CBSE Class 12 Business Studies Question Paper 2016 with Solution PDF-Set 66/2/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1** 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. Name & state the aspect of financial management that provides a link between investment and financing decisions. [1 mark]

Solution:

Concept:

- Financial planning estimates the amount of finance a business needs and determines the sources from which that finance will be obtained.
- It connects the proposed investment in assets with the financing arrangements needed to acquire those assets.

Step 1: Identify the connecting activity Investment decisions determine how much money is required for assets and business operations. Financing decisions determine the appropriate sources of that money. The activity that considers these requirements and sources together is financial planning.

Step 2: State its meaning Financial planning is the process of estimating the financial requirements of a business and specifying the sources of funds. It seeks to make sufficient funds available at the right time, while avoiding unnecessary surplus finance.

Step 3: Conclusion The aspect is **financial planning**: estimating financial requirements and determining their sources, thereby linking investment and financing decisions.

Quick Tip to Solve: Link the money needed for investments with the sources of that money to identify financial planning.

2. '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, that serve the business over several years.
- Growth prospects affect fixed capital requirements: expected expansion creates a need for additional productive capacity.

Step 1: Identify the evidence of expansion The company currently serves the local market, but Sumit plans to supply five-star hotels and has 'anticipated the higher demand in future'. This indicates expected growth in the scale of business.

Step 2: Connect growth with fixed investment To meet this anticipated demand, the company decides to buy a sophisticated machine. The machine is a long-term asset, so expanding production capacity raises the fixed capital required. The decisive factor is the growth prospect, rather than merely the existence of a machine.

Step 3: Conclusion The factor is **growth prospects**: anticipated expansion and higher future demand increase the company's fixed capital requirements.

Quick Tip to Solve: In a fixed-capital case, expected higher demand and planned expansion point to growth prospects.

3. 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 gives consumers access to a variety of products and services at competitive prices.
- A consumer should be able to select freely from available alternatives according to individual needs and preferences.

Step 1: Identify the clue in the case The distant shop offers a 'variety of products of different brands'. This allows Manvendra to compare alternatives and choose the product and brand he prefers.

Step 2: State the consumer right Manvendra is exercising the right to choose. The nearby big-brand shops do not provide him with the same range of brands from which to select. The salesperson's presentation is secondary; the decisive feature is freedom of selection among alternatives.

Step 3: Conclusion Manvendra has exercised the **right to choose**, which assures access to a variety of goods and services at competitive prices.

Quick Tip to Solve: A variety of competing brands and freedom to select identify the right to choose.

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

Solution:

Concept:

- Physical distribution concerns the movement and availability of goods from the producer to the customer.
- Its important components include order processing, transportation, warehousing and inventory

control.

Step 1: Locate inventory within distribution Inventory management determines how much stock should be maintained so that customer orders can be met without holding excessive goods. It directly affects the availability of products for delivery.

Step 2: Name the marketing function These stock decisions belong to physical distribution. Maintaining adequate inventory supports a regular flow of goods to customers, while controlling storage and carrying costs. Thus inventory management is a component of this broader marketing function.

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

Quick Tip to Solve: Remember physical distribution through order processing, transportation, warehousing and inventory control.

5. 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 doing the right task and achieving the desired objectives within the required time.
- Efficiency means completing the task with minimum cost and waste by making the best use of available resources.

Step 1: Recognise the incomplete view The statement describes effectiveness: completing the appropriate activities and achieving goals. Achieving a target alone does not show whether resources have been used economically.

Step 2: Include the cost of achievement Management must also ensure efficiency. A goal attained through excessive expenditure or avoidable waste is not sufficient for sound management. Managers seek the desired results while minimising the resources and costs used to obtain them.

Step 3: Conclusion **No.** Management is concerned with both effectiveness and efficiency: achieving the right objectives and doing so with minimum cost and wastage.

Quick Tip to Solve: For management performance, check both whether the target was achieved and how economically it was achieved.

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

Solution:

Concept:

- A functional structure groups related activities into specialised departments such as production, marketing and finance.

- Functional specialisation improves expertise, supervision and coordination within each department.

Step 1: Identify the basis of specialisation Employees performing similar work are placed together under managers with expertise in that function. This creates opportunities to develop specialised knowledge and apply common methods to related activities.

Step 2: Connect specialisation with efficiency Specialised managers can direct and supervise their departments effectively, while employees concentrate on work in which they are proficient. This improves managerial as well as operational efficiency, a stated advantage of functional structure.

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

Quick Tip to Solve: Managerial and operational efficiency through grouping similar activities points to functional structure.

7. What is meant by 'Decentralization' ? [1 mark]

Solution:

Concept:

- Decentralisation concerns the distribution of decision-making authority across different levels of an organisation.
- It extends the delegation of authority systematically to lower levels instead of concentrating all important decisions at the top.

Step 1: Identify the authority being distributed Managers at lower organisational levels receive authority to make decisions within their assigned areas. They can therefore respond to matters connected with their own responsibilities without referring every decision upwards.

Step 2: State the systematic organisational policy Decentralisation is not an isolated assignment of a task. It is the systematic delegation of authority throughout the organisation, down to the levels where action is taken. Top management retains authority over major policy decisions.

Step 3: Conclusion **Decentralisation** means the systematic delegation of decision-making authority throughout the organisation, including to lower management levels.

Quick Tip to Solve: Use the words systematic delegation throughout the organisation to distinguish decentralisation from a single act of delegation.

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

Solution:

Concept:

- Taylor's functional foremanship divides supervision among specialist foremen so that each worker receives expert guidance for a particular aspect of the job.
- The gang boss works on the production side and is responsible for keeping machines, materials and tools ready for the workers.

Step 1: Identify the specialist The gang boss is one of the production foremen under functional foremanship. His concern is preparing the workplace and equipment for production.

Step 2: State his role He ensures that the machines, materials and tools needed by workers are kept ready for operation. This preparation allows workers to begin their assigned work without avoidable delay; setting the production speed belongs to the speed boss rather than the gang boss.

Step 3: Conclusion The gang boss keeps machines, materials and tools ready for operation by the workers.

Quick Tip to Solve: Associate the gang boss with readiness of equipment and materials; associate the speed boss with the speed of work.

9. 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. [3 marks]

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

Solution:

Concept:

- Recruitment searches for prospective employees and encourages them to apply for jobs. Internal sources draw on existing employees; external sources bring candidates from outside the organisation.
- The source is identified from the way the candidate is obtained, rather than merely from the title of the vacancy.

Step 1: Identify the internal source **Promotion:** Rajesh is already a subordinate in the company. Vinod recommends that he be moved up in the hierarchy. Moving an existing employee to a higher position is promotion, an internal source of recruitment.

Step 2: Identify the two external sources **Placement agencies and management consultants:** Rajesh contacts Zenith Recruiters, which recruits a suitable marketing head for the company. The specialist outside recruiting intermediary is the source.

Casual callers: Umesh's vacancy is filled by screening the database of unsolicited applications lying in the office. Such applications, received without a specific recruitment invitation and retained for later use, constitute casual callers.

Step 3: Conclusion The sources are promotion for Rajesh, placement agencies and management consultants for the marketing head, and casual callers for the assistant manager vacancy.

Quick Tip to Solve: An upward move indicates promotion; a recruiting intermediary indicates a placement agency; retained unsolicited applications indicate casual callers.

9(b). Also, state any one merit of each of the above identified source of recruitment.

Solution:

Concept:

- Each recruitment source has a distinct advantage. A merit must relate to how that particular source helps the employer or existing employees.
- Promotion uses existing talent, placement agencies use a specialised candidate pool, and casual callers use applications already available to the business.

Step 1: State the merit of promotion **Motivation of employees:** Promotion offers existing employees an opportunity to advance to a higher position. This improves their morale and encourages better performance because they can see a career opportunity within the company. Rajesh's upward movement illustrates this internal advancement.

Step 2: State a merit of each external source **Placement agencies and management consultants:** They provide access to suitable, specialised managerial candidates through their expertise and candidate databases, reducing the employer's search effort. Zenith Recruiters can therefore help locate a suitable marketing head.

Casual callers: Consulting unsolicited applications already on file reduces recruitment cost; the company can screen an available applicant pool without launching a fresh advertisement for the vacancy.

Step 3: Conclusion One merit each is employee motivation through promotion, access to specialised candidates through placement agencies, and lower recruitment cost through casual callers.

Quick Tip to Solve: Pair each source with its own merit: advancement motivates, agencies specialise, and stored applications save recruitment expenditure.

10. 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:

- When a consumer court is satisfied that a complaint is genuine, it may direct the opposite party to provide appropriate relief to the consumer.
- Three standard reliefs are removal of the defect, replacement of defective goods and refund of the price paid. These are remedies rather than merely advice to the seller.

Step 1: State the first two directions **Removal of defect:** The court can order the opposite party to remove the defect in the goods. The seller must rectify the fault so that the goods conform to the quality or performance that the consumer was entitled to receive. For a service complaint, removal of the deficiency is the corresponding relief.

Replacement of goods: The court can order replacement of defective goods with new goods of similar description that are free from any defect. Replacement gives the consumer a proper product

rather than leaving the consumer with the defective article.

Step 2: State the third direction **Refund of price:** The court can order the opposite party to return the price paid by the consumer for the goods, or the charges paid for the service. The consumer thereby recovers the consideration instead of having to retain an unsatisfactory purchase. These directions illustrate alternative forms of relief; the appropriate order depends on the facts of the complaint.

Step 3: Conclusion The consumer court may direct removal of the defect, replacement with defect-free goods, and refund of the price or charges paid.

Quick Tip to Solve: For a question asking any three reliefs, give three distinct orders: repair the defect, replace the goods, or return the money.

11. 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. Its protective functions include prohibiting insider trading in securities.
- SEBI's regulatory functions include calling for information and undertaking inspections, enquiries and audits of stock exchanges and intermediaries.

Step 1: Identify the regulatory function with evidence **Undertaking inspections and conducting enquiries:** The case states, "On regular inspection and by conducting enquiries of the brokers involved ... SEBI was able to detect this irregularity. SEBI performed a regulatory function by inspecting market transactions and investigating the brokers. Such supervision enables it to check whether market participants comply with securities-market rules and to uncover irregular dealings.

Step 2: Identify the protective function with evidence **Prohibiting insider trading:** The case states, "SEBI imposed a heavy penalty on Aditya Gupta. Aditya used his privileged knowledge of the takeover to arrange a purchase through Nimesh and share the resulting profit. The lines saying that he asked Nimesh to invest "promising him the capital gain show misuse of price-sensitive information. Acting against this insider trading protects investors who do not have access to such confidential information

and helps maintain fair dealing in securities.

Step 3: Conclusion SEBI performed a regulatory function by conducting inspections and enquiries, and a protective function by taking action against insider trading.

Quick Tip to Solve: In SEBI cases, link inspections and enquiries to regulatory functions, and action against insider trading to investor protection.

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. [3 marks]

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

Solution:

Concept:

- Personal barriers arise from the attitudes and beliefs of the persons communicating. Psychological barriers arise from the mental state and mutual trust of the sender and receiver.
- A case answer should identify the specific barrier and link it to the words describing the behaviour in the organisation.

Step 1: Identify the personal barrier **Lack of confidence of the superior in subordinates:** Ritesh finds that his father did not have confidence in the competency of employees and was not seeking their advice or opinion. This is a personal barrier: the superior's negative assessment prevents employees' suggestions from being sought and communicated.

Step 2: Identify the psychological barrier **Distrust:** The case reports a lack of transparency in the operations of the business and unhappy employees. Such an atmosphere obstructs mutual trust. When sender and receiver do not trust each other, messages and intentions are not understood in their true sense, weakening effective communication and coordinated action.

Step 3: Conclusion Two barriers are lack of confidence of the superior in subordinates, a personal barrier, and distrust, a psychological barrier.

Quick Tip to Solve: Name both the specific barrier and its category; then attach the exact case clue to each identification.

12(b). State one more barrier each of the type identified in part (a) above.

Solution:

Concept:

- Part (a) identifies one personal barrier and one psychological barrier. This part asks for a different example from each of those same categories.
- The examples need not be additional facts in the case: they are textbook barriers of the categories already identified.

Step 1: State another personal barrier **Fear of challenge to authority:** A superior may withhold or suppress information when it appears to threaten his authority or position. This is another personal barrier because it results from the individual superior's insecurity and attitude towards subordinates, rather than from the language or the communication channel.

Step 2: State another psychological barrier **Premature evaluation:** The receiver may judge the meaning of a message before the sender has completed it. Such early judgement can be based on preconceived ideas and prevents careful listening to the full message. It is a psychological barrier because the receiver's mental attitude obstructs correct understanding. This differs from the distrust already identified in part (a).

Step 3: Conclusion Another personal barrier is fear of challenge to authority; another psychological barrier is premature evaluation.

Quick Tip to Solve: Keep the categories from part (a), but supply a new barrier under each; do not simply repeat lack of confidence and distrust.

13. Explain the first three steps in the process of 'Planning'. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It specifies the desired future position and the means of reaching it.
- The planning process begins with setting objectives, developing premises and identifying alternative courses of action, in that order.

Step 1: Set objectives **Setting objectives:** First, the organisation establishes what it wants to achieve. Objectives are stated for the organisation as a whole and for its departments or units. They give direction to all subsequent planning decisions and should be clear, specific and, wherever possible, measurable. For example, a business may set an objective of increasing annual sales by a specified percentage. Departmental objectives must support the overall organisational objectives.

Step 2: Develop premises **Developing premises:** Planning concerns the future, which is uncertain. Managers therefore make assumptions about the conditions in which the plans will operate. These assumptions, called planning premises, may concern demand, prices, costs, government policy or other relevant internal and external conditions. Forecasts and available information help formulate them. The managers concerned should use consistent premises so that their plans fit together.

Step 3: Identify alternative courses of action **Identifying alternative courses of action:** After fixing objectives and assumptions, managers identify the different possible ways of achieving the objectives. They consider routine as well as innovative alternatives and draw on the suggestions of those concerned. For example, sales might be increased by entering a new market or improving distribution. At this stage the task is to discover feasible alternatives; evaluating and selecting among them comes later.

Step 4: Conclusion The first three steps are **setting objectives**, **developing premises**, and **identifying alternative courses of action**. They establish the destination, the assumptions about future conditions and the possible routes towards the destination.

Quick Tip to Solve: Remember the sequence as destination, assumptions, routes: objectives say what is wanted, premises describe expected conditions, and alternatives show possible ways to proceed.

14. Explain any four features of co-ordination. [4 marks]

Solution:

Concept:

- Co-ordination is the process of synchronising the activities of different departments and individuals so that their efforts contribute to common organisational objectives.
- It is the essence of management: separate efforts must be integrated rather than merely performed efficiently in isolation.

Step 1: Explain integration of group efforts and unity of action **Integrates group efforts:** Co-ordination unifies the diverse interests and efforts of individuals into purposeful work activity. Different employees and departments perform specialised tasks; co-ordination links their contributions into a coherent whole. For example, production schedules must be matched with the sales department's requirements rather than decided independently.

Ensures unity of action: Co-ordination acts as a binding force between departments and ensures that their actions pursue the organisation's common goals. It reconciles differences in departmental approaches so that one department's decisions do not obstruct another's work. The emphasis is on a shared direction, even though the tasks performed by different units are different.

Step 2: Explain continuity and pervasiveness **Is a continuous process:** Co-ordination is an ongoing activity, beginning with planning and continuing through organising, staffing, directing and controlling. A single meeting or initial allocation of work is insufficient because activities, resources and circumstances keep changing. Managers must therefore keep reviewing and adjusting the relationships among tasks.

Is an all-pervasive function: Co-ordination is required at all levels of management and in every department. Top management integrates departmental plans with overall objectives, while middle and supervisory managers harmonise the work of their units and employees. Wherever activities are interdependent, their timing and direction must be brought into alignment.

Step 3: Conclusion Four features of co-ordination are that it integrates group efforts, ensures unity of action, is a continuous process and is all-pervasive. Together these features make the organisation

function as one unit.

Quick Tip to Solve: Keep integration and unity distinct: integration combines separate efforts, while unity directs those combined efforts towards the same goal.

15. '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 is the process of stimulating people to act in a desired manner to achieve organisational goals. It is an element of the directing function of management.
- The CEO removes an unfavourable travel arrangement and creates a supportive situation. The resulting willingness of the team to work towards the desired objectives identifies motivation.

Step 1: Identify motivation from the case The element used by the CEO is **motivation**. Previously the subordinates "were not acting in a desired manner to achieve organizational goals". After the CEO changes the travel policy, "every member of the team started acting in a manner as desired by the team leader". This improvement in their willingness to act towards organisational goals is the decisive evidence. The new arrangement also allows the leader and subordinates to discuss their presentation while travelling together.

Step 2: State the features of motivation **Internal feeling:** Motivation is an internal feeling. Needs, desires and aspirations influence a person's behaviour; a manager stimulates these feelings but cannot directly observe them. In this case, a more supportive travel arrangement helps generate willingness to contribute.

Produces goal-directed behaviour: Motivation induces people to behave in a manner directed towards goals. Here the positive impact of the policy makes members act as desired by the team leader in pursuit of organisational goals.

Can be positive or negative: Positive motivation uses incentives, recognition and other benefits to encourage desired action. Negative motivation uses fear or threats, such as a warning or penalty, to influence behaviour. The CEO's supportive policy illustrates the positive approach; no threat or punishment is described.

Complex process: Individuals differ in their needs, expectations and reactions. The same incentive

may motivate one person but not another, and needs may change over time. Managers must therefore understand people and choose suitable measures rather than assume that a single incentive will work identically for everyone.

Step 3: Conclusion The CEO uses motivation, an element of directing. Its features are that it is an internal feeling, produces goal-directed behaviour, can be positive or negative, and is a complex process.

Quick Tip to Solve: In a case, link "acting in the desired manner to achieve goals" to motivation, then state its four textbook features rather than the qualities of a leader.

16. 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. [4 marks]

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

Solution:

Concept:

- Public relations is the promotion-mix tool that builds good relations between an enterprise and its various publics, including customers, employees and society.
- It consists of programmes designed to promote or protect the image of a company and its products, thereby earning public understanding and goodwill.

Step 1: Identify the communication tool from the case The tool is **public relations**. Diksha Ltd. took "all possible measures to protect and promote its image" after neglecting after-sale services had spoiled its relations with customers. Protecting the company's reputation and rebuilding goodwill are the identifying clues.

Step 2: State its meaning and apply it Public relations means undertaking programmes to promote or protect a company's image and the image of its products in the eyes of its publics. Here, the company needed to regain customer confidence, rather than merely announce a price discount or persuade customers through an advertisement. The case states that "the goodwill of the company improved in the society", showing the intended result of its public-relations efforts.

Step 3: Conclusion Diksha Ltd. used **public relations**: programmes intended to promote and protect its corporate and product image and build goodwill among its publics.

Quick Tip to Solve: Match the words "protect and promote its image" and "goodwill" with public relations, and state the tool's meaning after naming it.

16(b). Also explain role of the tool as identified in part (a).

Solution:

Concept:

- Public relations promotes or protects a company's image and its products by cultivating favourable understanding among its publics.
- Its role extends beyond publicity: a favourable reputation supports customer confidence and the effectiveness of the enterprise's other marketing efforts.

Step 1: Explain how public relations protects reputation **Building a corporate image:** Public relations creates a favourable impression of the company. Diksha Ltd. needed this role because "the image of the company was damaged in the eyes of the public". Rebuilding goodwill makes customers more willing to trust the enterprise.

Defending products facing adverse publicity: Public relations helps explain the company's position and restore confidence when unfavourable publicity threatens its products. Credible communication should accompany corrective action on the actual problem, which here was neglected after-sale service.

Step 2: Explain how it supports product promotion **Assisting product launches and repositioning:** Public relations creates interest and understanding for new products and can help change the public's perception of existing offerings. This makes the public more receptive to the company's products.

Supplementing advertising: A favourable company image strengthens other promotional communication. Public relations supplies goodwill and credibility that advertising by itself may not establish, supporting the marketing of Diksha Ltd.'s dishwashers after confidence has been restored.

Step 3: Conclusion Public relations builds corporate image, defends products against adverse publicity, assists product launches and repositioning, and supplements advertising. These roles explain why protecting its image improved Diksha Ltd.'s goodwill.

Quick Tip to Solve: Explain what each public-relations role achieves; do not replace its role with a bare list of publicity activities such as press releases.

17. '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 consists of external forces that affect an enterprise's decisions and performance. A case can illustrate more than one dimension simultaneously.
- The economic environment includes economic policies, taxation and foreign-trade conditions. The technological environment includes developments in methods, equipment and communication

used in business.

Step 1: Identify and explain the economic environment **Economic environment:** The clue is the "relaxation in import duties on electronic items". Import duties are taxes affecting the cost of importing products, and changes in them form part of the government's economic and foreign-trade policy. Such policies influence the conditions in which businesses operate, their costs and their market opportunities.

Accent Electronics Ltd. began exporting products to India in response to this relaxation. The reduction in the duty burden made the Indian market a more attractive opportunity for the company. Thus, the policy change illustrates how the economic environment can influence a firm's decision to enter a market. Although the Prime Minister announced it, the specific change described concerns import taxation; that is the reason for identifying the economic dimension.

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". This dimension includes scientific improvements and innovations that provide new ways of producing goods, conducting transactions and communicating information.

Here, information and communication technology connects retailers with suppliers. The online link permits stock requirements to be communicated and replenishment to be arranged promptly, instead of relying entirely on slower manual communication. It therefore affects the company's distribution and inventory arrangements. The case illustrates technology through the method of linking retailers and suppliers, rather than merely through the fact that the company sells electronic goods.

Step 3: Conclusion The two dimensions are the **economic environment**, shown by relaxation of import duties, and the **technological environment**, shown by online retailer–supplier links for stock replenishment.

Quick Tip to Solve: Identify the substance of each clue: import-duty policy indicates the economic environment, while online business links indicate the technological environment.

18. '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. [4 marks]

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

Solution:

Concept:

- Informal organisation is the network of social relationships that arises spontaneously among people at work. Its communication does not have to follow the prescribed scalar chain.
- Formal organisation defines authority and accountability, while informal relationships can coexist with that formal structure.

Step 1: Identify the decisive case clue Panda Trucks allows flow of communication in all the directions as per the requirement. This unrestricted interpersonal communication is the clue; it differs from the competing company's communication only through the scalar chain.

Step 2: Name the type of organisation **Informal organisation** permits this free flow of communication through relationships among employees. The presence of known responsibilities in the case does not remove the informal network; formal and informal organisation may operate together.

Step 3: Conclusion The type is informal organisation.

Quick Tip to Solve: Look for communication outside the scalar chain to identify the informal organisation, even when a formal authority structure also exists.

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

Solution:

Concept:

- Informal organisation has communication channels independent of the formal hierarchy. Employees can exchange information directly through their social relationships.
- An advantage should explain the benefit of this network rather than merely restating its definition.

Step 1: State one advantage **Faster spread of information:** Informal communication need not pass through each successive level of the scalar chain. A message can therefore reach the person concerned quickly.

Step 2: Link the advantage to the case The case expressly says this communication lead to faster spread of information as well as quick feedback. Employees can obtain responses promptly instead of waiting for every formal intermediate link. This explains the communication benefit enjoyed by Panda Trucks.

Step 3: Conclusion One advantage is faster communication, with quick feedback through the informal network.

Quick Tip to Solve: For an advantage of informal organisation, connect freedom from the scalar chain with speed of communication and feedback.

18(c). State any two values which 'Panda Trucks Ltd.' wanted to communicate to the society.

Solution:

Concept:

- Values are desirable social commitments reflected in business decisions. A value answer should link each named value to a specific action described in the case.
- The factory location and employee facilities reveal concern for social development beyond earning profits.

Step 1: Identify concern for employment and regional development **Social responsibility towards disadvantaged communities:** Panda Trucks sets up its factory in a backward area of Bihar where very less job opportunities were available. Creating employment there reflects concern for local livelihoods and balanced regional development.

Step 2: Identify concern for employee welfare **Concern for employees' welfare:** The company provides school, hospital, market etc. in the factory premises. These facilities address education, health and everyday needs, showing concern for the well-being of workers and their families.

Step 3: Conclusion Two values are social responsibility through employment in a backward area and concern for employee welfare through educational, health and other facilities.

Quick Tip to Solve: Use one action for each value: factory location supports employment and regional development; schools and hospitals support employee welfare.

19. State any four functions of financial market. [4 marks]

Solution:

Concept:

- Financial markets bring together suppliers of funds, such as households with savings, and users of funds, such as businesses seeking investment finance.
- Their four principal functions are mobilisation of savings and allocation to productive uses, price discovery, providing liquidity to financial assets, and reducing transaction costs.

Step 1: State how savings are mobilised and prices discovered

- **Mobilisation of savings and allocation to productive uses:** A financial market transfers savings from savers to investors. It gives savers a choice of investments and channels their surplus funds towards productive activities, allowing businesses to obtain finance for investment and growth.
- **Facilitating price discovery:** The interaction of the demand for funds by business firms and the supply of funds by households helps establish the price of financial assets. Buyers and sellers bring their assessments to the market, and their interaction determines the prices at which securities are traded.

Step 2: State how trading becomes easier and less costly

- **Providing liquidity to financial assets:** Financial markets enable financial assets to be bought and sold readily. Investors can convert their investment into cash when required, rather than necessarily waiting until maturity. This liquidity makes investment in financial assets more attractive.
- **Reducing the cost of transactions:** A financial market provides information about securities and a common platform where buyers and sellers can meet. It saves the time, effort and money they would otherwise spend locating one another and obtaining information for a transaction.

Step 3: Conclusion The four functions are mobilising savings and allocating them to productive uses, facilitating price discovery, providing liquidity to financial assets, and reducing transaction costs.

Quick Tip to Solve: Recall the four functions by asking: where do funds go, how is price fixed, how can an investor exit, and how are trading costs reduced?

20. State any five points that highlight the importance of controlling. [5 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with standards, identifying deviations and taking corrective action.
- It connects planned results with actual achievement and helps an organisation use its resources effectively. Its importance extends to standards, efficiency, motivation and discipline.

Step 1: Explain achievement of goals and better standards

- **Accomplishing organisational goals:** Controlling measures progress towards the objectives fixed in planning. Managers compare actual performance with the standards, locate deviations and take corrective action so that activities remain on the intended course. It therefore helps the organisation achieve its goals rather than merely record results after the event.
- **Judging accuracy of standards:** A good control system enables management to verify whether the standards originally set are realistic and accurate. It reviews standards in the light of changes in the organisation and its environment. Where the comparison reveals that a standard itself needs revision, management can improve it for future performance.

Step 2: Explain improvements in resources and employee behaviour

- **Making efficient use of resources:** Operations are performed according to predetermined standards. Checking performance helps reduce waste, spoilage and unnecessary expenditure and

ensures that human and physical resources are used effectively. The organisation can obtain better output from the resources available to it.

- **Improving employee motivation:** Clearly communicated standards tell employees what they are expected to do and how their performance will be assessed. Objective appraisal and recognition of good performance encourage employees to improve their work and direct their efforts towards organisational objectives.
- **Ensuring order and discipline:** A control system keeps a check on employee activities and encourages adherence to organisational rules and procedures. It discourages undesirable practices and helps create an orderly and disciplined working environment.

Step 3: Conclusion Thus, controlling helps accomplish organisational goals, judge the accuracy of standards, use resources efficiently, motivate employees and maintain order and discipline. These five points show why measuring performance must be followed by suitable corrective action.

Quick Tip to Solve: Recall the five headings as goals, standards, resources, motivation and discipline; explain how each improves performance rather than merely naming it.

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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 types of plans serve different purposes: objectives specify ends, while policies, procedures, methods and rules guide action.
- A budget expresses expected results or requirements in numerical terms. In a case study, the purpose and wording of each decision determine its type of plan.

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 result that management seeks to achieve. Here, the rate of profit and the

time period make the desired result specific and provide direction for the unit's activities.

- **Policy:** "Raw materials like cloth, thread, buttons etc. will be purchased on two months credit." A policy is a general guideline that channels managerial thinking and decision-making. The credit-period decision guides recurring purchases of different raw materials; it is not a detailed sequence of purchasing tasks.

Step 2: Identify the sequence and the manner of performing work

- **Procedure:** "He also decided to follow the steps required for marketing the products through his own outlets." A procedure lays down the chronological sequence of steps for carrying out an activity. The reference to the required marketing steps indicates the order in which the work is to proceed.
- **Method:** Ritesh "decides the exact manner in which the production activities are to be carried out." A method prescribes the way in which a particular task is performed. Unlike a procedure, which specifies a sequence of activities, a method specifies the manner of doing an activity.

Step 3: Identify the numerical statement and the compulsory instruction

- **Budget:** "Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year." A budget is a statement of expected results or requirements expressed in numerical terms. The staffing requirement is a manpower budget stated in numbers of workers, so a budget need not be expressed only in money. The "sales target for different products areawise for the forthcoming quarter" similarly supplies the numerical targets of a sales budget.
- **Rule:** "A penalty of Rs 200 per day was announced for the workers who found smoking in the factory premises." A rule is a specific statement prescribing what must or must not be done, with no discretion in its application. The prohibition on smoking, supported by a specified penalty, is a rule rather than a broad policy.

Step 4: Conclusion The plans discussed are an objective for profitability, a policy for credit purchases, a procedure for marketing, a method for production, budgets for manpower and sales targets, and a rule against smoking. Each identification follows the specific purpose of the quoted decision.

Quick Tip to Solve: Use the clues: end result means objective; guideline, policy; ordered steps, procedure; exact way, method; numerical statement, budget; compulsory prohibition, 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. [5 marks]

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

Solution:

Concept:

- Formal communication follows the official channels and authority relationships of an organisation; an instruction issued by a manager in an official capacity is an example.
- Informal communication arises from social interaction and personal relationships. Its network, called the grapevine, is independent of the prescribed chain of command.

Step 1: Quote the official instruction **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 order given by the General Manager in exercise of his authority, so it travels through the organisational channel.

Step 2: Quote the personal appeal **Informal communication:** "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." These messages mobilise personal help for a colleague through social concern, rather than communicate a prescribed work instruction. The use of a text message alone does not determine the channel; its purpose and relationship do.

Step 3: Conclusion The General Manager's fumigation and cleanliness order is formal communication. The colleague's message and Vineet's request for blood donation are informal communication arising from concern for Yash.

Quick Tip to Solve: Classify communication by whether it follows official authority, not by whether it uses a phone, text message or face-to-face conversation.

22(b). State any two features of informal communication.

Solution:

Concept:

- Formal communication follows the official channels and authority relationships of an organisation; an instruction issued by a manager in an official capacity is an example.
- Informal communication arises from social interaction and personal relationships. Its network, called the grapevine, is independent of the prescribed chain of command.

Step 1: State its independence from authority **1. Independent of formal authority:** Informal communication does not follow a fixed, officially prescribed route. People communicate because of

personal contact, friendship or a common interest, and the information can cross departmental and hierarchical boundaries.

Step 2: Explain its speed **2. Rapid transmission:** Information passes quickly through the grapevine because it does not have to travel through each level of the official hierarchy. A person can share the message with several others, who in turn communicate it to their contacts. The request can therefore reach many colleagues promptly, which is helpful when urgent assistance is required. The grapevine has no prescribed sequence or fixed direction of transmission.

Step 3: Conclusion Informal communication is independent of prescribed official channels and transmits information rapidly through personal contacts. It develops spontaneously from social interaction rather than being designed by management.

Quick Tip to Solve: Classify communication by whether it follows official authority, not by whether it uses a phone, text message or face-to-face conversation.

22(c). Identify any two values that are being communicated by Vineet to the society.

Solution:

Concept:

- Values are desirable standards reflected in conduct. A case answer identifies a value and connects it to the action that demonstrates it.
- An appeal for voluntary blood donation expresses concern for human life and encourages people to cooperate in helping a person in distress.

Step 1: Identify compassion **Concern for others and compassion:** Vineet responds immediately to Yash's serious illness and tries to secure the blood that he needs, showing sensitivity to another person's suffering.

His action puts the welfare of the sick colleague first and shows that employees should be treated as people whose wellbeing matters. The case states: "Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash." His immediate response to the need for blood directly demonstrates compassion.

Step 2: Identify cooperation **Cooperation and social responsibility:** By requesting employees to donate blood, Vineet encourages people to help one another voluntarily and contribute to saving a life. His appeal promotes collective support beyond routine workplace duties. The request invites a voluntary contribution rather than treating the emergency as Yash's private problem alone. The quoted request to the employees to donate blood for Yash also demonstrates cooperation: he brings the employees together to provide voluntary help.

Step 3: Conclusion Vineet communicates compassion and cooperation: he promptly responds to Yash's suffering and asks employees to join in a life-saving act of blood donation. These values promote sensitivity and mutual support in society.

Quick Tip to Solve: For a value-based case, name each value and cite the particular action that demonstrates it.

23. 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%. [6 marks]

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

Solution:

Concept:

- Earnings per share means the profit available to equity shareholders after interest and tax divided by the number of equity shares. Issuing debentures does not increase the number of equity shares.
- A gain or loss in earnings per share requires comparison on the same share count. Share capital is an amount of money, whereas the denominator of EPS is a number of shares.

Step 1: Calculate interest and profit available to shareholders The Rs 16 lakh profit on capital employed is the operating profit before debenture interest and tax. Interest on the new Rs 80 lakh debentures at 10% is Rs 8 lakh. Deduct it before calculating tax.

$$\begin{aligned} \text{Interest} &= 80 \times 10/100 = 8 \text{ lakh rupees}, \\ \text{Profit before tax} &= 16 - 8 = 8 \text{ lakh rupees}, \\ \text{Tax} &= 8 \times 40/100 = 3.2 \text{ lakh rupees}, \\ \text{Profit after tax} &= 8 - 3.2 = 4.8 \text{ lakh rupees}. \end{aligned}$$

Thus Rs 4.8 lakh is available to the unchanged equity shareholding after diversification.

Step 2: Compare earnings per share with the previous year The printed question gives share capital but does not state either the number of equity shares or their face value. Therefore a unique numerical current EPS, and hence an unconditional gain or loss compared with Rs 0.50, cannot be calculated from the stated data alone.

Let the face value be Rs v per share, with the Rs 120 lakh equity capital represented by shares of that denomination. There are then $120/v$ lakh shares. The comparison is

$$\begin{aligned} \text{Current EPS} &= \frac{4.8 \text{ lakh rupees}}{(120/v) \text{ lakh shares}} = \text{Rs } 0.04v, \\ \text{Change in EPS} &= \text{Rs } (0.04v - 0.50). \end{aligned}$$

Shareholders lose if $v < 12.50$, gain if $v > 12.50$, and are unchanged if $v = 12.50$. If Rs 10 per share is the intended denomination, explicitly as an assumption, there are 12 lakh shares and current EPS is Rs 0.40. On that assumption EPS falls by Rs 0.10 from Rs 0.50, a 20% decrease.

Step 3: Conclusion Profit after interest and tax is Rs 4.8 lakh. The share count or denomination is not printed, so a unique EPS comparison cannot be made. For shares of Rs 10 each, current EPS is Rs 0.40, a fall of Rs 0.10 or 20% from Rs 0.50. In general, with Rs v denomination, current EPS is Rs $0.04v$.

Quick Tip to Solve: Deduct interest before tax, then divide the remaining profit by the number of equity shares, not by the rupee amount of share capital. State a missing share denomination explicitly.

23(b). Also state any three factors that favour the issue of debentures by the company as part of its capital structure.

Solution:

Concept:

- Debt carries a fixed interest commitment. Its suitability depends on the cost of debt, the reliability of cash flows and the desire to retain control; interest is deductible in computing taxable profit.
- A capital-structure decision balances the benefit of debt with its financial risk. Conditions favouring debt describe circumstances under which its fixed commitment can be supported.

Step 1: Check ability to service debt **1. Stable and sufficient cash flows:** A company expecting dependable cash inflows can meet the fixed interest payments and repay the principal on maturity. Such stability makes debt a feasible source; weak or uncertain cash flows would make it risky.

Step 2: Consider cost and control **2. Tax advantage and lower effective cost:** Debenture interest is deductible for income-tax purposes. At the stated 40% tax rate, the effective after-tax cost of 10% debt is 6%. This tax shield can make debt cheaper than equity, although favourable trading on equity also requires an adequate return on investment.

3. Retention of control: Debenture holders are creditors and ordinarily have no voting rights in company management. Raising the additional funds through debentures therefore avoids diluting the voting control of the existing equity shareholders.

Step 3: Conclusion Three factors favouring debentures are stable and sufficient cash flows, the tax advantage that reduces the effective cost of debt, and the retention of existing shareholders' voting control. The company must still ensure that the fixed interest and repayment commitments are affordable.

Quick Tip to Solve: Organise debt-favouring factors under ability to pay, effective cost and control; explain why each makes debentures suitable.

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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. [6 marks]

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

Solution:

Concept:

- Labelling is the product decision concerned with designing the label displayed on the package. The label conveys the product identity and essential particulars to the consumer.
- A label may be a simple tag or elaborate graphics forming part of the package. Its information must be clear enough to help the buyer understand and use the product.

Step 1: Identify the decisive clue The case states that "the information provided on the packet was not clear. The important aspect neglected by the marketer is **labelling**. The problem described concerns the information displayed on the juice packet. A readable label enables a buyer to know the nature of

the product and the particulars relevant to consumption. Here the marketer has failed to communicate that information clearly.

Step 2: Relate the clue to the product decision A label supplies product particulars such as contents, quantity, dates, directions for use and precautions where relevant. These illustrate why clear information matters for a consumable product. The case does not specify which particular item of information was unclear or the precise cause of Pooja's illness, so neither should be invented. It does establish that the information on the packet was unclear. Packaging concerns the container and its protective and handling functions; the specific clue here points to the communication role of the label. Pooja's approach to the District Forum describes the redressal obtained after the problem; the aspect sought remains labelling.

Step 3: Conclusion The neglected marketing aspect is **labelling**, as indicated by the unclear information provided on the juice packet.

Quick Tip to Solve: Link unclear printed product information to labelling; use the exact clue before discussing the container or consumer redressal.

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

Solution:

Concept:

- Labelling communicates product information through the label on a package. Its functions extend from identifying the product to helping the buyer understand its contents and use.
- The NCERT functions are describing the product, identifying the product or brand, grading products, helping promotion, and providing information required by law.

Step 1: Explain description and identification **Describing the product and specifying its contents:** A label describes what the product contains and how it should be used. Relevant particulars can include ingredients, quantity, manufacturing and expiry dates, storage directions and precautions. Clear particulars help consumers assess suitability and use the product properly.

Identifying the product or brand: The name, logo and distinctive label design enable buyers to recognise the product or brand and distinguish it from competing products. This also assists repeat purchase.

Step 2: Explain grading and promotion **Grading products:** Labels distinguish quality grades or categories of a product. Different grades may bear different label names or designs, allowing buyers to select the intended grade; different grades of tea provide an example.

Helping in promotion of products: Attractive graphics, colours and product information draw attention and encourage purchase. A label can also carry details of a promotional offer, making it a sales communication tool.

Step 3: State the legal information function **Providing information required by law:** Labels carry particulars and warnings that applicable law requires for the product. Such declarations support informed buying and consumer protection. They must be presented clearly. In Pooja's case the unclear packet information illustrates the importance of readable labelling; the precise missing declaration or

cause of illness is not supplied in the case.

Step 4: Conclusion Labelling describes and identifies the product, distinguishes grades, supports promotion and supplies legally required information. These functions help buyers make informed choices and use products appropriately.

Quick Tip to Solve: Recall five label functions: describe, identify, grade, promote and disclose required information; briefly explain what each does for the buyer.

25. Explain why is it said that principles of management are 'mainly behavioural' and 'contingent' in nature. Also explain how principles of management 'provides managers with useful insights into reality' and 'helps in thoughtful decision-making'. [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They emerge from experience, observation and experimentation, and guide rather than mechanically determine action.
- Their nature includes being mainly behavioural and contingent. Their significance includes giving useful insights into reality and helping managers make thoughtful decisions.

Step 1: Explain why the principles are mainly behavioural **Mainly behavioural:** Management principles aim mainly at influencing human behaviour and coordinating people's efforts towards organisational objectives. They concern matters such as authority, discipline, cooperation, initiative and relationships between superiors and subordinates. Human beings have different needs, attitudes and responses, so these principles cannot establish rigid cause-and-effect relationships of the kind expected in the physical sciences. Their application must recognise how people are likely to behave. For example, fair treatment can encourage cooperation, but the precise response varies between employees. This does not mean that physical resources are ignored; people make decisions about and use those resources, so the human aspect remains central.

Step 2: Explain why their application is contingent **Contingent:** Applying a management principle depends on the prevailing situation and the requirements of that situation. Managers must consider the nature of the organisation, its objectives, the work, the employees and other relevant conditions before deciding how to apply a principle. For example, remuneration should be fair, but the amount depends on factors such as the employer's paying capacity, prevailing wage rates and the employee's contribution. A principle therefore supplies guidance whose practical application changes with circumstances; it is not an inflexible rule to be applied identically everywhere.

Step 3: Show how principles provide useful insights into reality **Useful insights into reality:** Principles embody the accumulated experience and wisdom of managers. They make managers aware of relationships and patterns that have proved useful in actual organisational situations. A manager facing a problem can use this knowledge to interpret the situation instead of starting entirely from trial and error. For example, unity of command draws attention to the confusion and conflicting instructions that can arise when an employee receives orders from several superiors. Such insight

helps the manager understand the problem and improve the organisation's functioning, increasing managerial efficiency.

Step 4: Show how principles support thoughtful decisions **Thoughtful decision-making:** Principles provide a basis for decisions founded on logic, objective assessment and an understanding of cause and effect. They help managers examine alternatives and anticipate consequences rather than decide only on personal bias, blind faith or guesswork. For instance, when allocating responsibility, the principle of parity between authority and responsibility helps a manager consider whether the employee has sufficient power to perform the assigned task. The final decision still requires judgement about the actual conditions, but the principle makes that judgement more reasoned and purposeful.

Step 5: Conclusion Management principles are mainly behavioural because they guide people's conduct, and contingent because their application depends on circumstances. Their accumulated experience helps managers understand organisational reality and supplies a logical basis for thoughtful decisions.

Quick Tip to Solve: Separate nature from significance: behavioural and contingent describe what principles are like; insights and thoughtful decisions explain how those principles help managers.