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

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) Answer to questions carrying **3 marks** may be from **50-75 words**.

(iii) Answer 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. Ravi, the Marketing Manager of Weaver Garments Ltd. does not allow the salesmen working under him to freely express their frank opinion and feelings regarding work related matters.

Identify the organizational barrier to communication that has been created by Ravi. [1 mark]

Solution:

Concept:

- Organisational policy is an organisational barrier when it discourages a free flow of information between employees and managers.
- A restrictive policy can prevent employees from expressing their views even when channels of communication exist.

Step 1: Identify the restriction Ravi does not allow the salesmen to 'freely express their frank opinion and feelings' about work. His approach restricts what employees are permitted to communicate to their superior.

Step 2: Name the organisational barrier The barrier is organisational policy. A policy that discourages frank expression prevents free and effective communication. The case describes an active restriction imposed by the manager, rather than merely an absence of facilities such as meetings or suggestion systems.

Step 3: Conclusion The organisational barrier created by Ravi is organisational policy that discourages free and frank communication.

Quick Tip to Solve: A rule or policy restricting what employees may say indicates an organisational policy barrier.

2. How do principles of management help managers in meeting the requirements of the changing environment ? State. [1 mark]

Solution:

Concept:

- Management principles provide broad guidelines rather than rigid rules for every situation.
- They are flexible and can be adapted to changing business conditions.

Step 1: Recognise the change Business conditions change with technology, competition, customer preferences and government policy. A fixed response may therefore cease to meet organisational needs.

Step 2: Adapt the guiding principle Managers modify the application of management principles according to the demands of a particular situation. Their flexibility enables managers to choose suitable actions while retaining the basic purpose of effective management.

Step 3: Conclusion Management principles help managers meet changing environmental requirements because they can be modified and applied flexibly to suit the situation.

Quick Tip to Solve: Connect a changing environment with the flexibility of principles and their situational application.

3. How does 'level of competition' affect the working capital requirement of an organization ? State. [1 mark]

Solution:

Concept:

- Working capital finances day-to-day operations and current assets such as inventory and receivables.
- The level of competition affects the credit and stock facilities a business must offer.

Step 1: Consider intense competition When competition is intense, a firm may have to maintain larger stocks to ensure immediate availability and offer liberal credit to attract and retain customers.

Step 2: Trace the effect on funds Larger inventories and higher receivables tie up more money in current assets. Consequently, the firm needs more working capital. With little competition, the need for such facilities may be lower, reducing the corresponding requirement.

Step 3: Conclusion A higher level of competition generally increases working capital requirements because larger stocks and liberal credit terms may be necessary.

Quick Tip to Solve: Trace competition through inventory and customer credit to the funds tied up in current assets.

4. Give the meaning of 'Autocratic style' of Leadership. [1 mark]

Solution:

Concept:

- Leadership is the process of influencing people to work towards organisational objectives.
- An autocratic leader centralises decision-making authority.

Step 1: Identify who decides Under the autocratic style, the leader makes decisions and determines policies without consulting subordinates. Authority remains concentrated in the leader.

Step 2: Explain the relationship with followers The leader gives orders, assigns work and expects subordinates to obey. Communication is mainly from the leader to followers, and subordinates have little freedom to participate in decisions about their work.

Step 3: Conclusion Autocratic leadership is a style in which the leader exercises complete control, takes decisions independently and expects subordinates to follow instructions.

Quick Tip to Solve: For autocratic leadership, remember centralised decisions, orders and expected obedience.

5. On the introduction of 'Goods and Services Tax Act, experts in the field of business started analysing and forecasting its impact on various sectors and industries. Vivek, an established businessman, attended a few seminars and conferences organized by such experts to familiarize himself with this information. He wanted to use these forecasts to reduce the uncertainty in making decisions for the future in his business. Name the step in the planning process that is being discussed in the above paragraph. [1 mark]

Solution:

Concept:

- Planning premises are assumptions about the future conditions in which plans will operate.
- Forecasts concerning the business environment provide a basis for developing these assumptions.

Step 1: Identify the information used Vivek studies forecasts of the impact of the Goods and Services Tax Act on sectors and industries. He wants to use them to 'reduce the uncertainty' surrounding future business decisions.

Step 2: Connect forecasts to the planning step These forecasts help establish assumptions about the future business environment. Creating the common assumptions on which plans are based is the step called developing premises; it precedes evaluation and selection of alternative courses of action.

Step 3: Conclusion The step in the planning process is developing premises.

Quick Tip to Solve: Forecasts used as assumptions for future plans indicate developing premises, rather than selecting an alternative.

6. Avik is the finance manager of Mars Ltd. In the current year the company earned high profit. However, Avik thinks that it is better to declare smaller dividend as he is unsure about the earning potential of the company in the coming years.

Avik's choice of dividend decision is based on which of the factor that affect it ? [1 mark]

Solution:

Concept:

- The stability of earnings is an important factor affecting the dividend decision.
- A company with stable earnings can commit to a higher dividend more confidently than one with uncertain earnings.

Step 1: Identify the relevant uncertainty Although Mars Ltd. has earned high profit this year, Avik is 'unsure about the earning potential' in coming years. The issue is the dependability of future earnings, rather than the size of current profit alone.

Step 2: Apply the dividend factor If earnings fluctuate or are uncertain, declaring a high dividend now may be difficult to maintain later. Avik therefore favours a smaller dividend in view of the lack of assurance about stable future earnings.

Step 3: Conclusion Avik bases his decision on the stability of earnings.

Quick Tip to Solve: Uncertainty about future profit points to stability of earnings; an aim to keep the dividend rate steady points to stability of dividends.

7. Beena, a student of management, likes to relate what she learnt in class to real life situations. She observed many situations while watching educational programmes on television that remind her of concepts of Scientific Management. In one such programme, factories manufacturing parts for products like automobiles, computers and mobile phones were being telecast.

Name the technique of Scientific Management that should be adhered to, while manufacturing parts for such products. [1 mark]

Solution:

Concept:

- Standardisation is a technique of scientific management that establishes standards for products, materials, methods and equipment.
- Uniform specifications help ensure consistency and interchangeability of manufactured components.

Step 1: Identify the manufacturing requirement The programme shows factories manufacturing 'parts for products like automobiles, computers and mobile phones'. Such parts must conform to specified dimensions and quality so that they fit and function in the finished product.

Step 2: Name the scientific management technique Standardisation of work establishes the specifications that production must follow. Manufacturing parts to these uniform standards supports consistent quality and interchangeable components; merely reducing the variety of products would instead describe simplification.

Step 3: Conclusion The technique is standardisation of work, particularly standardisation of the parts being manufactured.

Quick Tip to Solve: Uniform dimensions and interchangeable parts indicate standardisation; eliminating unnecessary varieties indicates simplification.

8. What is meant by a 'Commercial Paper' ? [1 mark]

Solution:

Concept:

- Commercial paper is a money-market instrument used by large, creditworthy companies to raise short-term funds.
- It is an unsecured, negotiable promissory note, so repayment depends on the credit standing of its issuer rather than on pledged collateral.

Step 1: Identify the instrument A commercial paper is an unsecured promissory note issued by a large and creditworthy company to borrow funds for a short period. It is negotiable, which means that its holder can transfer it to another investor.

Step 2: State its financial purpose Companies use it to meet short-term requirements, such as working-capital needs. It is a money-market instrument rather than a share: the investor lends money to the issuer and does not acquire ownership in the company.

Step 3: Conclusion A commercial paper is an unsecured and negotiable short-term promissory note issued by a large, creditworthy company to raise funds.

Quick Tip to Solve: For commercial paper, remember three defining words: unsecured, negotiable and short-term.

9. Describe briefly the following methods of training :

(i) Apprenticeship Training; and

(ii) Internship Training. [3 marks]

Solution:

Concept:

- Training develops the knowledge and practical skills needed to perform a particular job efficiently.
- Apprenticeship combines learning under an experienced practitioner with practical work; internship links formal education with practical experience in an organisation.

Step 1: Explain apprenticeship training **(i) Apprenticeship Training:** Under this method, a trainee works under the guidance of a master worker or an experienced practitioner for a prescribed period to acquire a high level of skill. The trainee learns by observing the expert and by performing the work under supervision. It is particularly suitable for skilled occupations such as those of electricians, plumbers and mechanics, where practical proficiency takes time to develop. The emphasis is on learning a trade through systematic, supervised practice.

Step 2: Explain internship training **(ii) Internship Training:** This is a joint programme of an educational institution and a business organisation or another professional establishment. A student continues formal studies while gaining practical experience by working in an organisation for a specified period. The arrangement helps the student apply classroom knowledge to actual work situations and understand workplace methods and responsibilities. For example, a medical student receives practical training in a hospital as part of professional education.

Step 3: Conclusion Apprenticeship develops occupational skill under an experienced worker, while internship integrates institutional education with practical experience in an organisation.

Quick Tip to Solve: Use the learning arrangement to distinguish them: apprentice with a master worker; intern through an institution–organisation programme.

10. State any three limitations of external sources of recruitment. [3 marks]

Solution:

Concept:

- External recruitment seeks prospective employees from outside the organisation rather than filling vacancies from the existing workforce.
- It broadens the choice of candidates, but the organisation must consider its effect on current employees, the cost of attracting applicants and the time required for selection.

Step 1: Explain its effect on existing employees **Dissatisfaction among existing staff:** When higher or better posts are filled by outsiders, present employees may feel that their chances of promotion and career advancement have been reduced. This can discourage capable employees and lower their motivation or commitment. Thus, external recruitment can create dissatisfaction even when it brings fresh talent into the organisation.

Step 2: Explain the cost and time involved **Costly process:** The organisation has to spend money on advertising vacancies, contacting recruitment agencies and processing a large number of applications. Screening, tests and interviews add further expenditure.

Lengthy process: Vacancies must be announced, applications received and candidates screened before selection can take place. These stages take considerable time, so the post may remain unfilled longer than it would through a suitable internal transfer or promotion.

Step 3: Conclusion Three limitations of external recruitment are dissatisfaction among existing employees, a costly recruitment process and a lengthy selection process.

Quick Tip to Solve: Organise the three limitations around people, money and time: staff dissatisfaction, recruitment expenditure and delay.

11. Differentiate between Capital Market and Money Market on the basis of :

(i) Investment Outlay, (ii) Safety and (iii) Liquidity. [3 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term finance, whereas the money market deals in short-term funds and instruments.
- The investment size, relative risk and ease of converting instruments into cash differ because the participants, maturity periods and instruments of the two markets differ.

Step 1: Compare the three specified bases

Basis	Capital Market	Money Market
Investment outlay	Investment need not involve a very large outlay. Securities can be purchased in small units, so individual investors can participate.	Transactions generally require a large investment outlay because instruments are typically issued in large denominations.
Safety	Securities generally involve greater risk, including fluctuations in market value and possible default by issuers.	Instruments are generally safer because they have short maturities and are issued by financially strong institutions or the government.
Liquidity	Securities are comparatively less liquid; their saleability depends on trading conditions and investor demand.	Instruments are highly liquid, with short maturity periods and arrangements that facilitate conversion into cash.

Step 2: Interpret the comparison The comparison is relative. Greater safety in the money market does not mean that every instrument is completely risk-free. Similarly, capital-market securities may be actively traded, but money-market instruments are generally more liquid because they represent short-term claims and are supported by institutional trading arrangements.

Step 3: Conclusion The capital market allows smaller investment units but generally carries greater risk and lower relative liquidity; the money market usually requires a larger outlay and offers greater safety and liquidity.

Quick Tip to Solve: Keep the three comparisons in the same order as the question: outlay, safety and liquidity; describe safety as relative, not absolute.

12. Pinnacle Ltd. deals in the sale of stationery and office furniture. They source the finished products from reputed brands who give them four to six months credit. Seeing the demand for electronic items, they are also planning to market these items by opening outlets throughout India. For this, they have decided to join hands with a Japanese electronic goods manufacturer.

Identify and state any two factors that would affect fixed capital requirement of Pinnacle Ltd. as discussed above. [3 marks]

Solution:

Concept:

- Fixed capital is the investment in long-term assets, such as premises, equipment and furniture, that serve the business for more than one accounting period.
- The nature of business and its growth prospects affect the amount required. A trading concern normally needs less fixed capital than a manufacturing concern, while expansion increases investment in fixed assets.

Step 1: Identify the nature of business **Nature of business:** Pinnacle Ltd. is a trading concern: it deals in the sale of stationery and office furniture and sources "finished products from reputed brands". Since it buys goods for resale instead of manufacturing them, it normally requires less fixed capital than a manufacturing concern. It does not need to invest in a factory and production machinery for making these products, although it still needs assets such as shops, storage facilities and office furniture.

Step 2: Identify the proposed growth **Growth prospects:** The company plans to market electronic items by "opening outlets throughout India". Such expansion increases its fixed capital requirement because additional outlets require long-term investment in premises, fixtures, equipment and related facilities. Thus, even though its present trading activities need comparatively less fixed capital, its plan to expand the range of goods and geographical reach calls for additional fixed assets.

Step 3: Conclusion Any two relevant factors are the **nature of business** and **growth prospects**: trading reduces the investment needed in production assets, whereas the proposed nationwide expansion increases the investment needed in outlets and facilities.

Quick Tip to Solve: Link buying finished goods with nature of business and opening new outlets with growth prospects; supplier credit mainly concerns working capital.

13. After completing her studies in product design, Sarita wishes to start her own business to design products to cater to the mobility and communication requirements of persons with special needs.

She told her friend that she wanted to focus on supplying high quality products at affordable prices. The Unique Selling Proposition (U.S.P.) of the products would be sensitivity to the challenges and needs of the differently abled people.

She wants to employ only differently abled persons in her factory and sales offices across the country. This decision of Sarita provides the base for interpreting her strategy. This also defines the broad parameters within which the company may recruit the persons.

Sarita has also to decide about the exact manner and the chronological order of how the selection of the differently abled applicants will be done.

In the above lines, Sarita is discussing about one of the functions of management. This function has several types. Identify and explain the types Sarita is discussing in the above lines. [3 marks]

Solution:

Concept:

- Planning involves deciding in advance what is to be done and how it is to be done. Different types of plans translate the organisation's intentions into guidance for action.
- A strategy gives broad direction, a policy guides decisions within broad parameters, and a procedure specifies the sequence of actions for carrying out an activity.

Step 1: Identify the broad competitive plan **Strategy:** A strategy is a comprehensive plan for achieving organisational objectives. It includes determining long-term objectives, adopting a course of action and allocating the resources needed. Sarita proposes "high quality products at affordable prices", with a U.S.P. sensitive to the challenges and needs of differently abled people. These decisions describe the broad approach through which her business intends to serve its target customers and achieve its objectives.

Step 2: Identify the recruitment guideline **Policy:** A policy is a general statement that guides thinking and channels decisions within broad limits. Sarita wants to "employ only differently abled persons" in her factory and sales offices. This sets the parameters within which recruitment decisions must be made and provides a basis for interpreting her strategy. It guides managers in choosing eligible applicants without specifying every action involved in selection.

Step 3: Identify the ordered method of selection **Procedure:** A procedure states the routine steps to carry out an activity and specifies their chronological order. Sarita has to decide the "exact manner and the chronological order" of selecting applicants. This refers to a procedure, because it will lay down how selection is to proceed, step by step, so that the recruitment policy is implemented consistently.

Step 4: Conclusion The planning function is represented by three types of plans: **strategy** for the overall business approach, **policy** for the recruitment guideline, and **procedure** for the sequence of selection activities.

Quick Tip to Solve: Match broad business direction with strategy, a guiding recruitment limit with policy, and an ordered sequence of selection steps with procedure.

14. Sadaf is the Chief Executive Officer of a reputed company. She introduced appropriate skill development programmes and a sound promotion policy for the employees of her company. To motivate and retain the best talent in the company, she designed the jobs of the managers to include greater variety of work content. Identify and explain the two incentives introduced by Sadaf to motivate the employees of her company. [4 marks]

Solution:

Concept:

- Directing: motivation encourages employees to work towards organisational objectives. Non-financial incentives satisfy needs such as growth, achievement, recognition and responsibility rather than rewarding employees only through money.
- Career advancement opportunities and job enrichment are two distinct non-financial incentives. The first offers prospects of progress in a career; the second makes the present job more challenging and meaningful.

Step 1: Identify career advancement opportunities **Career advancement opportunity:** The case states that Sadaf introduced "appropriate skill development programmes and a sound promotion policy". These measures give employees an opportunity to improve their skills and move to higher positions in the organisation. Employees generally wish to grow to higher levels in their careers, so clear promotion prospects encourage them to improve performance and remain with the company. Skill development prepares them to take on the responsibilities of higher posts, while a sound promotion policy makes advancement a credible prospect. Thus, this incentive addresses employees' needs for growth and advancement.

Step 2: Identify job enrichment **Job enrichment:** Sadaf "designed the jobs of the managers to include greater variety of work content". Job enrichment means designing jobs to include a greater variety of work content, higher skill requirements, more autonomy and responsibility, opportunities for personal growth, and a meaningful work experience. Such a job allows an employee to use abilities and experience achievement instead of repeatedly performing a narrow routine task. In this case the explicitly stated evidence is the greater variety of work content; the other elements explain the incentive generally, without assuming that the case expressly mentions each of them. Making jobs more satisfying helps motivate managers and retain talented employees.

Step 3: Conclusion The two non-financial incentives introduced by Sadaf are **career advancement opportunity**, indicated by skill development and the promotion policy, and **job enrichment**, indicated by greater variety in managers' work content.

Quick Tip to Solve: Link training plus promotion prospects to career advancement; link a richer, more varied job content to job enrichment.

15. State any four features of formal organization. [4 marks]

Solution:

Concept:

- Organising: formal organisation is the structure of authority relationships deliberately designed by management to enable people to work together towards organisational goals.
- Its features concern the planned structure, defined duties, reporting relationships and coordination of work. These features distinguish it from social relationships that arise spontaneously among employees.

Step 1: State the features relating to its creation and purpose **1. Deliberately designed by top management:** A formal organisation is consciously created by management to facilitate the smooth functioning of the enterprise. Management plans the positions, departments and relationships needed to carry out its activities; the structure does not emerge merely from personal friendship among employees.

2. Means of achieving organisational objectives: The structure specifies the tasks to be performed by different individuals and departments. It establishes standards, rules and procedures to guide their behaviour, so that individual efforts contribute to the common objectives of the organisation. Its focus is the work that the enterprise must accomplish.

Step 2: State the features relating to authority and coordination **3. Defines authority and responsibility:** Formal organisation clearly specifies each position's duties and the extent of authority available to perform them. It also specifies who reports to whom. These reporting relationships create a chain of command and make accountability clear, so an employee knows the superior from whom instructions should be received and to whom performance must be reported.

4. Coordinates the efforts of different departments: A formal organisation brings the work of different departments into a common framework. Their activities are linked through defined relationships, so that the efforts of one unit support those of the others. By clarifying interrelationships among jobs and departments, it integrates specialised activities towards organisational goals.

Step 3: Conclusion Four features of formal organisation are its deliberate creation by top management, its orientation towards organisational objectives, its clear specification of authority and responsibility, and its coordination of departmental efforts.

Quick Tip to Solve: Organise the four features around creation, purpose, authority and coordination, and explain what each does in the planned structure.

16. "Planning and controlling are interrelated." Explain. [4 marks]

Solution:

Concept:

- Planning decides in advance the objectives to be achieved and the course of action to achieve them. Controlling measures actual performance against standards, identifies deviations and takes corrective action.

- Planning and controlling are inseparable and mutually dependent: plans provide the standards for control, while control information improves future plans.

Step 1: Explain how planning provides the basis for control **Planning is a prerequisite for controlling:** Control is possible only when managers know the desired results. Planning establishes objectives and performance standards against which actual results are compared. Without plans, there is no meaningful basis for judging whether performance is satisfactory or for identifying a deviation. Thus planning gives direction to the controlling process.

Step 2: Explain how controlling makes plans effective **Controlling ensures implementation of plans:** Making a plan alone does not guarantee its achievement. Controlling checks whether activities follow the planned course and reveals where actual results differ from standards. Corrective action brings performance back towards the plan. Hence planning is meaningless without controlling, just as controlling is blind without planning.

Step 3: Connect their backward-looking aspects **Both involve looking back:** Controlling examines performance that has already occurred and compares it with the standards previously fixed. Planning also learns from past experience: the results and deviations revealed by control help managers avoid earlier mistakes when they prepare subsequent plans.

Step 4: Connect their forward-looking aspects **Both are forward-looking:** Plans prescribe future action and aim at future objectives. Controlling also looks ahead because corrective action seeks to prevent the recurrence of deviations and improve future performance. Information from control therefore feeds into the next planning cycle, making the two functions continuous and closely interrelated.

Step 5: Conclusion Planning establishes the desired performance, and controlling checks and secures its achievement. The feedback supplied by controlling strengthens future planning; therefore the two functions complement and depend on each other.

Quick Tip to Solve: Link the functions in a cycle: plans set standards, control compares results, and corrective feedback improves the next plan.

17. Hema is one of the most successful managers of her company, 'Kobe Ltd.' She uses her creativity and initiative in handling challenging situations at work.

The knowledge gained by her during her student days at a renowned management institute as well as through her observation and experience over the years is applied by Hema in a skillful manner in the context of the realities of a given situation. She often reads books and other literature in various fields of management to keep her knowledge updated.

(i) An aspect of the nature of management is being highlighted in the above description. Identify the aspect.

(ii) Explain any three features of the aspect identified in part (i). [4 marks]

Solution:

Concept:

- Management as an art means applying existing knowledge skilfully and personally to achieve desired results. Art involves theoretical knowledge, personalised application, and practice and creativity.
- A manager's knowledge becomes effective when it is adapted to the particular situation. Different managers may apply the same principles differently because their skills, experience and judgement differ.

Step 1: Identify the aspect of management in part (i) The aspect highlighted is **management as an art**. Hema does not merely possess management knowledge: she applies it skilfully to real situations. The reference to her using her 'creativity and initiative' and applying knowledge 'in a skillful manner' shows the practical and personal application characteristic of an art.

Step 2: Explain the existence of theoretical knowledge **Existence of theoretical knowledge:** Every art has basic principles and an organised body of knowledge that a practitioner learns. Management also has theories and principles in its different fields. Hema acquired knowledge at a 'renowned management institute' and 'often reads books and other literature' to update it. This provides the theoretical foundation for her managerial work.

Step 3: Explain personalised application **Personalised application:** An artist applies knowledge in an individual manner, using personal skill and judgement. Likewise, managers interpret and apply management principles according to the circumstances rather than following them mechanically. Hema applies what she has learnt 'in the context of the realities of a given situation', showing that she adapts knowledge to the particular challenge she faces.

Step 4: Explain practice and creativity **Based on practice and creativity:** Artistic proficiency develops through sustained practice and the creative use of knowledge. Managers similarly improve their skill through experience and devise suitable responses to new problems. Hema draws on her 'observation and experience over the years' and uses 'creativity and initiative in handling challenging situations'. These details show both learning through practice and original application at work.

Step 5: Conclusion Management is presented as an art through Hema's work: she possesses theoretical knowledge, applies it in a personalised manner, and develops and uses her skill through practice and creativity.

Quick Tip to Solve: For an art-based management case, use the three headings knowledge, personalised application, and practice with creativity; support each with a phrase from the case.

18. Sindhu Ayurved Ltd., a new and leading manufacturer of herbal and ayurvedic medicines and grocery products has captured a large share of the market in a short span of time. The Research and Development (R & D) department of the company spends considerable time and effort in developing eco-friendly, chemical-free and healthy alternatives for a variety of products of daily use, like toothpaste, biscuits, noodles, soaps, shampoos and detergents etc. Their business orientation differs from competitors who are short sighted and serve only consumer's needs. Instead Sindhu Ayurved Ltd. considers larger issues of long term social welfare, paying attention to social, ethical and ecological aspects of marketing.

(i) Identify and explain the marketing management philosophy adopted by Sindhu Ayurved Ltd.

(ii) State any two values that are being promoted by the company. [4 marks]

Solution:

Concept:

- The societal marketing concept extends the marketing concept by requiring a business to safeguard consumers' and society's long-term well-being while satisfying customer needs.
- A business should balance customer satisfaction, its own objectives and social welfare; immediate consumer satisfaction alone may overlook environmental or health consequences.

Step 1: Identify and explain the philosophy in part (i) **Societal marketing concept:** Sindhu Ayurved Ltd. adopts this philosophy. It determines the needs and wants of its target market and delivers satisfaction effectively, while preserving or enhancing consumers' and society's long-term welfare. Thus, marketing decisions consider social, ethical and ecological consequences as well as the firm's business objectives.

Step 2: Link the philosophy to the case The decisive evidence is that the company considers "larger issues of long term social welfare" and pays attention to "social, ethical and ecological aspects of marketing." Its research and development effort towards "eco-friendly, chemical-free and healthy alternatives" puts this orientation into practice. The ordinary marketing concept emphasises customer satisfaction, whereas the societal marketing concept also protects long-term social interests. Merely capturing a large market share does not by itself identify the philosophy.

Step 3: State two values in part (ii) **Environmental protection:** Developing eco-friendly alternatives reflects concern for ecological well-being and the conservation of the environment.

Concern for consumers' health and welfare: Developing chemical-free and healthy products shows responsibility towards consumers' health and their long-term well-being, rather than focusing solely on immediate sales.

Step 4: Conclusion The company follows the societal marketing concept. The two values promoted are environmental protection and concern for consumers' health and welfare, supported by its eco-friendly and healthy product-development efforts.

Quick Tip to Solve: In a marketing case, references to long-term social welfare and ecology point to societal marketing; link each value to a specific action described in the case.

19. Mr. Murthy is the Human Resource Manager of Jai Hind Hospital in Vellore. He has to appoint nurses for the hospital. Since patients in the hospital are of different types, he wants to find out the candidates' maturity and emotions in dealing with the patients. He also wants to know about the candidates' ability to make decisions.

Explain two types of tests that Mr. Murthy can use to meet his requirements. [4 marks]

Solution:

Concept:

- Selection tests assess particular characteristics of applicants so that the organisation can judge their suitability for the work and choose appropriate employees.
- Personality tests assess traits such as emotions and maturity, while intelligence tests assess intellectual abilities including learning, judgment and decision-making.

Step 1: Use a personality test for maturity and emotions **Personality test:** This test gives clues about an individual's emotions, reactions, maturity and value system. It probes the person's overall personality and helps assess whether behavioural characteristics suit the job. Personality tests are complex to design and interpret, so they require competent administration and careful interpretation.

Mr. Murthy wants to find out the candidates' "maturity and emotions in dealing with the patients." A personality test addresses this requirement because nurses must respond appropriately to patients with differing needs and emotional states. It helps him assess the behavioural suitability of the applicants rather than simply their technical knowledge.

Step 2: Use an intelligence test for decision-making ability **Intelligence test:** This is a psychological test used to measure an individual's intelligence quotient and intellectual capacity. It assesses abilities such as learning, remembering, understanding relationships and making decisions. It therefore provides evidence about an applicant's ability to comprehend a situation and exercise judgment.

The case specifically says that Mr. Murthy wants to know the candidates' "ability to make decisions." An intelligence test meets this requirement by assessing the mental ability underlying sound judgment. An aptitude test primarily assesses potential to learn new skills, while a trade test measures existing occupational proficiency; neither is the most direct answer to the decision-making requirement stated here.

Step 3: Conclusion Mr. Murthy should use a personality test to assess maturity and emotional reactions, and an intelligence test to assess intellectual capacity, particularly the ability to make decisions. The two tests address the two distinct requirements in the case.

Quick Tip to Solve: Match the case words to the test: emotions and maturity indicate personality; intellectual ability and decision-making indicate intelligence.

20. Explain any five points of impact of government policy changes on business and industry. [5 marks]

Solution:

Concept:

- Economic reforms involving liberalisation, privatisation and globalisation changed the environment in which Indian businesses operate.
- These policy changes created opportunities as well as competitive pressures. Firms had to respond through better quality, technology, customer service and human resources.

Step 1: Explain changes in competition and customer expectations **1. Increasing competition:** Industrial delicensing allowed more firms to enter many industries, while reduced restrictions on foreign trade and investment increased the presence of foreign firms and products. Existing businesses therefore faced greater competition from both domestic and overseas enterprises. They had to improve quality and efficiency and control costs to protect their market position.

2. More demanding customers: Increased competition gave customers a wider choice of goods and services. Better-informed customers could compare alternatives and demand improved quality, reasonable prices and better service. Businesses could no longer rely merely on producing whatever they wished; they had to understand and satisfy customer needs.

Step 2: Explain changes in technology, strategy and employees **3. Rapidly changing technological environment:** Increased competition encouraged firms to develop or adopt improved technology. New technology made better products and more efficient processes possible, but also made existing methods obsolete faster. Enterprises had to invest in modernisation and innovation to remain competitive.

4. Necessity for change: The new policy environment made the market more dynamic. Enterprises could not survive by continuing old policies and practices without review. They had to change their operations, products, methods and strategies in response to changing conditions instead of treating change as an occasional exercise.

5. Need for developing human resources: New technologies and competitive conditions required employees with greater knowledge, skills and competence. Firms had to train and develop their existing employees and recruit people with suitable capabilities. Human resource development became essential for using new technology effectively and delivering better performance.

Step 3: Conclusion Five impacts are increasing competition, more demanding customers, rapidly changing technology, the necessity for continuous change and the need to develop human resources. Together, they require businesses to become more efficient, adaptable and responsive to their market.

Quick Tip to Solve: For each impact, connect a policy-induced change to a business response: for example, easier entry creates competition, which requires better quality and lower costs.

21. Apaar Foundation is a Non Governmental Organization (NGO) working to improve the lives of children with medical needs, the homeless and victims of natural disasters. Apart from donations in cash, they collect dry ration, old clothes, shoes, toys, books and medicines from donors. At Apaar Foundation's office in Bhopal the material collected is segregated, classified and put in shelves and boxes that are labelled systematically. There is a specific place for each of these items and volunteers put everything at their respective places.

The volunteer work is divided into specific jobs like fund raising, field visits, social media updates and so on. Each volunteer is part of a particular team, depending on their competency and training. Each volunteer becomes specialized in their respective field, leading to efficient utilization of human effort.

(i) Identify and explain two principles of management adopted by Apaar Foundation.

(ii) State two values that Apaar Foundation is displaying and promoting in society through their work. [5 marks]

Solution:

Concept:

- Fayol's principles of order and division of work improve the efficient use of material and human resources in an organisation, including a non-profit organisation.
- Order means a place for everything and everyone, with everything and everyone in the appropriate place. Division of work assigns specialised tasks so that practice and expertise improve efficiency.

Step 1: Identify and explain the principle of order **(i) Order:** The case states that the donated material is "segregated, classified and put in shelves and boxes that are labelled systematically" and that there is "a specific place for each of these items". This demonstrates material order. Articles are stored in their assigned places so that volunteers can locate them when required without wasting time and effort searching. Systematic placement also makes the collection and distribution work more efficient. Fayol's principle applies to both people and materials: each should have a suitable, fixed place.

Step 2: Identify and explain the principle of division of work **(i) Division of work:** The case says that volunteer work is "divided into specific jobs like fund raising, field visits, social media updates" and that each volunteer becomes specialised in the respective field. Work is broken into specialised tasks, and volunteers are assigned according to their competence and training. Repeated performance of a specific task increases skill, accuracy and efficiency. This leads to greater and better output with the same human effort, which is the purpose of division of work.

Step 3: State two values supported by the foundation's work **(ii) Compassion and concern for others:** Apaar Foundation helps children with medical needs, the homeless and victims of natural disasters. Its work shows sensitivity towards the suffering and needs of disadvantaged people.

(ii) Social responsibility and service to society: The foundation collects cash and useful articles from donors and organises voluntary effort for relief and assistance. It encourages people to contribute their resources and abilities towards the welfare of the community.

Step 4: Conclusion Apaar Foundation adopts **order** in the systematic storage of donated articles and **division of work** in the specialised allocation of volunteer tasks. Its work displays and promotes **compassion** and **social responsibility**.

Quick Tip to Solve: Link "a specific place" to order and "specific jobs" with specialisation to division of work. State the social values separately from the management principles.

22. Shyam bought a pain relieving ointment after seeing it being displayed in the chemist's shop. The ointment tube was packed in a cardboard box. Identify the different levels of packaging of the pain relieving medicine, when it was purchased by Shyam. Also state the functions of packaging. [5 marks]

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product. Its levels depend on whether the package immediately contains the product, protects that immediate package, or supports bulk transportation.
- Packaging performs four major marketing functions: product identification, product protection, facilitating the use of the product, and product promotion.

Step 1: Identify the levels present at purchase **Primary packaging:** The ointment tube is the immediate container of the pain relieving medicine. It remains with the product while the medicine is used and is therefore its primary package.

Secondary packaging: The cardboard box enclosing the tube is the additional layer that protects the primary package. It can be discarded when the consumer starts using the ointment. It is therefore secondary packaging.

Transportation packaging is the further packaging used for storage, identification and transportation of several units, such as a corrugated carton. The case does not state that Shyam received such a bulk package, so the identified levels in his purchase are the tube and its cardboard box.

Step 2: State the functions of packaging **Product identification:** The package helps customers recognise the product and distinguish it from competing products. Its colours, shape, brand name and other identifying features make recognition easier.

Product protection: Packaging protects the product from spoilage, breakage, leakage, pilferage and damage during handling, storage and transportation. For the ointment, the tube contains the medicine and the box adds protection around it.

Facilitating use: The size and shape of a package should make the product convenient to handle, open, store and use. A tube allows the consumer to take out the required quantity of ointment conveniently.

Product promotion: An attractive package draws attention at the point of purchase and can encourage customers to buy. This is directly illustrated by Shyam buying the ointment after seeing it displayed in the chemist's shop.

Step 3: Conclusion The ointment tube is primary packaging and the cardboard box is secondary packaging. Packaging identifies and protects the product, facilitates its use and promotes its sale.

Quick Tip to Solve: Identify the container touching the product first, then its outer protective layer; explain packaging functions separately from these levels.

23. Explain 'Authority', 'Responsibility' and 'Accountability' as elements of Delegation. [6 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate for completing an assigned task. It enables the superior to share work while retaining ultimate accountability for the result.
- The three elements of delegation are authority, responsibility and accountability. Authority gives the right to act, responsibility creates the obligation to perform, and accountability requires an explanation of the outcome.

Step 1: Explain authority **Meaning:** Authority is the right of an individual, arising from the formal position held in an organisation, to command subordinates and take action within the scope of that position. It includes the right to make decisions, issue orders and use organisational resources to complete assigned duties.

Direction and limits: Authority flows downwards from a superior to a subordinate through the hierarchy. It can be delegated, but its scope is limited by organisational rules, policies and the authority possessed by the superior. A subordinate must receive adequate authority to discharge the task assigned; responsibility without the necessary decision-making rights obstructs performance.

Step 2: Explain responsibility **Meaning:** Responsibility is the obligation of a subordinate to perform the assigned duty properly. It arises from the superior-subordinate relationship when the superior assigns a task and the subordinate accepts the duty of carrying it out.

Direction and balance: Responsibility flows upwards because the subordinate is responsible to the superior who assigned the work. Authority and responsibility should be balanced: authority should be sufficient for the responsibility entrusted. Although tasks may be passed to others, a manager cannot escape responsibility for ensuring that the assigned work is completed satisfactorily.

Step 3: Explain accountability **Meaning:** Accountability means being answerable for the final outcome of an assigned task. Once authority is delegated and responsibility is accepted, the subordinate must explain performance and justify the results to the superior. This creates a duty to report what has been achieved against the expected standard.

Direction and non-delegability: Accountability flows upwards, from subordinate to superior. It cannot be delegated. Delegating work and decision-making rights does not absolve the superior of ultimate accountability to the higher authority. Thus, the subordinate is answerable for performance to the manager, while the manager remains ultimately accountable for the work entrusted to the subordinate.

Step 4: Conclusion Authority is the right to act, responsibility is the obligation to perform, and accountability is answerability for the result. Effective delegation gives adequate authority with the assigned responsibility, while the superior retains ultimate accountability.

Quick Tip to Solve: Remember the sequence: give the right to act, assign the duty to perform, and require an explanation of results. Only authority flows downwards.

24. Sudha is an enterprising business woman who has been running a poultry farm for the past ten years. She has saved ₹ Four Lakhs from her business. She shared with her family her desire to utilize this money to expand her business. Her family members gave her different suggestions like buying new machinery to replace the existing one, acquiring altogether new equipments with latest technology opening a new branch of the poultry farm in another city and so on.

Since these decisions are crucial for her business, involve huge amount of money and are irreversible except at a huge cost, Sudha wants to analyse all aspects of the decisions, before taking any final decision.

(i) Identify and explain the financial decision to be taken by Sudha.

(ii) Also, explain briefly the factors that will affect this decision. [6 marks]

Solution:

Concept:

- Financial Management: an investment decision determines how the firm's funds are invested in different assets. A long-term investment decision is called a capital budgeting decision.
- Capital budgeting concerns fixed assets and expansion projects. Such decisions affect future earning capacity, commit substantial funds and are difficult to reverse without considerable loss.

Step 1: Identify the decision from the proposed uses of funds Sudha must take a **long-term investment or capital budgeting decision**. She is considering "buying new machinery", acquiring equipment with the latest technology and "opening a new branch" in another city. These are investments in assets and facilities expected to benefit the poultry business over several years. The question is how to employ the saved funds, rather than which source should supply them.

Step 2: Explain why careful project appraisal is necessary Sudha should compare the proposed projects before committing her Rs 4,00,000. The case expressly says that the decisions "involve huge amount of money" and "are irreversible except at a huge cost". Replacing equipment or creating another branch will influence the farm's future income, costs and business risk. An unsuitable project can lock up funds in an asset that cannot be sold without a substantial loss.

Step 3: Explain the factors affecting the investment decision **Cash flows of the project:** Sudha should estimate the cash payments required for each proposal and the cash receipts it is expected to generate over its life. The amount and timing of these cash flows determine whether a project can support the investment; accounting profit alone is insufficient.

Rate of return: She should estimate and compare the expected returns from the alternative projects in relation to their investment and risk. Other things being equal, a project offering a higher acceptable return is preferable. The return must justify committing funds for the long term.

Investment criteria involved: Each proposal should be evaluated using appropriate capital budgeting techniques. These consider the investment required, expected cash flows, the interest or discount rate and the project's return. Applying consistent criteria helps her compare replacing machinery with establishing another branch on a rational basis, rather than accepting a suggestion merely because it sounds attractive.

Step 4: Conclusion Sudha faces a capital budgeting decision: selecting the most suitable long-term use of her savings. Expected project cash flows, the rate of return and the investment evaluation criteria should guide her choice after proper appraisal.

Quick Tip to Solve: Machinery replacement and branch expansion signal capital budgeting. Separate the use of money, an investment decision, from the source of money, a financing decision.

25. State any two reliefs that the Consumer court can grant to consumers in case of genuine complaints in each of the following situations :

(i) Divya was charged more than the printed maximum retail price (MRP) for a bottle of water.

(ii) Clara was sold a car with a defective engine.

(iii) Antony suffered injury while using newly bought defective electric heater. [6 marks]

Solution:

Concept:

- Consumer Protection: on finding a complaint genuine, a consumer court can direct remedies such as removal of a defect, replacement of defective goods, refund of the price and compensation for loss or injury.
- The remedy should address the particular wrong: an excessive charge requires repayment, a defective product requires correction or replacement, and injury may require compensation. The following are two suitable reliefs for each situation.

Step 1: State two reliefs for Divya's overcharging complaint Divya was charged more than the printed maximum retail price for a bottle of water.

Refund the excess amount: The court can direct the seller to return the amount collected above the printed MRP. This restores to Divya the money improperly charged.

Discontinue the unfair trade practice: The court can order the seller to stop charging above the MRP and not repeat the practice. This addresses the wrongful selling practice as well as protecting consumers against its continuation.

Step 2: State two reliefs for Clara's defective car complaint Clara was sold a car with a defective engine, so the complaint concerns a defect in the goods supplied.

Remove the defect: The court can direct that the defect in the engine be removed, without imposing the cost of rectifying the supplied defect on Clara.

Replace the defective goods: The court can direct replacement of the defective car with a new car free from the defect. These are suitable remedial directions for the defective product; the court selects the appropriate relief on the facts rather than requiring mutually alternative remedies to be performed simultaneously.

Step 3: State two reliefs for Antony's injury complaint Antony suffered injury while using his newly purchased defective electric heater.

Pay compensation for injury: The court can award reasonable compensation for the loss or injury suffered because of the defective heater. This addresses the harm to Antony, beyond the price of the product itself.

Refund the price paid: The court can order repayment of the purchase price of the defective heater. This addresses the money Antony spent on the defective goods and is distinct from compensation for the resulting injury.

Step 4: Conclusion For Divya, refund of the excess charge and discontinuance of overcharging are suitable reliefs. For Clara, removal of the engine defect or replacement with defect-free goods is appropriate. For Antony, compensation for injury and refund of the heater's price address the two

forms of loss.

Quick Tip to Solve: Match each remedy to the complaint: excess price to refund and stopping the practice, defective goods to repair or replacement, and personal injury to compensation.