CBSE Class 12 Business Studies Question Paper 2016 with Solution PDF-Set 66/2/1

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** marks 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. Is management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost-benefit ? Give reason in support of your answer. [1 mark]

Solution:

Concept:

- Management seeks both effectiveness and efficiency. Effectiveness means achieving the intended objectives; efficiency means doing so with minimum cost and wastage.
- A sound managerial decision therefore considers the relationship between the resources used and the results obtained.

Step 1: Recognise the concern with results Doing the right task and completing activities to achieve goals describes effectiveness. It tells us whether the desired objective has been attained.

Step 2: Include the concern with resource use Management must also be efficient: it should achieve those goals with minimum resources and cost. Reaching a target by wasting materials, time or money does not by itself constitute good management.

Step 3: Conclusion No. Management is concerned with both effectiveness and efficiency, so it must consider cost-benefit while achieving goals.

Quick Tip to Solve: Link achievement of goals to effectiveness and minimum resource cost to efficiency; a complete answer needs both.

2. Define 'organising' as a function of management. [1 mark]

Solution:

Concept:

- Organising is the management function that translates plans into an arrangement of work, people and resources.
- It establishes authority and reporting relationships so that people can work together towards common objectives.

Step 1: Identify the work and resources The work needed to implement a plan is identified and divided into activities. Related activities are grouped and the necessary resources are arranged.

Step 2: Assign duties and establish relationships Duties are assigned to suitable people and authority and reporting relationships are established. This creates a coordinated framework for implementing the plan.

Step 3: Conclusion Organising is the process of identifying and grouping work, assigning duties, and establishing authority and reporting relationships to enable people to work effectively together towards organisational objectives.

Quick Tip to Solve: A definition of organising should connect division and assignment of work with authority relationships and common objectives.

3. Name the organizational structure which helps in increasing managerial and operational efficiency. [1 mark]

Solution:

Concept:

- A functional structure groups similar activities into specialised departments such as production, finance and marketing.
- Specialisation allows employees and managers to concentrate on a defined kind of work and develop expertise.

Step 1: Identify the relevant structure The question links the structure with managerial and operational efficiency. This is an advantage of functional structure, where similar jobs are grouped together.

Step 2: Explain how efficiency improves Specialised employees perform related tasks repeatedly and managers supervise activities in their own areas of expertise. This improves the quality of decisions and the performance of operations.

Step 3: Conclusion The organisational structure is the functional structure. It improves managerial and operational efficiency through functional specialisation.

Quick Tip to Solve: When a structure is associated with efficiency through specialisation in similar activities, identify functional structure.

4. State the role of 'Inspector' in functional foremanship. [1 mark]

Solution:

Concept:

- Functional foremanship divides supervision among specialists, with each foreman responsible for a specific aspect of production.
- The inspector is a specialist on the shop-floor side who checks the quality of the work produced.

Step 1: Locate the inspector within supervision Under Taylor's functional foremanship, the inspector supervises the quality aspect of production rather than planning the sequence of work or maintaining machinery.

Step 2: State the quality responsibility The inspector checks whether the output satisfies the prescribed quality specifications and standards. This helps detect defective work and ensures that the required quality is maintained.

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

Quick Tip to Solve: Associate inspector with inspection of quality; speed, repairs and work instructions belong to other specialist foremen.

5. Name & state the aspect of financial management that provides a link between investment and financing decisions. [1 mark]

Solution:

Concept:

- Financial planning estimates the funds a business requires and specifies the sources from which those funds will be raised.
- It coordinates the uses of funds with their sources, connecting investment needs with financing arrangements.

Step 1: Identify the connecting aspect Investment decisions determine where funds will be employed, while financing decisions determine how funds will be raised. Financial planning links these two decisions.

Step 2: State what financial planning does It estimates the amount of funds needed for proposed activities and specifies their sources. This helps ensure that adequate funds are available when investments have to be made.

Step 3: Conclusion The aspect is financial planning: the process of estimating the funds required and specifying their sources, thereby linking investment and financing decisions.

Quick Tip to Solve: For a link between the need for funds and their sources, write financial planning and state both parts of its meaning.

6. 'Best Bulbs Pvt. Ltd. was manufacturing good quality LED bulbs and catering to local market. The current production of the company is 800 bulbs a day. Sumit, the marketing manager of the company surveyed the market and decided to supply the bulbs to five-star-hotels also. He anticipated the higher demand in future and decided to buy a sophisticated machine to further improve the quality and quantity of the bulbs produced.

Identify the factor affecting fixed capital requirements of the company. [1 mark]

Solution:

Concept:

- Growth prospects influence fixed capital requirements because anticipated expansion calls for investment in long-term assets.
- A business expecting higher future demand needs additional production capacity to meet that demand.

Step 1: Identify the evidence of expected expansion The case states that Sumit 'anticipated the higher demand in future' and decided to supply bulbs to five-star-hotels also. These words indicate growth prospects.

Step 2: Connect growth with fixed assets To meet the expected demand, the company plans to buy a sophisticated machine and increase the quality and quantity of output. Such expansion requires more investment in fixed assets.

Step 3: Conclusion The factor is growth prospects. Expected higher demand and expansion lead the

company to increase its fixed capital investment in machinery.

Quick Tip to Solve: Use the reason for buying the machine: anticipated future demand points to growth prospects, rather than merely naming the machine.

7. Name the marketing function which is concerned with the important decision of managing inventory. [1 mark]

Solution:

Concept:

- Physical distribution concerns the movement of finished goods from the producer to customers.
- Its important decisions include order processing, transportation, warehousing and inventory control.

Step 1: Identify the nature of the decision Managing inventory means deciding the stock level to maintain so that goods are available when customers require them. It relates to the flow and availability of products.

Step 2: Name the marketing function Inventory control is a component of physical distribution. This function balances timely supply to customers with the costs of holding and moving goods.

Step 3: Conclusion The marketing function is physical distribution, which includes the important decision of inventory management.

Quick Tip to Solve: Remember inventory control together with order processing, transportation and warehousing as components of physical distribution.

8. Manvendra always went to a specific shop to buy all consumable and non-consumable goods. In this shop variety of products of different brands were displayed nicely and the sales person available also gave good sales presentation if required. But this shop was quite far off from his residence. His friend Annant always wondered why Manvendra wastes so much time in going to that shop where as there were many big brand shops situated near his residence having consumable and non-consumable goods.

Annant asked Manvendra the reason of going to that particular shop. Manvendra told that he was exercising one of his 'Rights' which he could not exercise in near-by big brand shops.

State the consumer's right which Manvendra had exercised. [1 mark]

Solution:

Concept:

- Consumer rights protect the consumer in choosing, buying and using goods and services.
- The right to choose assures access to a variety of goods and services at competitive prices, so that the consumer can select the product best suited to personal needs.

Step 1: Identify the clue in the case The shop displays a 'variety of products of different brands'.

Manvendra can compare the available brands and make a free selection instead of restricting himself to a single brand.

Step 2: State the right exercised **Right to choose:** Manvendra exercises his right to choose by visiting a shop where alternatives are available. The useful sales presentation can assist his decision, but the decisive clue is the variety of competing brands.

Step 3: Conclusion Manvendra has exercised the right to choose.

Quick Tip to Solve: When the case stresses a variety of brands and freedom to select, identify the right to choose.

9. Explain any three limitations of 'Planning'. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It provides a course of action for achieving objectives.
- Its usefulness is subject to limitations arising from fixed plans, changes in the environment and the resources needed to prepare plans.

Step 1: Explain rigidity and environmental change **1. Planning leads to rigidity:** A well-defined plan specifies the course of action and may leave managers little flexibility to deal with changed circumstances. Following the original plan mechanically can be harmful when a better course is required.

2. Planning may not work in a dynamic environment: Business conditions change through economic policies, competitors, technology and customer preferences. Since future changes cannot all be predicted accurately, the assumptions on which a plan rests may become invalid, making the plan ineffective.

Step 2: Explain the cost involved **3. Planning involves huge costs:** Collecting information, conducting surveys, making forecasts and consulting experts require expenditure as well as managerial effort. These costs may sometimes outweigh the benefits expected from the plan. The organisation must therefore assess whether the benefits justify the resources spent on planning.

Step 3: Conclusion Three limitations are rigidity, difficulty in coping with a dynamic environment, and the substantial cost of preparing plans.

Quick Tip to Solve: For an explain question, name each limitation and show how it restricts the usefulness of a plan.

10. Mr. Mohan Kumar, is the owner of Jason's Enterprises, carrying on the business of manufacturing sanitary items. There is a lot of discontentment in the organization and the targets are not being met. He asked his son Ritesh, who has recently completed his MBA, to find out the reason.

Ritesh found that his father did not have confidence in the competency of employees and was not seeking their advice or opinion. There was also lack of transparency in the operations of the business. Thus, the employees were not happy.

(a) Identify any two communication barriers because of which 'Jason's Enterprises' was not able to achieve its targets.

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

Solution:

Concept:

- Communication barriers obstruct the exchange or understanding of information and can prevent employees from coordinating their efforts towards organisational targets.
- Personal barriers arise from the attitudes and conduct of individuals; organisational barriers arise from organisational policies, rules, status and arrangements.

Step 1: Identify the personal barrier and give another example **(a) Lack of confidence of the superior in subordinates:** The statement that Mohan Kumar 'did not have confidence in the competency of employees' directly identifies this personal barrier. Such a superior may not seek their advice or suggestions, so useful upward communication is discouraged.

(b) Another personal barrier—fear of challenge to authority: A superior may withhold or suppress information if its disclosure is perceived as a threat to the superior's authority.

Step 2: Identify the organisational barrier and give another example **(a) Organisational policy:** The 'lack of transparency in the operations of the business' indicates a policy that does not support the free flow of communication. Employees cannot communicate effectively when information is restricted rather than openly shared.

(b) Another organisational barrier—rules and regulations: Rigid procedures requiring every message to pass through a prescribed channel can delay communication and prevent prompt exchange of important information.

Step 3: Conclusion The barriers are lack of confidence in subordinates, a personal barrier, and an unsupportive organisational policy, an organisational barrier. Further examples are fear of challenge to authority and rigid rules and regulations, respectively.

Quick Tip to Solve: Classify the barrier first: an individual's attitude is personal, while a company policy or prescribed channel is organisational.

11. Vinod – The Human Resource Manager, Umesh – The Assistant manager and Ashok – The Marketing Head of Hitashi Enterprises Ltd. decided to leave the company.

The Chief Executive Officer of the company called the Human Resource Manager, Vinod and requested him to fill-up the vacancies before leaving the organization. Vinod suggested that his subordinate Rajesh is very competent and trustworthy. If he could be moved up in the hierarchy, he would do the needful. The Chief Executive Officer agreed for the same. Rajesh contacted 'Zenith Recruiters' who advertised for the post of marketing head for 'Hitashi Enterprises Ltd'. They were able to recruit a suitable candidate for the company. Umesh'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 'Hitashi 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. Internal sources use existing employees; external sources bring in candidates from outside the organisation.
- Promotion moves an employee to a higher position. Placement agencies supply suitable candidates, while casual callers are unsolicited applications retained by the organisation.

Step 1: Identify the internal source and its merit **Vinod's vacancy—promotion (internal source):** Rajesh, an existing subordinate, is 'moved up in the hierarchy' to take responsibility for the Human Resource Manager's work.

Merit: Promotion motivates employees by showing that good performance and competence can lead to advancement within the organisation.

Step 2: Identify the external sources and their merits **Ashok's vacancy—placement agency (external source):** Rajesh contacts 'Zenith Recruiters', which finds a suitable Marketing Head for the company. The source used by Hitashi Enterprises is the recruitment agency, even though that agency advertises to obtain candidates.

Merit: A placement agency undertakes preliminary screening and provides suitable candidates, reducing the employer's effort in recruitment.

Umesh's vacancy—casual callers (external source): The company screens the database of 'unsolicited applications lying in the office'.

Merit: This ready database provides a relatively inexpensive source of applicants, since the company need not begin a fresh search or advertisement for the vacancy.

Step 3: Conclusion Vinod's post is filled through promotion; Ashok's through a placement agency; and Umesh's through casual callers. Their respective merits are employee motivation, reduced screening effort, and economical access to a ready applicant database.

Quick Tip to Solve: A move upward within the firm is promotion; a recruiter is a placement agency; stored unsolicited applications are casual callers.

12. Mr. Aditya Gupta was the chairman of 'Vandan 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 announced taking over of 'Karur Bank'. Aditya Gupta knew that the share price of Vandan 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 Nimesh and asked him to invest ₹ 6 crores in the shares of his bank promising him the capital gain.

As expected, the share prices went up by 40% and the market price of Nimesh's shares was now ₹ 8.4 crores. He had earned a profit of ₹ 2.4 crores. He gave ₹ 1.2 crore to Mr. Aditya Gupta and kept ₹ 1.2 crore with him. 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 imposed a heavy penalty on Aditya Gupta.

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 so that trading is fair and transparent.
- Insider trading means using unpublished price-sensitive information to obtain an unfair advantage in securities transactions. SEBI prohibits it as a protective function.
- Calling for information, undertaking inspections and conducting enquiries or audits of market intermediaries are regulatory functions of SEBI.

Step 1: Identify the protective function **Prohibiting insider trading:** The relevant line is: "SEBI imposed a heavy penalty on Aditya Gupta." Gupta knew about the takeover through his position as chairman and arranged for Nimesh to buy shares to profit from that information. Using another person to make the investment does not remove the misuse of privileged information. By detecting and penalising this practice, SEBI performed its protective function of checking insider trading, thereby safeguarding ordinary investors who did not possess the same information.

Step 2: Identify the regulatory function **Inspection and enquiries:** The evidence is: "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 regulates the securities market by calling for information and undertaking inspections, enquiries and audits of stock exchanges and market intermediaries. Here its inspection and enquiries into the brokers' dealings revealed the irregular transactions and enabled regulatory action.

Step 3: Conclusion The two functions are prohibiting insider trading, a protective function, and undertaking inspections and enquiries of market intermediaries, a regulatory function. The quoted actions establish both directly.

Quick Tip to Solve: Link each quoted action to a distinct SEBI function: privileged-information trading points to protection, while inspection and enquiries point to regulation.

13. State any three directions which can be issued by the consumer court to the opposite party if it is satisfied about the genuineness of the complaint. [3 marks]

Solution:

Concept:

- Under the Consumer Protection Act applicable to this paper, consumer redressal agencies can grant relief when they are satisfied that a consumer's complaint is genuine.
- Remedies address the defect in goods, the loss suffered by the buyer or the consideration paid. The appropriate direction depends on the facts of the complaint.

Step 1: State the direction to remove the defect **Remove the defect:** The consumer court may direct the opposite party to remove the defect in the goods in question. This requires the supplier to rectify the fault established in the complaint so that the consumer receives goods that perform as they should. Merely assuring the consumer that the product will work is insufficient; the defect itself must be removed.

Step 2: State the direction to replace the goods **Replace the goods:** The court may order replacement of the defective goods with new goods of similar description which are free from any defect. The replacement must provide the consumer with the proper product that was contracted for, rather than another defective article. This relief is distinct from repairing the original goods.

Step 3: State the direction to refund the price **Refund the price:** The court may direct the opposite party to return the price paid by the consumer for the goods, or the charges paid for the service, as the case may be. This restores the consumer's payment when the complaint justifies a refund. These are three permissible directions; the question does not require every available remedy to be listed.

Step 4: Conclusion Any three valid directions are removal of the defect, replacement with defect-free goods of similar description, and refund of the price or service charges paid by the consumer.

Quick Tip to Solve: Use three distinct remedies – repair, replacement and refund – and explain what the opposite party must actually do under each direction.

14. Explain any four features of management. [4 marks]

Solution:

Concept:

- Management is the process of getting things done with the aim of achieving organisational objectives effectively and efficiently.
- Its features describe how managers coordinate people and resources in organisations. Four features are goal orientation, pervasiveness, multidimensionality and continuity.

Step 1: Explain goal orientation and pervasiveness **Management is a goal-oriented process:** Every organisation exists to achieve stated objectives. Management unites the efforts of different individuals towards these objectives instead of allowing their activities to remain unrelated. For example, a business manager coordinates production and sales to achieve the organisation's sales target.

Management is all pervasive: Management is needed in all types of organisations, whether economic,

social or political, and at every level. A factory, a school and a hospital all require planning, organising and control. The particular methods may differ with the activity and circumstances, but the need to manage remains common.

Step 2: Explain multidimensionality and continuity **Management is multidimensional:** Management involves managing work, people and operations. It translates the work to be done into objectives, deals with employees both as individuals and as a group, and coordinates the process that transforms inputs into useful outputs. These dimensions are interrelated and must be managed together.

Management is a continuous process: Management consists of continuing and interrelated functions such as planning, organising, staffing, directing and controlling. These functions are performed on an ongoing basis rather than only once. For example, controlling current results provides information for subsequent plans, while directing continues as employees carry out those plans.

Step 3: Conclusion Thus, management is goal oriented, all pervasive, multidimensional and continuous. Together these features show that management coordinates ongoing organisational activities and human effort towards common objectives.

Quick Tip to Solve: For each feature, give its NCERT name and explain what it means in an organisation; do not merely list four headings.

15. 'Accent Electronics Ltd.' was operating its business in Malaysia. The company started exporting its products to India when the Prime Minister announced relaxation in import duties on electronic items. The company appointed retailers in India who had direct on-line links with the suppliers to replenish stocks when needed.

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

Solution:

Concept:

- The business environment comprises external forces and conditions that affect the performance of an enterprise. Its dimensions include economic, social, technological, political and legal influences.
- A case is classified by the nature of the influence described: import-duty policy affects economic conditions, while electronic links used in business operations reflect technological change.

Step 1: Identify and explain the economic environment **Economic environment:** The clue is that the company began exporting to India when the Prime Minister announced "relaxation in import duties on electronic items." The economic environment includes factors such as interest rates, income, inflation and changes in economic policies that influence business opportunities and decisions.

Import duties affect the cost of goods brought into a country. Relaxation in these duties makes the Indian market more favourable for imports of electronic products and creates an opportunity for Accent Electronics Ltd. to export there. The important factor is the change in the economic policy affecting trade; the fact that the Prime Minister announces it does not change the nature of this particular influence.

Step 2: Identify and explain the technological environment **Technological environment:** The clue is that the retailers had "direct on-line links with the suppliers to replenish stocks when needed."

The technological environment includes scientific improvements, innovations and new methods or equipment that provide new ways of producing goods and services or conducting business.

Here, the online connection applies information and communication technology to stock replenishment. Retailers can communicate their stock requirements directly to suppliers, helping them obtain fresh supplies when needed. Thus, technology changes the way the distribution system operates and enables closer coordination between retailers and suppliers. The case refers specifically to this electronic link, rather than to any change in consumers' social preferences.

Step 3: Conclusion The two dimensions discussed are the **economic environment**, reflected in relaxation of import duties, and the **technological environment**, reflected in retailers' direct online links with suppliers for replenishing stocks.

Quick Tip to Solve: Classify a case by the force that changes business: trade-duty policy signals the economic dimension; online business systems signal the technological dimension.

---

16. 'Panda Trucks Ltd.' decided to set-up its new truck manufacturing factory in the backward area of Bihar where very less job opportunities were available. People of that area welcomed this effort of 'Panda Trucks 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.

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

Sanjay found out that in both the companies there was systematic co-ordination among the various activities to achieve organizational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organization communication took place only through the scalar chain, whereas 'Panda Trucks 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.

(a) Identify the type of organization which permits 'Panda Trucks Ltd.' the flow of communication in all the directions.

(b) State an advantage of the type of organization identified in (a) above.

(c) State any two values which 'Panda Trucks Ltd.' wanted to communicate to the society. [4 marks]

Solution:

Concept:

- Informal organisation is the network of personal and social relationships that develops spontaneously among people working in a formal organisation.
- Its communication does not have to follow the prescribed scalar chain. Formal responsibilities and informal relationships can exist together in the same enterprise.

Step 1: Identify the organisation in part (a) **Informal organisation:** Panda Trucks Ltd. permits the flow of communication through its informal organisation. The decisive clue is that information flows 'in all the directions as per the requirement', rather than only through the scalar chain. The employees' clearly defined responsibility and accountability describe the formal structure that also exists; they do not prevent informal contacts from developing alongside it.

Step 2: State one advantage for part (b) **Faster communication and feedback:** Since informal communication need not pass through every prescribed level of authority, information can spread quickly and feedback can be obtained promptly. This is the advantage specifically illustrated by the words 'faster spread of information as well as quick feedback'. It helps employees exchange information without waiting for the entire formal route.

Step 3: State the two values for part (c) **Concern for employment and balanced regional development:** Establishing the factory in a backward area of Bihar, where job opportunities were scarce, shows concern for the livelihood of local people and development of a less developed area.

Concern for employee and community welfare: Providing a school, hospital and market shows social responsibility towards workers and their families. These facilities address education, health and everyday needs, rather than treating people only as a source of labour.

Step 4: Conclusion (a) The organisation is informal organisation. (b) One advantage is faster communication with quick feedback. (c) The two values are concern for local employment and regional development, and concern for employee and community welfare.

Quick Tip to Solve: Use the communication route to distinguish formal from informal organisation; use the factory location and welfare facilities to identify the social values.

---

17. 'K.S. Energy Ltd.' was a energy efficiency consultancy company. 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 team leader used to travel by air, whereas his team travelled by road/train. It was not only time consuming but also at times forced female team members to travel alone.

As a result, the subordinates were not acting in a desired manner to achieve organizational goals. The CEO came to know about it. He called the team leader, discussed the matter with him and changed the travel policy of the company. It was decided that all the members including the leader would travel together in future and would usefully utilize the travelling time in discussion with the subordinates about the 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:

- Motivation, an element of directing, is the process of stimulating people to act in a desired manner to accomplish desired goals.
- The CEO improves the conditions that had discouraged the team. The resulting willingness to work towards organisational goals points to motivation.

Step 1: Identify the element used by the CEO The element is **motivation**. Initially, the subordinates 'were not acting in a desired manner'. After the CEO changed the travel policy, every member started acting as desired by the leader. Travelling together addresses the team's difficulties and makes the journey useful for discussing client presentations. The following are the features of motivation.

Step 2: Explain its internal and goal-directed nature **Motivation is an internal feeling:** The urge

to act arises within an individual from needs, desires, aspirations and feelings. Managers create conditions that stimulate this urge; the employee's willingness to act comes from within. In this case, addressing the team's travel difficulties helps restore that willingness.

Motivation produces goal-directed behaviour: It induces people to channel their efforts towards the desired objectives. Here, members begin acting in the desired manner and use travel time to discuss presentations, directing their effort towards obtaining business for the company.

Step 3: Explain its forms and complexity **Motivation can be either positive or negative:** Positive motivation uses rewards or favourable conditions to encourage performance; negative motivation uses fear of punishment to discourage undesirable conduct. The CEO uses a positive approach by improving the travel arrangement, rather than threatening the team.

Motivation is a complex process: Individuals differ in their needs, expectations and reactions. The same incentive may not motivate everyone equally, so a manager must understand people and choose suitable measures. The CEO first discusses the problem with the leader and then changes the policy to meet the team's difficulties.

Step 4: Conclusion The CEO uses motivation. Its four features are that it is an internal feeling, produces goal-directed behaviour, can be positive or negative, and is a complex process because individuals differ in their needs and responses.

Quick Tip to Solve: When a case stresses a change in employees' willingness to act towards goals, identify motivation and then state its textbook features.

18. Diksha Ltd. was marketing 'Dish-Washers' which were very popular due to their quality and after-sale 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 its after-sale services. As a result its relations with the customers got spoiled and the image of the company was damaged in the eyes of the public. Top management became concerned when the profits for the current quarter fell steeply. On analysis it was revealed that ignoring after-sale services was its reason. Therefore, the company took all possible measures to protect and promote its image. 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 images.

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

Solution:

Concept:

- Public relations is a promotion tool concerned with managing an organisation's relations with its public and building a favourable corporate image.
- A firm's public includes customers as well as employees, shareholders, suppliers, government and the community. Goodwill depends on their confidence in its conduct.

Step 1: Identify and state the communication tool **(a) Public relations.** It means undertaking activities to protect and promote the image of a company and its products in the eyes of the public.

Diksha Ltd. took "all possible measures to protect and promote its image", after neglect of after-sale service had damaged customer relations. The reference to improved goodwill in society confirms public relations, rather than a direct sales appeal such as advertising.

Step 2: Explain the role of public relations **(b) Building a favourable image:** Public relations creates a positive impression of the organisation and its products. Diksha Ltd. needs to rebuild the reputation damaged by its poor after-sale services.

Creating interest and confidence: Favourable information about an organisation and its products can generate public interest and trust. Customers are more willing to deal with a firm whose conduct and services they regard as dependable.

Defending against adverse publicity: Public relations helps an organisation respond to negative publicity and misunderstanding by presenting accurate information and explaining corrective action. Here the company must address the dissatisfaction caused by neglected service.

Supporting goodwill and continuing relationships: Maintaining communication with different groups helps sustain their support for the enterprise. The case states that the company's goodwill improved in society after the measures were taken; this is the desired relationship-building outcome.

Step 3: Conclusion The tool is **public relations**. By protecting and promoting the corporate image, restoring confidence and dealing with adverse public impressions, it helps Diksha Ltd. rebuild goodwill and customer relationships.

Quick Tip to Solve: In a case about corporate image, public confidence and goodwill in society, identify public relations and connect each role to the firm's reputation.

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

Solution:

Concept:

- The primary market deals in new securities issued by companies to raise capital. Funds from a new issue reach the issuing company.
- Floatation refers to bringing new securities to investors. The method determines how the issue is offered, who receives it and how applications are obtained.

Step 1: State public-offer methods **1. Offer through prospectus:** A company invites the public to subscribe to its new securities by issuing a prospectus. The prospectus gives information about the company, its financial position, the purpose of the issue and its prospects. Investors apply for the securities on the terms stated in this invitation. The issue may be underwritten and must meet the applicable disclosure requirements.

2. Offer for sale: The issuing company sells securities to intermediary institutions, such as issuing houses or stockbrokers, at an agreed price. These intermediaries then offer the securities for sale to the investing public, generally at a higher price. Thus, the public obtains the securities through the intermediary instead of applying directly to the issuing company.

Step 2: State selective and existing-shareholder methods **3. Private placement:** Securities are allotted to selected investors, such as institutional investors or a limited group of individuals, rather

than being offered to the general public. This method can raise capital more quickly and avoids many of the expenses associated with a public issue. The essential feature is the selection of a particular group of subscribers.

4. Rights issue: An existing company offers new shares first to its existing equity shareholders in proportion to their current shareholding. The offer gives these shareholders the opportunity to subscribe to additional shares before an offer is made to others. This helps shareholders maintain their proportionate ownership if they take up the entitlement.

Step 3: Conclusion Four methods of floatation in the primary market are **offer through prospectus, offer for sale, private placement and rights issue**. Each brings new securities to investors, although the route of offering and the intended subscribers differ.

Quick Tip to Solve: Remember the recipient in each route: the public directly, the public through an intermediary, selected investors, and existing shareholders.

---

20. Two years ago Nishant, completed his degree in Textile Engineering. He worked for sometime in a company manufacturing readymade garments. He was not happy in the company and decided to have his own readymade garments manufacturing unit. He set the objectives and the targets and formulate action plan to achieve the same.

One of his objectives was to earn 80% profit on the amount invested in the first year. It was decided that raw materials like cloth, thread, buttons etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Ritesh as a production manager, who decides the exact manner in which the production activities are to be carried out. Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year. Nishant informed Ritesh about his sales target for different products areawise for the forthcoming quarter.

A penalty of ₹ 200 per day was announced for the workers who found smoking in the factory premises.

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

[5 marks]

Solution:

Concept:

- Planning specifies the results to be achieved and the action needed to achieve them. Different types of plans answer different questions: what to achieve, how to guide decisions, which sequence to follow and how to perform a task.
- Objectives state desired results; policies guide decisions; procedures prescribe a sequence; methods specify the manner of performing an activity; budgets express expected results in numerical terms; rules prescribe or prohibit specific conduct.

Step 1: Identify the desired result and the purchasing guideline **Objective:** "One of his objectives was to earn 80% profit on the amount invested in the first year." An objective is the end towards which activities are directed. The stated return and time period give Nishant a definite result against which actual performance can be compared.

Policy: "Raw materials like cloth, thread, buttons etc. will be purchased on two months credit." A policy is a general guideline for decision-making. This credit-purchase guideline directs purchasing decisions whenever raw materials are bought; it does not describe the detailed sequence of placing an order.

Step 2: Separate the sequence of activities from the manner of doing a task **Procedure:** "He also decided to follow the steps required for marketing the products through his own outlets." A procedure specifies the steps to be followed in a particular order for carrying out activities. Here it concerns the sequence for marketing the garments through the outlets.

Method: Ritesh "decides the exact manner in which the production activities are to be carried out." A method specifies the prescribed way of performing a particular task. It therefore concerns how production work is done, rather than the order of several marketing activities.

Step 3: Recognise numerical plans and the prescribed restriction **Budget:** "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year." Also, "Nishant informed Ritesh about his sales target for different products areawise for the forthcoming quarter." A budget is a statement of expected results expressed in numerical terms. The workforce requirement is a personnel budget, while the product-wise and area-wise sales targets constitute a sales budget. A budget may be stated in physical quantities, such as workers or units sold, and need not be expressed only in money.

Rule: "A penalty of Rs 200 per day was announced for the workers who found smoking in the factory premises." A rule specifies exactly what must or must not be done and allows no discretion in the prescribed conduct. The prohibition of smoking, backed by the stated penalty, is such a rule.

Step 4: Conclusion The case illustrates objectives, policy, procedure, method, budget and rule. The profit target is the desired end, the credit condition guides purchases, the marketing steps specify a sequence, the production manner is a method, the workforce and sales statements are numerical budgets, and the smoking restriction is a rule.

Quick Tip to Solve: Classify a plan by its role: end = objective, guideline = policy, sequence = procedure, exact way = method, numerical statement = budget, and compulsory restriction = rule.

21. Yash is working in a multinational company in Noida. He was running temperature for the last many days. When his blood was tested, he found positive for chickengunia. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his immediate superior 'Vineet'. Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash. 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 by Vineet to the society. [5 marks]

Solution:

Concept:

- Formal communication flows through the official channels established by the organisational hierarchy. Informal communication arises from social interaction and personal relationships, independently of the prescribed chain of command.
- The medium alone does not determine the type: a text message can be formal or informal. The purpose, authority and channel through which the information travels decide its classification.

Step 1: Quote the formal and informal communication in the case **(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 his managerial capacity. It represents downward communication through organisational authority for workplace sanitation.

Informal communication: "Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash." The appeal arises from personal concern for a colleague and spreads through social relationships, rather than as an official work order. The colleague's message informing Vineet of Yash's illness is also part of this personal exchange. The use of a phone does not itself make the communication informal; its social purpose and departure from a prescribed official work channel do so.

Step 2: State two features of informal communication **(b) No prescribed route:** Informal communication does not follow the formal chain of command. Information may pass between people at different levels or in different departments according to their personal contacts. It is commonly called the grapevine.

Rapid transmission: Informal information spreads quickly through a network of social contacts, often faster than an official message moving through successive hierarchical levels. This speed can help employees respond promptly, as in an urgent request for blood donation, although informal messages may also become distorted during transmission.

Step 3: Identify two values demonstrated by Vineet **(c) Compassion and concern for others:** Vineet responds immediately to Yash's serious condition and requests help. His action expresses sensitivity to another person's suffering and a willingness to support someone in need.

Cooperation and social responsibility: By requesting employees to donate blood, he encourages collective action to save a life. He communicates that members of society should help one another

voluntarily in an emergency and treat human welfare as a shared responsibility.

Step 4: Conclusion The General Manager's sanitation order is formal communication, while Vineet's blood-donation appeal is informal communication. Informal communication follows social contacts rather than a prescribed route and spreads rapidly. Vineet demonstrates compassion and cooperative social responsibility through his prompt appeal for help.

Quick Tip to Solve: For a communication case, first identify whether the message is an official work instruction or a personal social exchange; do not classify it merely by whether it was sent as a text message.

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

Solution:

Concept:

- Planning decides in advance what is to be achieved and how it is to be achieved. It lays down objectives and standards for future performance.
- Controlling compares actual performance with those standards, identifies deviations and initiates corrective action. Planning and controlling are inseparable and mutually dependent functions of management.

Step 1: Explain how planning provides the basis for controlling **Planning supplies standards:** The targets established through planning become the standards against which actual performance is measured. For example, a planned production target provides a definite basis for judging actual output. Without a predetermined standard, a manager cannot identify a deviation objectively; controlling would have no meaningful basis.

Controlling gives meaning to planning: Merely preparing a plan does not ensure its achievement. Controlling checks whether activities conform to the plan and prompts corrective action when they do not. Thus, a plan without control remains an intention, while control helps translate the plan into results.

Step 2: Explain their backward-looking and forward-looking aspects **Both are forward-looking:** Planning looks ahead and prepares a course of action for future objectives. Controlling also looks ahead because corrective action aims to improve future performance and prevent a recurrence of deviations. Its purpose is not merely to record past mistakes.

Both are backward-looking: Planning draws on past experience and the feedback obtained from earlier results. Controlling necessarily examines performance already achieved and compares it with the standards laid down earlier. Therefore, it is incomplete to describe planning as only forward-looking and controlling as only backward-looking.

Step 3: Show how the two functions complete a cycle **Control provides feedback for the next plan:** Comparing results with targets reveals whether the methods, resources or assumptions of the plan were suitable. Managers use this information to correct operations and, where necessary, revise future plans. Planning begins the management cycle and controlling completes it, while supplying the information with which the next cycle begins.

Step 4: Conclusion Planning and controlling are interdependent: planning establishes the standards,

controlling ensures action towards them, and control feedback improves subsequent planning. Each function therefore supports and completes the other.

Quick Tip to Solve: Organise this relationship around standards, corrective action and feedback; then explain why both functions look ahead as well as draw on the past.

23. Explain any four points that highlight the importance of principles of management. [6 marks]

Solution:

Concept:

- Principles of management are broad guidelines for managerial decision-making and behaviour. They have been developed through observation, experience and experimentation in organisations.
- Their importance lies in helping managers understand situations and improve decisions. They are flexible guidelines, so their application must take account of the circumstances of the organisation.

Step 1: Explain their contribution to managerial understanding and resource use

- **Providing managers with useful insights into reality:** Management principles improve a manager's understanding of real situations by drawing on accumulated knowledge and experience. They help the manager recognise relationships between actions and likely results, avoiding the need to discover every lesson through personal trial and error. For example, unity of command helps explain why orders from several superiors can confuse an employee.
- **Optimum utilisation of resources and effective administration:** The principles guide the best possible use of human and material resources by reducing waste and avoiding unnecessary effort. Appropriate division of work develops specialisation, while a suitable balance between authority and responsibility clarifies duties. By guiding managerial conduct and making relationships clearer, the principles also support effective administration and cooperation in the organisation.

Step 2: Explain their contribution to decisions and adaptation

- **Scientific decisions:** Management principles encourage decisions based on facts, logic and an understanding of cause-and-effect relationships rather than personal whims, prejudice or guesswork. Managers can examine the situation, consider suitable principles and assess the likely consequences before acting. This makes decisions more objective and reasoned, although judgement is still needed because the principles are general guidelines rather than rigid rules.
- **Meeting changing environmental requirements:** Since management principles are flexible, managers can adapt their application to changes in technology, competition, customer expectations and the workforce. A principle is applied with regard to the prevailing circumstances rather than mechanically. This flexibility enables the organisation to respond to new requirements while still using the accumulated knowledge of management to guide its actions.

Step 3: Conclusion Management principles provide useful insights into reality, promote optimum resource utilisation and effective administration, support scientific decisions, and help organisations meet changing environmental requirements. These four contributions explain their practical importance to managers.

Quick Tip to Solve: Name each importance point using its NCERT heading, then explain how that point improves managerial action instead of merely listing principles such as unity of command.

24. Sakshi Ltd. is a company manufacturing electronic goods. It has a share capital of ₹ 120 lakhs. The earning per share in the previous year was ₹ 0.5. For diversification, the company requires additional capital of ₹ 80 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year the company earned profit of ₹ 16 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:

- Interest on debentures is a fixed charge deducted from operating profit before computing tax. Profit after interest and tax belongs to equity shareholders.
- Earnings per share requires the number of equity shares, not merely the rupee amount of share capital. Debt leaves that number unchanged, but its fixed interest can reduce the earnings available to those shares.

Step 1: Calculate earnings available to equity shareholders The company earns Rs 16 lakhs before the financing charge. Interest on the Rs 80 lakhs of debentures at 10% is Rs 8 lakhs. Therefore profit before tax is Rs 8 lakhs. Tax at 40% is Rs 3.2 lakhs, leaving profit after tax of Rs 4.8 lakhs. No preference dividend is mentioned, so this is the amount available for equity shareholders.

Step 2: Compare the earnings per share with the previous year The printed question gives share capital of Rs 120 lakhs but does not give the number of shares or their face value. Consequently it does not determine a unique numerical EPS. Let the face value of each fully paid equity share be Rs F. There are then 120/F lakh shares, and current EPS is Rs 0.04F. Compared with the previous EPS of Rs 0.50, shareholders lose if F is below Rs 12.50, break even if F is Rs 12.50, and gain if F exceeds Rs 12.50.

If the intended denomination is Rs 10 per share, there are 12 lakh shares and current EPS is Rs 4.8 lakhs divided by 12 lakh, namely Rs 0.40. On that explicitly stated condition, EPS falls by Rs 0.10 per share, or 20%, and shareholders lose. Rs 10 cannot be inferred from the printed share capital alone.

Step 3: State three factors favouring debenture finance **Cash-flow position:** Strong, predictable operating cash flows enable a company to meet interest payments and repay principal when due. A company should choose debt only when it can meet these compulsory payments even during a weak period.

Tax rate: Interest is deductible in calculating taxable business profit. A higher tax rate makes the tax saving on interest more valuable and reduces the effective cost of debt; this company is subject to a 40% tax rate.

Control: Debenture holders are creditors and normally have no voting rights in company management. Raising the additional funds through debentures therefore avoids diluting the voting control of existing equity shareholders. These are financing considerations, not a claim that all three conditions are proved by the case.

Step 4: Conclusion Current earnings available to equity shareholders are Rs 4.8 lakhs. A definite gain

or loss in EPS requires the omitted share denomination or share count. With Rs 10 shares, current EPS is Rs 0.40 against Rs 0.50 previously, a loss of Rs 0.10 per share. Favourable cash flows, the tax advantage of interest and retention of control can favour debenture finance.

Quick Tip to Solve: Deduct interest before tax, then divide profit after tax by the number of equity shares. Check that the share count or face value is actually supplied before reporting EPS.

25. Pooja purchased a packet of juice from the local grocery shop. The information provided on the packet 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.

(a) Identify the important aspect which has been neglected by the marketer in the above case.

(b) Explain briefly the functions of the aspect identified in (a) above. [6 marks]

Solution:

Concept:

- Labelling means designing the label placed on a product or its package. It communicates the product's identity, characteristics, use and other necessary information to buyers.
- A label is more than a decorative brand name: its information should be clear enough to help a consumer select, store and use the product properly.

Step 1: Identify the neglected aspect from the case The neglected aspect is **labelling**. The clue is that "the information provided on the packet was not clear". The question concerns information conveyed on the juice packet, rather than the physical protection provided by packaging. The later complaint and relief show the consumer's response, but the marketing aspect to identify remains labelling. The case does not state which particular detail was unclear, so no specific missing date or ingredient should be invented.

Step 2: Explain the information and identification functions **Describes the product and specifies its contents:** A label gives details such as ingredients, quantity, manufacturing and expiry dates, directions for use, precautions and storage requirements, as appropriate. Clear information on a juice packet helps the buyer assess the product and consume it safely.

Identifies the product or brand: The label displays the product's and brand's names or symbols. This helps buyers recognise the juice, distinguish it from competing products and locate the same brand when purchasing again.

Helps in grading products: Labels can indicate different qualities, varieties or grades through names, letters or other classifications. This helps customers distinguish versions of a product and select the quality or variety suited to their requirements.

Step 3: Explain the promotional and required-information functions **Helps in promotion:** An attractive label draws attention at the point of sale and can communicate special features or promotional offers. Its design and message support the product's appeal and encourage purchase, while the information must remain truthful and understandable.

Provides information required by law: Labels carry prescribed declarations and warnings where applicable, such as net quantity, maximum retail price, manufacturer details and required safety

information. For a packaged food or drink, relevant mandatory declarations help consumers make informed choices and enable accountability. The label must communicate these details clearly; merely printing an unreadable statement does not serve the consumer's information need.

Step 4: Conclusion The marketer neglected labelling. Its major functions are describing the product and its contents, identifying the product or brand, grading products, assisting promotion and providing information required by law. In Pooja's case, clear product information was especially important for informed and safe consumption.

Quick Tip to Solve: When a case mentions unclear information on a packet, identify labelling; when it stresses the container's protection or handling, consider packaging.