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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1** marks may be form **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. 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:

- The right to choose assures consumers access to a variety of goods and services at competitive prices.
- A real choice requires alternatives, so that a buyer can compare brands before deciding.

Step 1: Identify the clue in the case The shop displays a 'variety of products of different brands'. Manvendra can compare alternatives and select what best meets his needs rather than being restricted to one brand.

Step 2: Name the right exercised This freedom to select among available products is the right to choose. The convenient location of other shops does not replace the range of alternatives available at this shop.

Step 3: Conclusion Manvendra exercised the consumer's **right to choose**.

Quick Tip to Solve: Several brands and freedom of selection point to the right to choose; product safety points to a different right.

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

Solution:

Concept:

- Physical distribution manages the movement of finished goods from the producer to customers.
- Its main decisions concern order processing, transportation, warehousing and inventory control.

Step 1: Place inventory in the distribution process Inventory management decides how much finished stock should be held to fulfil customer orders without unnecessary carrying costs. It affects the timely availability of products.

Step 2: Identify the marketing function These stock decisions form part of physical distribution because they support the delivery of goods. The question asks for the broad marketing function rather than the individual inventory-control activity.

Step 3: Conclusion The marketing function is **physical distribution**.

Quick Tip to Solve: Remember the four physical-distribution decisions together: orders, transport, warehousing and inventory.

3. '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:

- Fixed capital is invested in long-term assets such as plant and machinery.
- Higher growth prospects increase fixed capital requirements because expansion needs additional productive capacity.

Step 1: Read the expansion evidence Sumit 'anticipated the higher demand in future' and planned to supply five-star hotels. This indicates expected business growth beyond the existing local market.

Step 2: Connect growth to fixed assets To meet this expected demand, the company plans to buy a sophisticated machine that improves the quantity and quality of output. Expansion therefore calls for greater investment in a long-term productive asset.

Step 3: Conclusion The factor is **growth prospects**: expected expansion increases fixed capital requirements.

Quick Tip to Solve: When future demand and expansion lead to new machinery, identify growth prospects rather than merely repeating the asset being bought.

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

Solution:

Concept:

- Financial planning estimates financial requirements and determines the sources from which they will be met.
- It coordinates investment needs with financing arrangements so funds are available in the required amount and at the required time.

Step 1: Identify the connecting aspect Investment decisions establish where funds will be used, while financing decisions establish where those funds will come from. Financial planning brings these two decisions together.

Step 2: State its meaning Financial planning is the process of estimating the funds required by a business and specifying the sources of funds. This helps avoid both a shortage of finance and unnecessary surplus funds.

Step 3: Conclusion The aspect is **financial planning**: estimating financial requirements and specifying their sources.

Quick Tip to Solve: A link between the uses of funds and their sources signals financial planning.

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

Solution:

Concept:

- A functional structure groups similar jobs into departments such as production, marketing and finance.
- Concentrating related activities develops functional specialisation and improves managerial and operational efficiency.

Step 1: Recognise the efficiency clue When employees repeatedly perform related specialised work, they acquire expertise. Managers also supervise a coherent group of activities within their own functional area.

Step 2: Name the structure Grouping jobs by functions therefore reduces duplication and supports effective supervision and efficient operations. This is the functional structure, the structure associated with functional specialisation.

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

Quick Tip to Solve: Functional specialisation and managerial or operational efficiency are standard clues for a functional structure.

6. 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:

- Effectiveness means completing the right tasks and achieving stated objectives.
- Efficiency means carrying out work with minimum cost and wastage of resources; management must seek both.

Step 1: Evaluate the statement No. Doing the right task and achieving goals describes effectiveness, but this alone does not cover the full concern of management. A goal achieved with excessive resource use may still be inefficient.

Step 2: Explain the cost-benefit concern Management must also use money, materials, time and effort economically. It aims to achieve organisational objectives while minimising costs and wastage, so the benefit of achieving a goal is considered alongside its resource cost.

Step 3: Conclusion **No.** Management is concerned with both effectiveness and efficiency: achieving goals with minimum cost and wastage.

Quick Tip to Solve: Separate the two ideas: effectiveness asks whether the goal was achieved; efficiency asks how economically it was achieved.

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

Solution:

Concept:

- Delegation transfers authority from a superior to a subordinate to perform assigned duties.
- Authority is the legitimate right to command and make decisions within the limits of an organisational position.

Step 1: State the right involved Authority means the right of an individual to command subordinates and to take action within the scope of the position. It permits the holder to issue instructions and obtain compliance.

Step 2: Relate it to delegated work A subordinate entrusted with a task needs adequate authority to make the decisions required for that task. This right is distinct from responsibility, which is the obligation to carry out the assigned duty.

Step 3: Conclusion **Authority** is the right to command subordinates and take action within the scope of one's position.

Quick Tip to Solve: Use the word right for authority and obligation for responsibility to keep the elements of delegation distinct.

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

Solution:

Concept:

- Functional foremanship divides supervision among specialists, each responsible for a particular aspect of a worker's performance.
- The speed boss is a specialist under the production in-charge in Taylor's system of scientific management.

Step 1: Identify the specialist's responsibility The speed boss ensures that workers complete the job accurately and on time. He helps them achieve the prescribed speed of work without sacrificing accuracy.

Step 2: State how the responsibility is carried out He makes sure that the appropriate tools and machines are used and that the required cutting speed and other operating conditions are maintained. This enables the worker to perform according to the specified standard.

Step 3: Conclusion The speed boss is responsible for the accurate and timely completion of the job, ensuring the use of suitable tools, machines and operating speed.

Quick Tip to Solve: Link the speed boss with timely and accurate production; the repair boss maintains machines, while the inspector checks quality.

9. 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:

- Consumer redressal agencies provide relief when a genuine complaint establishes defective goods, deficient services or another recognised consumer grievance.
- Their orders can restore the consumer's position by removing the defect, replacing the goods or returning the price paid. The question permits any three recognised directions.

Step 1: State directions that correct the defective purchase **Removal of defect:** The consumer court may direct the opposite party to remove the defect in the goods. This requires the seller or manufacturer to rectify the fault so that the goods meet the promised standard. In a service complaint, the corresponding direction may require removal of the deficiency in service.

Replacement of goods: It may direct replacement of the defective goods with new goods of a similar description that are free from defects. This gives the consumer a satisfactory product in place of the faulty one supplied.

Step 2: State the direction for monetary restoration **Refund of price:** It may direct the opposite party to return the price paid by the consumer for the goods, or the charges paid for a deficient service. A refund restores the amount spent where the purchase has not provided the promised benefit. This is a distinct relief from repairing or replacing the goods.

Step 3: Conclusion Any three valid directions are removal of the defect, replacement with defect-free goods of a similar description, and refund of the price or charges paid.

Quick Tip to Solve: Remember the three basic remedies as repair, replacement and refund, and describe each as a direction to the opposite party.

10. 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's protective functions safeguard investors and market fairness. Prohibiting insider trading prevents a person with access to unpublished price-sensitive information from obtaining an unfair trading advantage.
- SEBI's regulatory functions include calling for information and undertaking inspection, enquiries and audits of stock exchanges and securities-market intermediaries.

Step 1: Identify the protective function with case evidence **Prohibition of insider trading:** The case says, "Aditya Gupta knew that the share price of Vandan Bank would rise on this announcement" and that he asked Nimesh to invest in the bank's shares, promising a capital gain. Aditya used his privileged knowledge of the takeover through his friend and shared the resulting gain. The line "SEBI imposed a heavy penalty on Aditya Gupta" shows SEBI acting against this insider-trading irregularity. Such action protects ordinary investors who do not have access to confidential information.

Step 2: Identify the regulatory function with case evidence **Inspection and enquiries of intermediaries:** The relevant words are "On regular inspection and by conducting enquiries of the brokers involved ... SEBI was able to detect this irregularity." This illustrates SEBI's regulatory role of inspecting and enquiring into the activities of securities-market intermediaries. Examination of the brokers' activities enabled the regulator to discover the improper transaction and enforce compliance with market rules.

Step 3: Conclusion The two functions are prohibition of insider trading, a protective function, and undertaking inspections and enquiries of brokers, a regulatory function.

Quick Tip to Solve: Match the confidential-information abuse to insider trading and the words "inspection" and "enquiries" to SEBI's regulatory function.

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:

- Internal recruitment fills a vacancy from the organisation's existing workforce; promotion moves an employee to a higher position with greater responsibility.
- External recruitment obtains candidates from outside the organisation. Placement agencies and management consultants help locate suitable applicants, while casual callers provide unsolicited applications retained for future vacancies.

Step 1: Identify the internal source and its merit **Promotion – Vinod's vacancy:** The words "his subordinate Rajesh is very competent and trustworthy" and "moved up in the hierarchy" show that Rajesh was promoted to fill the Human Resource Manager's position. This is an internal source of recruitment. **Merit:** Promotion motivates existing employees because it offers opportunities for career advancement and recognition within their own organisation.

Step 2: Identify the external sources and their merits **Placement agencies and management consultants – Ashok's vacancy:** Rajesh contacted "Zenith Recruiters", who recruited a suitable marketing head. The source is the recruitment agency through which the company obtained the candidate; advertising was a method used by that agency. **Merit:** Such agencies provide specialised assistance in finding suitable managerial talent and save the company's time and effort in searching for candidates.

Casual callers – Umesh's vacancy: The phrase "screening the database of unsolicited applications lying in the office" identifies casual callers. These applicants had applied without a current invitation, and their records were retained. **Merit:** Using this ready database reduces the cost of recruiting when a suitable vacancy arises.

Step 3: Conclusion The sources are promotion for the HR Manager's position, placement agencies and management consultants for the Marketing Head's position, and casual callers for the Assistant Manager's position. Their respective merits are employee motivation, specialised recruitment assistance and lower recruitment cost.

Quick Tip to Solve: Trace who supplies each candidate: an existing subordinate means promotion, a recruiter means an agency, and stored unsolicited applications mean casual callers.

12. 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:

- Effective communication requires both a willingness to exchange information and mutual trust between the sender and receiver.
- Personal barriers arise from the attitudes and behaviour of individuals; psychological barriers arise from their state of mind, including distrust.

Step 1: Identify the personal barrier in part (a) **Lack of confidence of the superior in subordinates:** Ritesh found that his father "did not have confidence in the competency of employees". This is a personal barrier. A superior who doubts employees' competence is unlikely to seek their advice or suggestions. Consequently, useful upward communication is discouraged and employees feel that their contribution is not valued.

Step 2: Identify the psychological barrier in part (a) **Distrust:** The case states that there was "lack of transparency in the operations of the business" and employees were unhappy. Such an atmosphere undermines mutual confidence between management and employees. Distrust is a psychological barrier: when sender and receiver do not trust each other, they may withhold information or interpret messages with suspicion, making the exchange ineffective.

Step 3: State one additional barrier of each type for part (b) **Another personal barrier—unwillingness to communicate:** A subordinate may deliberately withhold information if sharing it appears likely to harm personal interests, so the superior does not receive complete information.

Another psychological barrier—premature evaluation: A receiver may judge a message before the sender has completed it. The judgement rests on incomplete information and prevents a proper understanding of the message.

Step 4: Conclusion The two types illustrated are personal barriers, specifically lack of confidence in subordinates, and psychological barriers, specifically distrust. One further example of each is unwillingness to communicate and premature evaluation, respectively.

Quick Tip to Solve: Link each barrier to a precise case phrase, then give an additional example from the same category rather than merely renaming the original barrier.

13. Explain any three features of 'Planning'. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It bridges the gap between the present position and the desired future position.
- Its features explain how it guides managerial action: it focuses on objectives, precedes other management functions and is required throughout the organisation.

Step 1: Explain the focus on objectives **Planning focuses on achieving objectives:** An organisation first establishes specific objectives, and planning selects the activities and methods required to attain them. A plan has a purpose: it directs effort towards a desired result rather than allowing activities to occur without direction. For example, if a business aims to expand sales, its production and selling plans must support that objective.

Step 2: Explain its position among management functions **Planning is the primary function of management:** Planning lays the foundation for organising, staffing, directing and controlling. Managers need to know what is to be accomplished before they can arrange resources, appoint people or guide their work. Plans also provide the standards against which actual performance is compared during control. Thus, planning precedes the other functions and gives them a basis.

Step 3: Explain its reach across the organisation **Planning is pervasive:** Every level of management and every department needs planning. Top managers make plans for the organisation as a whole, middle managers prepare departmental plans, and lower managers plan day-to-day operations. Its scope and nature differ by level, but it is required everywhere; it is not confined to senior management or to one department.

Step 4: Conclusion Three features of planning are its focus on objectives, its primacy among management functions and its pervasiveness across all levels and departments. Together these show how planning gives direction to coordinated organisational action.

Quick Tip to Solve: For each feature, give its textbook name and explain what it means for managerial action; three names alone do not explain three features.

14. Explain any four points that highlight the importance of management. [4 marks]

Solution:

Concept:

- Management coordinates human, physical and financial resources through planning, organising, staffing, directing and controlling to achieve organisational objectives.
- Its importance lies in achieving group goals efficiently, adapting the organisation to change and helping people realise their individual objectives.

Step 1: Explain the achievement of goals and efficiency **1. Management helps in achieving group goals:** An organisation consists of people with different needs and ways of working. Management gives them a common direction and integrates their individual efforts towards shared organisational

objectives. By coordinating activities, it ensures that departments work towards the same result instead of pursuing conflicting aims.

2. Management increases efficiency: Managers seek to reduce costs and increase productivity through better planning, organising, directing and controlling. They make optimum use of available human, physical and financial resources, reduce wastage and avoid duplication of work. Thus, the organisation can obtain greater output from its resources while achieving its objectives economically.

Step 2: Explain adaptation and the achievement of personal objectives **3. Management creates a dynamic organisation:** An organisation operates in an environment that keeps changing. Employees may resist changes because these disturb familiar routines. Management helps people adapt to new conditions and understand the benefits of change, enabling the enterprise to remain competitive and survive as its environment changes.

4. Management helps in achieving personal objectives: Through motivation and leadership, managers help individuals achieve their personal goals while contributing to organisational success. Suitable rewards, opportunities for growth and attention to employees' needs develop cooperation. For example, recognition for good performance can satisfy an employee's need for esteem while encouraging better work.

Step 3: Conclusion Management is important because it unifies efforts towards group goals, increases efficiency, builds adaptability and reconciles employees' personal objectives with organisational objectives.

Quick Tip to Solve: For each importance point, name the benefit and explain how a manager produces it; do not merely list management functions.

15. 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-mix tool concerned with maintaining good relations with the organisation's public and protecting and promoting a favourable corporate image.
- A company's public includes its customers and other groups interested in its activities. Public relations builds goodwill through communication and responsible organisational conduct, rather

than merely issuing a sales message.

Step 1: Identify and state the communication tool in part (a) The tool is **public relations**. It involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public.

The case says that Diksha Ltd. took "all possible measures to protect and promote its image" and that its "goodwill ... improved in the society". These phrases directly indicate public relations. The earlier neglect of after-sale services had damaged customer relations; protecting the company's reputation and restoring public confidence are therefore the relevant aims. The case does not describe a specific paid advertisement or a short-term sales incentive.

Step 2: Explain the role of public relations in part (b) **Building awareness:** Public relations can place information about the organisation and its products in the media, attracting attention and making the public aware of its activities.

Building credibility: Favourable information communicated through editorial coverage can create trust because readers may regard such coverage as more independent than the firm's own advertisements. This supports a favourable image among customers and other groups.

Stimulating the sales force and dealers: Positive publicity about a company or its product encourages sales personnel and dealers. It strengthens their confidence in the product and makes their selling efforts easier.

Reducing promotion costs: Public relations can reach the public at a lower cost than extensive advertising or direct-mail promotion. The enterprise still incurs the cost of managing public relations, but favourable media attention can provide economical exposure.

In Diksha Ltd.'s situation, these roles support the restoration of confidence and goodwill after its customer relations deteriorated. The case establishes the overall image-building effort without identifying any particular media programme.

Step 3: Conclusion Diksha Ltd. used public relations to protect and improve its image. Public relations supports awareness, credibility, the efforts of sales personnel and dealers, and economical promotion, thereby helping the company rebuild goodwill.

Quick Tip to Solve: Link phrases such as protecting image and improving goodwill to public relations, then explain its roles separately from its communication techniques.

16. '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:

- Directing involves guiding and influencing employees to achieve organisational objectives. Leadership is the process of influencing people's behaviour so that they willingly strive towards these objectives.
- A leader understands followers' difficulties, builds interpersonal relations and directs their efforts towards common goals; leadership is more than issuing orders through formal authority.

Step 1: Identify the element used by the CEO The element is **leadership**. The CEO discussed the problem with the team leader and changed the travel arrangements so that all members would travel together. The evidence is that this "made a positive impact" and team members started acting in the desired manner. His action influenced their behaviour and restored their willingness to work towards the company's objectives.

Step 2: State the features of leadership

- **Ability to influence behaviour:** Leadership indicates an individual's ability to influence others. Here the CEO's decision brought a favourable change in the team's behaviour.
- **Interpersonal relations:** It involves interpersonal relations between a leader and followers. Travelling and discussing presentations together provides an opportunity for interaction between the team leader and subordinates.
- **Common organisational goals:** Leadership seeks to influence behaviour so that people strive to achieve common goals. In this case, the team again worked together to prepare client presentations and obtain business.
- **Continuous process:** Leadership is an ongoing process of influencing behaviour. The revised policy applies to future journeys and creates continuing opportunities to guide the team.

Step 3: Conclusion The CEO used leadership, an element of directing. It involves influencing behaviour through interpersonal relations, directs efforts towards common organisational goals and operates as a continuous process.

Quick Tip to Solve: When a case stresses a positive influence on employees' behaviour, identify leadership; link its features to the leader, followers, common goals and continuing interaction.

17. '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 competiting 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:

- A formal organisation specifies authority, responsibility and accountability through a deliberately created structure. An informal organisation is the network of social relationships that arises through personal interaction among employees.
- Informal communication can move in different directions rather than following only the scalar chain. Business values are inferred from the actions described in the case, such as creating employment and supporting community welfare.

Step 1: Identify the organisation in part (a) The type is **informal organisation**. The decisive clue is that Panda Trucks Ltd. allowed "flow of communication in all the directions as per the requirement". This describes communication through personal and social relationships without being confined to the formal chain of command. Both companies also have a formal structure, as employees know who is responsible and accountable to whom; the additional informal network explains the difference described.

Step 2: State one advantage in part (b) **Faster communication and quick feedback:** Informal communication does not have to pass through every prescribed link of the scalar chain. Information therefore spreads rapidly and employees can obtain feedback quickly. This is directly supported by the case's reference to "faster spread of information as well as quick feedback", enabling people to respond to work requirements promptly.

Step 3: State the two values in part (c)

- **Concern for employment and balanced regional development:** The company established a factory in a backward area of Bihar where very few job opportunities existed. This shows concern for local livelihoods and the development of an underserved region.
- **Concern for community welfare:** The decision to provide a school, hospital and market in the factory premises shows concern for people's education, health and everyday needs, rather than concentrating only on production and profit.

Step 4: Conclusion (a) The communication network is an informal organisation. (b) Its advantage is faster communication with quick feedback. (c) The two values are concern for local employment and regional development, and concern for community welfare through educational, medical and other facilities.

Quick Tip to Solve: Separate the formal accountability structure from the informal communication network; support each social value with a concrete action actually stated in the case.

18. '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:

- Business Environment: external forces affect the opportunities available to an enterprise and the way it conducts its operations. Its dimensions are interrelated, but each is identified by the particular change described.
- The economic environment includes economic policies, such as import duties and foreign-trade policy. The technological environment includes innovations and improvements in methods of production, communication and distribution.

Step 1: Identify and explain the economic environment **Economic environment:** The relevant words are "the Prime Minister announced relaxation in import duties on electronic items." Import duties form part of the government's economic policy governing foreign trade. Their relaxation changes the cost and conditions under which goods enter India, creating an opportunity for overseas suppliers. Accent Electronics responded by starting to export its products to India. Thus the case illustrates how a change in economic policy can influence a business decision about entering a market. The fact that the announcement was made by the Prime Minister does not change the specific economic nature of the import-duty measure.

Step 2: Identify and explain the technological environment **Technological environment:** The relevant words are "direct on-line links with the suppliers to replenish stocks when needed." Such links use information and communication technology to connect retailers with suppliers. Technology changes business methods by allowing information about stock requirements to be transmitted quickly. Here it enables retailers to communicate replenishment needs and coordinate supplies more promptly. It is the use of an online system, rather than the mere appointment of retailers, that identifies the technological dimension.

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

Quick Tip to Solve: Classify the actual change: import-duty or trade-policy changes are economic; online communication and stock-linking systems are technological.

19. State any four functions of Stock Exchange. [4 marks]

Solution:

Concept:

- Financial Markets: a stock exchange provides an organised market for buying and selling existing securities according to established rules and regulations.
- Its functions support investors' ability to trade, the determination of security prices and the movement of savings into productive investment. Any four functions may be stated.

Step 1: State the functions relating to trading and prices **1. Providing liquidity and marketability to existing securities:** A stock exchange creates a continuous market in which investors can buy and sell securities already issued. An investor who needs funds can sell a holding instead of having to retain it indefinitely. This gives marketability and liquidity to the investment, while the funds originally raised by the company remain available to that company.

2. Pricing of securities: The forces of demand and supply operating on the exchange determine security prices. These prices reflect available information and investors' assessment of a company's prospects. They provide a basis on which buyers and sellers can value their holdings and make investment decisions.

Step 2: State the functions relating to safety and economic growth **3. Safety of transactions:** Trading on a stock exchange takes place within a regulated framework. The exchange's rules and the applicable regulatory controls govern dealings and the conduct of its members. This promotes fair practices and protects investors against malpractices. Safety of the trading procedure does not mean that investors are guaranteed a profit or protected from all changes in market prices.

4. Contributing to economic growth: Securities of different companies are traded and investors can shift their funds from less promising investments to more promising ones. This process of disinvestment and reinvestment channels savings towards more productive uses and supports capital formation. Although secondary-market trading does not itself issue fresh shares, an active market helps investors commit savings to securities and assists the overall investment process.

Step 3: Conclusion Four functions of a stock exchange are providing liquidity and marketability, pricing securities, ensuring safety of transactions through regulated dealings, and contributing to economic growth through the allocation of investment funds.

Quick Tip to Solve: Remember four distinct headings: liquidity, price discovery, safety of dealings and economic growth; explain the role of the exchange under each.

20. State the steps in the controlling process. [5 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with planned standards and taking corrective action so that organisational objectives are achieved.
- The controlling process proceeds through five connected steps: setting standards, measuring

performance, comparing performance, analysing deviations and taking corrective action.

Step 1: Set performance standards **Setting performance standards:** Standards are the criteria against which actual performance will be measured. They should be clear, attainable and, wherever possible, expressed in measurable terms such as cost, output, time or sales. Qualitative standards may be used for matters such as employee morale or customer satisfaction.

Step 2: Measure actual performance **Measurement of actual performance:** Determine what has actually been achieved using appropriate methods such as personal observation, sample checking and performance reports. Measurement should be reliable and made at suitable intervals so that deviations can be identified in time.

Step 3: Compare performance with standards **Comparison of actual performance with standards:** Compare the measured results with the standards set for the same activity and period. This establishes whether performance is on target and identifies the direction and size of any deviation.

Step 4: Analyse significant deviations **Analysing deviations:** Investigate deviations to identify their causes. Critical point control focuses attention on key result areas, while management by exception concentrates on deviations beyond acceptable limits. The manager distinguishes important departures requiring attention from minor variations.

Step 5: Take corrective action **Taking corrective action:** Remove the causes of significant deviations through measures such as training employees, improving methods or repairing equipment. If a standard itself is unrealistic, revise it after proper analysis. The action should bring future performance into line with the plan.

Step 6: Conclusion The five steps are setting performance standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action. Together, they provide feedback and help ensure that plans are implemented effectively.

Quick Tip to Solve: Remember the sequence: set, measure, compare, analyse and correct. Identify the cause of a deviation before suggesting corrective action.

21. 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 involves deciding in advance what is to be done and how it is to be done. Different plans specify desired results, decision guidelines, sequences, methods, numerical requirements and mandatory conduct.
- In the case, the relevant NCERT types of plans are objectives, policy, procedure, method, budget and rule. Each is identified from the purpose served by the quoted statement.

Step 1: Identify the desired results and the purchase guideline **Objectives:** "One of his objectives was to earn 80% profit on the amount invested in the first year." Objectives are the desired end results towards which organisational activities are directed. This statement specifies both the profit target and the time for achieving it. His "sales target for different products areawise for the forthcoming quarter" similarly specifies desired sales results.

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 purchase policy guides recurring decisions about the terms on which the firm will procure raw materials.

Step 2: Identify the sequence and the manner of doing work **Procedure:** "He also decided to follow the steps required for marketing the products through his own outlets." A procedure lays down the sequence of steps to be followed in carrying out an activity. Here it concerns the successive steps for marketing the garments through the firm's outlets.

Method: Ritesh "decides the exact manner in which the production activities are to be carried out." A method prescribes the manner or technique of performing a particular task. It explains how a production activity is to be performed, whereas a procedure specifies the order of activities.

Step 3: Identify the numerical plan and the compulsory direction **Budget:** "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year." A budget states expected results or requirements in numerical terms. This is a manpower budget because it expresses the workers required for the year; a budget need not always be expressed in money.

Rule: "A penalty of Rs 200 per day was announced for the workers who found smoking in the factory premises." This indicates a rule prohibiting smoking in the factory. A rule states precisely what must or must not be done and permits no discretion about compliance. The penalty supports enforcement of the prohibition.

Step 4: Conclusion Nishant's profit and sales targets are objectives; the credit-purchase guideline is a policy; the marketing sequence is a procedure; the prescribed production technique is a method; the workers' requirement statement is a budget; and the prohibition on smoking is a rule.

Quick Tip to Solve: Match the purpose of each statement: end result means objective, guideline means policy, sequence means procedure, technique means method, numerical plan means budget and mandatory conduct means rule.

22. 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 passes through officially prescribed channels of authority and responsibility. An instruction issued by a manager in an official capacity is an example.
- Informal communication arises from social interaction and personal relationships, independently of the prescribed organisational channels. Its network is commonly called the grapevine.

Step 1: Identify the formal communication in the case **Formal communication:** "When the General Manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings." The General Manager communicates an official work instruction in his managerial capacity. This order concerns the organisation's premises and follows the authority relationship through which work is directed.

Step 2: Identify the informal communication in the case **Informal communication:** "Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash." This is a personal appeal arising from concern for a colleague, rather than an official direction about assigned work. The earlier message informing Vineet about Yash's condition also helps the personal news spread. The use of a text message alone does not make communication informal; its purpose and relationship to official channels decide its nature.

Step 3: State two features of informal communication **1. Independent of prescribed channels:**

Informal communication does not have to follow the officially established line of authority. Employees communicate because of social interaction and personal relationships, so information can move across departments and hierarchical levels.

2. Rapid spread: Personal contacts permit information to travel quickly among employees, often faster than formal communication. In this case, news of Yash's illness leads promptly to an appeal to employees for blood donation.

Step 4: Identify two values conveyed by Vineet **1. Compassion and concern for human life:** By requesting blood donations for a seriously ill colleague, Vineet shows sensitivity to another person's suffering and a willingness to help preserve life.

2. Cooperation and social responsibility: Vineet encourages employees to help a person in need through voluntary blood donation. His action conveys mutual support and responsibility towards the welfare of others beyond routine job duties.

Step 5: Conclusion The General Manager's official order illustrates formal communication, while Vineet's personal blood-donation appeal illustrates informal communication. Informal communication operates outside prescribed channels and spreads rapidly; Vineet conveys compassion and cooperation towards a person in need.

Quick Tip to Solve: Classify communication by its purpose and official channel, not by whether it uses a text message. Link each value to the specific action of seeking blood donors.

23. Explain any four points which highlight the nature of 'Principles of Management'. [6 marks]

Solution:

Concept:

- Principles of management are broad guidelines for managerial decision-making and behaviour. They help managers understand work situations and choose suitable courses of action.
- These principles concern human behaviour in changing organisational conditions. Consequently, their application requires judgement about the organisation, people and circumstances involved.

Step 1: Explain their universal applicability **1. Universal applicability:** Principles of management apply to all kinds of organisations, whether business or non-business, large or small, and public or private. They also apply at different levels of management. However, the extent and manner of application depend upon the nature of the organisation, its operations and its particular situation. For example, division of work can improve efficiency in both a factory and a hospital, although the work divided and the degree of specialisation will differ.

Step 2: Explain why they are general guidelines **2. General guidelines:** Management principles provide broad directions for solving managerial problems. They do not provide a ready-made solution or an exact prescription for every situation. Business situations are complex and change continually, so a manager must interpret the relevant principle before deciding what to do. For example, the principle of fair remuneration guides a manager towards equitable payment, but does not prescribe one identical wage for all jobs or organisations.

Step 3: Explain their formation through practice and experimentation **3. Formed by practice and**

experimentation: Management principles develop from managers' experience, repeated observation of working situations and experiments conducted in organisations. Managers analyse the consequences of different methods and draw useful generalisations. For example, experience that specialised work improves proficiency supports the principle of division of work. Thus, the principles are based on practical understanding of management rather than being arbitrary statements.

Step 4: Explain their flexibility **4. Flexible:** Management principles are not rigid rules that managers must apply mechanically. A manager has discretion to modify their application according to the requirements of a particular situation. This flexibility is necessary because people, technology and organisational conditions vary. For example, the appropriate balance between centralisation and decentralisation can change with the size of the enterprise, the capabilities of subordinates and the urgency of a decision.

Step 5: Conclusion Four features of management principles are universal applicability, their role as general guidelines, formation through practice and experimentation, and flexibility. They provide a useful basis for managerial decisions while requiring thoughtful application to the actual situation.

Quick Tip to Solve: State each feature by its NCERT name, explain its meaning, and use a short example to show why managerial judgement is needed in applying it.

24. 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 and presenting the label or information tag on a product's package. It communicates essential product information to the buyer.
- A label describes the product, identifies it, helps in grading, promotes its sale and supplies information required by law. Clear information allows a consumer to use a product safely.

Step 1: Identify the neglected aspect in part (a) The neglected aspect is **labelling**. The clue is that "the information provided on the packet was not clear". The packet itself existed, so the specific failure concerned the information on the package rather than the mere provision of packaging. For a consumable product such as juice, unclear information can prevent a buyer from checking its contents, freshness and directions for use.

Step 2: Explain the informational functions for part (b)

- **Describing the product and specifying its contents:** A label tells the buyer about ingredients, quantity, manufacturing and expiry dates, storage requirements and directions or precautions for use. On a juice packet, readable dates and storage instructions help the buyer decide whether it is suitable for consumption.
- **Identifying the product or brand:** A label displays the product name, brand name and other

identifying features. This helps a buyer recognise the desired product and distinguish it from competing products on the grocery shelf.

- **Grading the product:** Where products are sold in different grades or qualities, labels indicate those grades through suitable descriptions or symbols. Customers can choose the grade that meets their requirements; this does not mean that the juice in this case necessarily had separate grades.

Step 3: Explain the promotional and legal functions

- **Helping in promotion:** Attractive label design, colours and relevant product information draw attention and communicate the product's benefits. Labels can also inform buyers of a promotional offer, helping the marketer persuade customers at the point of purchase.
- **Providing information required by law:** Labels must carry applicable mandatory particulars and warnings, such as the manufacturer's details, net quantity, maximum retail price and relevant food-product declarations. Accurate, legible information enables informed purchase and safe use. The fact that Pooja obtained relief illustrates the importance of protecting consumers when the marketer fails in this responsibility.

Step 4: Conclusion The marketer neglected **labelling**. Its five principal functions are product description, identification, grading, promotion and provision of legally required information. The information must be clear enough for the consumer to understand and use.

Quick Tip to Solve: When a case stresses unclear information on an existing packet, identify labelling; then organise its functions as description, identification, grading, promotion and legal information.

25. 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:

- Earnings per share (EPS) is the profit available to equity shareholders divided by the number of equity shares. Interest on debentures is deducted before calculating tax.
- Financial leverage uses debt carrying a fixed financial charge. Its effect on equity earnings depends on the return earned and the debt cost, while cash-flow capacity, tax benefits and control also influence the debt decision.

Step 1: Calculate profit available to shareholders in part (a) The additional Rs 80 lakhs was raised entirely through debentures, so no new equity shares are stated to have been issued. The Rs 16 lakhs earned on capital employed is profit before interest and tax. The calculation, with amounts in lakhs of

rupees, is:

$$\begin{aligned}\text{Debenture interest} &= 80 \times 10\% = 8,\\ \text{Profit before tax} &= 16 - 8 = 8,\\ \text{Tax} &= 8 \times 40\% = 3.2,\\ \text{Profit after tax} &= 8 - 3.2 = 4.8.\end{aligned}$$

Thus Rs 4.8 lakhs is available to equity shareholders, with no preference dividend stated.

Step 2: Check the information needed to compare EPS The printed question gives equity share capital of Rs 120 lakhs but supplies neither the number of shares nor their face value. Share capital is an amount of money, not a share count. Consequently a unique numerical EPS, and hence an unconditional gain-or-loss verdict relative to Rs 0.50, cannot be calculated from the stated information alone. Let the unchanged number of equity shares be N. Then

$$\text{Current EPS} = \frac{4,80,000}{N} \text{ rupees.}$$

Compared with the previous EPS of Rs 0.50, shareholders lose if $N > 9,60,000$, gain if $N < 9,60,000$, and have unchanged EPS if $N = 9,60,000$.

Step 3: Show the conditional calculation for Rs 10 shares If the intended but unstated face value is Rs 10 per fully paid equity share, the number of shares and current EPS would be:

$$\begin{aligned}N &= \frac{1,20,00,000}{10} = 12,00,000,\\ \text{Current EPS} &= \frac{4,80,000}{12,00,000} = \text{Rs } 0.40,\\ \text{Decrease in EPS} &= 0.50 - 0.40 = \text{Rs } 0.10.\end{aligned}$$

On that explicit assumption, shareholders lose Rs 0.10 per share, or 20% of their earlier EPS. This result is conditional; the printed capital amount alone does not establish Rs 10 shares.

Step 4: State three factors favouring debentures in part (b)

- **Stable and sufficient cash flows:** A company with predictable cash receipts can meet periodic interest and repayment obligations. Such cash-flow capacity makes fixed-charge debt more suitable; weak or uncertain receipts make it risky.
- **Tax deductibility of interest:** Interest is deductible in computing taxable profit. At the stated tax rate, the effective after-tax cost of 10% debt is 6%, provided the company has taxable profits and can use the deduction. This tax advantage favours debt compared with a distribution that is not deductible.
- **Retention of control:** Debenture holders are creditors and ordinarily do not have equity voting rights. Raising the additional funds through debentures avoids diluting the existing shareholders' ownership and voting control.

These are factors favouring debt in an appropriate situation, not a claim that every condition is proved for Sakshi Ltd. In fact, its current return on capital employed is only 8%, below the 10% interest rate, so favourable trading on equity cannot be assumed here.

Step 5: Conclusion Profit available to equity shareholders is **Rs 4.8 lakhs**. The exact change in

EPS requires the missing share count or face value; if Rs 10 shares were intended, EPS falls from Rs 0.50 to Rs 0.40, a loss of Rs 0.10 per share. Sufficient stable cash flows, the interest tax shield and preservation of control are three factors favouring debentures.

Quick Tip to Solve: Deduct interest before tax, then divide by the number of shares. Never divide earnings by rupee share capital or silently assume a face value when the share count is missing.