CBSE Class 12 Business Studies Question Paper 2016 with Solution PDF-Set All India Set 2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Please check that this question paper contains **15** printed pages.

(ii) Code number given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.

(iii) Please check that this question paper contains **25** questions.

(iv) **Please write down the Serial Number of the question before attempting it.**

(v) 15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

(vi) Answers to questions carrying **1 mark** may be from **one word** to **one sentence**.

(vii) Answers to questions carrying **3 marks** may be from **50 - 75** words.

(viii) Answers to questions carrying **4 - 5 marks** may be about **150** words.

(ix) Answers to questions carrying **6 marks** may be about **200** words.

(x) Attempt all parts of a question together.

1. Name the function of marketing which is concerned with the cost and location of target market.

[1 mark]

Solution:

Concept:

- Gathering and analysing market information is a marketing function used to understand a target market.
- Information about the market guides decisions about where and at what cost the business should serve customers.

Step 1: Identify the information required The question asks about the cost and location of the target market. These are facts a marketer must collect and examine before deciding how to reach prospective customers.

Step 2: Name the marketing function The function is gathering and analysing market information. It involves systematic collection and analysis of relevant market data so that marketing decisions rest on an understanding of customers and the market.

Step 3: Conclusion The function is gathering and analysing market information.

Quick Tip to Solve: When the question centres on finding facts about the target market, identify the information-gathering function.

2. Rizul Bhattacharya after leaving his job wanted to start a Private Limited Company with his son. His son was keen that the company may start manufacturing of Mobile-phones with some unique features. Rizul Bhattacharya felt that the mobile phones are prone to quick obsolescence and a heavy fixed capital investment would be required regularly in this business. Therefore he convinced his son to start a furniture business.

Identify the factor affecting fixed capital requirements which made Rizul Bhattacharya to choose furniture business over mobile phones.

[1 mark]

Solution:

Concept:

- Technological upgradation is a factor affecting the fixed capital requirements of a business.
- Assets exposed to rapid technological obsolescence need replacement more frequently, increasing fixed capital requirements.

Step 1: Locate the decisive clue Rizul says that mobile phones are prone to 'quick obsolescence' and would require heavy fixed capital investment regularly. This points to frequent changes in technology rather than merely the size of operations.

Step 2: Identify the factor The factor is technological upgradation. Compared with furniture, mobile-phone production faces faster technological change, requiring the business to replace or upgrade machinery and equipment more often.

Step 3: Conclusion Technological upgradation is the factor that led Rizul to prefer the furniture business.

Quick Tip to Solve: Connect quick obsolescence and repeated replacement of fixed assets with technological upgradation.

3. Name and state the aspect of financial management that enables to foresee the fund requirements both in terms of 'the quantum' and 'the timings'. [1 mark]

Solution:

Concept:

- Financial planning estimates future financial requirements and determines the sources through which they can be met.
- It considers both how much finance is needed and when the funds must be available.

Step 1: Name the aspect The aspect is financial planning. It looks ahead at the financial implications of the activities a business proposes to undertake.

Step 2: State its meaning Financial planning is the process of estimating the fund requirements of a business and specifying the sources of funds. By estimating the quantum and timing of requirements, it helps ensure that adequate funds are available at the right time.

Step 3: Conclusion Financial planning estimates the amount and timing of funds required and specifies the sources for meeting those requirements.

Quick Tip to Solve: The paired clues how much and when point to financial planning.

4. Name the type of organisational structure which promotes flexibility and initiative. [1 mark]

Solution:

Concept:

- Divisional structure groups activities into separate divisions based on products, with the functions needed for each product placed within its division.
- Each division functions as an autonomous unit. This promotes flexibility and initiative and permits faster decision making.

Step 1: Identify the organisational arrangement The structure is divisional structure. Each product division has its own resources and functional activities, allowing its divisional manager to respond to the requirements of that product.

Step 2: Explain the stated advantage Because each division functions as an autonomous unit, its manager has greater freedom to make decisions and take initiative. Decisions can be made faster within the division, allowing flexible responses to changing circumstances.

Step 3: Conclusion Divisional structure promotes flexibility and initiative because each division functions as an autonomous unit.

Quick Tip to Solve: Link flexibility and initiative in a product-based organisational structure to the autonomy of each division.

5. Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week the representative of the company visited Suman's residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her.

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

Solution:

Concept:

- The right to seek redressal permits a consumer to seek relief against unfair trade practices or exploitation.
- Appropriate relief can include replacement of a defective product and compensation for the loss or inconvenience caused.

Step 1: Identify the consumer action Suman complained after discovering a stone in the cheese. The company offered a replacement with other varieties of cheese 'as compensation for the inconvenience to her'. This expressly shows that she obtained relief for the defective product.

Step 2: Link the remedy to the right These remedies illustrate the right to seek redressal. She sought relief for a defective product, and the complaint resulted in replacement and compensation rather than merely access to product information.

Step 3: Conclusion Suman exercised the right to seek redressal.

Quick Tip to Solve: When a complaint leads to replacement, refund or compensation, identify the right to seek redressal.

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 activities and achieving the intended goals.
- Efficiency means performing activities with minimum cost and optimum use of resources. Management seeks both together.

Step 1: Evaluate the statement No. Achieving goals and completing the right tasks represent effectiveness, but this alone does not fully describe management.

Step 2: Explain the role of cost Management is also concerned with efficiency: achieving the desired results with minimum cost and wastage. A manager must balance achievement of objectives with judicious use of resources, rather than ignore the cost-benefit relationship.

Step 3: Conclusion No. Management requires both effectiveness in achieving goals and efficiency in using resources economically.

Quick Tip to Solve: Use the pair: effectiveness concerns achieving the goal; efficiency concerns the resources and cost of achieving it.

7. Give the meaning of 'Delegation'. [1 mark]

Solution:

Concept:

- Delegation involves transferring authority from a superior to a subordinate for carrying out assigned tasks.
- A subordinate receives authority to act, while the superior retains ultimate accountability for the delegated work.

Step 1: State the meaning Delegation is the downward transfer of authority from a superior to a subordinate. It enables the subordinate to take decisions and act within the authority given for assigned duties.

Step 2: Clarify what the transfer achieves The superior assigns responsibility and provides the corresponding authority needed to perform the work. The subordinate is answerable for performance, but the superior cannot escape ultimate accountability merely by delegating the task.

Step 3: Conclusion Delegation means the transfer of authority from a superior to a subordinate to carry out assigned tasks.

Quick Tip to Solve: In a definition of delegation, state who transfers authority to whom and link that authority to assigned work.

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

Solution:

Concept:

- Functional foremanship divides supervision among specialist foremen under Taylor's scientific management.
- The Inspector is a production-side specialist responsible for checking the quality of work against prescribed standards.

Step 1: Identify the specialist duty The Inspector checks whether the finished work and products conform to the quality standards laid down for production. He guides workers about the quality requirements that their output must satisfy.

Step 2: Relate inspection to quality control By comparing actual output with the prescribed specifications, the Inspector detects defects and helps ensure the required quality is maintained. His special responsibility is quality, whereas the speed boss attends to timely completion and the repair boss to machinery maintenance.

Step 3: Conclusion The Inspector checks the quality of work and ensures that products meet the prescribed quality standards.

Quick Tip to Solve: Associate Inspector with inspection of quality; associate the speed boss with the required pace of production.

9. State any three limitations of planning function of management. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and how it is to be done to achieve objectives.
- Its limitations arise because plans guide future action while both organisational conditions and the external environment can change.

Step 1: State rigidity and environmental change **Planning leads to rigidity:** Once detailed plans are prepared, managers and employees may be required to follow the predetermined course of action. Strict adherence can restrict initiative and make it difficult to change methods even when another course would be more suitable.

Planning may not work in a dynamic environment: Plans depend on assumptions about future economic, social, technological and political conditions. Unexpected changes in these conditions may make the assumptions inaccurate, so a plan that appeared appropriate when prepared may become ineffective.

Step 2: State the restriction on creativity **Planning reduces creativity:** In many organisations, top management prepares the plans and lower levels merely implement them. Employees then have less freedom to think independently, develop new ideas or choose their own methods. When their role is confined to carrying out predetermined instructions, initiative and creativity can decline.

Step 3: Conclusion Three limitations are rigidity, possible ineffectiveness in a dynamic environment, and reduced creativity among employees.

Quick Tip to Solve: For each limitation, name the limitation first and then explain the mechanism by which planning creates that difficulty.

10. Mr. Vikas Mehra was the Chairman of 'IBM Bank'. The Bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of 'UK Bank'. Mr. Vikas Mehra knew that the share price of 'IBM 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 Mukand and asked him to invest ₹ 4 crores in shares of his bank promising him the capital gains.

As expected after the announcement, the share prices went up by 50% and the market price of Mukand's shares was now ₹ 6 crores. Mukand earned a profit of ₹ 2 crores. He gave ₹ 1 crore to Vikas Mehra and kept ₹ 1 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 Vikas Mehra.

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

Solution:

Concept:

- SEBI regulates the securities market and protects investors against unfair practices.
- Regulatory functions include inspecting and enquiring into the functioning of market intermediaries; protective functions include prohibiting insider trading.

Step 1: Identify the regulatory function with evidence **Regulatory function—inspection and enquiries:** The case states, "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 inspects market intermediaries and conducts enquiries into their activities to check compliance with securities-market rules. Here, its inspection and enquiry into the brokers' activities exposed the improper transaction.

Step 2: Identify the protective function with evidence **Protective function—prohibition of insider trading:** The case states, "He called one of his rich friends Mukand and asked him to invest" and "SEBI imposed a heavy penalty on Vikas Mehra." Vikas used confidential information about the impending takeover to secure a trading gain through his friend before the announcement. Preventing and taking action against such insider trading protects ordinary investors who do not possess the unpublished information and promotes fair dealing in the securities market.

Step 3: Conclusion SEBI performed a regulatory function by inspecting and enquiring into the brokers' activities, and a protective function by acting against insider trading.

Quick Tip to Solve: Link inspection of intermediaries to regulation, and action against misuse of unpublished price-sensitive information to investor protection.

11. What is meant by a 'consumer' as per the provisions of Consumer Protection Act, 1986 ? [3 marks]

Solution:

Concept:

- Under the Consumer Protection Act, 1986, the definition covers buyers of goods and persons hiring or availing themselves of services for consideration.
- Consideration may be paid, promised, partly paid and partly promised, or payable under a system of deferred payment. Approved users or beneficiaries are also covered.

Step 1: Explain a consumer of goods **Buyer of goods:** A consumer is a person who buys goods for consideration that has been paid or promised, partly paid and partly promised, or is payable under deferred payment. The definition also includes a person who uses those goods with the buyer's approval. It excludes a person obtaining goods for resale or for a commercial purpose. However, buying and using goods exclusively to earn one's livelihood by self-employment is not treated as a commercial purpose for this exclusion.

Step 2: Explain a consumer of services **Hirer or user of services:** A consumer also means a person who hires or avails himself or herself of a service for consideration paid, promised, partly paid and partly promised, or payable under deferred payment. It includes a beneficiary of the service when

the service is used with the approval of the person who hired it. Services availed for a commercial purpose are excluded. A service provided entirely free of charge does not meet the requirement of consideration.

Step 3: Conclusion A consumer is a qualifying buyer or approved user of goods, or a hirer or approved beneficiary of services, for consideration, subject to the statutory exclusions.

Quick Tip to Solve: Organise the definition under goods and services; mention consideration, approved users or beneficiaries, and the resale/commercial-purpose exclusions.

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12. Mr. Fernandes is the owner of Unibie Enterprises, carrying on the business of manufacturing electrical appliances. There is a lot of discontentment in the organisation and targets are not being met. He asked his son, Michel, who has recently completed his MBA, to find out the reason.

Michel found that all decision making of the enterprise were in the hands of his father. Moreover, his father did not have confidence in the competency of the employees. Thus the employees were not happy.

(a) Identify any two communication barriers because of which 'Unibie Enterprise' was not able to achieve its target.

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

Solution:

Concept:

- Effective communication is obstructed when organisational arrangements discourage the free exchange of information or when a superior's attitude prevents him from listening to subordinates.
- Organisational barriers arise from policies, rules and status relationships. Personal barriers arise from attitudes, emotions or perceptions of the sender and receiver.

Step 1: Identify the organisational barrier **Organisational policy:** Michel found that "all decision making of the enterprise were in the hands of his father. Such a centralised policy does not support free communication or employee participation. Employees have little opportunity to offer suggestions or contribute to decisions. This is an organisational barrier because it arises from the way decision-making is arranged in the enterprise.

Step 2: Identify the personal barrier **Lack of confidence of the superior in his subordinates:** His father "did not have confidence in the competency of the employees. A superior who doubts employee competence may reject their advice and suggestions and fail to seek their views. This is a personal barrier because it arises from the superior's attitude towards the people with whom he communicates.

Step 3: State one further barrier of each type **Another organisational barrier—status:** A subordinate may hesitate to communicate freely with a person occupying a higher position because of the difference in their status. This inhibits frank discussion and feedback.

Another personal barrier—fear of challenge to authority: A superior may withhold information or discourage communication if he fears that sharing it will weaken his authority. Useful information then fails to reach the people who need it.

Step 4: Conclusion The barriers are organisational policy, an organisational barrier, and lack of

confidence in subordinates, a personal barrier. Status and fear of challenge to authority are further examples of the respective types.

Quick Tip to Solve: Separate organisational arrangements from attitudes: centralised policy belongs to the organisation, while distrust of employees is a personal barrier.

13. Atul-The Assistant Manager, Vikas-The Marketing Head and Leena-The Human Resource Manager of 'Montac Enterprises Ltd.' decided to leave the company.

The Chief Executive officer of the company called the Human Resource Manager, Leena and requested her to fill up the vacancies before leaving the organisation. Leena suggested that her subordinate Miss Rama Wadhwa is very competent and trust worthy, if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agreed for the same. Miss Rama Wadhwa contacted 'Smith Recruiters' who advertised for the post of marketing head for 'Montac Enterprises Ltd'. They were able to recruit a suitable candidate for the company. Atul'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 'Montac Enterprises Ltd'. to fill up the above stated vacancies.

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

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs. Internal sources fill vacancies from within the organisation; external sources bring applicants from outside.
- Promotion is an internal source. Placement agencies and management consultants, and casual callers whose unsolicited applications are retained, are external sources.

Step 1: Identify the source used to replace Leena **Promotion—internal source:** Rama Wadhwa, already Leena's subordinate, was recommended to be "moved up in the hierarchy". Moving an existing employee to a higher position with greater responsibility is promotion. **Merit:** It motivates employees by recognising their ability and giving them a prospect of advancement. Employees can see that good performance may lead to higher positions.

Step 2: Identify the source used to replace Vikas **Placement agency—external source:** Rama contacted "Smith Recruiters", who advertised for the marketing-head post and recruited a suitable candidate. The organisation used a specialist recruitment agency rather than filling this vacancy from existing staff. **Merit:** The agency supplies suitable candidates and carries out preliminary recruitment work, saving the company time and effort in locating and screening applicants.

Step 3: Identify the source used to replace Atul **Casual callers—external source:** Atul's vacancy was filled by "screening the database of unsolicited applications lying in the office". These are applications received without a current invitation and retained for future vacancies. **Merit:** The employer can recruit from this ready pool at low cost, without incurring fresh advertising expenditure whenever a suitable vacancy arises.

Step 4: Conclusion Leena's vacancy was filled through promotion, Vikas's through a placement agency, and Atul's through casual callers. Their respective merits are employee motivation, saving recruitment effort, and low recruitment cost.

Quick Tip to Solve: Match the clue to the source: moving up means promotion; a specialist recruiter means placement agency; stored unsolicited applications mean casual callers.

14. Explain the features of management that do not establish it as a profession. [4 marks]

Solution:

Concept:

- A profession is an occupation based on specialised knowledge, with restricted entry, a representative professional association, an ethical code and a service motive.
- Management has a well-defined body of knowledge, but it does not fully satisfy the other characteristics of a profession. These limitations explain why management is not a full-fledged profession.

Step 1: Explain the absence of compulsory professional entry **Restricted entry is absent:** Entry to a recognised profession normally requires a prescribed qualification and examination. No particular degree or licence is legally compulsory for becoming a manager. Management qualifications are useful and often preferred by employers, but a person can manage a business without possessing an MBA or another professional management degree.

Membership of a professional association is not compulsory: Associations such as the All India Management Association promote management knowledge and practices. However, managers are not required to join such an association before practising management. These associations do not possess the statutory authority to regulate entry in the way that professional bodies regulate established professions.

Step 2: Explain the limits of ethical regulation and service orientation **A universally binding ethical code is absent:** Professional associations may prescribe codes of conduct, and individual organisations may have ethical policies. Nevertheless, all managers are not compulsorily governed by one enforceable professional code through mandatory association membership. Therefore, ethical regulation is not as uniform as in an established profession.

Service motive is not dominant in every organisation: A profession places service to clients and society at the centre of its activities. The basic purpose of business management is to help the organisation achieve its stated goals, which commonly include earning profit. Responsible managers do recognise social obligations, but service to society is not the primary, binding motive of every manager. Thus this feature is not fully established either.

Step 3: Conclusion Management does not fully meet the professional requirements of restricted entry, compulsory professional association membership, a binding ethical code and a predominant service motive. It is therefore moving towards professionalisation, rather than being a full-fledged profession.

Quick Tip to Solve: Explain the four incomplete professional features; do not list the well-defined body of knowledge as a feature management lacks.

15. A company was marketing 'Juicers' 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 the after sales, services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis it was revealed that ignoring the after sales services was its reason. Therefore the company took all possible measures to protect and promote its favourable image. As a result the goodwill of the company improved in the society.

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

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

Solution:

Concept:

- Public relations is the communication tool concerned with building good relations with the firm's various publics by protecting and promoting a favourable corporate and product image.
- A public is a group that has an actual or potential interest in, or influence on, the organisation's ability to achieve its objectives. Customers and society are important publics in this case.

Step 1: Identify and state the communication tool in part (a) The tool is **public relations**. It involves measures taken to protect and promote the favourable image of a company and its products in the eyes of the public.

The deciding words are that the company took measures to "protect and promote its favourable image" and that its "goodwill ... improved in the society". Its earlier neglect of after-sales services damaged customer relations. The later concern with restoring goodwill therefore identifies public relations, rather than a short-term sales incentive or a personal sales presentation.

Step 2: Explain the role of public relations in part (b) **Building awareness:** Public relations communicates information about the company and its products so that the public becomes aware of them and their positive features. Information about responsible conduct and customer service can help a company explain its efforts to its publics.

Building credibility: Information conveyed through news stories, features or other apparently independent sources can be more credible to the public than a paid advertisement. Credibility helps build confidence in the company and its products.

Stimulating the sales force and dealers: Favourable publicity about the business or a product encourages the sales force and dealers. Their enthusiasm and confidence can support their selling efforts.

Reducing promotion costs: Public relations can reach a large audience at a relatively low cost compared with extensive paid advertising. A carefully planned programme can therefore complement the other elements of the promotion mix economically.

Step 3: Conclusion Public relations is the image-building communication tool used in the case. Its role includes creating awareness, enhancing credibility, encouraging the sales force and dealers, and supporting promotion at relatively low cost; here the company's objective was to restore goodwill after customer relations deteriorated.

Quick Tip to Solve: Link the phrase "protect and promote a favourable image" to public relations, then explain its roles separately from the company's service failure.

16. 'A.S. Environs Ltd.' is dealing in Environment-Consultancy. 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 the female team members to travel alone.

As a result, the subordinates were not acting in a desired manner to achieve organisational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future all the members including the leader would travel together and usefully utilise the travelling time in discussion 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 element of directing that stimulates people to take action towards the accomplishment of desired goals. It concerns the willingness to work and the satisfaction of employees' needs.
- Employees' needs and feelings affect their behaviour. Suitable incentives and working conditions encourage them to contribute willingly to organisational objectives.

Step 1: Identify the element from the change in behaviour The element is **motivation**. Earlier, the subordinates "were not acting in a desired manner to achieve organisational goals". The CEO removed the unequal travel arrangement and arranged for everyone to travel together. This "made a positive impact" and the members began acting as desired. Thus, the case shows the stimulation of willingness to work through improved conditions and a sense of belonging.

Step 2: State the features of motivation

- **An internal feeling:** Motivation arises from needs, desires and aspirations within a person. Management can provide incentives and supportive conditions, but the urge to act is experienced by the employee. Here, fairer treatment and travelling together helped meet the members' social and psychological needs.
- **Produces goal-directed behaviour:** Motivation induces people to act in a manner that helps achieve desired goals. In the case, members began cooperating with the leader, and travel time could be used to discuss client presentations.
- **Can be positive or negative:** Positive motivation uses incentives such as appreciation, recognition and supportive treatment; negative motivation uses the fear of punishment or other adverse consequences. The CEO used a positive approach by improving the travel policy, rather than threatening the team.
- **A complex process:** Individuals differ in their needs, expectations and reactions. A single incentive may not motivate everyone equally, so a manager must understand employees and use appropriate measures. The CEO discussed the matter and changed the conditions affecting this particular team.

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

Quick Tip to Solve: When a case emphasises making employees willing to act towards goals, identify motivation; then state its features rather than the qualities of a leader.

17. 'My Car Ltd.' decided to set-up its new car manufacturing factory in the backward area of West Bengal where very less job opportunities were available. People of that area welcomed this effort of 'My Car Ltd.' The company also decided to provide facilities like school, hospital, market etc. in the factory premises so that the people are attracted to join the factory as workers.

'My Car Ltd.' started earning huge profit. Another competeting company asked its production manager 'Arvind' to investigate the reasons of earning huge profits by 'My Car Ltd.'

Arvind found that in both the companies there was systematic co-ordination among the various activities to achieve organisational goals. Every employee knew who was responsible and accountable to whom. The only difference was that in his organisation communication took place only through the scalar chain, where as 'My Car 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 feed-back. [4 marks]

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

Solution:

Concept:

- Organising: informal organisation arises from personal and social interaction among employees.
- Its communication network is not restricted to the official scalar chain or prescribed reporting relationships.

Step 1: Identify the network The organisation is **informal organisation**. Employees can exchange information according to their needs, including across departments and levels, rather than communicating exclusively through the chain of authority.

Step 2: Connect the identification to the case The decisive words are "allowing flow of communication in all the directions as per the requirement. The rival company follows only the scalar chain, whereas this flexible network at My Car Ltd. permits contacts beyond officially prescribed routes. The case also mentions formal accountability; an informal organisation can coexist with that formal structure.

Step 3: Conclusion The type is **informal organisation**, identified by communication flowing in all directions beyond the scalar chain.

Quick Tip to Solve: For organisation case studies, distinguish prescribed reporting relationships from the actual informal network through which people communicate.

17(b). Also state an advantage of the type of organisation identified in part (a) above.

Solution:

Concept:

- Organising: the informal organisation allows direct communication without following every link in the official hierarchy.
- A principal advantage is faster spread of information and quicker feedback.

Step 1: State the advantage **Faster communication:** Informal contacts carry messages quickly because employees need not route every communication through each superior in the scalar chain.

People can approach others directly when information is needed.

Step 2: Apply the advantage to My Car Ltd. The case explicitly says that communication in all directions "lead to faster spread of information as well as quick feed-back. The company therefore obtains information and reactions promptly, which helps employees coordinate their work and respond to problems without the delay of a strictly prescribed route. This explains the advantage without suggesting that the formal authority structure disappears.

Step 3: Conclusion One advantage is **speedy communication**, including quicker feedback, as expressly illustrated by My Car Ltd.

Quick Tip to Solve: When asked for one advantage, name it first and explain how the case demonstrates that particular benefit.

17(c). State any two values which 'My Car Ltd.' wants to communicate to the society.

Solution:

Concept:

- Social responsibility of business includes contributing to community welfare and improving economic opportunities.
- Values in a case answer must be supported by the actual actions described, rather than by invented policies.

Step 1: Identify concern for employment and balanced development **Employment generation and regional development:** My Car Ltd. establishes its factory in a "backward area of West Bengal where very less job opportunities were available. Its decision creates livelihood opportunities where they are scarce and promotes development of a less developed region. This conveys concern for the economic welfare of the local people.

Step 2: Identify concern for community welfare **Community welfare and care for people:** The company decides to provide "school, hospital, market etc. in the factory premises. Educational, health and everyday facilities improve the quality of life of workers and people associated with the factory. These actions communicate a willingness to support social well-being along with the company's business activity.

Step 3: Conclusion The two values are **employment generation and regional development**, and **community welfare through educational, health and other facilities**.

Quick Tip to Solve: For a values question, pair each named value with one concrete action from the passage: local jobs, and school or hospital facilities.

18. With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates.

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

Solution:

Concept:

- Business environment includes forces outside an enterprise that influence its decisions and performance. Its social and technological dimensions are evident in this case.
- The social environment comprises customs, traditions, values, lifestyles and consumption preferences; the technological environment includes innovations and new methods of producing, communicating and conducting business.

Step 1: Identify and explain the social environment **Social environment:** The words "change in the consumption habits of people" indicate a change in customers' tastes and preferences. Such habits form part of the social environment because they reflect the way people live and what they prefer to consume. Neelesh responds by shifting from a sweets shop to the chocolate business. The reference to "the eve of Diwali" also reflects a social custom: festivals create occasions for exchanging gifts and buying sweets or chocolates. Recognising these social influences helps an enterprise offer products suited to changing customer needs and prevailing traditions.

Step 2: Identify and explain the technological environment **Technological environment:** Neelesh "created a website chocolove.com for taking orders online". The use of the Internet and a website to receive customer orders illustrates the technological dimension. It includes improvements in communication and business methods that open new ways of reaching customers and selling products. By adopting online ordering, Neelesh makes it convenient for customers to place orders and uses technology to serve the anticipated demand. The case explicitly states that he received many online orders and earned a large profit; this connects his use of the technology with the opportunity he successfully exploited.

Step 3: Conclusion The dimensions discussed are the **social environment**, reflected in changing consumption habits and the Diwali occasion, and the **technological environment**, reflected in the website used to take orders online.

Quick Tip to Solve: Link tastes, lifestyles and festivals to the social environment; link websites and online ordering to the technological environment, quoting the case for each.

19. State any four functions of 'Secondary - Market'. [4 marks]

Solution:

Concept:

- The secondary market deals in the purchase and sale of existing securities. A stock exchange provides an organised market in which investors can trade securities already issued.
- Its functions support investors and the economy through liquidity, price discovery, orderly transac-

tions and the productive allocation of savings.

Step 1: State the functions serving investors directly **1. Providing liquidity and marketability to existing securities:** The secondary market offers investors a ready market for buying and selling securities. Investors can convert investments into cash by selling to other investors without withdrawing funds from the issuing company. This liquidity makes investment in securities more attractive.

2. Pricing of securities: Prices are determined by demand and supply in the market. Continuous trading and the availability of information about companies and economic conditions help establish security prices. These prices provide a basis for valuing investments and help investors decide when and where to buy or sell.

Step 2: State the functions supporting orderly investment **3. Safety of transactions:** Stock exchange transactions take place within a defined legal and regulatory framework. Membership and trading practices are regulated, and listed companies must meet prescribed requirements. These safeguards promote fair dealing and protect investors against malpractices, although they do not eliminate the normal risk of changes in investment prices.

4. Contributing to economic growth: Securities of different companies are continuously valued and traded. Investors direct their funds towards enterprises whose performance and prospects they consider promising. This process of investment and disinvestment encourages more efficient allocation of resources and capital formation, supporting economic growth. A secondary-market trade transfers an existing security between investors; its contribution operates through liquidity and allocation rather than a fresh issue by the company in each trade.

Step 3: Conclusion Four functions of the secondary market are **providing liquidity and marketability**, **pricing securities**, **ensuring safety of transactions**, and **contributing to economic growth**.

Quick Tip to Solve: For secondary-market functions, explain what trading does: makes securities liquid, discovers prices, regulates dealings and helps allocate investment efficiently.

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20. Prateek is working in a multi-national company in Noida. He was running temperature for the last many days. When his blood was tested, he was found positive for malaria. 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 superior 'Mr. B. Chatterjee'. Mr. B. Chatterjee, immediately sent a text message to the employees of the organisation requesting them to donate blood for Prateek. When the General Manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings.

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

(b) State any two features of informal communication.

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

Solution:

Concept:

- Formal communication follows the officially established authority and reporting 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 rather than a prescribed channel. It is often called the grapevine; the medium, such as a text message, does not by itself decide the type.

Step 1: Identify and quote the formal communication **Formal communication:** "When the General Manager came to know about it he ordered for fumigation in the company premises and for cleaning the surroundings." This is an official order from the General Manager to those responsible for the work. It uses the manager's organisational authority and directs an activity to be performed in the company.

Step 2: Identify and quote the informal communication **Informal communication:** "One of his colleagues sent a text message to his superior 'Mr. B. Chatterjee'." Also, "Mr. B. Chatterjee, immediately sent a text message to the employees of the organisation requesting them to donate blood for Prateek." These messages arise from concern for a colleague and the personal effort to arrange blood, rather than an official work instruction. A message to a superior can therefore be informal when it is part of such social interaction.

Step 3: State two features of informal communication **No prescribed route:** Informal communication does not follow the fixed scalar chain. Information can pass between people across levels and departments through their personal contacts.

Rapid spread: It generally travels quickly because people share information spontaneously. This speed helps explain how an appeal for blood can reach many employees promptly, although informal information is not necessarily verified or complete.

Step 4: Identify two values reflected in the response **Compassion and mutual help:** The request that employees "donate blood for Prateek" reflects concern for a colleague's life and willingness to help someone facing a medical emergency.

Concern for health and a clean environment: The order for "fumigation in the company premises and for cleaning the surroundings" reflects responsibility for hygienic surroundings and the prevention of illness among employees and the community.

Step 5: Conclusion The General Manager's official cleaning and fumigation order illustrates formal communication; the personal messages arranging blood illustrate informal communication. Informal communication has no fixed route and spreads rapidly. The case conveys compassion and concern for health and cleanliness.

Quick Tip to Solve: Classify communication by its purpose and channel of authority, not by whether it is spoken, written or sent by phone. Quote the case separately for each value.

21. Two years ago Mayank obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own Bread and Biscuits manufacturing unit. For this he decided the objectives and the targets and formulated action plan to achieve the same.

One of his objective was to earn 50% profit on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt 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 Harsh as a Production-Manager who decided the exact manner in which the production activities are to carried out. Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. Mayank informed Harsh about his sales target for different products, areawise for the forth coming quarter. While working on the production table a penalty of ₹ 150 per day was announced for not wearing the helmet, gloves and apron by the workers.

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

[5 marks]

Solution:

Concept:

- Planning produces different kinds of plans. Objectives state the desired ends, while policies, procedures, methods and rules guide how work is done.
- A budget expresses expected results or requirements numerically. It may use physical quantities, such as workers or units sold, as well as money.

Step 1: Identify the objective and purchase policy **Objective:** "One of his objective was to earn 50% profit on the amount invested in the first year." An objective is an end result that management seeks to achieve. Here the desired return and the first-year time period provide a clear target against which performance can be evaluated.

Policy: "Raw materials like flour, sugar, salt etc. will be purchased on two months credit." A policy is a general guideline that channels thinking and decisions. The credit condition guides future purchasing decisions consistently instead of requiring a fresh decision on the broad terms for each purchase.

Step 2: Distinguish the procedure from the method **Procedure:** "He also decided to follow the steps required for marketing the products through his own outlets." A procedure specifies the sequence of activities to be followed in performing work. It tells employees what steps must be carried out and in what order, giving a systematic route for marketing through the outlets.

Method: Harsh "decided the exact manner in which the production activities are to carried out." A method prescribes the specific way in which a particular task is performed. Whereas a procedure gives a sequence of activities, a method explains how an activity within that sequence is to be executed.

Step 3: Identify the numerical budgets **Budget:** "Harsh also prepared a statement showing the requirement of workers in the factory throughout the year." This is a manpower budget: the requirement of workers is expressed in numerical terms for a specified period. A budget is a statement of expected results or requirements expressed numerically and provides a basis for allocating resources and controlling performance.

The statement that Mayank informed Harsh about "his sales target for different products, areawise

for the forth coming quarter" also indicates a sales budget, with product-wise and area-wise sales targets for the quarter. Budgets need not be confined to expenditure; they can state sales quantities or personnel requirements.

Step 4: Identify the compulsory safety rule **Rule:** "A penalty of Rs 150 per day was announced for not wearing the helmet, gloves and apron by the workers." A rule specifies an action that must or must not be taken and allows no discretion in its application. Here wearing the stated protective equipment while working is compulsory; the penalty reinforces compliance with that safety requirement.

Step 5: Conclusion The case illustrates an objective, a purchase policy, a marketing procedure, a production method, manpower and sales budgets, and a safety rule. Each type performs a different planning role: stating the end, guiding decisions, sequencing work, prescribing its manner, quantifying requirements or enforcing conduct.

Quick Tip to Solve: Match the case clue to its function: end result means objective; guideline means policy; sequence means procedure; exact manner means method; numbers mean budget; compulsory conduct means rule.

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

Solution:

Concept:

- Controlling is the management function of comparing actual performance with predetermined standards and taking corrective action when deviations occur.
- Its importance lies in keeping organisational activities directed towards objectives while improving the use of resources and employee performance.

Step 1: State how controlling supports objectives and standards **1. Accomplishing organisational goals:** Controlling measures progress towards the organisation's objectives. By identifying deviations between actual and planned performance and initiating corrective action, it keeps activities on the right track and helps achieve the desired results.

2. Judging accuracy of standards: An effective control system enables management to assess whether the standards set during planning are realistic and accurate. Comparing results with standards helps managers review and revise standards in the light of changes in the organisation and its environment.

Step 2: State how controlling improves resources and behaviour **3. Making efficient use of resources:** When operations are performed according to predetermined standards and deviations are checked, wastage and spoilage are reduced. Resources are used effectively and efficiently instead of being consumed in activities that do not contribute to objectives.

4. Improving employee motivation: Clear performance standards tell employees what is expected of them and how their work will be assessed. This clarity encourages them to improve performance and motivates them to work towards the prescribed targets.

5. Ensuring order and discipline: Controlling creates an atmosphere of order and discipline by keeping a check on employee activities. It helps minimise dishonest behaviour and undesirable practices because employees know that their performance and conduct are subject to review.

Step 3: Conclusion Thus, controlling helps accomplish organisational goals, judge the accuracy of standards, use resources efficiently, improve employee motivation, and ensure order and discipline.

Quick Tip to Solve: For each importance point, link a control activity—comparison, review or correction—to the specific organisational benefit it produces.

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

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

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

Solution:

Concept:

- Earnings per share (EPS) equals profit available to equity shareholders divided by the number of equity shares. Interest on debentures is deducted before calculating income tax.
- Debt may be favoured by a low after-tax cost, preservation of equity control, and adequate cash flows to service fixed financial obligations. Financial leverage increases EPS only under suitable return and financing conditions.

Step 1: Calculate interest and profit available to shareholders The company raises Rs 40 lakhs through debentures carrying interest at 10% per annum. Therefore, annual interest is Rs 4 lakhs. The Rs 8 lakhs earned on capital employed is the profit before interest and tax. Deducting interest leaves profit before tax of Rs 4 lakhs. Tax at 40% on this amount is Rs 1.6 lakhs. Hence profit after tax, available to equity shareholders, is Rs 2.4 lakhs.

The calculation is: Rs 8 lakhs less Rs 4 lakhs interest gives Rs 4 lakhs; less Rs 1.6 lakhs tax gives Rs 2.4 lakhs. The equity share capital remains Rs 60 lakhs because the additional funds were raised as debt, not as new equity.

Step 2: Compare EPS without assuming an unstated share denomination Let the unchanged number of equity shares be N. The new EPS is $\text{Rs}\,2,40,000/N$, whereas the previous EPS was Rs 0.50. Shareholders lose if there are more than 4,80,000 shares, gain if there are fewer than 4,80,000 shares, and are unchanged if there are exactly 4,80,000 shares.

The question gives equity share capital but does not state the number of shares or their face value. Share capital alone does not determine the denominator of EPS. Consequently, a unique numerical EPS and an unconditional gain-or-loss verdict cannot be obtained from the printed information.

For illustration only, *if* every share has a face value of Rs 10, there would be 6,00,000 shares, the new EPS would be Rs 0.40, and shareholders would lose Rs 0.10 per share compared with Rs 0.50. This is a conditional calculation; Rs 10 is not a stated datum.

Step 3: State three factors favouring debentures **1. Tax rate and cost of debt:** Interest is deductible

in determining taxable profit. A high tax rate reduces the effective cost of debt; here a 10% interest rate with 40% tax gives an after-tax cost of 6%, provided the interest deduction can be used.

2. Control considerations: Debenture holders are creditors and ordinarily have no voting rights. Issuing debentures therefore enables existing equity shareholders to raise finance without diluting their voting control through an issue of new equity shares.

3. Cash-flow position: A company with strong and sufficiently predictable cash flows can meet interest and principal repayment obligations on time. Such a position favours debt financing; weak or uncertain cash flows make these fixed commitments risky. This is a factor to assess, rather than a claim that the case supplies cash-flow data.

Step 4: Conclusion Profit available to equity shareholders is Rs 2.4 lakhs. New EPS is Rs 2,40,000 divided by the number of equity shares; the printed data do not specify that number. With an expressly assumed Rs 10 face value, EPS would fall from Rs 0.50 to Rs 0.40. Tax advantage, retention of control, and a sound cash-flow position favour debentures.

Quick Tip to Solve: Deduct debenture interest before tax, then divide by the number of equity shares. Never infer the number of shares from share capital without a stated share denomination.

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24. Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District forum under Consumer Protection Act and got the relief.

(a) Identify the important aspect 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 is the product-mix activity of designing and providing the label attached to a product or its package. A label communicates information that helps buyers identify, select and use the product.
- A label may range from a simple tag to an elaborate graphic attached to the package. Its functions extend beyond displaying the brand name to description, grading, promotion and legally required information.

Step 1: Identify the neglected aspect from the case The neglected aspect is **labelling**. The decisive clue is that "the information provided on the bottle was not clear. The marketer failed to communicate essential product information clearly through the label. The bottle is the package; the unclear information on it concerns labelling. Vasvi's illness and subsequent relief explain the seriousness of the failure, but the aspect asked for is not the procedure for filing a consumer complaint.

Step 2: Explain how a label describes and identifies the product **Describes the product and specifies its contents:** A label provides information such as ingredients, net quantity, manufacturing and expiry dates, directions for use and precautions. For a food product such as pickle, clear information helps the buyer judge its suitability and use it safely.

Identifies the product or brand: The label displays the name, brand and distinguishing details so

that the buyer can recognise the desired product among competing products. This also makes repeat purchase easier.

Step 3: Explain grading and promotional functions **Helps in grading:** Labels can indicate different quality grades or categories of a product. A buyer can distinguish the grades and choose the one appropriate to the requirement rather than treating all versions as identical.

Helps in promotion: An attractively designed label draws attention, communicates useful product features and supports sales promotion. Special offers or improvements can be conveyed through it, making the package a point-of-purchase communication tool.

Step 4: Explain the legal-information function **Provides information required by law:** Labels carry mandatory declarations and warnings applicable to the product. For packaged food these include prescribed information about the contents and other required particulars. Clear declarations support informed choice and accountability. Thus, information is not merely decorative: it must be legible and truthful. In Vasvi's case, the explicit failure was unclear information; the case does not specify which particular declaration was defective.

Step 5: Conclusion (a) The marketer neglected **labelling**. (b) Its functions are describing the product and its contents, identifying the product or brand, grading, promoting the product and supplying legally required information.

Quick Tip to Solve: Distinguish the container from the information it carries: the bottle points to packaging, while unclear ingredients, dates or directions point to labelling.

25. Describe the nature of principles of management with the help of any four points. [6 marks]

Solution:

Concept:

- Management principles are broad guidelines for managerial decision-making and behaviour. They guide managers in organising human and material resources to achieve organisational objectives.
- Their nature differs from rigid physical laws because management deals with people and changing organisational circumstances. Four characteristics can be explained through their scope, degree of precision, adaptability and dependence on conditions.

Step 1: Explain universal applicability **Universal applicability:** Management principles can be applied in all types of organisations, whether business or non-business, large or small, and at different levels of management. For example, division of work can help both a factory and a school distribute specialised tasks. However, the extent and manner of application vary with the nature, size and purpose of the organisation. Universal applicability therefore means broad relevance; it does not mean identical implementation in every workplace.

Step 2: Explain why they are general guidelines **General guidelines:** The principles offer broad guidance rather than ready-made, exact solutions to every managerial problem. Business situations are complex and involve several interacting factors, especially human behaviour. A manager must interpret the principle and exercise judgement before acting. For example, fair remuneration provides a direction for wage decisions, but it does not specify the exact salary of every employee. Relevant

facts and organisational circumstances must also be considered.

Step 3: Explain their flexibility **Flexible:** Management principles are not rigid prescriptions that must be followed mechanically. Managers can modify their application as the situation requires. For instance, the normal chain of authority may be supplemented by a permitted direct contact in an urgent situation to save time. Such adaptation uses the principle intelligently while preserving coordination. Flexibility allows management to respond to changing technology, employee needs and the business environment.

Step 4: Explain their contingent application **Contingent:** The application of a management principle depends on the prevailing situation and the requirements of that situation. A practice suitable for one organisation or employee may need a different application elsewhere. For example, the appropriate degree of centralisation depends on the size of the enterprise, the competence of subordinates and the need for control. Thus, managers first assess the relevant conditions and then decide how far and in what way to apply the guideline. This differs from flexibility: flexibility permits adjustment, while contingency emphasises the conditions determining the choice.

Step 5: Conclusion The four features are **universal applicability, general guidelines, flexibility and contingency**. Together they show that management principles have wide relevance but require thoughtful application to actual organisational conditions.

Quick Tip to Solve: For each feature, state its meaning and give a short example. Keep flexibility (scope for adjustment) distinct from contingency (dependence on the situation).