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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

1. Define 'Directing' as a function of management. [1 mark]

Solution:

Concept:

- Directing is the management function that puts plans into action through people.
- It includes instructing, guiding, counselling, motivating and leading employees towards organisational objectives.

Step 1: Identify the purpose Plans and assigned duties produce results only when employees actually perform the work. Directing initiates that action and helps employees understand what they must do.

Step 2: State the definition Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. It is a continuing managerial activity at every level where a manager supervises subordinates.

Step 3: Conclusion Directing is the process of instructing, guiding, counselling, motivating and leading employees to achieve organisational objectives.

Quick Tip to Solve: For a definition of directing, connect guidance and motivation of people with achievement of organisational objectives.

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

Solution:

Concept:

- Formal organisation is deliberately established by management and specifies official authority relationships.
- Informal organisation develops spontaneously through social interaction; its influence rests on acceptance by group members.

Step 1: Identify the source of authority In a formal organisation, authority comes from the position occupied in the management hierarchy. It is attached to an official post and is delegated according to the prescribed structure.

Step 2: Compare the authority

Basis	Formal organisation	Informal organisation
Authority	Arises from the official position in the management hierarchy.	Arises from personal qualities and the acceptance of other group members.

Step 3: Conclusion Formal authority is positional; informal authority arises from personal qualities and group acceptance.

Quick Tip to Solve: On the basis of authority, ask whether influence comes from an official post or from the group accepting the person.

3. Why is 'Trade Test' conducted in the process of selection ? [1 mark]

Solution:

Concept:

- Selection tests help assess whether a candidate possesses the abilities needed for a particular job.
- A trade test measures the actual skills and existing proficiency of a candidate in the trade concerned.

Step 1: Identify what the test measures A trade test checks the knowledge and skill already possessed by the applicant in a particular trade or job. The candidate may be asked to perform a task of the kind involved in that work.

Step 2: Connect it with selection The employer uses this evidence to judge the candidate's present level of proficiency and suitability for the job. Unlike an aptitude test, which indicates the potential to learn a skill, a trade test assesses an existing skill.

Step 3: Conclusion A trade test is conducted to measure a candidate's existing skills, knowledge and proficiency in the particular trade or job.

Quick Tip to Solve: Remember: a trade test checks what the applicant can already do; an aptitude test checks the potential to learn.

4. Vegatech Enterprises was a company manufacturing refrigerators. The company had a functional structure with four main functions — Production, Marketing, Finance and Human Resource. As the demand for the products grew, the company decided to hire more employees.

Identify the concept which will help the Human Resource Manager in identifying the types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives. [1 mark]

Solution:

Concept:

- Estimating manpower requirements determines the number and types of employees needed by an organisation.
- Workload analysis assesses the number and types of human resources required for jobs and organisational objectives.

Step 1: Use the clue in the case Vegatech plans to hire more employees as demand grows. The Human Resource Manager must first identify the types of people needed for the work, rather than immediately recruit or select applicants.

Step 2: Identify the specific analysis The phrase 'types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives' points to workload analysis. It studies the work to be performed and the number and kinds of employees required. Workforce analysis, by contrast, examines the personnel already available.

Step 3: Conclusion The concept is workload analysis, undertaken while estimating manpower requirements.

Quick Tip to Solve: Required people for the work means workload analysis; people already available means workforce analysis.

5. Whirlwind Enterprises was a renowned name for manufacturing quality washing machines since 1965. When the profit of the last year declined, Mr. Ahmed, the owner of Whirlwind Enterprises, asked the General Manager to prepare a profitability report of the company including Gross Profit Ratio, Net Profit Ratio, etc. besides using other techniques to assess the company's performance.

Identify the step taken by Mr. Ahmed which is related to one of the functions of management. [1 mark]

Solution:

Concept:

- The controlling process includes measuring actual performance so that it can later be compared with standards.
- Financial reports and ratios provide quantitative information about the actual performance of a business.

Step 1: Read the managerial action Mr. Ahmed asks for a profitability report including 'Gross Profit Ratio, Net Profit Ratio' to assess the company's performance. These ratios measure the results actually achieved by the business.

Step 2: Locate the step in controlling The step is measurement of actual performance. Ratio analysis is a technique used to obtain that measurement. The case does not describe setting standards or the subsequent comparison and corrective action; it describes collecting and measuring performance information.

Step 3: Conclusion Mr. Ahmed has initiated measurement of actual performance, a step in the controlling process, using ratio analysis and other techniques.

Quick Tip to Solve: Distinguish the step from its technique: measuring actual performance is the step; profitability ratios are a tool used for measurement.

6. What is meant by 'Trading on Equity' ? [1 mark]

Solution:

Concept:

- Trading on equity involves using fixed financial charge funds in the capital structure to improve the return to equity shareholders.
- Debt carries a fixed interest charge; the earnings left after that charge belong to the equity shareholders.

Step 1: Explain how the financing works A company raises funds carrying a fixed financial charge, such as debt. When the return earned on the investment exceeds the cost of those funds, the surplus after paying the fixed charge becomes available to equity shareholders.

Step 2: State its effect and condition The use of such funds can therefore increase earnings per share or the return on equity. This favourable effect depends on the return on investment exceeding the borrowing cost; borrowing does not automatically improve shareholders' earnings.

Step 3: Conclusion Trading on equity is the use of funds carrying fixed financial charges to increase the return or earnings per share of equity shareholders.

Quick Tip to Solve: For favourable trading on equity, compare the return on investment with the cost of debt before claiming an increase in equity earnings.

7. Varunica Ltd., a reputed truck manufacturing company, needs rupees twenty crores as additional capital to expand its business. Mr. Alind Jindal, the CEO of the company, wants to raise funds through equity. The Finance Manager, Mr. Nikhil Sachdeva, suggests that the existing shareholders be offered the privilege to subscribe to new issue of shares as per the terms and conditions of the company which was agreed by Mr. Alind Jindal.

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

Solution:

Concept:

- A rights issue is a method of raising capital in the primary market by offering new shares to existing shareholders.
- Existing shareholders receive a preferential right to subscribe to the issue, generally in proportion to their existing holdings.

Step 1: Identify the investors being offered shares The company needs additional equity capital and proposes that 'existing shareholders be offered the privilege to subscribe to new issue of shares'. The decisive clue is the preferential offer to the current owners.

Step 2: Name the method This method is a rights issue. It gives existing shareholders the opportunity to buy further shares on the company's stated terms. It differs from an offer to the general public because the subscription privilege is offered first to existing shareholders.

Step 3: Conclusion Varunica Ltd. decided to raise additional capital through a rights issue.

Quick Tip to Solve: An offer of new shares with a subscription privilege for existing shareholders signals a rights issue.

8. Vanshika uses 'Kuber Cabs' for travelling in the city. She received a text message "Add ₹ 222 on Kaytm and get 20% cash back on having minimum ten trips till 15th April, 2017".

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

Solution:

Concept:

- Sales promotion consists of short-term incentives offered to encourage customers to purchase or use a product or service.
- A refund returns a part of the price paid by the customer when the specified purchase conditions are satisfied.

Step 1: Identify the incentive in the message The deciding case words are "get 20% cash back". Kuber Cabs offers this refund if Vanshika adds Rs 222 on Kaytm and completes the minimum ten trips within the stated period. Thus, a portion of the amount paid is returned subject to conditions.

Step 2: Name the sales-promotion technique The technique is **refund**, offered here as cash back. The customer receives money back after satisfying the offer conditions; the case does not describe a free product or an additional quantity of the service.

Step 3: Conclusion The company uses the sales-promotion technique of **refund (cash back)**.

Quick Tip to Solve: When a promotion returns part of the money paid, identify it as a refund; link the term directly to the cash-back offer.

9. Explain briefly 'Remuneration of Employees' and 'Scalar Chain' as general principles of management.

[3 marks]

Solution:

Concept:

- Fayol's principles are general guidelines for managerial decisions; they seek both organisational efficiency and cooperative relations.
- Remuneration concerns fair compensation, whereas scalar chain concerns the formal line of authority and communication.

Step 1: Explain remuneration of employees **Remuneration of employees:** The overall pay and compensation should be fair to both employees and the organisation. Employees should receive wages that provide a reasonable standard of living and encourage satisfaction and effort. At the same time, remuneration should remain within the paying capacity of the organisation. Fair remuneration helps create harmonious relations between workers and management, rather than favouring one side at the expense of the other.

Step 2: Explain scalar chain **Scalar chain:** This is the formal line of authority and communication running from the highest rank to the lowest rank in an organisation. Ordinarily, communication should follow this chain so that authority, responsibility and the route of reporting remain clear. However, rigidly following every level can delay urgent communication between employees at the same level in different departments. Fayol therefore permitted a **gang plank**: a direct contact between such employees in an emergency, with their superiors informed, to avoid delay without undermining the hierarchy.

Step 3: Conclusion Remuneration of employees requires fair and reasonable compensation for both sides; scalar chain requires a clear hierarchy, with a gang plank for urgent direct communication.

Quick Tip to Solve: For these two principles, remember the pair: fair pay for remuneration and the authority ladder with an emergency gang plank for scalar chain.

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

Solution:

Concept:

- Planning involves deciding in advance what to do and how to do it, but a plan is prepared under particular assumptions and conditions.
- Limitations explain why planning cannot guarantee success and why managers must remain alert

to changes while implementing plans.

Step 1: State rigidity and environmental change **1. Planning leads to rigidity:** A well-defined plan specifies the course of action and procedures in advance. Managers and employees may then follow it mechanically and resist changing it even when circumstances call for a different approach. Thus, strict adherence to a previously fixed plan can restrict flexibility.

2. Planning may not work in a dynamic environment: Business conditions continually change because of economic, technological, political and social developments. Such changes may be unexpected and may make the assumptions underlying a plan inaccurate. A plan drawn up for one situation may therefore become unsuitable when the situation changes.

Step 2: State the restriction on creativity **3. Planning reduces creativity:** Planning is often carried out by top management, while other employees are expected to implement the plans. When employees merely carry out decisions already made for them, they have less opportunity to think independently or suggest new methods. As a result, excessive reliance on predetermined plans can reduce initiative and creativity at lower levels.

Step 3: Conclusion Three limitations are rigidity, reduced usefulness in a dynamic environment, and reduced creativity among employees expected merely to implement plans.

Quick Tip to Solve: Use three distinct textbook headings, then explain the specific restriction under each: inflexibility, changing assumptions, and reduced initiative.

11. Explain briefly any three psychological barriers to effective communication. [3 marks]

Solution:

Concept:

- Psychological barriers arise from the mental state, attitudes and emotions of the sender or receiver, rather than from the language or equipment alone.
- Effective communication requires a receptive listener who attends to the complete message and interprets it without prejudging the sender.

Step 1: Explain premature evaluation and lack of attention **1. Premature evaluation:** The receiver judges the meaning or value of a message before the sender has completed it. This judgement may be influenced by preconceived notions about the speaker. The receiver consequently misses the full context, and the message is misunderstood instead of being considered on its merits.

2. Lack of attention: A receiver whose mind is preoccupied with other problems may fail to listen carefully to the message. Even though the words are spoken clearly, important details are not registered. For example, an employee worried about a personal difficulty may fail to absorb instructions given by a manager.

Step 2: Explain distrust **3. Distrust:** If the sender and receiver do not trust each other, communication becomes ineffective. A receiver who doubts the sender's honesty or intentions is unlikely to accept the message in its true sense and may look for hidden motives in it. Likewise, the sender may withhold relevant information. The resulting suspicion obstructs an open and accurate exchange of ideas.

Step 3: Conclusion Premature evaluation, lack of attention and distrust are three psychological barriers that prevent a message from being fully heard, fairly understood and accepted.

Quick Tip to Solve: For psychological barriers, focus on the mind of the receiver or sender: judging too early, not attending, or not trusting.

12. Microgarments Ltd. is dealing in export of garments. The performance of the company has been upto the expectations in the past. Keeping up with the latest technology, the company decided to upgrade their machinery. For this, the Finance Manager, David, estimated the quantitative requirements of funds and their timings. This will help him in linking the investment and the financing decisions on a continuous basis.

So, he began with the preparation of a sales forecast for the next four years. He also collected all possible data about the profit estimates in the coming years. By doing this he wanted to be sure about the availability of funds within the business. For the remaining funds he is trying to find out the viable sources from outside.

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

Solution:

Concept:

- Financial planning estimates an enterprise's future fund requirements and determines the sources from which those requirements will be met.
- It coordinates investment and financing decisions by ensuring that funds are available in the required amount at the required time, without raising unnecessary funds.

Step 1: Identify the financial concept from the case The concept is **financial planning**. David estimates the "quantitative requirements of funds and their timings" for upgrading machinery. He prepares sales forecasts and profit estimates to assess funds available internally, and then identifies outside sources for the balance. Thus, he plans both the amount of finance needed and how to obtain it; the case is not merely about choosing a particular source of finance.

Step 2: State the two objectives of financial planning

- **Ensure availability of funds whenever required:** Estimate how much money will be needed and when, and arrange suitable sources in advance. This prevents a shortage of funds from delaying machinery purchases or interrupting the company's activities.
- **Avoid raising funds unnecessarily:** Match the funds raised with actual requirements so that the business does not hold avoidable surplus finance. Excess funds involve financing costs and may remain idle; if a temporary surplus arises, it should be put to appropriate use rather than left unproductive.

Step 3: Conclusion David is undertaking **financial planning**. Its objectives are to make funds available when required and to avoid unnecessary fund raising, thereby preventing both shortage and wasteful surplus.

Quick Tip to Solve: When a case combines the amount and timing of fund requirements with internal and external sources, identify financial planning; recall its paired objectives as no shortage and no unnecessary surplus.

13. Nishtha, Vasvi and Radhika were friends from college time and now they are engaged in different types of businesses. They regularly meet and discuss their business ideas, exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques and social concerns, etc.

Nishtha, drew the attention of her friends towards the exploitation of consumers in the market. She said that the sellers were exploiting the consumers in many ways and were not paying attention towards the social, ethical and ecological aspects of marketing.

Vasvi said that they were under pressure of consumer satisfaction but observed that the consumers would not buy or not buy enough unless they are adequately convinced and motivated to do the same.

Radhika, stressed that it was the duty of the businessmen to keep consumer satisfaction in mind because business was run by the resources made available by the society. Thus, a company cannot achieve its objectives without understanding the needs of the customers.

The thinking of the three friends were different. These thinkings were guiding the marketing efforts of their business and were known with different names. Identify these names. Also, state one more feature of each of these thinkings. [3 marks]

Solution:

Concept:

- Marketing management philosophies guide the priorities of a business: the selling concept stresses persuasive selling, while the marketing concept begins with customer needs.
- The societal marketing concept adds consumers' and society's long-term welfare to customer satisfaction and the enterprise's objectives.

Step 1: Identify Nishtha's thinking and give another feature **Nishtha — societal marketing concept:** Her concern that sellers ignore "social, ethical and ecological aspects of marketing" points to the need to protect long-term social welfare as well as satisfy consumers. **One more feature:** Marketing decisions balance three considerations: the firm's profits, consumers' wants and society's interests. A product should therefore not be promoted solely because it sells if its wider effects harm society.

Step 2: Identify Vasvi's thinking and give another feature **Vasvi — selling concept:** She believes consumers will not buy enough unless they are "adequately convinced and motivated". This makes aggressive persuasion the means of securing sales. **One more feature:** Its starting point is the firm's existing products, with profits sought through increased sales volume. The emphasis is on selling what the business has already produced, rather than first discovering what customers need.

Step 3: Identify Radhika's thinking and give another feature **Radhika — marketing concept:** Her statement that a company cannot achieve its objectives "without understanding the needs of the customers" places customer needs at the centre of business decisions. **One more feature:** The firm selects a target market and coordinates its marketing activities to deliver customer satisfaction more effectively than competitors. Profits follow from satisfying customers, rather than from sales pressure alone.

Step 4: Conclusion Nishtha represents the **societal marketing concept**, Vasvi the **selling concept**, and Radhika the **marketing concept**. Their respective emphases are long-term social welfare, persuasive selling, and customer needs and satisfaction.

Quick Tip to Solve: Match each case to its decisive emphasis: social and ecological welfare means societal marketing; persuasion means selling; discovering and satisfying customer needs means marketing.

14. Chandrika Bhattacharya is working in Olax Ltd., a company manufacturing room heaters. She is responsible for all the activities of the business and for its impact on the society. Her job demands long hours and commitment to the organisation.

(a) Identify the level at which Chandrika Bhattacharya is working.

(b) State three more functions required to be performed by Chandrika Bhattacharya at this level.

[4 marks]

Solution:

Concept:

- Nature and Significance of Management: top management directs the organisation as a whole and bears ultimate responsibility for its performance and its impact on society.
- Top-level managers formulate overall objectives and strategies, integrate departmental efforts and provide overall direction rather than merely supervise a particular operating task.

Step 1: Identify the level from the scope of responsibility **(a) Top-level management:** Chandrika Bhattacharya works at the top level. The case states that she is responsible for "all the activities of the business and for its impact on the society." This organisation-wide responsibility is the decisive clue. The reference to long hours and commitment supports the demanding nature of this role; responsibility for the whole enterprise distinguishes it from middle and supervisory management.

Step 2: State three additional functions at this level **(b) Three more functions are:**

- **Formulating overall organisational goals and strategies:** She must decide the broad objectives of Olax Ltd. and the strategies through which the company will achieve them. These decisions provide direction to the enterprise as a whole.
- **Analysing the business environment:** She must examine economic, social and other environmental conditions and their implications for the survival and welfare of the firm. This helps the company anticipate opportunities and threats when making major decisions.
- **Integrating diverse activities and coordinating departments:** She must bring together the work of the different departments so that their efforts serve common organisational objectives. Coordination prevents individual departments from pursuing conflicting priorities.

Step 3: Conclusion Chandrika belongs to **top-level management**. In addition to the responsibilities mentioned in the case, she formulates overall goals and strategies, analyses the business environment and integrates departmental activities.

Quick Tip to Solve: Look at the scope of accountability: responsibility for the entire business and its social impact points to top management, whereas responsibility for a department points to middle management.

15. After completing his entrepreneurship course from Australia, Sanket came back to India and started a coffee shop 'Premium Cold Coffee' in a famous mall in Delhi. Its speciality was the special aroma of coffee and a wide variety of flavours to choose from. Somehow the business was neither profitable nor popular. Sanket was keen to find out the reason. He appointed Riya, an MBA from a reputed college, as a manager to find out why the business was not doing well. Riya took a feedback from the clients and found out that though they loved the unique aroma of coffee but were not happy with the long waiting time being taken to process the order.

She analysed and found out that there were many unnecessary stoppages in between which could be eliminated. She set up a standard time for processing the order. She also analysed that there were many flavours of coffee available for which the demand was very less. So she also decided to discontinue some of them.

Within a short period Riya was able to attract the customers.

Identify and explain the management techniques used by Riya to solve the problem. [4 marks]

Solution:

Concept:

- Principles of Management: Taylor's techniques of scientific management replace inefficient working practices with systematic study of the work and its requirements.
- Motion study eliminates unnecessary movements, time study establishes a standard time for a task, and simplification removes superfluous varieties of a product.

Step 1: Identify motion study from the removal of wasted activity **Motion study:** Riya found "many unnecessary stoppages in between which could be eliminated." Motion study examines the movements involved in performing a job, such as lifting, putting objects down and changing position. Its purpose is to identify and eliminate unnecessary motions so that the work can be completed efficiently with less wasted time and effort. Here the emphasis on removing unnecessary interruptions and activity in order processing points to motion study.

Step 2: Identify time study from the standard processing time **Time study:** Riya "set up a standard time for processing the order." Time study determines the standard time needed to perform a well-defined task, using observations under specified working conditions. The standard provides a basis for planning work and assessing efficiency. In the coffee shop, establishing the time that an order should take helps control the excessive waiting time that customers disliked.

Step 3: Identify simplification from the reduced range of flavours **Simplification of work:** Riya noticed that some flavours had very little demand and "decided to discontinue some of them." Simplification eliminates superfluous varieties, sizes or dimensions of a product. By removing the unpopular flavours, the shop reduces an unnecessarily wide range of offerings and concentrates its resources on the varieties customers want. This can reduce unnecessary inventory and the complexity of preparing orders, while retaining the coffee's valued aroma.

Step 4: Conclusion Riya used **motion study**, **time study** and **simplification**. The respective clues are eliminating unnecessary stoppages, fixing a standard order-processing time and discontinuing low-demand flavours.

Quick Tip to Solve: Match each action separately: eliminate unnecessary movements or activity for motion study, fix task duration for time study, and reduce unnecessary product varieties for simplification.

16. Give the meaning of 'Procedure' and 'Method' as types of plans. [4 marks]

Solution:

Concept:

- Planning involves deciding in advance what is to be done and how it is to be done. Procedures and methods translate broader plans into instructions for carrying out work.
- A procedure sets out the sequence of activities for a task, while a method specifies the prescribed manner of performing a particular activity.

Step 1: Explain procedure **Procedure:** A procedure is a routine series of steps laid down to perform activities in chronological order. It specifies the sequence in which work is to be carried out, so employees know what must be done first and what must follow. Procedures guide repeated activities and normally extend across the different stages involved in completing a task. They promote orderly and consistent action and reduce the need to decide the sequence afresh each time.

For example, a recruitment procedure may require receiving applications, screening them, conducting tests and interviews, checking references and then issuing an appointment letter. The important feature is the ordered sequence of these activities.

Step 2: Explain method **Method:** A method provides the prescribed way or manner in which a particular task or activity is to be performed, keeping its objectives in view. It deals with one step of a procedure and describes the technique to be used for that step. Selecting an appropriate method helps standardise performance, avoid unnecessary effort and improve efficiency.

For example, within a training procedure, employees may be trained by the apprenticeship method or the vestibule-training method. Similarly, the interview stage of recruitment may use a prescribed interview method. The method tells the employee how to perform that activity rather than listing all the stages of recruitment.

Step 3: Conclusion A procedure is the chronological sequence of steps for carrying out work; a method is the prescribed technique for performing an individual activity. Both guide implementation, but they address different levels of detail.

Quick Tip to Solve: Remember procedure as "which step comes next" and method as "how this step is performed"; use a sequence example for the former and a technique example for the latter.

17. Explain 'Direct Recruitment' and 'Advertisement' as external sources of recruitment. [4 marks]

Solution:

Concept:

- Recruitment is the process of searching for prospective employees and encouraging them to apply for jobs in an organisation. External sources bring applicants from outside its existing workforce.
- Direct recruitment uses applicants who report at the workplace in response to a notice; advertisement communicates vacancies through a suitable medium to attract a wider pool of applicants.

Step 1: Explain direct recruitment **Direct recruitment:** Under this source, the organisation places a notice on its notice board, usually outside the factory or office, stating the details of the jobs available.

Job seekers assemble outside the premises on the specified date. The organisation examines their suitability on the spot and selects the required number of workers.

This method is generally used to fill casual vacancies of unskilled or semi-skilled workers. Such workers may be appointed on a daily-wage basis and are often called casual or badli workers. It is inexpensive because the employer does not have to incur substantial advertising or agency costs, and it can meet an immediate need for workers quickly. Its reach is mainly limited to people who can visit the premises.

Step 2: Explain advertisement **Advertisement:** An organisation announces vacancies in newspapers, professional journals or another suitable advertising medium and invites eligible candidates to apply. The advertisement ordinarily specifies the nature of the job, required qualifications and experience, and relevant terms or application details. Interested applicants submit applications, from which suitable candidates can be shortlisted for selection.

Advertisements have a wide reach and allow the employer to attract candidates with different backgrounds and specialised qualifications. They are particularly useful where the organisation needs to fill middle- or higher-level positions or requires a larger choice of qualified applicants. The medium should match the kind of employee sought: for example, a professional journal can reach people in a specialised occupation. Advertising is generally more costly than putting a recruitment notice outside the workplace.

Step 3: Conclusion Direct recruitment selects suitable job seekers who report at the workplace after seeing its vacancy notice, commonly for casual unskilled or semi-skilled work. Advertisement invites applications through a medium with wider reach, enabling the organisation to attract and select suitably qualified outsiders.

Quick Tip to Solve: Link direct recruitment with a factory-gate notice and immediate casual vacancies; link advertisement with a published vacancy and applications from a wider pool.

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

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

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

Solution:

Concept:

- Financial Markets: A financial market brings together savers who have surplus funds and investors who need funds. The money market and capital market are its two broad segments.
- The four main functions are mobilisation of savings and channelising them into productive uses, facilitating price discovery, providing liquidity to financial assets, and reducing the cost of transac-

tions.

Step 1: Identify the function described in the case **(a) Mobilisation of savings and channelising them into the most productive uses.** The case says that the markets help savers and investors in "allocating the available funds into their most productive investment opportunity." A financial market links those with surplus savings to those who require funds for productive investment. It gives savers a choice of investment opportunities and helps funds move towards productive uses. This is the function illustrated, rather than the separate function of discovering security prices.

Step 2: Explain price discovery **(b)(i) Facilitating price discovery:** In a financial market, households supply funds and business firms demand them. The interaction of this demand and supply helps establish the prices of financial assets being traded. Buyers and sellers can therefore transact at prices determined through market forces instead of independently searching for an appropriate price for each security.

Step 3: Explain liquidity for investors **(b)(ii) Providing liquidity to financial assets:** Financial markets enable investors to buy and sell financial assets readily. An investor who needs money can sell a marketable security and convert the investment into cash. This ready market gives liquidity to investments and allows investors to alter their holdings when their requirements change.

Step 4: Explain lower transaction costs **(b)(iii) Reducing the cost of transactions:** Financial markets provide information about the securities available, their prices and the parties willing to trade. Bringing buyers and sellers together reduces the time, effort and expense involved in finding a suitable counterparty and obtaining information. Savers and investors can therefore complete financial transactions more economically.

Step 5: Conclusion The function illustrated is **mobilisation of savings and channelising them into the most productive uses**. The other three functions are **facilitating price discovery, providing liquidity to financial assets, and reducing the cost of transactions**.

Quick Tip to Solve: Link "surplus funds to productive investment" with mobilisation of savings. Recall the remaining functions through price, liquidity and transaction cost.

19. Aarav Gupta was the Managing Director of KDS Ltd. The company had established a good name for itself and was doing well. It was known for timely completion of orders. The Production Manager, Ms. Charu, was efficiently handling the processing of orders with a team of twenty motivated employees working under her. Everything was going on well till Ms. Charu met with an accident. Aarav Gupta noticed that due to the absence of Ms. Charu, the company may not be able to meet the deadlines. He knew that any delay in this regard may lead to consumer dissatisfaction with the danger of loss of business and goodwill. So, he had a meeting with his employees where they planned for accurate and speedy processing of orders. Everybody agreed to work as a team as the attitude and behaviour of Aarav Gupta was very good towards the employees of the organisation. All put in extra time and efforts and the targets were met on time.

Not only this, Aarav Gupta visited Ms. Charu and advised her to take the required rest.

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

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

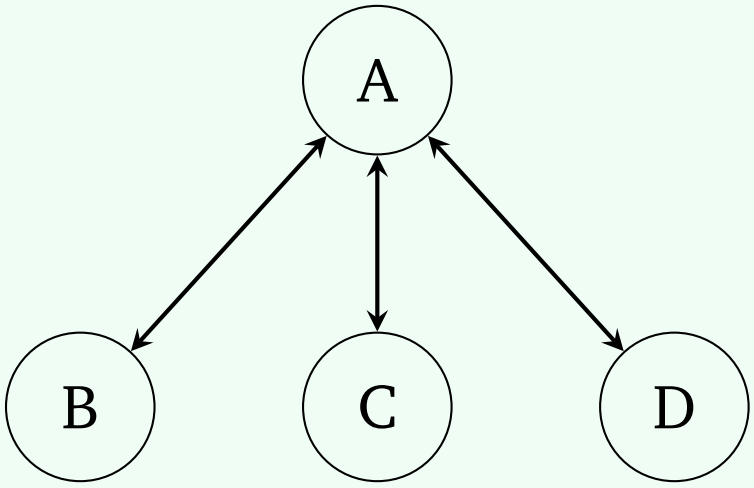
Solution:

Concept:

- Directing includes leadership: influencing employees so that they willingly contribute to organisational goals. The leader's treatment of employees affects their motivation and cooperation.
- A democratic or participative leader involves subordinates in decision-making and encourages discussion. Communication and influence operate in both directions between the leader and the group.

Step 1: Identify the leadership style from the meeting Aarav Gupta follows the **democratic or participative leadership style**. He does not simply impose an order when the Production Manager is absent. Instead, he holds a meeting with the employees where "they planned for accurate and speedy processing of orders". This participation in planning shows consultation and joint decision-making. The employees willingly agree to work as a team and put in extra effort, supporting the identification of a participative leader.

Step 2: Depict two-way participation In the diagram, A represents the leader and B, C and D represent members of the subordinate group. The double-headed arrows indicate two-way communication: the leader seeks suggestions and discusses decisions with employees, while employees communicate their views and receive guidance. The three subordinate nodes represent the group rather than the total number of employees in KDS Ltd.



Democratic leadership: two-way communication between leader A and subordinate members B, C and D.

Step 3: State two values with evidence from the case

- **Team spirit and cooperation:** Aarav brings employees together to plan the work and encourages collective effort. The statement that "Everybody agreed to work as a team" shows that he values cooperation in achieving the company's targets.
- **Care and concern for employees:** He visits the injured Ms. Charu and advises her to take the required rest. This shows empathy and concern for her health, rather than treating her only as a means of completing orders.

Step 4: Conclusion Aarav Gupta is a democratic or participative leader. His behaviour highlights team spirit and cooperation, and care and concern for employees, as supported by his joint planning meeting and his visit to Ms. Charu.

Quick Tip to Solve: Link a leadership style to how decisions are made: consultation and joint planning indicate democratic leadership. For values, state the value and connect it to a specific action in the case.

20. Infotech Networks Ltd. was an innovation leader in technology in Canada, creating products and solutions for a connected world. It had a large Research and Development team which invented the first smart watch, T-12, which besides showing the time would also monitor few health parameters like heart-beat, blood pressure, etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of removal of unnecessary control over the economy and trade liberalisation through rationalisation of the tariff structure and reforms with respect to foreign exchange. It set up an office in Kolkata with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduced prices thereby benefitting the customers.

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

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

Solution:

Concept:

- Liberalisation means removing unnecessary government controls and restrictions on business and industry so that enterprises have greater freedom in making economic decisions.
- Globalisation means integrating the country's economy with the world economy through freer cross-border movement of goods, services, capital, technology and people.

Step 1: Identify and explain liberalisation **Liberalisation:** The words "removal of unnecessary control over the economy" indicate liberalisation. Government reduces restrictions that hinder business decisions and makes the regulatory framework simpler. Trade liberalisation through rationalisation of tariffs and foreign-exchange reforms makes international transactions easier. This gives enterprises greater freedom to enter markets and organise their activities.

Step 2: Identify and explain globalisation **Globalisation:** The Canadian company's search for markets abroad and its setting up an office in Kolkata show integration of the Indian market with the world market. Globalisation encourages economic interaction across national boundaries. Foreign enterprises can bring products, capital and technology to India, while Indian enterprises can also participate in overseas markets. Thus the case describes liberalisation and globalisation; it does not describe transfer of a public enterprise to private ownership.

Step 3: Explain three impacts on Indian business and industry

- **Increasing competition:** Easier entry of foreign firms and reduced trade barriers expose Indian businesses to competition from multinational enterprises as well as domestic rivals. The statement that success "attracted many other players to enter the market" illustrates this. Firms must improve efficiency and product quality to survive.
- **More demanding customers:** Wider choice and greater access to information make customers more quality-conscious and sensitive to value. In the case, competition reduces prices and benefits customers. Indian businesses therefore have to offer better quality, service and competitive prices rather than rely on a protected market.
- **Rapidly changing technological environment:** Global competition and the arrival of innovative products force firms to adopt improved technology and invest in research and development. The

smart watch that monitors health parameters illustrates the kind of innovation rivals must respond to. Businesses that do not update their products and processes risk losing market share.

Step 4: Conclusion The two policy concepts are **liberalisation** and **globalisation**. Their impacts include increasing competition, more demanding customers and a rapidly changing technological environment, requiring Indian enterprises to improve continuously.

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

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

Solution:

Concept:

- Planning determines objectives and the course of action for achieving them. Controlling compares actual performance with planned standards, analyses deviations and initiates corrective action.
- Planning and controlling are interdependent functions: plans provide the basis for control, while control supplies feedback for improving future plans.

Step 1: Explain why control depends on planning **Planning provides standards for controlling:** A plan states what is to be achieved and the expected level of performance. These objectives become the standards against which actual results are measured. Without predetermined standards, managers cannot judge whether performance is satisfactory or identify meaningful deviations. Therefore controlling is blind without planning. For example, a planned sales target provides the benchmark for evaluating actual sales.

Step 2: Explain why planning depends on control **Controlling gives practical meaning to plans:** Merely preparing plans does not ensure that employees implement them or that objectives are achieved. Control measures performance, compares it with the plan and identifies the causes of significant deviations. Corrective action then brings operations back towards the desired course. Thus planning is meaningless without controlling because there would be no systematic follow-up to ensure that planned results are realised.

Step 3: Connect present control with future planning **Control provides feedback for better plans:** Deviations may reveal unrealistic targets, changed conditions or weaknesses in implementation. Managers use this information to improve subsequent plans and, where justified, revise existing standards. In this way planning initiates the management process, while controlling completes it and provides the basis for the next planning cycle. The two functions reinforce one another rather than operate in isolation.

Step 4: Explain their forward-looking and backward-looking aspects **Both functions look forward:** Planning prepares action for the future. Controlling also looks forward because its ultimate purpose is to take corrective action that improves future performance and prevents repetition of errors.

Both functions look backward: Controlling examines actual performance already achieved and compares it with standards. Planning also draws on past experience and the feedback obtained through control when setting future objectives and choosing actions. Hence the view that planning

only looks ahead and controlling only looks back is incomplete.

Step 5: Conclusion Planning and controlling are inseparable and interdependent. Planning sets the standards, controlling ensures progress towards them, and control feedback improves future planning. Both involve looking backward for information and forward for effective action.

Quick Tip to Solve: Build the answer around the cycle: plan and set standards, measure results, correct deviations, then use feedback to improve the next plan.

22. 'Helping Hands Organisation (HHO)' organised a visit of its members to an old age home to inculcate the habit of social work. They found that the living conditions of the old age home inmates were not hygienic. Therefore, they first decided to clean the premises. During their cleanliness drive, they realised that the place also required pest control. Some of the inmates of the old age home were hesitant as they thought that it may create health problems for them. So the HHO decided to use ethical, safe and odourless solution for pest control. They showed to the inmates a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The members happily agreed and the pest control was done. It worked for a fortnight but afterwards to their dismay the effect started wearing off. The HHO contacted the pest control company which kept on postponing their visit. After waiting for a month the HHO filed a case in the consumer court.

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

(a) State any six directions which could be issued by the court.

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

Solution:

Concept:

- Consumer Protection: consumer redressal agencies can grant relief when a product is defective, a service is deficient or a trader uses an unfair trade practice.
- Relief aims to correct the deficiency, compensate the consumer and prevent misleading conduct. The directions must address the complaint proved before the consumer court.

Step 1: State six directions available to the consumer court The promised long-lasting pest control worked only for a fortnight, and the company repeatedly postponed its visit. On being satisfied that the complaint is genuine, the court could issue the following directions, as appropriate:

1. **Remove the deficiency in service:** Direct the company to rectify the ineffective pest-control treatment and provide the service properly, without the complainant having to buy the promised service again.
2. **Refund the price or charges paid:** Direct it to return the amount paid for the deficient pest-control service where that is the suitable relief.
3. **Pay compensation:** Award reasonable compensation for loss or injury suffered because of the company's negligence or deficient service.
4. **Discontinue the unfair trade practice:** Order the company to stop making misleading promises about the effectiveness or duration of its treatment and not repeat such practices.

5. **Issue a corrective advertisement:** Require the company to neutralise the effect of its misleading advertisement at its own cost, so consumers are not guided by the false impression it created.
6. **Pay litigation costs:** Direct the company to pay adequate costs incurred by the complainant in pursuing the complaint.

These are possible forms of relief; the court selects the directions justified by the facts rather than automatically granting every remedy.

Step 2: Identify two values communicated by HHO **Social responsibility and compassion towards the elderly:** HHO organised the visit to inculcate social work and cleaned the unhygienic premises, showing concern for the dignity and welfare of the old age home's inmates.

Concern for health and safety: When inmates feared health problems, HHO chose an 'ethical, safe and odourless solution'. It placed the residents' well-being ahead of convenience while arranging pest control.

Step 3: Conclusion Six possible directions are rectification of the deficient service, refund of charges, compensation, discontinuance of the unfair trade practice, a corrective advertisement and payment of litigation costs. HHO communicates social responsibility towards the elderly and concern for health and safety.

Quick Tip to Solve: Separate court remedies from social values: name a recognised relief for each direction, then support each value with a specific action by HHO.

---

23. Vinod Chandla started 'Sunshine Securities' a company providing cyber security solutions to businesses to prevent, detect and respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was a person of integrity and did his work with utmost honesty and sincerity. The business started growing day-by-day.

He was delighted when he was offered a big project by the Ministery of Corporate Affairs. While working on the project, he found that the volume of work made it impractical for him to handle all the work himself. He decided to expand his team. The company maintained a close liaison with a local engineering college. During a campus placement Anishka and Kavya were appointed to work for the new project. He found the new employees capable, enthusiastic and trustworthy. Vinod Chandla was thus able to focus on objectives and with the help of Anishka and Kavya, the project was completed on time. Not only this Vinod Chandla was also able to extend his area of operations. Anishka and Kavya also got opportunities to develop and exercise initiative.

(a) Identify and explain the concept used by Vinod Chandla in the above case which helped him in focussing on objectives.

(b) Also, explain any three points of importance of the concept identified in part (a). [6 marks]

Solution:

Concept:

- Delegation means transferring authority from a superior to a subordinate to perform assigned duties. It enables a manager to share work while retaining ultimate accountability for its completion.

- The elements of delegation are assignment of responsibility, grant of authority and creation of accountability. Responsibility means the duty to perform the task; authority is the right to act and decide; accountability is answerability for the result.

Step 1: Identify and explain delegation in the case The concept is **delegation of authority**. Vinod found that 'the volume of work made it impractical for him to handle all the work himself'. He therefore involved Anishka and Kavya in the project, entrusting work to capable subordinates so that he could concentrate on objectives.

In delegation, the superior assigns duties, gives the subordinate the authority needed to carry them out and holds the subordinate answerable for performance. The manager does not surrender his own ultimate accountability to his superior. Thus, delegation is more than recruiting employees: it involves entrusting them with work and the corresponding authority to perform it.

Step 2: Explain effective management **Effective management:** Delegating routine and subsidiary work reduces the manager's workload. He can devote more time to important matters, exercise leadership and use his abilities where they contribute most. The case states that Vinod was 'able to focus on objectives', and the team completed the project on time. Sharing the work therefore enabled better use of managerial attention and improved performance.

Step 3: Explain employee development **Employee development:** Delegation gives subordinates opportunities to use their abilities, take decisions and accept responsibility. By handling work themselves, employees acquire experience and improve their managerial and technical competence. In the case, Anishka and Kavya 'got opportunities to develop and exercise initiative'. Their learning came from participation in responsible work rather than merely observing Vinod.

Step 4: Explain facilitation of growth **Facilitation of growth:** Delegation creates a pool of capable employees who can take on responsibilities as an enterprise expands. Growth need not remain limited by the amount of work one manager can personally perform. With Anishka and Kavya sharing project work, Vinod was 'able to extend his area of operations'. Delegation thus provided the managerial capacity needed to support expansion.

Step 5: Conclusion Vinod used delegation of authority by entrusting work and the necessary authority to Anishka and Kavya. Its importance is evident in effective management, employee development and facilitation of growth, all supported by the outcomes described in the case.

Quick Tip to Solve: Link each importance point to a different case outcome: focus on objectives means effective management, initiative means employee development, and wider operations mean growth.

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

Solution:

Concept:

- Fixed capital is the capital invested in fixed assets, such as land, buildings, plant and machinery, which serve the business for more than one accounting period.
- The fixed capital requirement depends on the assets needed for the firm's operations and future plans. It must be distinguished from working capital used to finance day-to-day operations.

Step 1: Explain the nature and scale of the business

- **Nature of business:** A manufacturing company normally needs substantial investment in factory buildings, plant and machinery to convert inputs into finished products. Its fixed capital requirement is therefore higher than that of a trading concern, which buys and resells finished goods and ordinarily needs mainly premises and storage facilities. The comparison concerns the assets required by the activity, rather than merely the value of goods bought for resale.
- **Scale of operations:** A company operating on a large scale needs greater production capacity, larger premises and more equipment than a similar company operating on a small scale. Consequently, other things remaining the same, expansion in the scale of operations increases its investment in fixed assets and hence its fixed capital requirement.

Step 2: Explain technology and growth prospects

- **Choice of technique:** A capital-intensive technique relies heavily on machinery and automation, so it requires a larger initial investment in fixed assets. A labour-intensive technique uses relatively more labour and less machinery and therefore generally needs less fixed capital for a comparable activity. The technique selected changes the mix of resources required for production.
- **Growth prospects:** A company anticipating rapid growth must provide for additional production capacity and supporting infrastructure. It may need to buy more machines, acquire land or enlarge its factory to meet expected demand. Such future expansion raises its fixed capital requirement; a company with limited growth plans ordinarily needs less additional investment in these assets.

Step 3: Conclusion Four factors affecting fixed capital requirements are the nature of business, scale of operations, choice of technique and growth prospects. Manufacturing activity, larger operations, capital-intensive methods and faster expected growth generally require a greater investment in fixed assets.

Quick Tip to Solve: For each factor, name the business condition and link it to the amount of land, buildings or machinery needed; avoid explaining stock or routine wages as fixed capital.

25. Helpequip Ltd. is a company dealing in distribution of medical equipments. The company recently imported 500 units of a diabetes monitoring machine which tests the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones. In the meeting, Sanjeev, the North Zone marketing head suggested that they need to visit hospitals to explain personally to the hospital staff who would be using the machine, since the machine is sophisticated. He also suggested that additional staff may also be recruited for the same.

Rishu, another zonal head, was of this opinion that since large amount of money had been spent on the purchase of the machines, additional funds were not available for recruiting the personnel as suggested by Sanjeev.

Ankur, a newly appointed zonal head of South Zone, suggested that since the size of the order was not large, a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.

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

(b) Also, explain the other considerations to be taken care of in each factor identified in part (a).

[6 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the customer. Choosing it requires consideration of the product, the company and the market, among other factors.
- A shorter channel gives greater scope for personal demonstration and control, but operating a direct distribution system requires resources. The different considerations must therefore be evaluated together.

Step 1: Identify the three factors from the meeting

- **Product-related factors:** Sanjeev says staff must explain the machine personally because it is "sophisticated". Its technical nature calls for demonstration and guidance, favouring a short or direct channel that can provide knowledgeable assistance.
- **Company characteristics:** Rishu points out that "additional funds were not available for recruiting the personnel". The company's financial strength affects whether it can afford its own sales force and direct distribution arrangements. Limited resources may make the use of intermediaries more suitable.
- **Market-related factors:** Ankur refers to the fact that "the size of the order was not large". Order size is a market consideration. Large individual orders usually favour direct supply, whereas small orders can often be served economically through intermediaries.

Step 2: Explain the other product considerations **Nature, value and perishability of the product:** Besides technical complexity, a company considers whether the product is an industrial or consumer product. Industrial products generally use shorter channels, while widely purchased consumer products often need longer channels for broad availability. Highly perishable goods need short channels to reach customers quickly. Bulky or heavy products also favour shorter channels because

repeated handling raises costs. High unit-value products can support direct selling, whereas low unit-value products commonly use intermediaries to distribute economically in volume.

Step 3: Explain the other company and market considerations

- **Company's desired degree of control:** Apart from financial strength, management considers how much control it wants over distribution, selling practices and customer service. A company seeking close control generally prefers direct or shorter channels; one willing to share these activities can use intermediaries. Establishing its own system, however, requires funds and organisation.
- **Number and location of buyers:** Apart from order size, the company considers the number of potential buyers and their geographical concentration. A small number of concentrated buyers can be approached directly. Numerous buyers scattered over a wide area generally require intermediaries to obtain efficient market coverage and convenient availability.

Step 4: Conclusion The meeting discusses product-related factors through the machine's sophistication, company characteristics through the shortage of funds, and market-related factors through small order size. Other relevant considerations include product type, perishability, bulk and unit value; the company's desired distribution control; and the number and geographical concentration of buyers.

Quick Tip to Solve: Match each clue to its heading: technical machine means product, funds and control mean company, and buyers, location and order size mean market.