clear'.
- **Identify the product or brand:** The name, symbol or brand on a label enables a buyer to recognise the product and distinguish it from competing products. This also helps a consumer identify the item when making a repeat purchase.
- **Grade the product:** Labels can distinguish different qualities or grades within a product line, allowing the customer to select the appropriate variety. This is a general function; the case does not state that the sauce itself had different grades.

Step 2: Explain the promotional and legal functions

- **Help in promotion:** An attractive label draws attention and can communicate a promotional offer or a product benefit. It can therefore help persuade customers at the point of purchase.
- **Provide information required by law:** Labels communicate statutory information where applicable, including relevant declarations and warnings. Such disclosure helps protect consumers and permits them to use products with better knowledge. In Ashima's case the relevant marketing lesson is to supply clear information, rather than rely on an attractive bottle alone.

Step 3: Conclusion The functions of labelling are describing the product and its contents, identifying it, grading it, promoting it, and providing information required by law.

Quick Tip to Solve: Remember the five functions as describe, identify, grade, promote and disclose; explain each instead of listing label details alone.

24. 'Viyo Ltd.' is a company manufacturing textiles. It has a share capital of ₹ 60 lakhs. The earning per share in the previous year was ₹ 0.50. For diversification, the company requires additional capital of ₹ 40 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year the company earned profit of ₹ 8 lakhs on capital employed. It paid tax @ 40%.

(a) State whether the shareholders gained or lost, in respect of earning per share on diversification. Show your calculations clearly.

(b) Also, state any three factors that favour the issue of debentures by the company as part of its capital structure. [6 marks]

Solution:

Concept:

- Earnings per share (EPS) equal profit available to equity shareholders after interest and tax divided by the number of equity shares. Debentures add a fixed interest charge without adding equity shares.
- The capital-structure decision considers cash-flow capacity, the tax advantage of interest and retention of control. Debt is suitable only when its fixed obligations can be met.

Step 1: Calculate the current profit available to shareholders The additional Rs 40 lakh is raised entirely through debentures, so the number of equity shares remains unchanged. Treating the stated profit on capital employed as profit before interest and tax, the working is:

$$\begin{aligned}\text{Debenture interest} &= \text{Rs } 40,00,000 \times 10\% = \text{Rs } 4,00,000,\\ \text{Profit before tax} &= \text{Rs } 8,00,000 - \text{Rs } 4,00,000 = \text{Rs } 4,00,000,\\ \text{Tax} &= \text{Rs } 4,00,000 \times 40\% = \text{Rs } 1,60,000,\\ \text{Profit after tax} &= \text{Rs } 4,00,000 - \text{Rs } 1,60,000 = \text{Rs } 2,40,000.\end{aligned}$$

Interest is deducted before calculating tax because it is an expense of obtaining borrowed capital.

Step 2: Compare EPS while identifying the missing share information The question gives share capital of Rs 60 lakh but does not state the number of equity shares or their face value. Therefore a unique numerical EPS, and hence an unconditional gain or loss, cannot be determined from the printed data. If the unchanged number of shares is N, current EPS is Rs $2,40,000/N$. Compared with the previous EPS of Rs 0.50, shareholders gain if $N < 4,80,000$, lose if $N > 4,80,000$, and remain unchanged if $N = 4,80,000$.

Conditional calculation with Rs 10 shares: If all the Rs 60 lakh share capital consists of equity shares of Rs 10 each, there are $60,00,000/10 = 6,00,000$ shares. Current EPS is then $2,40,000/6,00,000 =$ Rs 0.40. Under this explicit assumption, shareholders lose Rs 0.10 per share compared with Rs 0.50 earlier. The Rs 10 denomination is an assumption, not a figure supplied in the question.

Step 3: State three factors favouring debentures

- **Strong cash-flow position:** A company with adequate, stable expected cash inflows can meet fixed interest payments and repay principal on time. This capacity favours borrowing; accounting profit alone does not establish it.
- **High tax rate:** Interest on debentures is a deductible expense. At the stated 40% tax rate, interest of Rs 4 lakh reduces tax by Rs 1.6 lakh, making its after-tax burden Rs 2.4 lakh. This tax shield

favours debt relative to a financing source without this deduction.

- **Retention of control:** Debenture holders are creditors and ordinarily have no voting rights. Raising capital through debentures therefore avoids diluting the existing equity shareholders' voting control, unlike issuing additional equity shares.

The first factor is a condition that would favour debt; the case does not itself establish stable cash flows. The company should balance these advantages against fixed financial obligations.

Step 4: Conclusion Current profit after interest and tax is Rs 2,40,000. Exact EPS depends on the unspecified number of shares. If the shares are Rs 10 each, EPS falls from Rs 0.50 to Rs 0.40, a loss of Rs 0.10 per share. Strong cash flows, the interest tax shield and retention of voting control favour debenture finance.

Quick Tip to Solve: Deduct interest before tax, then divide by the unchanged equity-share count. Share capital is an amount of money, not the number of shares; state any denomination assumption explicitly.

25. Explain any four points of importance of management. [6 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through planning, organising, staffing, directing and controlling. Its importance lies in coordinating individual efforts and making purposeful use of resources.
- Effectiveness means achieving the desired objectives, while efficiency means achieving them with minimum cost and wastage. Good management combines both rather than pursuing one at the expense of the other.

Step 1: Explain achievement of goals and efficient resource use

- **Management helps in achieving group goals:** An organisation brings together people with different abilities and personal objectives. Management gives their efforts a common direction by setting organisational goals, assigning responsibilities and coordinating activities. It integrates individual efforts so that employees work together towards the same purpose. For example, production, sales and purchasing must coordinate their plans to fulfil an order on time; excellent isolated work by one department cannot achieve the goal by itself.
- **Management increases efficiency:** Managers plan operations, allocate resources appropriately and supervise their use. This reduces avoidable expenditure, duplication, idle time and waste of materials, money and effort. The organisation can then obtain better results from its available resources and reduce costs. Efficiency must accompany achievement of the objective: producing goods cheaply is useful only if the goods meet the required quality and delivery requirements.

Step 2: Explain adaptation and fulfilment of personal objectives

- **Management creates a dynamic organisation:** Organisations operate in an environment that continually changes through technology, competition, customer preferences and government policy. Employees may resist changes because familiar methods feel safer. Management helps people understand the need for change and adapt their work accordingly. It guides the organisation to

revise its methods and plans so that it can remain competitive and continue to grow rather than being held back by outdated practices.

- **Management helps in achieving personal objectives:** Through motivation, leadership, fair rewards and development opportunities, management helps employees meet their individual needs while contributing to organisational objectives. It can provide recognition, a suitable working environment and opportunities for advancement. When personal objectives are aligned with the organisation's goals, employees are more willing to cooperate and contribute their abilities. Thus both the organisation and its members benefit from their association.

Step 3: Conclusion Management is important because it directs efforts towards group goals, increases efficiency, enables adaptation to a changing environment and helps employees achieve personal objectives. These four contributions support the organisation's effective functioning and continued development.

Quick Tip to Solve: For each point, name the NCERT heading and explain the mechanism: common direction, reduced waste, adaptation to change, or alignment of employee needs with organisational goals.