CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/1/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1** 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. Why is 'employment interview' conducted in the process of selection ? [1 mark]

Solution:

Concept:

- An employment interview is a face-to-face conversation in the selection process to assess an applicant for the job.
- It supplements application and test information by allowing direct questions about suitability.

Step 1: Identify the purpose The interviewer seeks information about the candidate and judges whether the person is suitable for the post. Direct interaction helps assess knowledge, confidence, communication and other job-related qualities.

Step 2: Relate it to selection Selection aims to choose the person best suited to the job. An employment interview therefore helps the employer evaluate the applicant personally; it also gives the applicant an opportunity to learn about the organisation and the proposed job.

Step 3: Conclusion An employment interview is conducted to assess the applicant's suitability for the job through a face-to-face conversation.

Quick Tip to Solve: Link an employment interview to judging job suitability, rather than training an already selected employee.

2. 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 includes setting standards, measuring actual performance, comparing it with standards and taking corrective action.
- Sample checking is a technique for obtaining information about actual performance.

Step 1: Locate the decisive action Harsh ordered 'sample checking of sweets' after hearing complaints about quality. Checking samples reveals the actual quality of sweets being produced and sold.

Step 2: Identify the controlling step This action measures actual performance, here the quality of the sweets. It provides factual information needed for comparison with the desired quality standard. The order itself is a checking action, rather than a stated corrective measure such as changing ingredients or production methods.

Step 3: Conclusion The step is **measurement of actual performance**, under the controlling function.

Quick Tip to Solve: Identify the precise action in the case: inspection or sample checking measures actual performance.

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

Solution:

Concept:

- Motivation is an element of directing concerned with inducing people to act towards desired goals.
- It stimulates willingness and effort; it does not merely issue instructions.

Step 1: State the meaning Motivation is the process of stimulating people to action to accomplish desired goals. It encourages employees to contribute their effort willingly to organisational work.

Step 2: Explain its role in directing A manager uses motivation to influence employees' behaviour so that their abilities are translated into purposeful performance. The central idea is an internal urge or willingness to act, supported by appropriate incentives and encouragement.

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

Quick Tip to Solve: A complete definition combines stimulation to act with the achievement of desired goals.

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

Solution:

Concept:

- Financial management is concerned with the optimal procurement and effective utilisation of finance.
- It covers decisions about the amount and sources of funds and their productive use.

Step 1: Explain procurement A business needs finance to acquire assets and carry out its operations. Financial management seeks to obtain the required funds from suitable sources at an appropriate cost and risk.

Step 2: Explain utilisation The funds obtained must be used effectively in business activities and investments. Thus financial management connects raising finance with its best possible use, rather than being limited to maintaining accounts or recording cash transactions.

Step 3: Conclusion Financial management means the optimal procurement as well as the effective utilisation of finance.

Quick Tip to Solve: Remember both halves of the definition: obtaining finance optimally and using it effectively.

5. 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 uses short-term incentives to encourage purchases.
- Under usable benefits, a purchase gives the customer an additional benefit that can be used for another product or service.

Step 1: Identify the benefit On purchasing the dress, Sunita received a voucher giving '20% off for a meal' of Rs 500 or above at an eating joint. The benefit is usable on a separate service after the dress purchase.

Step 2: Name the technique This is the sales-promotion technique of usable benefits. The voucher adds an attraction to buying the dress by offering a benefit the customer may subsequently use; it is not a direct reduction in the selling price of the dress itself.

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

Quick Tip to Solve: When buying one product brings a usable advantage on another product or service, identify usable benefits.

6. 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 is the allotment of securities by a company to institutional investors and selected individuals.
- It allows funds to be raised without making a public issue to the investing public at large.

Step 1: Read the method chosen Meca Ltd. decided to 'allot the securities to institutional investors' after considering the expenses associated with a public issue. This identifies the investors to whom the fresh securities will be allotted.

Step 2: Identify the primary-market method An allotment to institutional investors instead of an issue offered to the general public is private placement. It provides a means of raising the additional capital while avoiding the expense and extensive formalities associated with a public issue.

Step 3: Conclusion Meca Ltd. decided to raise additional capital through **private placement**.

Quick Tip to Solve: The decisive clue for private placement is allotment to selected investors, especially institutional investors.

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

Solution:

Concept:

- Formal and informal organisation differ in how their relationships originate.
- Formal relationships are deliberately established; informal relationships arise spontaneously from interaction.

Step 1: Identify the basis The question asks only for origin. Compare how each organisation comes into existence, rather than its communication channels, authority or purpose.

Step 2: Present the distinction

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by management to achieve organisational objectives.	It arises spontaneously through social interaction among employees within the formal organisation.

Step 3: Conclusion Formal organisation originates through deliberate management action; informal organisation originates spontaneously through employees' social interaction.

Quick Tip to Solve: For origin, contrast deliberate creation by management with spontaneous development among employees.

8. 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 to perform the organisation's work.
- Workload analysis assesses the number and type of human resources necessary for the work of each department.

Step 1: Identify the staffing requirement Alpha Enterprises expects more work because demand for its water geysers has increased. The Human Resource Manager must first assess how many persons the enlarged workload requires in Production, Marketing, Finance and Human Resource.

Step 2: Apply workload analysis The clue is "deciding the actual number of persons required in each department", which directly identifies **workload analysis**. It measures the work to be performed and the number and type of employees needed to carry it out. This gives the required departmental strength. Workforce analysis, in contrast, examines the personnel already available; it is used subsequently to identify a shortage or surplus by comparison with the requirement.

Step 3: Conclusion **Workload analysis** will help the Human Resource Manager determine the actual number of persons required in each department.

Quick Tip to Solve: Link work to be done with workload analysis; link employees already available with workforce analysis.

9. 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 estimates a business's fund requirements and determines the sources through which those requirements will be met.
- Its objectives are to ensure that funds are available when required and that unnecessary funds are not raised.

Step 1: Identify financial planning from the case Dalmia is undertaking **financial planning**. He "estimated the amount of funds required and the timings" and examined internal funds before looking for outside sources. The sales forecast and profit estimates help him anticipate the resources available and the funds needed for upgrading machinery. Thus, he links investment decisions with financing decisions on a continuing basis.

Step 2: State the objectives of financial planning

- **Ensure availability of funds whenever required:** The company must estimate how much money it needs, when it needs it and how long it needs it. It must arrange suitable sources in time so that the machinery upgrade and normal operations are not interrupted by a shortage of finance.
- **Avoid raising funds unnecessarily:** Planning should prevent both a shortage and an excess of finance. Raising more funds than the business can use productively adds avoidable financing costs and may leave money idle. Somnath Ltd. should therefore use its expected internal funds and arrange only the balance from appropriate external sources.

Step 3: Conclusion The concept is **financial planning**. It seeks timely availability of adequate funds while avoiding unnecessary fund raising and the associated costs.

Quick Tip to Solve: When a case estimates both the amount and timing of funds and considers their sources, identify financial planning.

10. 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 describe the thinking that guides a firm's marketing activities, including selling, marketing and societal marketing concepts.
- The selling concept emphasises persuasion, the marketing concept starts with customers' needs, and societal marketing adds society's long-term well-being.

Step 1: Identify each person's marketing philosophy

- **Ginika - societal marketing concept:** She considers the "social, ethical and ecological aspects of marketing" and avoids exploiting consumers. This extends attention beyond immediate customer satisfaction to the welfare of society.
- **Tanish - selling concept:** He believes consumers "would not buy or not buy enough unless they were adequately convinced and motivated". This places emphasis on selling and promotional effort to induce purchases.
- **Rohit - marketing concept:** He stresses "understanding the needs of the customers" and takes their needs into consideration. The starting point is the customer rather than a product the firm wishes to sell.

Step 2: Add one further feature of each concept

- **Societal marketing:** The firm seeks to earn profits while balancing customer satisfaction with society's long-term interests; the three considerations must be reconciled in its decisions.
- **Selling concept:** Its objective is profit through increased sales volume, often by selling the firm's existing products using aggressive promotional efforts.
- **Marketing concept:** It uses integrated marketing, coordinating the organisation's activities to satisfy the target customers more effectively than competitors and thereby earn profits.

Step 3: Conclusion Ginika follows the **societal marketing concept**, Tanish the **selling concept**,

and Rohit the **marketing concept**. Their additional features are, respectively, balancing profit with long-term welfare, profit through sales volume, and integrated marketing for superior customer satisfaction.

Quick Tip to Solve: Match persuasion with selling, customer needs with marketing, and long-term social welfare with societal marketing.

11. Explain 'order' and 'initiative' as principles of general management. [3 marks]

Solution:

Concept:

- Fayol's principles of general management guide managers in organising work and managing people effectively.
- Order concerns the proper arrangement of people and materials; initiative concerns employees' freedom to think out and execute plans.

Step 1: Explain the principle of order **Order:** There should be a place for everything and everyone, and everything and everyone should be in its designated place. Material order means that tools, materials and equipment are properly arranged and available where needed. Social order means that suitable persons occupy appropriate positions. This saves time otherwise lost in searching for resources, avoids confusion and enables activities to proceed smoothly. For example, systematically storing tools in an allotted area helps workers obtain them without delaying production.

Step 2: Explain the principle of initiative **Initiative:** Employees should be encouraged to develop and carry out plans for improvement within the established limits of authority and discipline. Managers should allow them to suggest ideas and take the first step towards putting useful ideas into practice, instead of demanding that every idea originate with management. An employee suggestion scheme is one way to encourage initiative. Recognition of worthwhile suggestions increases employees' involvement and enthusiasm and helps the organisation benefit from their knowledge of the work.

Step 3: Conclusion **Order** ensures the right arrangement of people and things, while **initiative** encourages employees to propose and execute useful plans within organisational limits. Both contribute to effective management.

Quick Tip to Solve: Remember order as the right person or thing in the right place, and initiative as thinking out and executing a plan.

12. State any three features of 'planning.' [3 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. It bridges the gap between the present position and the desired future position.
- The features of planning describe its nature as a management function. Three such features are its

focus on objectives, its primacy and its pervasiveness.

Step 1: State the focus on objectives **Planning focuses on achieving objectives:** Plans are prepared to achieve specific organisational goals. Management first identifies the desired results and then decides the activities and resources needed to reach them. An activity becomes purposeful planning when it contributes towards an objective; merely making decisions without a goal is not enough.

Step 2: State its primacy among management functions **Planning is a primary function of management:** Planning precedes organising, staffing, directing and controlling. It provides the basis on which these functions are performed. For example, the work to be organised and the people to be appointed depend on the plan. The objectives and standards set through planning also provide the basis for controlling performance.

Step 3: State its presence throughout the organisation **Planning is pervasive:** Planning is required at every level of management and in every department. Top management prepares plans for the organisation as a whole, while middle and lower levels prepare plans for their respective units and operations. Its scope differs across levels, but the need to decide future action exists throughout the organisation.

Step 4: Conclusion Thus, planning focuses on achieving objectives, is the primary function of management and is pervasive across all levels and departments.

Quick Tip to Solve: For features of planning, use the textbook heading first and then explain what that heading means for managerial action.

13. Explain briefly any three measures to overcome the communication barriers. [3 marks]

Solution:

Concept:

- Communication is the exchange of ideas, facts and opinions so that the receiver understands the message in the sense intended by the sender.
- Barriers can distort this understanding. Effective communication therefore requires clarity in the sender's ideas, language suited to the receiver and a check that the meaning has been understood.

Step 1: Clarify the ideas before communicating **Clarify the ideas before communication:** The sender should analyse the purpose and subject matter of the message before sending it. The problem or idea must be clear in the sender's own mind, and the message should be organised logically around that purpose. This prevents confusion caused by an unclear or incomplete message and helps the receiver understand the intended meaning.

Step 2: Communicate according to the receiver's needs **Communicate according to the receiver's needs:** The sender should consider the receiver's education, knowledge, experience and level of understanding. The language, words and symbols used should be familiar to the receiver; unnecessary technical terms and ambiguous expressions should be avoided. Adapting the message in this way reduces semantic barriers and makes the information easier to understand correctly.

Step 3: Ensure proper feedback **Ensure proper feedback:** The sender should give the receiver an

opportunity to ask questions and respond. By obtaining feedback, the sender can check whether the message has been understood as intended. If the response reveals a misunderstanding, the sender should explain the message again or clarify the doubtful point. Communication is thus checked for understanding rather than assumed complete merely because a message was sent.

Step 4: Conclusion Three measures are to clarify ideas before communication, adapt the message to the receiver's needs and ensure proper feedback to identify and remove misunderstandings.

Quick Tip to Solve: Link each measure to its purpose: clear ideas prevent confusion, suitable language aids understanding, and feedback checks the result.

14. Give the meaning of 'policy' and 'strategy' as types of plans. [4 marks]

Solution:

Concept:

- Planning specifies in advance what is to be achieved and how it is to be achieved. Policy and strategy are two types of plans that guide managerial action.
- A policy provides a broad guide for decisions, whereas a strategy provides a comprehensive direction for achieving an organisation's objectives in its business environment.

Step 1: Explain the meaning of policy **Policy:** A policy is a general statement or understanding that guides thinking or channels managerial energies in decision-making. It provides a broad framework within which managers use their discretion to take decisions. Thus, it helps different managers make consistent decisions without prescribing the exact action for every situation. For example, a policy of promoting employees from within guides decisions about filling higher posts. It still allows managers to assess the suitability of eligible employees. A policy therefore sets the boundaries for decisions rather than describing a rigid sequence of activities.

Step 2: Explain the meaning of strategy **Strategy:** A strategy is a comprehensive plan for accomplishing an organisation's objectives. It provides a broad outline of the organisation's business and takes account of the external environment, including competitors, opportunities and threats. Strategy has three dimensions: determining long-term objectives, adopting a particular course of action, and allocating the resources needed to achieve those objectives. For example, a firm seeking growth may decide to enter a new market and allocate funds and personnel to that expansion. These connected decisions together form its strategy.

Step 3: Conclusion Policy is a broad guide to decision-making within defined boundaries. Strategy is a comprehensive plan linking long-term objectives, a course of action and resource allocation with the organisation's environment.

Quick Tip to Solve: Remember policy through "guidance for decisions" and strategy through "objectives, course of action and resources"; these phrases keep their meanings distinct.

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:

- Management operates at top, middle and supervisory levels. Top management is responsible for the overall direction, survival and welfare of the organisation.
- Top managers analyse the business environment and its implications for the firm's survival. They also formulate overall goals, coordinate departments and ensure organisational welfare and survival.

Step 1: Identify the level from the case **(a) Top-level management:** Ashutosh Goenka was working at the top level of management. The case says that profit had implications for "the survival of the firm" and that he "analysed the business environment" to determine why profits were declining. Analysing the environment and assessing its effect on the organisation's survival are responsibilities of top management. The clue concerns the company as a whole rather than the supervision of individual workers or the implementation of one department's plans.

Step 2: State three other functions of top management **(b) Three other functions are:**

- **Formulating overall organisational goals and strategies:** He determines the broad objectives to be achieved by Axe Ltd. and the overall strategies through which the company will achieve them. These give direction to the activities of the organisation.
- **Coordinating the activities of different departments:** He brings together the work of departments such as production, finance and marketing so that their efforts contribute to common organisational objectives rather than conflicting departmental aims.
- **Ensuring the welfare and survival of the organisation:** He takes responsibility for the organisation as a whole and makes decisions necessary for its continued existence and well-being. This involves balancing the interests of different groups and considering the wider consequences of major decisions.

Step 3: Conclusion Ashutosh Goenka belongs to top-level management. Apart from analysing the environment, his functions include formulating overall goals and strategies, coordinating departments, and ensuring the organisation's welfare and survival.

Quick Tip to Solve: In a management-level case, connect company-wide goals, environmental analysis and survival with top management; distinguish these from departmental implementation and shop-floor supervision.

16. 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:

- Scientific management replaces rule-of-thumb decisions with systematic analysis of work so that resources are used efficiently and output improves.
- Time study determines the standard time needed for a well-defined job; simplification removes unnecessary varieties of products.

Step 1: Identify time study from the standard processing time **Time study:** The case states, 'She fixed a standard time for processing the order.' This is the direct clue to time study. Under this technique, the time taken to perform the elements of a well-defined job is observed and measured, and a reasonable standard time is established for a worker performing it under suitable conditions.

This standard provides a basis for deciding how many workers are needed and how much work can be completed in a given period. At AromaCoffeeCan, it gives the staff a clear processing-time target and helps Sandhya address the customers' long wait rather than relying on guesswork about how quickly orders should be completed.

Step 2: Identify simplification from the reduced range of flavours **Simplification of work:** Sandhya found flavours 'whose demand was not enough' and 'decided to stop the sale of such flavours.' Simplification means eliminating superfluous varieties, sizes or dimensions of products and retaining the varieties that are useful and demanded.

Removing these low-demand flavours avoids unnecessary diversity in the menu. It can reduce the stock of ingredients and the effort needed to handle seldom-ordered varieties, thereby saving resources and making service easier to organise. It does not mean lowering the quality of the special coffee that customers already liked; it means concentrating resources on the flavours they actually want.

Step 3: Conclusion The two techniques are **time study**, shown by the standard order-processing time, and **simplification**, shown by discontinuing flavours with insufficient demand. Both changes help improve the shop's efficiency and customer service.

Quick Tip to Solve: Link 'standard time' with time study and 'removing unnecessary varieties' with simplification; support each identification with its own case clue.

17. 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 suppliers of funds, or savers, with those who need funds, or investors. The money market and capital market are its two broad components.
- Its principal functions include mobilising savings and channelling them into productive uses, facilitating price discovery, providing liquidity, and reducing transaction costs.

Step 1: Name the function illustrated in the case **(a) Mobilisation of savings and channelling them into the most productive uses:** The case describes 'transferring finance from the sector where it is in surplus to the sector where it is needed most.' It also says that the markets direct funds into their 'most productive investment opportunity.'

Financial markets make it possible for savers to place their surplus funds in different investment alternatives. Funds consequently reach businesses and other users that require finance, instead of remaining idle with those who have a surplus. Thus, the function being asked for is a function of the financial market as a whole, which includes both the capital market and money market mentioned in the passage.

Step 2: Explain the three other functions **(b) Facilitating price discovery:** The interaction of demand for financial assets by investors and their supply by issuers helps establish their prices. By bringing buyers and sellers together, the financial market enables this price-determination process.

Providing liquidity to financial assets: A financial market allows investors to buy and sell financial assets. It gives a holder an opportunity to convert an investment into cash through sale when needed, rather than necessarily keeping it until maturity. This makes the investment more liquid.

Reducing the cost of transactions: The market provides useful information about the securities traded and an organised setting for transactions. Buyers and sellers therefore spend less time, effort and money searching for one another and obtaining information. These savings reduce transaction costs and facilitate investment.

Step 3: Conclusion The illustrated function is **mobilising savings and channelling them into productive uses**. The three other functions are **price discovery**, **providing liquidity** and **reducing transaction costs**.

Quick Tip to Solve: For financial-market functions, connect surplus funds with mobilisation, buyer–seller interaction with price discovery, resale with liquidity, and easier information or search with lower transaction costs.

18. 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:

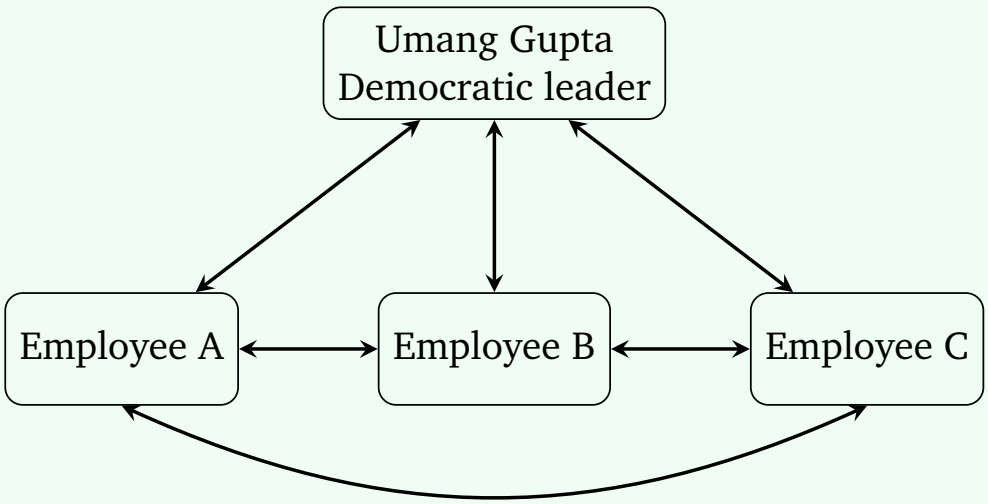
Concept:

- Leadership, a component of directing, is the process of influencing employees so that they willingly work towards organisational objectives.
- A democratic or participative leader consults subordinates, encourages their participation in decisions and develops a cooperative team. Communication and suggestions flow in both directions.

Step 1: Identify the style from employee participation **(a) Democratic or participative leadership:** Umang Gupta follows the democratic style. He "had a meeting with his employees in which accurate and speedy processing of orders was planned." Thus, he involves employees in planning the response to the production manager's absence instead of merely issuing unilateral instructions.

His positive behaviour encourages everyone to work as a team and contribute extra time and effort willingly. Participation creates commitment to the agreed plan and helps the company meet its delivery targets. This is not free-rein leadership: Umang actively convenes the meeting and guides the team towards the common objective.

Step 2: Depict consultation and cooperation In the diagram, the leader is connected to the employees by two-way arrows, showing consultation, feedback and guidance. Links among employees show cooperation within the group. The three employee nodes represent members of the team; they do not limit the actual team to three people.



Democratic leadership: two-way communication with the leader and cooperation among employees.

Step 3: State two values with evidence **(b) Values highlighted by Umang's behaviour:**

- **Team spirit and cooperation:** By holding a meeting and treating employees positively, he encourages them to work together. The words "Everybody agreed to work as a team" show mutual support and willingness to contribute towards timely completion of orders.
- **Concern for employees' welfare:** Umang visits the injured Ms. Kanta and advises her to take sufficient rest. This shows compassion and care for an employee's health, rather than treating her only as a means of completing the company's work.

Step 4: Conclusion Umang Gupta is a **democratic or participative leader**. The consultation diagram depicts this style, while his actions highlight **team spirit and cooperation** and **concern for employees' welfare**.

Quick Tip to Solve: Link a leadership style to how decisions are made: consultation and joint planning indicate democratic leadership. Support each value with a separate action from the case.

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

Solution:

Concept:

- Recruitment means searching for prospective employees and encouraging them to apply for jobs. Internal recruitment fills vacancies from among people already employed in the organisation.
- Transfers and promotions are the two internal sources. A transfer is essentially a horizontal movement, whereas a promotion is an upward movement in the organisational hierarchy.

Step 1: Explain transfers

- **Meaning:** A transfer shifts an employee from one job, department, shift or branch to another without a substantive change in the employee's status, responsibilities or remuneration. It is therefore a horizontal movement rather than advancement to a higher post.

- **Use as a recruitment source:** Management can fill a vacancy in a department with surplus staff from another department. Transfers help balance manpower requirements, avoid unnecessary external recruitment and give employees experience of different jobs. An employee may also be transferred to a job better suited to his or her abilities.

Step 2: Explain promotions

- **Meaning:** A promotion moves an employee to a higher position carrying greater responsibility, higher status and generally higher pay. It is a vertical movement within the organisation.
- **Use as a recruitment source:** A higher-level vacancy is filled by advancing a suitable existing employee, on the basis of the organisation's promotion policy. The prospect of advancement motivates employees to improve their performance and strengthens their loyalty. Promotion may create a vacancy at the lower level, which must then also be filled.

Step 3: Conclusion Transfers meet staffing needs through horizontal movement without substantive advancement, while promotions fill higher posts through upward movement with greater responsibility and rewards. Both draw on the organisation's existing workforce.

Quick Tip to Solve: Remember the direction of movement: transfer is horizontal; promotion is vertical and brings greater responsibility and status.

20. 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:

- Liberalisation means freeing business and industry from unnecessary government controls and restrictions so that enterprises have greater freedom in their decisions and operations.
- Globalisation means integrating the domestic economy with the world economy through greater interaction and interdependence, including cross-border movement of goods, services, technology and capital.

Step 1: Identify and explain the two policy concepts

- **Liberalisation:** The clues are "simplified export procedure" and "removal of quantitative as well as tariff restrictions". These measures reduce regulatory barriers to business and trade. Liberalisation gives enterprises more freedom to enter markets, expand operations and make commercial decisions.
- **Globalisation:** The US company's search for "markets abroad" and its decision to set up an office in Jamnagar show integration of Indian business with the world economy. Globalisation links national markets through international trade, investment and technology, making it easier for an overseas enterprise to operate in India and serve Indian customers.

Step 2: Explain three impacts on Indian business and industry

- **Increasing competition:** Entry of foreign enterprises and easier entry of domestic firms increase competition in Indian markets. The case states that success "attracted many other players to enter the market". Indian firms must improve quality and efficiency and control costs to retain customers and compete with these entrants.
- **More demanding customers:** Greater choice makes customers better informed and more demanding about quality, performance, service and price. The case says competition caused a "reduction in prices", benefiting customers. Businesses therefore have to deliver better value and respond to changing customer expectations rather than assume that buyers will accept whatever is offered.
- **Rapidly changing technological environment:** Greater international integration brings new products and technologies into domestic markets. The smart watch that monitors health parameters illustrates technological innovation entering the Indian market. Indian enterprises have to upgrade technology, invest in research and development and train their employees to keep pace with such changes and remain competitive.

Step 3: Conclusion The two concepts are liberalisation and globalisation. They increase competition, make customers more demanding and accelerate technological change, requiring Indian businesses to improve efficiency, customer value and technological capability.

Quick Tip to Solve: Link reduced controls to liberalisation and cross-border market integration to globalisation; then explain each impact as a change businesses must respond to.

21. 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: a consumer forum can grant relief for defective goods, deficient services and unfair trade practices when a complaint is established.
- Relief may restore the consumer's position, compensate a loss and prevent repetition of the offending practice. The directions below are possible remedies, rather than a claim that every remedy must be granted in every case.

Step 1: State six possible directions under part (a)

- **Remove the deficiency in service:** Direct the company to rectify the ineffective pest-control service and provide the service properly, in accordance with what was promised.
- **Refund the charges:** Direct it to refund the price or charges paid for the deficient pest-control treatment.
- **Pay compensation:** Order reasonable compensation for loss or injury suffered because of the company's negligence and deficient service.
- **Discontinue the unfair trade practice:** Direct the company to stop the misleading practice of promising long-lasting protection without providing the promised performance, and not repeat it.
- **Issue a corrective advertisement:** Require an advertisement correcting the effect of the misleading pamphlet at the company's expense, so that consumers are not influenced by the false impression.
- **Pay litigation costs:** Direct the company to pay adequate costs incurred by the complainant in pursuing the complaint.

The case says that protection lasted only "a fortnight" and that the company "kept on postponing their visit". These facts connect the complaint to deficient service; the pamphlet's promise of "long lasting pest control" also explains the relevance of relief against misleading promotion.

Step 2: Identify two values under part (b)

- **Compassion and care for the elderly:** IYO visited an old age home to encourage social work and decided to clean the unhygienic premises. Its members acted for the welfare and dignity of the

elderly residents.

- **Concern for health and safety:** When residents feared health problems, IYO chose "ethical, safe and odourless pest control". This shows sensitivity to vulnerable people's health rather than pursuing cleanliness at their expense.

Step 3: Conclusion The court could order rectification, refund, compensation, discontinuance of the unfair practice, corrective advertising and payment of litigation costs. IYO communicates compassion towards 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 by IYO.

22. State any five points that highlight the importance of 'controlling' function of management.

[5 marks]

Solution:

Concept:

- Controlling compares actual performance with established standards, identifies deviations and takes corrective action to ensure that organisational objectives are achieved.
- Controlling supplies feedback about results. This feedback helps managers improve both present performance and the standards used in future plans.

Step 1: Explain how controlling directs and evaluates performance

- **Accomplishing organisational goals:** Controlling measures progress towards planned objectives and reveals deviations from the desired course. Managers can then take corrective action before deviations become serious, keeping activities directed towards the organisation's goals.
- **Judging accuracy of standards:** Comparison of actual results with standards helps managers review whether those standards are realistic and accurate. A persistent deviation may reflect an unsuitable standard rather than poor employee performance. Feedback therefore helps revise standards in the light of experience and changes in the environment.

Step 2: Explain how controlling improves the use of people and resources

- **Making efficient use of resources:** Established standards give employees a clear basis for performing work. Regular checks expose waste, inefficient methods and excessive costs, enabling corrective action. Material, money, time and other resources can thus be used economically, with less wastage and spoilage.
- **Improving employee motivation:** Employees know in advance what is expected of them and the standards against which their performance will be assessed. Clear expectations and fair evaluation encourage them to improve their work. Involving employees in setting performance standards can further strengthen their commitment to achieving them.
- **Ensuring order and discipline:** An effective control system keeps a close check on employees' activities and makes responsibilities clear. It helps detect and discourage dishonest behaviour, negligence and misuse of resources. Employees consequently work within established rules and procedures, supporting an orderly working environment.

Step 3: Conclusion Controlling is important because it helps accomplish goals, judge the accuracy of standards, use resources efficiently, motivate employees and maintain order and discipline. Each benefit depends on using performance information to take timely corrective action.

Quick Tip to Solve: For each importance point, connect the heading to a practical effect: goals, standards, resources, motivation and discipline provide five distinct points.

23. Explain briefly any four factors that affect the fixed capital requirements of a company. [6 marks]

Solution:

Concept:

- Fixed capital is the investment in long-term assets such as land, buildings, plant and machinery. These assets support business operations over several accounting periods.
- Financial management must estimate this long-term investment before arranging funds. The amount depends on the business's activities, operating scale, production methods and future expansion plans.

Step 1: Explain the nature of business **Nature of business:** A trading concern generally needs less fixed capital because it mainly purchases and sells finished goods. It does not normally require a factory or extensive production machinery. In contrast, a manufacturing company needs substantial investment in plant, machinery and factory buildings to convert inputs into finished products. Thus, other things being equal, manufacturing raises fixed capital requirements compared with trading.

Step 2: Explain the scale of operations **Scale of operations:** A company operating on a large scale needs greater production capacity, larger premises and more equipment than a small enterprise. Consequently, the absolute investment in long-term assets is usually larger. For example, a manufacturer supplying a national market will generally require a bigger plant than one serving a small local market. Economies of scale may reduce cost per unit, but they do not mean that the total fixed investment is smaller.

Step 3: Explain the choice of production technique **Choice of technique:** A capital-intensive technique relies heavily on machinery and automation, so it requires a larger initial investment in fixed assets. A labour-intensive technique relies more on human effort and comparatively less on costly equipment, resulting in lower fixed capital requirements. The comparison concerns investment in long-term assets, rather than the recurring wages paid to workers.

Step 4: Explain the growth prospects **Growth prospects:** A company expecting rapid expansion needs more fixed capital to create additional capacity. It may acquire extra land, expand buildings or install new machinery to meet future demand. A business with limited growth prospects can generally continue with a smaller asset base. Financial planning must therefore consider expected future sales and expansion, rather than only the capacity needed for current operations.

Step 5: Conclusion Four factors affecting fixed capital requirements are the nature of business, scale of operations, choice of technique and growth prospects. Manufacturing, larger operations, capital-intensive methods and planned expansion generally increase the need for investment in fixed assets.

Quick Tip to Solve: Link each factor to a long-term asset: ask whether it increases the land, buildings, machinery or production capacity the company must finance.

24. 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 personally, to 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 move from the producer or supplier to the final user. Direct distribution uses no intermediary; indirect distribution uses intermediaries.
- The channel decision depends, among other things, on product-related factors, company characteristics and market-related factors. The product's service needs, the company's resources and the customers' buying pattern must be considered together.

Step 1: Identify product-related factors and explain the other considerations **(a) Product-related factors:** Sandeep refers to the machines being "sophisticated" and the need to "visit hospitals personally, to explain its working". This identifies the technical complexity of the product. Complex equipment requiring demonstrations and assistance favours a short or direct channel with technically trained personnel.

(b) Other product considerations: The company should consider the product's unit value, perishability and degree of standardisation. High-value products can justify direct selling, while inexpensive products commonly need wider indirect distribution. Perishable products require short channels to reduce delay and deterioration. Standardised products can generally pass through intermediaries, whereas customised products often require direct contact with the buyer to meet individual requirements.

Step 2: Identify company characteristics and explain the other consideration **(a) Company characteristics:** Himanshu states that the company is "short of funds to pay to the additional staff". This identifies the company's financial strength. Establishing its own selling network requires investment in sales personnel and other distribution facilities. A company with limited financial resources may therefore rely more on intermediaries who perform these functions.

(b) Other company consideration: The degree of control desired over the channel must also be

assessed. A company wanting greater control over customer contact, selling methods and the service provided will prefer a shorter channel or direct distribution. Using more intermediaries reduces the company's direct control over how its products are marketed. Mediquip must balance this desired control with its available resources.

Step 3: Identify market-related factors and explain the other considerations **(a) Market-related factors:** Rahul's observation that "the size of the order is not large" identifies the size of customers' orders, a market-related factor. Small orders commonly favour a longer channel because intermediaries can distribute goods economically to many small buyers; large orders can justify direct supply.

(b) Other market considerations: The number of potential buyers and their geographical concentration also matter. A small number of buyers concentrated in one area can be served through a short or direct channel. Numerous buyers scattered over a wide area generally require intermediaries for economical market coverage. The company should also consider buyers' purchasing habits, including their preference for personal contact, credit and convenient local availability.

Step 4: Conclusion The meeting discusses product-related factors through the machines' sophistication, company characteristics through the shortage of finance, and market-related factors through the small order size. The final channel choice must reconcile technical service needs with financial capacity, desired control and the pattern of customer demand.

Quick Tip to Solve: Sort the clues by their subject: the machine indicates product factors, the firm's funds indicate company factors, and the customer's order indicates market factors.

25. 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:

- Organising: delegation is the transfer of authority from a superior to a subordinate to carry out assigned duties. It allows a manager to share work while remaining accountable for its overall performance.
- Delegation involves assigning responsibility, granting the authority needed to perform the task and creating accountability for results. It develops subordinates and frees the superior for important managerial work.

Step 1: Identify and explain the concept in part (i) The concept is **delegation**. Aman could not handle the increasing volume of work alone, so he entrusted work on the project to Ishan and Vrinda, with the necessary authority to perform it. Delegation does not mean abandoning his responsibility: he remains accountable for the overall project while they are answerable to him for their assigned tasks.

The case says that he was "able to focus on objectives" and that Ishan and Vrinda got opportunities to "develop and exercise initiative". These are characteristic benefits of delegation. The appointment through campus placement describes recruitment, but the concept that enabled Aman to concentrate on objectives after sharing his work is delegation.

Step 2: State four points of importance for part (ii)

- **Effective management:** By delegating routine and less important work, a manager reduces his own workload and can concentrate on important matters. Aman was consequently able to focus on the company's objectives instead of attempting every project task himself.
- **Employee development:** Subordinates gain opportunities to use their abilities, exercise initiative and acquire new skills by handling assigned tasks. The case expressly states that Ishan and Vrinda obtained opportunities to develop and exercise initiative; such experience prepares employees for greater responsibilities.
- **Motivation of employees:** Entrusting employees with responsibility and the authority to act demonstrates confidence in their competence. It satisfies their need for recognition, strengthens self-confidence and encourages commitment to achieving results. Delegation can therefore make employees more willing to contribute their best efforts.
- **Facilitation of growth:** Delegation develops a pool of capable employees who can accept greater responsibilities as the organisation expands. Work can be distributed instead of depending on one individual for everything. With his employees' help, Aman completed the project on time and was also able to "extend his area of operations".

Step 3: Conclusion Aman used **delegation** to entrust work and the necessary authority to his subordinates while retaining overall accountability. Its four important benefits explained here are effective management, employee development, employee motivation and facilitation of organisational growth.

Quick Tip to Solve: In this case, separate the hiring clue from the work-sharing clue: campus placement is recruitment, while entrusting work so the manager can focus on objectives identifies delegation.