CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/1 - 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) 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 questions together.

1. Satvik is the finance manager of Mars Ltd. He is facing difficulty in deciding the amount of profit earned by the company that should be distributed as dividend to the shareholders. In the current year the company earned high profit. However, Satvik thinks that it is better to declare higher dividend as he is sure about the earning potential of the company in the coming years.

Name the factor that affected Satvik's choice regarding dividend decision. [1 mark]

Solution:

Concept:

- Dividend decision determines how much of the earnings is distributed to shareholders and how much is retained in the business.
- Stability of earnings affects this decision: a company with stable future earnings can commit to a higher dividend.

Step 1: Identify the decisive clue Satvik is willing to declare a higher dividend because he is 'sure about the earning potential of the company in the coming years'. His confidence concerns the continuity of future earnings, rather than only the size of the current year's profit.

Step 2: Relate the clue to the factor Stable earnings make it easier to maintain dividend payments in later years. A company whose earnings fluctuate would usually be more cautious about announcing a high dividend that it might be unable to sustain.

Step 3: Conclusion The factor affecting Satvik's dividend decision is **stability of earnings**.

Quick Tip to Solve: When a dividend case stresses confidence about future earning capacity, identify stability of earnings; current profit alone indicates the amount of earnings.

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2. Amar, the marketing manager of Narmada Garments Ltd. allows the salesmen working under him to freely express their frank opinion and feelings regarding work related matters before him.

Identify the organisational barrier to communication that has been overcome because of Amar's behaviour. [1 mark]

Solution:

Concept:

- Organisational barriers arise from the structure, authority relationships and practices of an organisation.
- Status is an organisational barrier: a status-conscious superior may not allow subordinates to express their feelings freely.

Step 1: Identify the communication practice Amar permits his salesmen to 'freely express their frank opinion and feelings' on work-related matters before him. This shows that he does not let the difference in their organisational positions prevent open communication.

Step 2: Name the barrier overcome A status-conscious manager may create a psychological distance between himself and his subordinates and discourage them from expressing their views. By allowing frank expression, Amar overcomes this status barrier and makes communication with his salesmen more open.

Step 3: Conclusion The organisational barrier overcome is **status**.

Quick Tip to Solve: When a superior allows subordinates to express their feelings freely before him, connect the case to status and the psychological distance between organisational positions.

3. Give the meaning of leadership. [1 mark]

Solution:

Concept:

- Leadership is an element of directing and concerns influencing people in a group.
- The influence is used to secure willing effort towards organisational goals.

Step 1: State the process involved Leadership is the process of influencing the behaviour of people. Through this influence, a leader guides the efforts of members of a group in a common direction.

Step 2: State the purpose of that influence The aim is to make people strive willingly towards the achievement of organisational goals. Thus, leadership includes both influencing behaviour and generating willing cooperation; merely occupying a formal position does not state its meaning completely.

Step 3: Conclusion **Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals.**

Quick Tip to Solve: Include all three essentials in the definition: influence, voluntary effort and achievement of organisational goals.

4. Seema, 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 reminded her the concepts of Scientific Management. In one such programme, factories manufacturing components for products like automobiles, computers and mobile phones were shown.

Name the concept of Scientific Management that should be adhered to, while manufacturing components for such products.

[1 mark]

Solution:

Concept:

- Taylor's technique of standardisation sets standards for materials, products, methods and working conditions.
- Standardisation of components establishes uniform dimensions and specifications so that the components meet the required product standards.

Step 1: Identify the manufacturing requirement The case refers to factories 'manufacturing components for products like automobiles, computers and mobile phones'. Such components need consistent specifications so that they fit and function correctly in the finished product.

Step 2: Name the relevant technique Standardisation lays down these specifications for dimensions, quality and other characteristics. It avoids unnecessary variation in the components and supports uniform output.

Step 3: Conclusion The concept to be followed is **standardisation**, a technique of scientific management.

Quick Tip to Solve: Components needing consistent size, quality or specifications point to standardisation; reducing unnecessary varieties points to simplification.

5. How do principles of management provide managers with useful insights in real world situations ? State. [1 mark]

Solution:

Concept:

- Management principles are general guidelines developed from experience and experimentation.
- They help managers understand recurring managerial situations and improve the quality of their decisions.

Step 1: Connect principles with accumulated knowledge Principles of management condense the experience and understanding gained by managers over time. They therefore give a manager a useful starting point for interpreting an actual business situation.

Step 2: Explain their practical use By applying these guidelines to the circumstances faced, managers can understand cause-and-effect relationships and make more informed decisions. They avoid relying entirely on trial and error or repeating mistakes already made by others; the principles must still be adapted to the situation.

Step 3: Conclusion Management principles provide useful insights by improving managers' understanding of real situations and enabling them to learn from past experience for better decisions.

Quick Tip to Solve: Explain useful insights through understanding and informed judgement, and remember that management principles guide decisions rather than supply rigid automatic solutions.

6. What is meant by 'Call Money' ? [1 mark]

Solution:

Concept:

- Call money is a money-market instrument used for very short-term interbank finance.
- Banks use it to adjust temporary shortages of funds and meet cash reserve requirements.

Step 1: Identify the parties and purpose Call money consists of funds borrowed and lent between banks. A bank facing a temporary shortage can borrow these funds from another bank with surplus funds, including to maintain its required cash reserve ratio.

Step 2: State its short maturity It is repayable on demand and has a very short maturity, one day to

fifteen days. The interest charged on these funds is known as the call rate. It is not a long-term source for financing fixed assets.

Step 3: Conclusion **Call money is short-term interbank finance, repayable on demand, with a maturity period of one day to fifteen days.**

Quick Tip to Solve: Remember call money by its key features: banks lend to banks, the period is very short, and repayment is on demand.

7. How does 'Technical upgradation' affect the fixed capital requirement of an organisation ? State.

[1 mark]

Solution:

Concept:

- Fixed capital is invested in long-term assets such as plant, machinery and equipment.
- Technical upgradation affects how frequently such assets must be replaced to keep production methods up to date.

Step 1: Consider the effect of changing technology Where production technology changes rapidly, existing machinery becomes obsolete sooner. The organisation must replace or upgrade it more frequently to remain competitive and use current production techniques.

Step 2: Relate replacement to the funds required Frequent replacement requires fresh investment in long-term assets, so the requirement for fixed capital is higher. Conversely, when technology remains useful for a longer time, machinery need not be replaced as often and the fixed-capital requirement is comparatively lower.

Step 3: Conclusion Frequent technical upgradation **increases the fixed capital requirement**, because machinery and equipment have to be replaced more often.

Quick Tip to Solve: Link rapid technological change to obsolescence, frequent asset replacement and therefore a higher fixed-capital requirement.

8. 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. Arun, an established businessman, attended a few seminars and conferences organised by such experts to familiarize himself with this information. He wanted to use these forecasts and conjectures 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 involves deciding future action on the basis of assumptions about the conditions in which the plan will operate.

- Developing premises means establishing these assumptions using forecasts and information about the business environment.

Step 1: Identify the information Arun gathers Arun attends seminars to understand experts' forecasts about the impact of the Goods and Services Tax Act. The words "forecasts and conjectures" show that he is gathering assumptions about future business conditions.

Step 2: Match the information to the planning step He wants to use these assumptions to reduce uncertainty while making future decisions. Establishing the assumptions on which plans will be based is the step called **developing premises**.

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

Quick Tip to Solve: When a case links forecasts or assumptions about future conditions with planning, identify developing premises.

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

Solution:

Concept:

- External recruitment seeks prospective employees from outside the organisation, for example through advertisements, employment exchanges or placement agencies.
- Although it widens the pool of candidates, it has limitations relating to existing employees, expenditure and time.

Step 1: State the effect on existing employees **Dissatisfaction among existing staff:** Bringing outsiders into positions that current employees expected to obtain through promotion can cause disappointment. Employees may feel that their experience and service have not been recognised, reducing their motivation and willingness to work hard.

Step 2: Explain the cost of the search **Costly process:** The organisation must spend money on advertising vacancies, processing applications and conducting tests and interviews. It may also pay placement agencies. These expenses make external recruitment more costly than filling a vacancy through a suitable internal source.

Step 3: Explain the time required **Lengthy process:** The organisation has to inform potential applicants, allow time for applications and then screen and assess candidates. Selecting a suitable person from a large number of applicants takes time, so the vacancy may remain unfilled while this process is completed.

Step 4: Conclusion Three limitations of external recruitment are dissatisfaction among existing staff, a costly recruitment process and a lengthy search and selection process.

Quick Tip to Solve: Remember the three limitations through people, money and time: staff dissatisfaction, recruitment cost and delay.

10. Explain the following methods of training :

(i) Vestibule Training; and

(ii) Internship Training. [3 marks]

Solution:

Concept:

- Training improves the knowledge and skills required to perform a particular job. The method used depends on the nature of the work and the practical experience needed.
- Vestibule training recreates the work situation away from the actual workplace, while internship training combines formal education with practical experience in an organisation.

Step 1: Explain vestibule training **Vestibule training:** Employees learn their jobs using the equipment they will actually use, but the training takes place away from the actual work floor. A training area duplicates the working environment so that trainees can practise under guidance without interrupting normal production. This method is useful where sophisticated machinery or equipment must be handled safely and correctly. The trainee develops familiarity and skill before taking responsibility for work in the regular workplace.

Step 2: Explain internship training **Internship training:** Educational institutions and business enterprises cooperate to provide students with practical experience alongside theoretical education. Students continue their studies and work in an office, factory or other institution for a prescribed period to acquire practical knowledge and skills. For example, a student studying management may spend part of the course working in a business. Such exposure connects classroom learning with the actual demands of professional work.

Step 3: Conclusion Vestibule training provides practice in a simulated workplace using the relevant equipment. Internship training links formal study with a period of practical work in an organisation.

Quick Tip to Solve: Associate vestibule with a duplicate work environment, and internship with the link between an educational course and practical work.

11. Miracle 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. Because of increase in the demand for electronic items, they are planning to sell these items also. For this, they have decided to join hands with a Japanese electronic goods manufacturer, to open sales outlets throughout India.

State any three factors affecting working capital requirement of Miracle Ltd. other than the factors discussed above. [3 marks]

Solution:

Concept:

- Working capital finances day-to-day operations through current assets such as inventory, debtors and cash. Its requirement depends on how much money is tied up and for how long.
- The question asks for factors other than those described in the case. Therefore, the answer should not repeat the trading nature of the business, credit allowed by suppliers or expansion in the scale

of operations.

Step 1: State the effect of the operating cycle **Operating cycle:** A longer interval between purchasing goods and recovering cash from their sale increases the working capital requirement. Funds remain invested in stock and debtors for a longer period. A shorter cycle releases funds sooner and reduces the amount required for routine operations.

Step 2: State the effect of credit allowed to customers **Credit allowed:** If Miracle Ltd. allows customers a longer period to pay, more funds remain tied up in debtors and its working capital requirement rises. Cash sales or a shorter customer credit period reduce this requirement. This concerns credit given to customers, distinct from the supplier credit already mentioned in the case.

Step 3: State the effect of operating efficiency **Operating efficiency:** Efficient inventory management and prompt collection from debtors reduce unnecessary investment in current assets. Miracle Ltd. would therefore need less working capital if it avoids excess stock and collects dues promptly. Slow stock movement and poor collection increase the funds needed to keep operations running.

Step 4: Conclusion Three other factors are the operating cycle, credit allowed to customers and operating efficiency. A longer cycle, more liberal customer credit and lower efficiency generally increase working capital requirements.

Quick Tip to Solve: In an "other than the above" question, first exclude the case factors; distinguish customer credit from credit received from suppliers.

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

(i) Liquidity;

(ii) Instruments; and

(iii) Expected Return. [3 marks]

Solution:

Concept:

- The capital market deals in medium-term and long-term funds, whereas the money market deals in short-term funds with a maturity of up to one year.
- Liquidity means the ease and speed with which an investment can be converted into cash. Expected return must be compared along with the period and risk of investment.

Step 1: Distinguish the markets on the three specified bases

Basis	Capital market	Money market
Liquidity	Securities are relatively less liquid. They can be sold through a stock exchange, but finding a buyer at the desired price may take time.	Instruments are relatively more liquid because they are short-term and generally have an active market.
Instruments	Equity shares, preference shares, debentures and bonds are the principal instruments.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are the principal instruments.
Expected return	Expected returns are generally higher, reflecting the longer investment period and greater risk.	Expected returns are generally lower, reflecting the shorter period and relatively lower risk.

Step 2: Relate the differences to the nature of funds A capital-market investor commits funds for a longer period and may earn dividends, interest or capital gains. The higher expected return is not a guaranteed return. In the money market, funds are used primarily to meet short-term requirements, so the instruments emphasise liquidity and safety rather than high returns. Thus, a listed share may be marketable while still being less liquid than a typical money-market instrument.

Step 3: Conclusion Capital-market securities generally offer lower liquidity and higher expected returns; money-market instruments generally offer higher liquidity and lower expected returns. Their respective instruments reflect their long-term and short-term financing purposes.

Quick Tip to Solve: Match the bases in order: liquidity, instruments, return. Use the word "generally" for liquidity and expected return because individual securities can differ.

13. After completing her studies in product design, Sarah 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 and affordable products on "no profit - no loss basis". The Unique Selling Proposition (U.S.P.) of the products will be sensitivity to the challenges and needs of the differently abled. She has to follow a series of steps to attain her predetermined objectives.

In the above lines, Sarah has discussed about one of the functions of management. Identify the function and state its steps in chronological order other than the one discussed in the above para.

[3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It establishes objectives and selects a course of action for achieving them.
- The planning process follows a logical sequence. Setting objectives is followed by developing premises, identifying and evaluating alternatives, selecting an alternative, implementing the plan and following up.

Step 1: Identify planning and the step already discussed The management function is **planning**. Sarah intends to follow "a series of steps to attain her predetermined objectives". Her intended supply of "high quality and affordable products" on a "no profit - no loss basis", sensitive to the needs of the differently abled, describes **setting objectives**. Since that step is already discussed in the paragraph, the remaining steps are stated below in their chronological order.

Step 2: State the remaining planning steps in sequence

1. **Developing premises:** Establish assumptions about the future conditions under which the plan will operate, such as likely demand, costs and availability of resources.
2. **Identifying alternative courses of action:** List the different possible ways of achieving the stated objectives.
3. **Evaluating alternative courses:** Compare the merits, limitations and likely consequences of each alternative in relation to the objectives and planning premises.
4. **Selecting an alternative:** Choose the most suitable course of action after considering its feasibility and contribution to the objectives; a combination of alternatives may also be chosen.
5. **Implementing the plan:** Put the selected plan into action by assigning responsibilities and arranging the resources required.
6. **Follow-up action:** Check whether activities are being carried out according to the plan and whether the intended results are being achieved, so that necessary corrective action can be taken.

Step 3: Conclusion The function is **planning**, and the step illustrated is **setting objectives**. The remaining sequence is: developing premises, identifying alternatives, evaluating alternatives, selecting an alternative, implementing the plan and follow-up action.

Quick Tip to Solve: First identify the planning step already illustrated in the case. When asked for the other steps, omit that step from the ordered list while retaining the textbook sequence.

14. Reema is one of the most successful managers of her company, Globe Ltd. She knows that the principles of management are intended to apply to all types of organisations, business as well as non-business, small as well as large, public sector as well as private sector.

(i) One of the points related to the nature of management principles is being highlighted in the above description. Identify the point.

(ii) Explain any three other points of the nature of principles of management other than the one identified above. [4 marks]

Solution:

Concept:

- Principles of management are broad guidelines for managerial decisions and behaviour. Their nature explains how they are developed and how managers use them in different circumstances.
- Universal applicability concerns the range of organisations to which principles apply; it does not mean that every principle must be applied in exactly the same manner everywhere.

Step 1: Identify the feature described in the case **(i) Universal applicability:** Management principles

can be applied to all kinds of organisations, business and non-business, small and large, and public and private sector. Reema's statement that they apply to "all types of organisations" directly identifies this feature. The extent and manner of their use may vary with the nature of the organisation and its circumstances.

Step 2: Explain three other features of management principles **(ii) General guidelines:** Principles provide broad guidance for managerial action rather than ready-made solutions to every problem. Real business situations involve several changing factors, so a manager must examine the particular situation before deciding how to use a principle.

Formed by practice and experimentation: Management principles have been developed from managers' experience, observation and repeated experiments. For example, observing the results of assigning a specialised task repeatedly helps establish the usefulness of division of work. They therefore reflect tested managerial experience rather than arbitrary personal opinions.

Flexible: Principles are not rigid prescriptions. Managers have discretion to modify their application according to the needs of a situation. For instance, the degree of centralisation appropriate for a small business may differ from that appropriate for a large organisation. Flexibility allows a principle to guide decisions while accommodating practical requirements.

Step 3: Conclusion The feature highlighted is **universal applicability**. Three other features are that management principles are **general guidelines**, are **formed by practice and experimentation**, and are **flexible** in application.

Quick Tip to Solve: Link "all types of organisations" to universal applicability; distinguish this from flexibility, which concerns adapting how a principle is applied.

15. Mr. Raman is the human resource manager of Shanti Hospital in Nellore. He has to appoint nurses for the hospital. For this he has conducted preliminary interviews. Since patients in the hospital are of different types, he has also conducted tests to find out the candidates' maturity and emotions in dealing with the patients. He has also conducted tests to know about the candidates' ability to take decisions.

Explain the remaining steps that Mr. Raman should take to complete the selection process. [4 marks]

Solution:

Concept:

- Selection is the process of choosing the most suitable candidates for a job from the applicants. Each stage supplies information for assessing the candidates against the job's requirements.
- Preliminary screening and selection tests precede the employment interview. Final appointment requires further assessment, verification, approval and communication of employment terms.

Step 1: Locate the stage already completed Mr. Raman has conducted preliminary interviews and selection tests. The tests of "maturity and emotions in dealing with the patients" concern personality, while tests of the "ability to take decisions" concern intelligence. The question asks for the steps that follow these completed stages, rather than a repetition of screening or tests.

Step 2: Interview candidates and verify their background **Employment interview:** Conduct an

in-depth conversation with the shortlisted candidates to evaluate their suitability for nursing work. The hospital can assess their communication and professional understanding, while candidates can clarify the duties and conditions of the job.

Reference and background checks: Contact the persons named as referees, such as previous employers or teachers, to verify information supplied by the candidates. These checks provide additional evidence about their experience, ability, conduct and reliability.

Step 3: Approve selection and establish medical fitness **Selection decision:** Make the final selection from candidates who have successfully completed the interview and checks. The manager responsible for the performance of the nurses should participate in the decision, because that manager will work with and supervise the selected employees.

Medical examination: Require the selected candidates to undergo a medical fitness test to establish that they are physically fit to perform the nursing duties. The job offer is made after the necessary fitness requirement has been satisfied.

Step 4: Communicate the offer and settle employment terms **Job offer:** Send a letter of appointment to each selected candidate, stating the post and asking the candidate to report for duty by the specified date. Allow reasonable time for acceptance and joining, including any notice period with an existing employer.

Contract of employment: After acceptance, settle the employment terms and complete the required documents. Record matters such as the job title, duties, remuneration, working hours, leave, notice period and termination provisions in the employment contract.

Step 5: Conclusion The remaining steps are **employment interview, reference and background checks, selection decision, medical examination, job offer, and contract of employment**, in that order.

Quick Tip to Solve: Start after the last completed stage: once screening and tests are over, proceed from interview and verification to decision, fitness, offer and contract.

16. Vindhya 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, from toothpaste to biscuits, instant noodles to soaps, shampoos and detergents etc. Their business orientation differs from competitors who are short-sighted and want to maximize profit by maximising sales. Instead Vindhya Ayurved considers maximization of profit by understanding needs and wants of customers in the target market and development of products or services for satisfying such needs and wants.

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

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

Solution:

Concept:

- **Marketing concept:** Business success depends on identifying the needs and wants of a chosen target market and satisfying them more effectively than competitors. Profit is earned through customer satisfaction.
- The selling concept starts with existing products and stresses aggressive selling to increase sales. The marketing concept starts with customers and develops a suitable offering for them.

Step 1: Identify the philosophy from the company's stated objective Vindhya Ayurved Ltd. follows the **marketing concept**. The decisive statement is that it seeks profit by "understanding needs and wants of customers in the target market" and developing products or services to satisfy them. Thus, customer needs determine what the company develops, rather than the company simply trying to sell whatever it has already produced.

Step 2: Explain how the philosophy works The company first identifies the needs of its target customers, then uses research and development to create products that satisfy those needs. Its different marketing activities must work together to deliver customer satisfaction. When customers find the products suitable and buy them repeatedly, the firm can earn profits. The contrast with competitors who seek profit merely by maximising sales highlights the difference between marketing and selling orientations.

Step 3: State two values supported by the case

- **Concern for the environment:** The R&D department develops "eco-friendly" alternatives for daily-use products, showing a concern for reducing environmental harm.
- **Concern for consumer health and welfare:** The company spends effort on "chemical-free and healthy alternatives", indicating attention to the well-being of consumers who use its products.

Step 4: Conclusion The philosophy is the **marketing concept**: earning profit through satisfaction of target customers' needs. Two values promoted are environmental protection and concern for consumer health and welfare.

Quick Tip to Solve: Identify the philosophy from the stated route to profit: satisfaction of target customers' needs points to the marketing concept; eco-friendly products also supply evidence for the values asked separately.

17. State any two advantages and two limitations of informal organisation. [4 marks]

Solution:

Concept:

- **Informal organisation** is the network of social relationships that arises spontaneously as employees interact. It develops from personal contacts and common interests rather than a deliberately designed authority structure.
- Such relationships can support the formal organisation through communication and social support, but their unofficial influence may also obstruct organisational objectives.

Step 1: State two advantages of informal organisation

- **Faster communication and feedback:** Information can move quickly through personal contacts without following every level of the formal chain of command. Managers may also receive useful feedback about employees' reactions through this network, helping them understand and respond to workplace concerns.
- **Fulfilment of social needs:** Informal groups give employees friendship, acceptance and a sense of belonging. Employees gain emotional support and opportunities for interaction, which can improve their satisfaction and willingness to work together.

Step 2: State two limitations of informal organisation

- **Spread of rumours:** Information in an informal network is not subject to the checks used in official communication. Incomplete or distorted messages can therefore spread rapidly, creating misunderstandings, uncertainty and unnecessary anxiety among employees.
- **Resistance to change:** Informal groups may oppose a new policy, technology or working method if members believe it threatens their interests or established practices. Group pressure can persuade individuals to resist the change even when management considers it necessary for organisational improvement.

Step 3: Conclusion Two advantages are faster communication and fulfilment of employees' social needs. Two limitations are the spread of rumours and resistance to change. Informal relationships therefore need to be understood and channelled towards organisational goals.

Quick Tip to Solve: Keep the answer balanced: list two benefits and two drawbacks, and briefly explain the effect of each on employees or the organisation rather than giving headings alone.

18. Explain any four points of importance of 'controlling' function of management. [4 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with predetermined standards, identifying deviations and taking corrective action.
- Its importance lies in making plans effective: performance information enables managers to protect organisational objectives and improve the use of resources.

Step 1: Explain how controlling helps accomplish goals **Accomplishing organisational goals:**

Controlling measures progress towards the organisation's objectives. Managers compare actual results with planned standards and identify where performance is falling short. Corrective action brings activities back on course, so controlling guides the organisation towards its goals rather than merely recording what has happened.

Step 2: Explain how it tests the accuracy of standards **Judging accuracy of standards:** A sound control system enables management to judge whether the standards fixed during planning are accurate and realistic. Comparisons with actual performance reveal whether standards need revision in the light of changes in the business environment. This makes future planning more reliable.

Step 3: Explain how it improves resource use **Making efficient use of resources:** Control requires activities to be performed according to predetermined standards. This reduces wastage and spoilage, because employees know the expected level of performance and managers can detect inefficient practices. Human, physical and financial resources can therefore be used more economically and effectively.

Step 4: Explain how it improves employee motivation **Improving employee motivation:** Clear performance standards tell employees what they are expected to do and the basis on which their work will be evaluated. Fair assessment and recognition of satisfactory performance encourage employees to work better. Thus, controlling gives direction to individual effort and can strengthen motivation.

Step 5: Conclusion Controlling is important because it helps accomplish organisational goals, judge the accuracy of standards, use resources efficiently and improve employee motivation. Each benefit follows from clear standards, performance comparison and suitable corrective action.

Quick Tip to Solve: For an importance question, name each benefit first and then explain how the control process produces that benefit; do not merely list the steps of controlling.

19. Irma is the chief executive officer of a reputed company. She introduced appropriate skill development programmers 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.

Explain any two other incentives that may be introduced by Irma other than those already introduced by her to further motivate the employees of her company. [4 marks]

Solution:

Concept:

- Non-financial incentives motivate employees by satisfying psychological, social and esteem needs, rather than by directly increasing their monetary rewards.
- The additional incentives must differ from career advancement opportunities and job enrichment, which the case already describes.

Step 1: Identify the incentives already introduced Irma's "skill development programmers and a sound promotion policy" provide **career advancement opportunities**: employees can develop their abilities and progress to higher positions. Designing managerial jobs to include "greater variety of work content" indicates **job enrichment**, which makes work more challenging and meaningful. These

should not be repeated as the two additional incentives.

Step 2: Introduce employee recognition programmes **Employee recognition programmes:** Irma may acknowledge employees' outstanding performance through appreciation letters, certificates, awards or public recognition at company meetings. Recognition shows that the organisation notices and values an employee's contribution. It satisfies the need for esteem and encourages the employee to sustain good performance. Irma should make the criteria clear and recognise achievements fairly and promptly so that the programme motivates other employees as well.

Step 3: Introduce employee participation **Employee participation:** Irma may involve employees in decisions relating to their work, for example through joint management committees, work committees or quality circles. Employees would have an opportunity to offer suggestions and contribute their practical knowledge before decisions are made. Being heard gives them a sense of belonging and importance, strengthens their commitment to decisions and motivates them to help implement those decisions. Participation provides a voice in management; it is distinct from merely adding variety to a manager's job.

Step 4: Conclusion Two other incentives Irma may introduce are **employee recognition programmes** and **employee participation**. Recognition values employees' achievements, while participation involves them in work-related decisions; both can strengthen motivation and commitment to the company.

Quick Tip to Solve: In an "other incentives" case, first rule out incentives already described, then choose two different textbook headings and explain the need each one satisfies.

20. Shivam bought a pain relieving ointment after seeing it being displayed in the chemist's shop. The ointment tube was packed in a cardboard box. The tubes were received by the chemist from the wholeseller in corrugated boxes containing 20 units. Identify and explain the different levels of packaging of the pain relieving medicine. [5 marks]

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product. It protects the product and makes handling, storage and distribution convenient.
- The three levels are primary packaging, secondary packaging and transportation packaging. They are identified by their closeness to the product and the purpose they serve, rather than merely by the material used.

Step 1: Identify the primary package **Primary packaging – the ointment tube:** The tube is the immediate container holding the pain relieving ointment. It remains with the product until the ointment has been used. It protects the medicine from contamination and leakage and allows the consumer to dispense the required quantity conveniently. Thus, the tube, rather than the outer cardboard box, is the primary package.

Step 2: Identify the secondary package **Secondary packaging – the cardboard box:** The case says that the "ointment tube was packed in a cardboard box". This box is an additional layer of protection

around the primary package. It protects the tube while the medicine is displayed or handled and provides an outer surface for product information. Such additional packaging can be discarded when the product is ready for use; the ointment still remains safely in its tube.

Step 3: Identify the transportation package **Transportation packaging – the corrugated box containing 20 units:** The chemist received the tubes from the wholesaler in "corrugated boxes containing 20 units". These boxes group several sale units together for storage, identification, handling and transportation. They protect the individual packages during movement from the wholesaler to the chemist and make bulk distribution easier. Their role is to transport several units, rather than directly contain the ointment used by the buyer.

Step 4: Conclusion The ointment tube is **primary packaging**, the cardboard box around the tube is **secondary packaging**, and the corrugated box holding 20 units is **transportation packaging**. Each successive level protects or groups the preceding package for a different stage of use and distribution.

Quick Tip to Solve: Work from the medicine outward: immediate container, extra protective cover, then the bulk shipping container. Attach each textbook term to the specific object in the case.

21. State any five points of impact of liberalisation on business and industry. [5 marks]

Solution:

Concept:

- Liberalisation means removing unnecessary government controls and restrictions on business and industry, giving enterprises greater freedom to make business decisions.
- The changes associated with the new economic policy made the business environment more competitive and market oriented. Firms had to respond through better quality, technology, efficiency and customer service.

Step 1: State the changes in market pressure

- **Increasing competition:** Industrial delicensing and easier entry of private and foreign firms increased competition for Indian enterprises. Existing firms could no longer rely on a protected market and had to improve quality, control costs and offer better products to retain their customers.
- **More demanding customers:** Greater competition widened the choice of goods and services available to consumers. Better informed customers began seeking higher quality, reasonable prices and improved service. Businesses therefore had to pay closer attention to customer expectations instead of assuming that whatever they produced would sell.

Step 2: State the changes in technology and managerial response

- **Rapidly changing technological environment:** Greater freedom and competition encouraged the adoption of new technology. Businesses had to modernise their production processes and improve products to remain competitive. Remaining with outdated technology could make their products costly or less attractive.
- **Necessity for change:** The market forces created by the policy changes required firms to modify their policies, practices and operations. Organisations needed to become more flexible and responsive, since continuing with old methods without considering the changing environment

could threaten their survival.

- **Market orientation:** Firms had to shift from a production oriented approach to a market oriented approach. They needed to study customers' needs first and then develop suitable goods and services, rather than simply produce goods and search for buyers afterwards.

Step 3: Conclusion Five impacts on business and industry are increasing competition, more demanding customers, rapid technological change, the necessity for organisational change and a shift towards market orientation. These changes require firms to be efficient, adaptable and responsive to their markets.

Quick Tip to Solve: Link each impact to a business response: competition to efficiency, customer choice to service, technology to modernisation, change to flexibility, and market orientation to studying customer needs.

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22. Sakaar Foundation is an NGO (Non-Governmental Organization) 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 medicines etc. from donors. At Sakaar Foundation's office in Lucknow 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.

The management of Sakaar Foundation does not close its ears to any constructive suggestions made by the volunteers. There is an equal division of work and responsibility between volunteers and management. All the day long the management work side by side with the volunteers helping, encouraging and smoothing the way for them.

(i) Identify and explain one principle each of 'Scientific Management' and 'General Management' adopted by Sakaar Foundation.

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

Solution:

Concept:

- Taylor's scientific management principles seek cooperation between management and workers so that both contribute to efficient performance and common goals.
- Fayol's general management principle of order requires a proper place for every person and material, with each kept in its appropriate place.

Step 1: Identify and explain the scientific management principle **Cooperation, not individualism:** Taylor advocated complete cooperation between management and workers rather than individualism or competition between them. Management should welcome constructive suggestions and involve workers in improving work. Workers should support the organisation's objectives, while management should help them perform effectively. There should be an almost equal division of work and

responsibility between the two sides, with management working alongside workers to guide and assist them.

Sakaar Foundation follows this principle because its management "does not close its ears to any constructive suggestions" and there is "an equal division of work and responsibility between volunteers and management". The managers also work side by side with volunteers, helping and encouraging them. These are direct signs of cooperation rather than isolated effort.

Step 2: Identify and explain the general management principle **Order:** Fayol stated that there should be a place for everything and everyone, and everything and everyone should be in the right place. Material order means arranging materials systematically so that they can be located and used without delay. Social order means placing the right person in the appropriate job.

The foundation follows material order: donations are "segregated, classified and put in shelves and boxes that are labelled systematically". It provides a specific place for each item, and volunteers put items in their respective places. This arrangement avoids confusion, saves the time spent searching and helps the NGO distribute relief supplies efficiently.

Step 3: State two values promoted by the foundation **Compassion and concern for the disadvantaged:** By supporting children with medical needs, homeless people and victims of natural disasters, the foundation shows sensitivity to people facing hardship.

Social responsibility and service: By collecting and distributing donations and useful goods, the foundation encourages people to contribute voluntarily to community welfare and share resources with those in need.

Step 4: Conclusion The scientific management principle is **cooperation, not individualism**, and the general management principle is **order**. The foundation also promotes compassion for disadvantaged people and social responsibility through voluntary service.

Quick Tip to Solve: Link Taylor's cooperation principle to suggestions and shared responsibility, and Fayol's order principle to labelled storage and a fixed place for each item.

23. Radha is an enterprising businesswoman who has been running a fishery for the past ten years. She has saved ₹ 10 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 equipment with latest technology, opening a new branch of the fishery in another village and so on. Since these decisions are crucial for her business, involve huge amount of money and are irreversible except at a huge cost, Radha wants to analyse all aspects of the decision, before taking any step.

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

(ii) Also explain briefly any two factors that affect this decision. [6 marks]

Solution:

Concept:

- An investment decision concerns how the firm's funds are invested in different assets. A long-term investment decision involving fixed assets is called a capital budgeting decision.

- Capital budgeting affects earning capacity and long-term profitability. Alternatives must be assessed for their expected cash flows and expected rate of return before funds are committed.

Step 1: Identify the financial decision from the case **Long-term investment decision, or capital budgeting decision:** Radha must decide how to invest her savings in long-term assets for expanding or improving her fishery. Buying replacement machinery, acquiring equipment with the latest technology and establishing a new branch are alternative investments in fixed assets. The issue is the use of available funds, rather than deciding how to raise them or how much profit to distribute.

The case states that the decisions "involve huge amount of money" and "are irreversible except at a huge cost". These characteristics identify capital budgeting. Such decisions influence the firm's size, productive capacity, future earning ability and risk over a long period. A mistaken choice can tie up substantial funds in an unsuitable asset, so Radha should compare the alternatives carefully instead of selecting solely on a family member's suggestion.

Step 2: Explain cash flows of the project as the first factor **Cash flows of the project:** Investment in a fixed asset creates a series of cash outflows and inflows over its life. The amount and timing of these cash flows must be estimated and analysed before accepting a project. Initial expenditure alone does not show whether the investment will be worthwhile.

Radha should estimate the purchase and installation outlay for equipment or the cost of establishing the new branch, followed by expected cash receipts and operating cash payments. The expected net cash generated over the project's life helps her assess whether the investment can recover the committed funds and provide a satisfactory surplus. A project requiring less initial expenditure is not automatically preferable if its future cash generation is also much lower.

Step 3: Explain rate of return as the second factor **Rate of return:** The expected return from each investment proposal is another major consideration. Radha should estimate the returns associated with the alternatives and compare them with the investment required, the relevant risks and the return required by the business. Other things remaining the same, a proposal giving a higher satisfactory rate of return is more attractive.

For example, advanced equipment and a new branch may require different amounts of investment and yield different future benefits. She should compare their expected returns on a consistent basis before choosing. Simply selecting the project with the largest total receipts would be misleading if it also requires a much larger investment or carries materially greater risk.

Step 4: Conclusion Radha faces a **capital budgeting decision**, involving the commitment of funds to long-term assets. Two factors she should analyse are the **cash flows of each project** and its **expected rate of return**, so that the selected proposal supports the fishery's long-term profitability.

Quick Tip to Solve: First decide whether the case concerns using funds, raising funds or distributing profit. Large, long-term and costly-to-reverse asset purchases point to capital budgeting.

24. Explain any two reliefs that the Consumer Court can grant to consumers in case of genuine complaints in each of the following situations.

(i) Komal was charged more than the printed price for a NCERT business studies book being in short supply.

(ii) Kumar was sold a truck with a defective engine.

(iii) Suresh suffered injury while using a newly bought defective electric iron. [6 marks]

Solution:

Concept:

- Under Consumer Protection, a consumer redressal forum can grant appropriate relief when a complaint about overcharging, defective goods or injury caused by a defective product is proved.
- The relief must address the particular grievance: stopping an unfair trade practice, removing or replacing defective goods, refunding their price, or compensating the consumer for loss or injury.

Step 1: State two reliefs for Komal's overcharging complaint Komal was "charged more than the printed price" for the NCERT book. Its being in short supply does not justify charging an amount above that price. Two appropriate reliefs are:

- **Refund the excess amount collected:** The forum can direct the bookseller to return the amount charged above the printed price. This restores to Komal the money collected through the overcharging.
- **Discontinue the unfair trade practice:** The forum can order the bookseller to stop the practice of charging above the printed price and not repeat it. This directly addresses the wrongful selling practice rather than treating scarcity as an excuse for it.

Step 2: State two reliefs for Kumar's defective truck Kumar was sold a truck "with a defective engine". The complaint concerns a defect in the goods purchased. Two appropriate reliefs are:

- **Remove the defect:** The forum can direct the seller or manufacturer to rectify the engine defect without charging Kumar for correcting the defect in the supplied truck. The repair must make the truck conform to the quality promised.
- **Replace the defective goods:** The forum can order replacement of the truck with a new truck of similar description free from the defect. This provides Kumar with usable, defect-free goods instead of leaving him with the faulty product.

Repair and replacement are possible directions suited to a defective-goods complaint; the forum selects the appropriate relief on the facts proved.

Step 3: State two reliefs for Suresh's injury from the iron Suresh "suffered injury" while using a newly purchased defective electric iron. Both the injury and the defective purchase require a remedy. Two appropriate reliefs are:

- **Compensate for the injury or loss:** The forum can direct payment of reasonable compensation for the injury and consequential loss suffered because of the defective iron, such as the treatment expenses established in the complaint.
- **Refund the price paid:** The forum can order return of the amount Suresh paid for the defective iron. This remedies the financial loss on the purchase, separately from compensation for the injury caused by it.

Step 4: Conclusion Komal can receive a refund of the excess charge and an order stopping the unfair trade practice. Kumar can obtain removal of the engine defect or replacement with defect-free goods. Suresh can receive compensation for his injury and a refund of the defective iron's price. Each pair of reliefs is linked to the specific grievance proved.

Quick Tip to Solve: Match the remedy to the harm: overcharging calls for repayment and stopping the practice, a product defect calls for repair or replacement, and personal injury calls for compensation.

25. Explain any four points of importance of organizing function of management. [6 marks]

Solution:

Concept:

- Organising is the management function of identifying and dividing work, grouping related activities, assigning duties and establishing reporting relationships so that plans can be implemented.
- An effective organisation structure links people's efforts with available resources. Its importance can be explained through specialisation, clarity of working relationships, optimum use of resources and adaptation to change.

Step 1: Explain benefits of specialisation **Benefits of specialisation:** Organising divides the total work into specific jobs and allocates those jobs systematically. Each employee performs a defined portion of the work instead of attempting every activity of the enterprise. Repeated performance of the assigned task helps the employee acquire experience, skill and proficiency. As a result, work can be performed more efficiently and productivity improves. For example, assigning purchasing, production and selling to people responsible for those activities allows each to develop expertise in the particular job. Thus division of work makes focused effort and specialisation possible.

Step 2: Explain clarity in working relationships **Clarity in working relationships:** Organising specifies the duties, authority and responsibility attached to each position and establishes who reports to whom. Employees know the work expected of them, the person from whom they receive instructions and the persons for whose work they are accountable. This avoids ambiguity about reporting relationships and reduces confusion over authority. It also makes communication and coordination easier, since employees can approach the appropriate superior when guidance or a decision is needed. Clearly established relationships therefore help the different parts of the enterprise function together.

Step 3: Explain optimum utilisation of resources **Optimum utilisation of resources:** Organising assigns jobs clearly and matches work with the knowledge and abilities of employees. Proper allocation of duties helps prevent duplication, so that two people or departments do not unnecessarily spend time and resources doing the same work. Defining activities and responsibilities also helps ensure that essential tasks are not overlooked. The enterprise can consequently use its human, physical and financial resources more effectively, avoiding waste and unnecessary effort. Efficiency improves because available resources are directed towards the work for which they are required.

Step 4: Explain adaptation to change **Adaptation to change:** A properly designed organisation structure allows an enterprise to accommodate changes in its business environment. When technology,

market conditions or the scale of operations changes, activities can be regrouped, duties reassigned and reporting relationships adjusted. Such structural adjustments support the introduction of new methods or products without losing clarity about responsibility. For example, an enterprise entering a new line of business can create an appropriate unit and allocate people and authority to it. Organising therefore provides the flexibility needed to respond to change while maintaining coordinated operations.

Step 5: Conclusion Organising is important because it develops specialisation, clarifies working relationships, enables optimum utilisation of resources and facilitates adaptation to change. These four benefits help convert management's plans into coordinated and efficient action.

Quick Tip to Solve: Link each importance point to a feature of organising: division of work produces specialisation, reporting lines bring clarity, clear allocation prevents waste, and an adjustable structure supports change.