CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/1/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1** mark may be from **one word** to **one sentence**.
(ii) Answers to questions carrying **3** marks may be from **50-75** words.
(iii) Answers to questions carrying **4-5** marks may be about **150** words.
(iv) Answers to questions carrying **6** marks may be about **200** words.
(v) Attempt all parts of a question together.

1. What is meant by 'financial management' ? [1 mark]

Solution:

Concept:

- Financial Management concerns the procurement and effective utilisation of funds in a business.
- The financial manager seeks to obtain funds at an appropriate cost and deploy them so that the owners' wealth increases.

Step 1: Identify the financial decisions A business requires funds for acquiring assets and carrying out its operations. Financial management determines how much finance is needed and the sources from which it should be raised.

Step 2: Explain the use of funds It also determines the investment and utilisation of those funds. Procuring finance alone is insufficient: funds must be employed efficiently, with due consideration to cost and risk.

Step 3: Conclusion Financial management means planning and controlling the procurement and utilisation of funds to meet the financial needs of the business efficiently.

Quick Tip to Solve: In a definition of financial management, include both raising funds and using them effectively.

2. Why is 'employment interview' conducted in the process of selection ? [1 mark]

Solution:

Concept:

- An employment interview is a formal, in-depth conversation used in the selection process.
- It allows the employer to assess an applicant's suitability and allows the applicant to learn about the organisation.

Step 1: Assess the candidate The interviewer obtains information about the candidate and evaluates qualities such as communication, confidence and suitability for the particular job. This helps judge whether the applicant can meet the job requirements.

Step 2: Allow an exchange of information The candidate can also seek information about the employer and the job. Thus the interview provides a direct interaction before a final selection decision is made.

Step 3: Conclusion An employment interview is conducted to evaluate the applicant's suitability for the job and to give the applicant an opportunity to obtain information about the organisation and the job.

Quick Tip to Solve: Connect the interview with assessing job suitability, rather than merely checking certificates.

3. Sunita took her niece, Aishwarya for shopping to 'Benetton' to buy her a dress on the occasion of her birthday. She was delighted when on payment for the dress she got a discount voucher to get 20% off for a meal of ₹ 500 or above at a famous eating joint.

Identify the technique of sales promotion used by the company in the above situation. [1 mark]

Solution:

Concept:

- Sales promotion offers short-term incentives that encourage customers to buy.
- Under usable benefit, purchasing one product provides a benefit that the customer can use subsequently, such as a voucher.

Step 1: Identify the incentive Sunita receives a discount voucher after buying the dress. The voucher gives her a benefit on a meal at another outlet, subject to the stated minimum purchase value.

Step 2: Match the case to the technique The words 'discount voucher to get 20% off for a meal' show a usable benefit. It is not a reduction in the price paid for the dress; the benefit is available for use on the later meal.

Step 3: Conclusion The sales-promotion technique is **usable benefit**.

Quick Tip to Solve: A voucher usable for a later purchase or another service points to usable benefit.

---

4. Meca Ltd. a reputed automobile manufacturer needs Rupees ten crores as additional capital to expand its business. Atul Jalan, the CEO of the company wanted to raise funds through equity. On the other hand the Finance Manager, Nimi Sahdev said that the public issue may be expensive on account of various mandatory and non-mandatory expenses. Therefore, it was decided to allot the securities to institutional investors.

Name the method through which the company decided to raise additional capital. [1 mark]

Solution:

Concept:

- Private placement means allotment of securities by a company to institutional investors and selected individuals.
- It provides a way of raising capital without the costs and procedures involved in a public issue.

Step 1: Locate the decisive clue The company decides to 'allot the securities to institutional investors'. This is an allotment to selected investors rather than an invitation to the public at large.

Step 2: Identify the issue method The finance manager is concerned about the mandatory and non-mandatory expenses of a public issue. Private placement addresses that concern by placing the securities with selected investors.

Step 3: Conclusion The company decided to raise additional capital through **private placement**.

Quick Tip to Solve: Allotment to institutional investors or selected individuals is the key clue for private placement.

---

5. Differentiate between 'formal' and 'informal' organisation on the basis of 'origin.' [1 mark]

Solution:

Concept:

- Formal organisation is the structure deliberately established by management to achieve organisational objectives.
- Informal organisation arises naturally through social interaction among employees.

Step 1: State the formal origin A formal organisation is intentionally created by management. Its prescribed jobs and authority relationships originate from the organising process.

Step 2: Compare the informal origin

Basis	Formal organisation	Informal organisation
Origin	Deliberately created by management.	Arises spontaneously from social interaction among employees.

Step 3: Conclusion On the basis of origin, formal organisation is deliberately created by management, whereas informal organisation develops spontaneously through employees' interaction.

Quick Tip to Solve: For origin, compare deliberate creation with spontaneous development; do not substitute a difference about authority.

6. Give the meaning of 'motivation' as an element of directing. [1 mark]

Solution:

Concept:

- Motivation is an element of directing that stimulates people to act in a desired manner.
- It concerns encouraging employees to contribute their efforts towards achieving organisational goals.

Step 1: Identify the process Employees have needs and motives that influence their behaviour. A manager uses appropriate encouragement and incentives to stimulate their willingness to work.

Step 2: Relate behaviour to the goal The purpose is to induce employees to act in the desired manner and contribute towards organisational objectives. Motivation therefore concerns willingness to perform, rather than merely issuing instructions.

Step 3: Conclusion Motivation means the process of stimulating people to action to accomplish desired goals.

Quick Tip to Solve: Use the words stimulating people to action and desired goals when defining motivation.

7. Alpha Enterprises is a company manufacturing water geysers. The company has a functional structure with four main functions – Production, Marketing, Finance and Human Resource. As the demand for the product grew, the company decided to hire more employees.

Identify the concept which will help the Human Resource Manager in deciding the actual number of persons required in each department. [1 mark]

Solution:

Concept:

- Estimating manpower requirements determines the number and type of employees needed by an organisation.
- Workload analysis assesses the human resources required for the work, while workforce analysis assesses the employees already available.

Step 1: Read the staffing requirement The demand for water geysers has grown and the company intends to hire more employees. The Human Resource Manager must decide the 'actual number of persons required in each department'.

Step 2: Match the requirement to the concept This is workload analysis, undertaken while estimating manpower requirements. It assesses the amount of work to be done and determines the number and type of persons required. Workforce analysis, in contrast, identifies the employees already available.

Step 3: Conclusion The concept is **workload analysis**, undertaken as part of estimating manpower requirements. It determines the actual number of persons required in each department.

Quick Tip to Solve: Required staff points to workload analysis; available staff points to workforce analysis.

8. Hina Sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina Sweets was worried as the sales had declined during the last three months. When he enquired from the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore Harsh ordered for sample checking of sweets.

Identify the step taken by Harsh that is related to one of the functions of management. [1 mark]

Solution:

Concept:

- Controlling means ensuring that actual performance conforms to the standards laid down for the organisation.
- Measurement of actual performance obtains information about results through methods such as personal observation, reports and sample checking.

Step 1: Identify the action in the case Harsh ordered 'sample checking of sweets' after receiving complaints about their quality. Sample checking examines a selected quantity of the actual output to assess its quality.

Step 2: Relate the action to the controlling process This action measures actual performance. It supplies information about the quality actually achieved, which can subsequently be compared with the prescribed quality standards. Ordering the check is not itself the final corrective action.

Step 3: Conclusion The step is **measurement of actual performance**, a step in the controlling process.

Quick Tip to Solve: Distinguish checking actual output from correcting it: a sample quality check measures performance.

9. Explain briefly 'discipline' and 'scalar chain' as principles of general management. [3 marks]

Solution:

Concept:

- Fayol's principles of general management guide managers in organising work and maintaining effective relationships.
- Discipline concerns observance of organisational rules and agreements; scalar chain concerns the formal line of authority and communication.

Step 1: Explain discipline **Discipline:** It means obedience to organisational rules and the employment agreement necessary for the working of the organisation. Both management and workers must honour their commitments. For example, workers should observe agreed working arrangements and management should fulfil agreed obligations. Discipline requires good superiors at all levels, clear and fair agreements, and judicious application of penalties. It is therefore supported by fair leadership as well as responsible employee conduct.

Step 2: Explain scalar chain **Scalar chain:** It is the chain of authority and communication running from the highest to the lowest ranks. Normal official communication should follow this chain so that authority and responsibility remain clear. However, a long route can delay urgent communication. Fayol therefore permits a gang plank: direct communication between employees at the same level in an emergency, with due authorisation or knowledge of their immediate superiors. This saves time while respecting the formal hierarchy.

Step 3: Conclusion Discipline secures obedience to fair rules and agreements, while scalar chain establishes the formal authority route, with a gang plank available for urgent communication.

Quick Tip to Solve: For discipline, remember fair agreements and good superiors; for scalar chain, remember the hierarchy and its emergency shortcut.

10. State any three limitations of planning. [3 marks]

Solution:

Concept:

- Planning decides in advance what is to be done and how it is to be done, but a plan cannot remove every difficulty in implementation.
- The limitations arise from fixed courses of action, uncertain external conditions and the restrictions plans can place on individual initiative.

Step 1: State limitations concerning rigidity and change **Planning leads to rigidity:** A specific plan fixes the course of action and the manner in which work is to be performed. Managers and employees may have to follow it even when changed circumstances call for a different approach. Strict adherence can therefore reduce flexibility.

Planning may not work in a dynamic environment: The business environment changes through economic conditions, government policies, technology and competitors. Plans rest on assumptions about these future conditions. Unexpected changes can make the assumptions inaccurate and reduce the usefulness of the original plan.

Step 2: State the limitation concerning initiative **Planning reduces creativity:** Planning is generally carried out by top management, while other managers and employees implement the plans. When they are expected merely to follow predetermined directions, they may have little opportunity to think of fresh ideas or apply their own initiative. Thus excessive dependence on centrally prepared plans may restrict creativity at the implementation level. These are limitations to recognise while planning; they do not mean that planning should be abandoned.

Step 3: Conclusion Three limitations are that planning leads to rigidity, may not work in a dynamic environment, and reduces creativity.

Quick Tip to Solve: Keep the three causes distinct: fixed action creates rigidity, changing surroundings undermine assumptions, and prescribed directions restrict initiative.

11. Explain any three points that highlight the importance of directing function of management.

[3 marks]

Solution:

Concept:

- Directing involves instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- Its importance lies in converting plans into action, combining individual efforts and helping employees realise their capabilities.

Step 1: Explain how directing starts and integrates work **Directing initiates action:** Plans and organisational arrangements alone do not make employees perform their tasks. Through instructions, guidance and supervision, directing tells employees what to do and encourages them to begin the assigned work. It therefore converts managerial decisions into action.

Directing integrates employees' efforts: People work on different tasks and may concentrate on their own assignments. A manager guides their efforts towards common organisational goals and ensures that each person contributes in a coordinated manner. This prevents isolated efforts from pulling the organisation in different directions.

Step 2: Explain how directing develops employee performance **Directing helps employees realise their potential:** Motivation, leadership and guidance encourage employees to use their abilities fully. A manager can recognise an employee's strengths, provide encouragement and explain how to improve work. By satisfying appropriate needs and inspiring better performance, directing draws out

capabilities that might otherwise remain unused. The organisation benefits from stronger performance, while employees gain opportunities to contribute and develop.

Step 3: Conclusion Directing is important because it initiates action, integrates employees' efforts and helps employees realise their full potential.

Quick Tip to Solve: Link each point to a different result: work begins, efforts combine, and individual potential becomes performance.

12. Ginika, Tanish and Rohit were friends from college days and now they are doing different kinds of business. They regularly meet and discuss their business ideas and exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques, social concerns etc.

In one of such meetings, Ginika drew the attention of Tanish and Rohit towards the exploitation of consumers. She told that most of the sellers were exploiting the consumers in various ways and were not paying attention towards the social, ethical and ecological aspects of marketing, whereas she was not doing so.

Tanish told that they were under pressure to satisfy the consumers, but stated that the consumers would not buy or not buy enough unless they were adequately convinced and motivated for the same.

Rohit stressed that a company cannot achieve its objectives without understanding the needs of the customers. It was the duty of the businessmen to keep consumer satisfaction in mind because business is run by the resources made available to them by the society. He further stated that he himself was taking into consideration the needs of the customers.

Identify the various types of thinking that guided Ginika, Tanish and Rohit in the marketing efforts of their business. Also, state one more feature of the various types of thinking identified that is not given in the above para. [3 marks]

Solution:

Concept:

- Marketing management philosophies guide the emphasis a business places on selling, customer satisfaction and society's long-term welfare.
- The selling concept emphasises persuasion, the marketing concept begins with customer needs, and the societal marketing concept adds social welfare to customer satisfaction.

Step 1: Identify Ginika's philosophy **Societal marketing concept:** Ginika considers the "social, ethical and ecological aspects of marketing", rather than exploiting consumers. This indicates concern for the long-term interests of society along with the satisfaction of buyers.

One additional feature: It seeks profits through customer satisfaction achieved in a socially responsible manner. Thus, profitability is pursued while maintaining a balance between the interests of the company, consumers and society.

Step 2: Identify Tanish's philosophy **Selling concept:** Tanish believes that customers "would not buy or not buy enough unless they were adequately convinced and motivated". This view places emphasis on inducing customers to purchase the firm's existing products.

One additional feature: It aims at earning profits through a large sales volume. The business

therefore concentrates on aggressive selling and promotional efforts to increase sales of what it has already produced.

Step 3: Identify Rohit's philosophy **Marketing concept:** Rohit stresses "understanding the needs of the customers" and says that he takes these needs into consideration. Customer needs are consequently the starting point of his marketing effort.

One additional feature: The firm must satisfy the needs of its target customers more effectively and efficiently than its competitors. Such superior customer satisfaction helps the firm achieve its objectives and earn profits.

Step 4: Conclusion Ginika follows the societal marketing concept, Tanish the selling concept and Rohit the marketing concept. Their respective additional features are socially responsible profitability, profits through sales volume, and satisfying target customers better than competitors.

Quick Tip to Solve: Match social welfare with societal marketing, persuasion to buy existing goods with selling, and customer needs with the marketing concept.

13. Somnath Ltd. is engaged in the business of export of garments. In the past, the performance of the company had been upto the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds he is trying to find out alternative sources from outside.

Identify the financial concept discussed in the above para. Also state the objectives to be achieved by the use of financial concept, so identified. [3 marks]

Solution:

Concept:

- Financial planning means estimating the funds a business will require and specifying the sources from which those funds will be obtained.
- Financial planning aims to make funds available at the right time while avoiding unnecessary finance. It links investment decisions with financing decisions.

Step 1: Identify the financial concept from the case The concept is **financial planning**. Dalmia "estimated the amount of funds required and the timings" for upgrading machinery. He prepared a sales forecast and profit estimates to assess the internal funds available, and then sought external sources for the balance. Together, these activities estimate both the requirement for finance and the means of meeting it.

Step 2: State the objective of timely availability of funds **Ensure that funds are available whenever required:** Financial planning estimates how much finance will be needed, when it will be needed and the possible sources of that finance. It helps the business obtain adequate funds at the appropriate time so that investment and operating activities can proceed without interruption. In this case, the

machinery upgrade requires finance to be arranged when the planned investment is to take place.

Step 3: State the objective of avoiding excess finance **Ensure that the firm does not raise resources unnecessarily:** Excess funds impose costs without necessarily adding to earnings. Financial planning seeks a proper match between the funds raised and the funds required, thereby avoiding idle finance. If surplus funds arise, they should be put to the best possible use; if a shortfall is expected, suitable additional sources should be identified in advance.

Step 4: Conclusion Dalmia is undertaking financial planning. Its two objectives are to ensure sufficient funds are available at the right time and to prevent unnecessary raising of finance, thereby avoiding both shortages and wasteful surplus funds.

Quick Tip to Solve: When a case estimates the amount, timing and sources of funds, identify financial planning; state its objectives as avoiding both shortage and excess finance.

14. Sanchit, after completing his entrepreneurship course from Sweden returned to India and started a coffee shop 'AromaCoffeeCan' in a famous mall in New Delhi. The speciality of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same.

Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the order.

She also realised that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result with in a short period Sandhya was able to attract the customers.

Identify and explain any two techniques of scientific management used by Sandhya to solve the problem. [4 marks]

Solution:

Concept:

- Taylor's scientific management replaces rule-of-thumb decisions with systematic study of work so that resources are used efficiently.
- Time study determines the standard time for a well-defined job, while simplification eliminates unnecessary varieties of products. Each technique must be linked to the action described in the case.

Step 1: Identify and explain time study **Time study:** Sandhya "fixed a standard time for processing the order". Time study determines the standard time required to perform a well-defined job by a worker of reasonable skill and efficiency under standard conditions. Time-measuring devices are used for the elements of the job, and suitable allowances are considered in fixing the standard. It helps management determine the number of workers needed, frame suitable incentive schemes and ascertain labour costs. In the coffee shop, a processing-time standard provides a benchmark for

checking delays and improving the speed of service. It addresses the customers' complaint about long waiting time without changing the coffee's special aroma.

Step 2: Identify and explain simplification of work **Simplification of work:** Sandhya "decided to stop the sale of such flavours" whose demand was insufficient. Simplification aims to eliminate superfluous varieties, sizes and dimensions of products. By reducing unnecessary variety, it avoids needless product differentiation and makes economical use of materials, equipment and labour. Here, discontinuing low-demand flavours reduces the range that employees must stock and prepare. This can reduce avoidable inventory and effort and allow attention to concentrate on the flavours customers actually want. The decision concerns the elimination of varieties, so it specifically illustrates simplification rather than merely setting a uniform quality standard.

Step 3: Conclusion The two techniques are **time study**, evidenced by fixing a standard order-processing time, and **simplification of work**, evidenced by discontinuing flavours with inadequate demand. Together they improve the efficiency of service and reduce unnecessary variety.

Quick Tip to Solve: Link "standard time" to time study and "eliminating varieties" to simplification; explain each technique using the case's exact action.

15. Ashutosh Goenka was working in 'Axe Ltd.', a company manufacturing air purifiers. He found that the profits had started declining from the last six months. Profit has an implication for the survival of the firm, so he analysed the business environment to find out the reasons for this decline.

(a) Identify the level of management at which Ashutosh Goenka was working.

(b) State three other functions being performed by Ashutosh Goenka. [4 marks]

Solution:

Concept:

- Top management is responsible for the organisation's overall welfare and survival. It analyses the business environment and considers its implications for the firm as a whole.
- Its other functions include setting overall objectives and strategies, coordinating departments and ensuring the welfare and survival of the organisation through long-term decisions.

Step 1: Identify the level from the case **(a) Top level of management:** Ashutosh Goenka is working at the top level. The case states that he "analysed the business environment" because falling profits had implications for "the survival of the firm". These are organisation-wide concerns, rather than the supervision of a particular group of workers. Analysing the environment and its implications, and taking responsibility for the welfare and survival of the enterprise, are characteristic functions of top management.

Step 2: State three other functions of this level **(b) Formulating overall organisational goals and strategies:** Top management establishes the broad objectives that the company is to pursue and the strategies for achieving them. These provide direction to managers throughout the enterprise.

Coordinating the activities of different departments: It integrates the work of departments such as production, marketing and finance so that their efforts contribute to the common organisational objectives. Departmental activities must support one another rather than pull the organisation in

conflicting directions.

Taking responsibility for activities and their impact on society: Top management is responsible for all the activities of the business and for the effects these activities have on society. Its decisions therefore have to consider the enterprise as a whole and the interests affected by its operations, rather than only an individual department's immediate performance.

Step 3: Conclusion Ashutosh Goenka belongs to **top management**. Besides the environmental analysis shown in the case, this level formulates overall goals and strategies, coordinates departmental activities, and accepts responsibility for business activities and their impact on society.

Quick Tip to Solve: An enterprise-wide concern about survival and environmental change points to top management; distinguish it from departmental implementation and direct worker supervision.

16. Give the meaning of 'procedure' and 'rule' as types of plans. [4 marks]

Solution:

Concept:

- Planning: procedures and rules are standing plans that guide recurring activities and decisions in an organisation.
- A procedure prescribes the sequence of steps for performing an activity; a rule states precisely what must or must not be done in a particular situation.

Step 1: Explain the meaning of procedure **Procedure:** A procedure is a routine set of steps showing, in chronological order, how an activity is to be carried out. It gives the detailed manner in which a task must be performed, so that employees know what to do first and what should follow. Procedures are established for repetitive activities and help different employees carry out the same work consistently.

For example, a recruitment procedure may require an organisation to receive applications, screen them, conduct selection tests and interviews, and then issue appointment letters. These steps must follow the prescribed sequence. Thus, the essential feature of a procedure is the ordered series of actions, rather than merely stating the desired result.

Step 2: Explain the meaning of rule **Rule:** A rule is a specific statement informing people of what is to be done or what is not to be done. It reflects a managerial decision that a particular action must or must not be taken. A rule is usually the simplest type of plan and leaves no scope for discretion or flexibility in its application to the situation covered by it.

For example, "Smoking is prohibited in the factory" is a rule. Employees are required to obey the prohibition; they cannot decide for themselves whether smoking should be allowed. A rule therefore specifies required or forbidden conduct, whereas a procedure describes the sequence in which an activity should be completed.

Step 3: Conclusion A **procedure** lays down the chronological steps for carrying out an activity. A **rule** specifies an action that must or must not be performed, with no discretion in applying it.

Quick Tip to Solve: Associate procedure with "which step comes next?" and rule with "what is compulsory or prohibited?" Give a sequence for the former and a clear instruction for the latter.

17. Umang Gupta is the Managing Director of Denver Ltd. The company had established a good name for itself and had been doing well. It was known for timely completion of orders. The Production Manager, Ms. Kanta was efficiently handling the processing of orders and had a team of fourteen motivated employees working under her. Everything was going on well. Unfortunately she met with an accident. Umang knew that in the absence of Ms. Kanta, the company may not be able to meet the deadlines. He also knew that not meeting the deadlines may lead to customer dissatisfaction with the risk of loss of business and goodwill. So, he had a meeting with his employees in which accurate and speedy processing of orders was planned. Everybody agreed to work as team because the behaviour of Umang Gupta was positive towards the employees of the organisation. Hence everyone put in extra time and efforts and the targets were met on time.

Not only this, Umang visited Ms. Kanta and advised her to take sufficient rest.

(a) Identify the leadership style of Umang Gupta and draw a diagram depicting the style.

(b) State any two values highlighted by the behaviour of Umang Gupta. [4 marks]

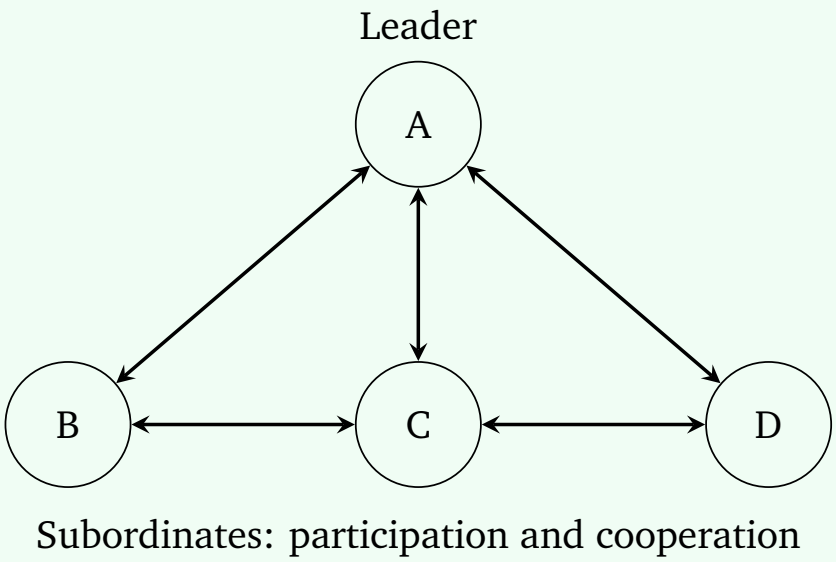
Solution:

Concept:

- Directing includes leadership: influencing employees to work willingly towards organisational objectives. A leader's behaviour affects employees' motivation and their willingness to cooperate.
- A democratic or participative leader develops plans in consultation with subordinates and encourages their participation in decisions. Communication moves both from the leader to employees and from employees to the leader.

Step 1: Identify the leadership style from the meeting **(a) Democratic or participative leadership:** Umang Gupta follows this style. The case says that he "had a meeting with his employees in which accurate and speedy processing of orders was planned." The employees participated in planning the response to Ms. Kanta's absence rather than merely receiving a unilateral command. His positive behaviour encouraged everyone to agree to work as a team and to contribute extra time and effort. The shared planning and willing cooperation are the decisive indicators of democratic leadership.

Step 2: Depict participation and two-way communication In the diagram, A represents the leader and B, C and D represent subordinates. The double-headed arrows between the leader and the subordinates show consultation, suggestions and feedback as well as guidance. The horizontal links show communication and cooperation among the subordinates. The leader retains responsibility for leading the group while involving its members in decisions.



Democratic leadership: A is the leader; B, C and D are subordinates.

Step 3: State two values supported by the case **(b) Team spirit and cooperation:** Umang brings employees together to plan the work and encourages them to work as a team. This collective approach enables timely completion of orders despite the production manager's absence.

Care and concern for employees: He visits the injured Ms. Kanta and advises her to take sufficient rest. This shows empathy and consideration for her health and welfare, rather than treating her only as a means of meeting production targets.

Step 4: Conclusion Umang Gupta uses **democratic (participative) leadership**, represented by consultation and two-way communication between the leader and subordinates. His behaviour highlights **team spirit and cooperation** and **care and concern for employees**.

Quick Tip to Solve: Link shared planning and employee consultation to democratic leadership; link the visit and advice to rest to concern for employee welfare.

18. Explain briefly 'transfers' and 'promotions' as internal sources of recruitment. [4 marks]

Solution:

Concept:

- Internal sources of recruitment fill vacancies by drawing on people already employed in the organisation. Transfers and promotions are its two principal sources.
- A transfer moves an employee horizontally, whereas a promotion moves an employee vertically to a higher position. Both use the organisation's existing human resources.

Step 1: Explain transfers **Transfers:** A transfer means shifting an employee from one job, department, branch or workplace to another without a substantive change in the employee's responsibilities or status. The movement is normally lateral and does not ordinarily involve a change in salary. Thus, the employee continues at a comparable level in the organisation rather than moving up its hierarchy.

Transfers help an organisation fill a vacancy in a department where employees are needed by moving suitable employees from a department with surplus staff. They also give employees experience of different jobs and can help avoid termination when one unit has excess manpower. For example, moving a clerk from one branch to another at the same level is a transfer.

Step 2: Explain promotions **Promotions:** A promotion means shifting an employee to a higher position carrying greater responsibility, higher status and normally better pay. It is a vertical movement in the organisational hierarchy, unlike a transfer, which is a horizontal movement.

When a higher-level vacancy arises, the organisation can fill it by selecting an existing employee whose ability, experience and performance suit the post. Promotion recognises the employee's contribution and offers a career advancement opportunity. It also motivates other employees to perform well because they can see a prospect of growth within the organisation. For example, appointing an existing sales executive as sales manager is a promotion.

Step 3: Conclusion Transfers meet staffing needs by moving existing employees to comparable jobs; promotions meet them by elevating existing employees to higher posts. Hence both are internal sources of recruitment.

Quick Tip to Solve: Remember the direction of movement: transfer is horizontal at a comparable level; promotion is vertical with higher responsibility and status.

19. These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this there is another market in which unsecured and short-term debt instruments are actively traded everyday. These markets together help the savers and investors in directing the available funds into their most productive investment opportunity.

(a) Name the function being performed by the market in the above case.

(b) Also, explain briefly three other functions performed by this market. [4 marks]

Solution:

Concept:

- A financial market links savers with investors and facilitates the creation and exchange of financial assets. The money market and capital market are its two broad segments.
- Its four main functions are mobilising savings and channelling them into productive uses, facilitating price discovery, providing liquidity to financial assets and reducing transaction costs.

Step 1: Identify the function described in the case **(a) Mobilisation of savings and channelling them into the most productive uses:** The financial market transfers savings from surplus units, such as households, to deficit units, such as business enterprises needing funds. It offers savers investment avenues and directs their funds to productive investment opportunities.

The case points to this function through the words "transferring finance from the sector where it is in surplus to the sector where it is needed most" and "directing the available funds into their most productive investment opportunity". Thus the answer is the function of the financial market, rather

than merely the name of the capital market or money market.

Step 2: Explain the other three functions **(b) Facilitating price discovery:** The interaction of demand for funds by business firms and supply of funds by households helps establish the price of a financial asset. Buyers and sellers bring their assessments to the market, and their interaction determines the price at which the asset is traded.

Providing liquidity to financial assets: Financial markets enable the easy purchase and sale of financial assets. An investor who needs money can sell an existing investment and convert it into cash instead of necessarily waiting until its maturity. This marketability makes investment more attractive to savers.

Reducing the cost of transactions: Financial markets provide useful information about securities being traded and bring buyers and sellers together. This saves participants the time, effort and money they would otherwise spend searching for one another and obtaining information independently. Financial markets thereby reduce the costs associated with buying and selling financial assets.

Step 3: Conclusion The case illustrates mobilisation of savings and their channelisation into productive uses. The other functions are price discovery, liquidity for financial assets and reduction of transaction costs.

Quick Tip to Solve: When a case describes funds moving from savers to productive investment, identify mobilisation of savings; reserve price, liquidity and transaction costs for the other three functions.

20. Indian Youth Organisation (IYO) organised a visit of its members to an old age home to inculcate the habit of social work among them. The visit revealed that the living conditions of the inmates of the old age home were not hygienic. So, the IYO members decided to clean the premises. During their cleanliness drive, they realised that the old age home also required pest control. But some of the inmates of old age home were reluctant for it because they believed that the pest control may create health problems for them. IYO, therefore decided to provide ethical, safe and odourless pest control. They showed to the inmates of old age home a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The inmates happily agreed and the pest control was carried out. It worked for a fortnight but to their dismay the effect started wearing off. IYO contacted the pest control company which kept on postponing their visit. After waiting for a month, IYO filed a case in the consumer court.

The consumer court was satisfied about the genuineness of the complaint and issued necessary directions to the pest control company.

(a) State any six directions that might have been issued by the court.

(b) Also, identify any two values that are being communicated by IYO to the society. [5 marks]

Solution:

Concept:

- Consumer Protection: the consumer redressal agency may order appropriate relief when a complaint about defective goods, deficient services or unfair trade practices is proved.
- Relief can restore the consumer's payment, correct the deficiency, compensate loss and prevent a

misleading practice from continuing. The relief depends on the facts established before the agency.

Step 1: Relate the complaint to the deficient service The pamphlet promised 'easy, inexpensive and long lasting pest control', but its effect began to wear off after a fortnight. Further, the company 'kept on postponing their visit'. These facts support a complaint about deficient pest-control service and the misleading promise. Once satisfied about the complaint, the court could issue the following six directions under the consumer-protection framework applicable to the question.

Step 2: State six possible directions for part (a) **Remove the deficiency in service:** Direct the company to rectify the deficient pest-control service and provide the effective service promised to the consumers.

Refund the charges: Return the price or charges paid for the unsatisfactory pest-control service, as appropriate to the order.

Pay compensation: Compensate the consumers for loss or injury suffered because of the company's negligence or deficient service, as established before the court.

Discontinue the unfair trade practice: Stop the misleading or unfair practice and direct the company not to repeat it in future.

Issue a corrective advertisement: Correct the effect of the misleading advertisement promising long-lasting protection by issuing an appropriate corrective advertisement at the company's expense.

Pay litigation costs: Pay adequate costs to the complainant for pursuing the complaint. These are possible statutory reliefs; their precise application would follow the court's findings.

Step 3: Identify two values for part (b) **Care and compassion for the elderly:** The members visited the old age home, noticed unhygienic conditions and cleaned the premises. Their willingness to work for the inmates reflects concern for vulnerable members of society.

Concern for health and safety: When the inmates feared health problems, IYO chose 'ethical, safe and odourless pest control'. This shows respect for the inmates' health and their concerns while improving their living conditions.

Step 4: Conclusion The six possible directions are rectification of the service, refund of charges, compensation, discontinuance of the unfair practice, a corrective advertisement and payment of litigation costs. IYO communicates compassion for the elderly and concern for health and safety.

Quick Tip to Solve: Separate the two demands: list six consumer remedies first, then support each of the two values with a specific action of IYO in the case.

21. Metlapp Networks and Technologies Ltd. is a leader in technology innovation in the United States, creating products and solutions for connecting the world. It has a large research and development team which invented the first smart watch, named as W-7. The watch besides showing the time also monitors few health parameters like heart beat, blood pressure etc.

While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of simplified export procedure and removal of quantitative as well as tariff restrictions in India.

It set up its office in Jamnagar with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

(a) In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.

(b) Also, explain briefly any three impacts of these concepts on Indian business and industry. [5 marks]

Solution:

Concept:

- Business Environment: liberalisation removes unnecessary government controls and restrictions on economic activity, allowing businesses greater freedom in their decisions.
- Globalisation integrates a country's economy with the world economy through increasing cross-border flows of goods, services, capital and technology. Liberalisation facilitates this integration.

Step 1: Identify and explain liberalisation for part (a) **Liberalisation:** This means freeing business and industry from unnecessary controls and restrictions imposed by the government. The case refers to 'simplified export procedure and removal of quantitative as well as tariff restrictions'. Simplifying procedures and reducing restrictions make it easier for enterprises to undertake trade and respond to market opportunities. Thus, the reduction of controls is the evidence for liberalisation.

Step 2: Identify and explain globalisation for part (a) **Globalisation:** This means the integration of the Indian economy with the world economy, creating closer economic connections between countries. The United States company was 'in search of markets abroad' and 'set up its office in Jamnagar' to capture the Indian market. The entry of a foreign company with its technology into India illustrates this integration. The case does not describe transfer of ownership of a public enterprise, so privatisation is not one of the two concepts identified here.

Step 3: Explain three impacts for part (b) **Increasing competition:** Easier entry and fewer trade restrictions expose Indian firms to foreign competitors as well as other domestic businesses. In the case, the success of Metlapp 'attracted many other players to enter the market'. Indian businesses must therefore improve efficiency, quality and cost control to retain their customers.

More demanding customers: Wider choice of products and greater access to information allow customers to compare alternatives and expect better quality, features and value. The case states that competition led to a reduction in prices, 'thereby benefiting the customers'. Businesses must become more responsive to customer needs rather than rely on a protected market.

Rapidly changing technological environment: Integration with global markets brings new technologies and innovative products into the country. The W-7 watch, which monitors health parameters as well as showing time, illustrates technological innovation. Indian firms face pressure to upgrade

technology, develop products and invest in research and development so that their offerings do not become obsolete.

Step 4: Conclusion The two policy concepts are liberalisation and globalisation. Three impacts on Indian business and industry are increasing competition, more demanding customers and a rapidly changing technological environment, requiring greater efficiency, customer orientation and innovation.

Quick Tip to Solve: Link removal of restrictions to liberalisation and cross-border business entry to globalisation; then explain each impact as a change Indian firms must respond to.

22. Describe briefly the relationship between controlling and planning. [5 marks]

Solution:

Concept:

- Planning determines objectives and the course of action for achieving them. It supplies the standards against which actual performance is assessed.
- Controlling compares actual performance with planned standards, identifies deviations and initiates corrective action. Planning and controlling are inseparable functions of management.

Step 1: Explain how each function depends on the other

- **Planning provides the basis for control:** A plan specifies what is to be achieved and thus supplies the standards for comparison. Without a predetermined target, a manager cannot meaningfully judge whether performance is satisfactory. Planning is therefore a prerequisite for controlling.
- **Controlling ensures implementation of plans:** Merely preparing a plan does not ensure that employees will carry it out or that objectives will be achieved. Control measures actual results, detects departures and prompts corrective action. Plans without control may remain only statements on paper; controlling without plans has no direction.

Step 2: Describe their common focus on the past and the future

- **Both are forward-looking:** Planning looks ahead to select future objectives and actions. Controlling also looks ahead because corrective action seeks to improve future performance and prevent the recurrence of mistakes. It does not end with identifying a past error.
- **Both are backward-looking:** Planning uses past experience and the information generated by earlier controls to prepare realistic plans. Controlling examines actual performance already achieved and compares it with previously established standards.
- **They form a continuous cycle:** Planning is the first function in the management process, while controlling completes a cycle by assessing its results. Feedback from control becomes an input for the next planning cycle. A manager may revise an unrealistic standard or change the course of action in the light of this feedback.

Step 3: Conclusion Planning and controlling reinforce each other: planning sets the desired results, controlling checks their achievement, and control feedback improves subsequent plans. They are aptly described as inseparable twins of management.

Quick Tip to Solve: Link the two functions through standards, implementation and feedback; then explain why both look backward as well as forward.

23. Mediquip Ltd. is a company dealing in distribution of medical equipments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones.

In the meeting, Sandeep, the North Zone Marketing Head, suggested that since the machines were sophisticated they need to visit hospitals to personally, explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same.

Himanshu, another Zonal Head, added that since lot of money had been spent on the import of the machines, the company was short of funds to pay to the additional staff as suggested by Sandeep.

Rahul, a newly appointed Zonal Head of South Zone suggested that since the size of the order is not large, a detailed study of the factors determining the choice of channels of distribution is required before making the right choice.

(a) Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.

(b) Also, explain briefly the other consideration to be taken care of in each factor identified in part (a). [6 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods pass from the producer to the ultimate user. Its length and the intermediaries used depend on product, company and market considerations, among other factors.
- Technical requirements, the firm's financial resources and customers' buying patterns must be considered together. The suitable channel must provide the required service at a cost the company can support.

Step 1: Identify the factors from the meeting in part (a)

- **Product-related factors:** Sandeep says the machines are "sophisticated" and their working must be personally explained to hospital staff. The technical nature of the product favours a shorter channel with trained personnel able to demonstrate it and provide advice.
- **Company characteristics:** Himanshu points out that the company is "short of funds" to pay additional staff. This refers to the firm's financial strength. A direct distribution and selling network needs resources; a financially weaker firm may depend more on intermediaries.
- **Market-related factors:** Rahul says that "the size of the order is not large". The quantity purchased by a buyer is a market consideration. Small orders generally favour longer channels involving intermediaries, whereas large orders can justify direct supply.

Step 2: Explain the other product considerations in part (b)

- **Nature, perishability and unit value:** Consumer products generally use longer channels than industrial products. Perishable goods need shorter channels to avoid deterioration. High-value goods can justify direct selling, while low-unit-value goods often need intermediaries for economical distribution.
- **Standardisation and complexity:** Standardised products can pass through longer channels.

Customised products usually require direct contact between buyer and producer. Complex products needing installation, demonstration or after-sales service favour shorter channels; simple products can be sold through intermediaries.

Step 3: Explain the other company and market considerations in part (b)

- **Company's desired control:** Besides financial strength, the degree of control sought over distribution matters. A company wanting close control over prices, selling methods and customer service favours shorter channels. It may accept a longer channel when it is willing to share these decisions with intermediaries.
- **Market characteristics:** Besides order size, consider the number and geographical concentration of buyers and their buying habits. A few buyers concentrated in a small area favour direct or shorter channels; numerous, widely dispersed buyers favour longer channels. Buyers' preferred outlets and their demand for services or credit also influence the selection.

Step 4: Conclusion The meeting discusses product-related factors, company characteristics and market-related factors. Mediquip must balance the machines' technical service needs with its financial capacity and the buyers' order patterns before selecting its distribution channel.

Quick Tip to Solve: Match each clue to its category: sophistication means product, shortage of funds means company, and order size means market. Then add the other considerations within each category.

24. Aman Chadha started 'Bulls Eye' a company for providing cyber security solutions to businesses. Its objective is to prevent, detect and respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day.

He was delighted when he was offered a big project by the Ministry of Defence. While working on the project, he found that the volume of work made it impractical for him to handle all the work by himself. He decided to expand the team. The company maintained a close liaison with a local engineering college. During a campus placement, Ishan and Vrinda were appointed to work for the new project.

He found the new employees capable, enthusiastic and trustworthy. Aman Chadha was thus, able to focus on objectives and with the help of Ishan and Vrinda, the project was completed on time. Not only this Aman Chadha was also able to extend his area of operations. On the other hand Ishan and Vrinda also got opportunities to develop and exercise initiative.

(i) Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives.

(ii) Also, state any four points of importance of the concept identified in (i) above. [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to perform assigned tasks. It enables a manager to share work while retaining ultimate accountability.

- The elements of delegation are authority, responsibility and accountability. Responsibility to perform a task must be accompanied by the authority needed to carry it out.

Step 1: Identify and explain the concept in part (i) The concept is **delegation**. Aman found that the volume of work made it impractical to do everything himself. By entrusting work and the necessary authority to Ishan and Vrinda, he could concentrate on important objectives. Delegation does not mean abandoning supervision: the subordinates are answerable for the work assigned, and Aman retains ultimate accountability for completion of the delegated work.

Step 2: State effective management and employee development **Effective management:** Delegation reduces a manager's routine workload and frees time for important matters. The case says Aman was "able to focus on objectives", showing how sharing work improved his effectiveness rather than requiring him to handle every operational detail himself.

Employee development: Subordinates acquire experience and skills by exercising authority and making decisions. Ishan and Vrinda got "opportunities to develop and exercise initiative", which helped them prepare for more responsible positions.

Step 3: State motivation and facilitation of growth **Motivation of employees:** Entrusting responsibility and authority shows confidence in subordinates. It satisfies their need for recognition, strengthens self-esteem and encourages commitment. The capable, enthusiastic and trustworthy employees could contribute meaningfully instead of merely awaiting instructions for every action.

Facilitation of growth: Delegation develops a pool of competent employees who can take on additional responsibilities. The organisation can expand without all decisions being concentrated in one manager. In the case, Aman was "able to extend his area of operations" after sharing the work with Ishan and Vrinda.

Step 4: Conclusion (i) Aman used delegation: assigning work and granting corresponding authority while retaining ultimate accountability. (ii) Its four benefits are effective management, employee development, employee motivation and facilitation of organisational growth.

Quick Tip to Solve: When a case links sharing work with a manager's freedom to focus on objectives, identify delegation; use the stated benefits to support the answer with case evidence.

25. Explain briefly any four factors that affect the working capital requirement of a company. [6 marks]

Solution:

Concept:

- Working capital finances day-to-day operations, such as raw materials, wages and other recurring expenses. Net working capital is the excess of current assets over current liabilities.
- The amount required depends on how much money is tied up in inventories, production and credit sales, and how quickly that money returns as cash.

Step 1: Explain the nature of business and scale of operations **Nature of business:** A trading concern generally needs less working capital than a manufacturing concern because it purchases finished goods and does not incur a lengthy conversion process. Manufacturing firms must finance raw materials, work-in-progress and production expenses before selling finished goods. Service enterprises usually

require comparatively less inventory and therefore less working capital.

Scale of operations: A company operating on a large scale needs a greater absolute amount of working capital. It has to maintain larger stocks of materials and finished goods and meet a higher volume of wages and other operating expenses. A smaller scale of activity generally reduces these requirements, other things remaining the same.

Step 2: Explain the production cycle and credit allowed **Production cycle:** This is the time taken to convert raw materials into finished goods. A longer production cycle keeps funds blocked in raw materials and work-in-progress for a longer period, while wages and other expenses still have to be paid. Consequently, working capital needs increase. A short production cycle allows funds to be recovered and reused sooner, reducing the requirement.

Credit allowed to customers: A liberal credit policy permits customers a longer period to pay. More funds are then tied up in debtors, even though the company must continue paying its suppliers and meeting expenses. It therefore requires more working capital. Cash sales or a shorter collection period release funds sooner and reduce the amount needed, assuming other conditions are unchanged.

Step 3: Conclusion Four factors affecting working capital are the nature of business, scale of operations, length of the production cycle and credit allowed to customers. Greater operating scale, longer production and slower collection generally increase the funds needed for daily operations.

Quick Tip to Solve: For each factor, trace how long cash remains blocked in stock, production or debtors; a longer blockage usually means a larger working-capital requirement.