CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/2/3

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

Solution:

Concept:

- A trade test measures the existing level of knowledge and proficiency of a candidate in the particular occupation or trade.
- Selection tests help an employer assess whether an applicant possesses the skills actually needed to perform the job.

Step 1: Identify what the employer must assess A candidate may claim technical qualifications, but selection also requires evidence of practical ability. A trade test examines the skills and knowledge relevant to the particular job.

Step 2: State the purpose of the test The employer conducts it to measure the candidate's existing proficiency in the trade and judge suitability for that work. It tests present competence, rather than merely the capacity to learn a skill in the future.

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

Quick Tip to Solve: Distinguish a trade test, which tests present skill, from an aptitude test, which tests the potential to learn.

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

Solution:

Concept:

- Trading on equity means using fixed-charge funds, such as debt, to increase the earnings available to equity shareholders.
- The benefit depends on the return earned on the funds exceeding the fixed financial charge; debt also increases financial risk.

Step 1: Identify the funds used The company includes borrowed funds or other fixed-charge capital in its financing mix. The interest or other fixed charge must be paid before the residual earnings are available to equity shareholders.

Step 2: Explain the intended effect When the return on investment exceeds the cost of debt, the company retains the excess return after paying interest. This can increase earnings per equity share, although the same fixed charge can reduce those earnings when returns fall.

Step 3: Conclusion Trading on equity is the use of fixed-charge funds to increase the earnings available to equity shareholders.

Quick Tip to Solve: Remember the purpose as using fixed-charge finance to raise equity earnings; it is not the buying and selling of equity shares.

3. 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:

- Controlling involves setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.
- Financial ratios and reports are tools for measuring the actual performance of an enterprise.

Step 1: Locate the evidence in the case Mr. Ahmed asked the General Manager to prepare a "profitability report" including "Gross Profit Ratio, Net Profit Ratio, etc." These measures establish how the business has actually performed.

Step 2: Identify the controlling step Obtaining this report is measurement of actual performance. The case does not say that he has already compared these figures with predetermined standards or implemented corrective action; those are subsequent steps in controlling.

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

Quick Tip to Solve: A request for actual results or ratios signals measurement; a comparison with a target signals the next step.

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

Solution:

Concept:

- Directing is the management function of instructing, guiding, counselling, motivating and leading people towards organisational objectives.
- It initiates action by influencing employees while they perform their assigned work.

Step 1: Identify the people-oriented function Managers must help employees understand what is expected of them and encourage them to carry out their duties. Directing concerns this continuing interaction with people, rather than merely allocating tasks on paper.

Step 2: Give the definition Directing is the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. Through these activities, managerial plans are translated into purposeful employee action.

Step 3: Conclusion Directing means instructing, guiding, counselling, motivating and leading people in an organisation towards the achievement of organisational objectives.

Quick Tip to Solve: Use the action words instruct, guide, counsel, motivate and lead to recall the definition of directing.

5. 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 intended to encourage the purchase of goods or services.
- A refund is the return of part of the price paid, usually after the customer satisfies the conditions of the promotional offer.

Step 1: Read the incentive offered The message offers "20% cash back" after a minimum of ten trips within the specified period. Thus the customer is promised a return of part of the amount paid when the stated conditions are met.

Step 2: Name the technique The technique is refund. The cash-back offer encourages repeat purchases of the cab service. It is not a sample or free gift, since the benefit takes the form of money returned rather than a separate product.

Step 3: Conclusion The sales-promotion technique is refund, offered in the form of 20% cash back.

Quick Tip to Solve: When the offer returns part of the price as cash back, identify refund; distinguish it from a reduction in price at the time of sale.

6. 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 offers existing shareholders the privilege of subscribing to a new issue of shares.
- It is a method of raising capital in the primary market, commonly offered in proportion to existing shareholdings.

Step 1: Identify who receives the offer The Finance Manager proposes that "the existing shareholders be offered the privilege to subscribe to new issue of shares". The offer is directed to current owners, rather than to the general investing public.

Step 2: Name the method of raising capital The company has decided on a rights issue. Existing shareholders receive the opportunity to buy newly issued shares under the specified terms, enabling the company to raise additional equity capital for expansion.

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

Quick Tip to Solve: An offer of new shares to existing shareholders identifies a rights issue; an offer to the public identifies a different primary-market method.

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

Solution:

Concept:

- Formal organisation is deliberately created by management, with authority attached to official positions.
- Informal organisation arises from social interaction, and its influence depends on personal qualities and acceptance by members.

Step 1: Identify the basis of comparison The required basis is authority. Compare the source of the right or influence to guide others, rather than differences in communication, formation or purpose.

Step 2: Present the distinction

Basis	Formal organisation	Informal organisation
Authority	Authority arises from the position held in the management hierarchy.	Authority or influence arises from personal qualities and the acceptance of members.

Step 3: Conclusion Formal authority comes from an official position; informal authority comes from personal qualities and acceptance by the group.

Quick Tip to Solve: For the authority basis, contrast position in the hierarchy with personal influence and acceptance by group members.

8. 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:

- Staffing begins with estimating manpower requirements; workload analysis assesses the number and types of employees needed for organisational work.
- The nature of the jobs determines the qualifications and abilities required from the people who will perform them.

Step 1: Identify the relevant analysis The concept is **workload analysis**. It identifies the number and types of human resources necessary to perform various jobs and achieve organisational objectives.

Step 2: Connect the concept with the case Vegatech wants to identify the "types of human resources necessary for the performance of various jobs". This is precisely the purpose of workload analysis when estimating manpower requirements. Recruitment, which searches for prospective employees, follows the assessment of these requirements.

Step 3: Conclusion The required concept is **workload analysis**, undertaken while estimating

manpower requirements.

Quick Tip to Solve: Types and numbers of people required point to workload analysis; availability of existing people points to workforce analysis.

9. 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 the amount of funds required and specifies their sources so that investment and financing decisions remain linked.
- Its twin objectives are ensuring the availability of funds whenever required and preventing the unnecessary raising of funds.

Step 1: Identify financial planning from the case The concept is **financial planning**. David "estimated the quantitative requirements of funds and their timings" and examined internal funds and outside sources. Forecasting sales and profits helps him estimate the financing needed for the machinery upgrade, so that the investment decision is backed by a financing plan.

Step 2: Ensure that funds are available when needed **Availability of funds:** Financial planning ensures that sufficient funds are available at the right time to meet the requirements of the business. It assesses the likely inflows and outflows and arranges finance for any shortage. Here, David must arrange the funds when payment for the upgraded machinery becomes due, avoiding disruption or delay in the proposed investment.

Step 3: Avoid raising funds unnecessarily **Avoidance of unnecessary funding:** Financial planning ensures that the firm does not raise resources beyond its requirements. Excess finance may remain idle and increase financing costs without generating a corresponding return. By comparing requirements with internally available funds, David can raise only the balance required from suitable outside sources.

Step 4: Conclusion The concept is financial planning. Its objectives are to ensure funds are available whenever required and to avoid raising unnecessary funds.

Quick Tip to Solve: For financial planning, state both sides: prevent a shortage of funds and prevent costly idle surplus funds.

10. 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:

- A marketing management philosophy guides the way a business seeks to achieve its exchange and profit objectives.
- Societal marketing considers long-term social welfare; selling emphasises persuasion; marketing begins with customer needs.

Step 1: Identify Nishtha's societal marketing concept **Nishtha — Societal marketing concept:** Her concern is that sellers were "not paying attention towards the social, ethical and ecological aspects of marketing". This philosophy requires customer satisfaction while safeguarding the long-term welfare of consumers and society. **One more feature:** It takes a long-term perspective of consumer welfare and seeks profits through customer satisfaction combined with social welfare, rather than sacrificing society's interests for immediate sales.

Step 2: Identify Vasvi's selling concept **Vasvi — Selling concept:** She believes consumers "would not buy or not buy enough unless they are adequately convinced and motivated". This reflects the belief that customers need active persuasion to purchase. **One more feature:** It uses aggressive selling and promotional efforts to increase sales volume and thereby earn profits; the starting point is the firm's existing products.

Step 3: Identify Radhika's marketing concept **Radhika — Marketing concept:** Her statement that a company cannot achieve its objectives "without understanding the needs of the customers" makes customer needs the starting point of business activity. **One more feature:** It seeks profits through integrated marketing efforts that satisfy the needs of a chosen target market better than competitors. Products and marketing activities are coordinated around those needs.

Step 4: Conclusion Nishtha follows the societal marketing concept, Vasvi the selling concept, and Radhika the marketing concept.

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

11. Explain briefly 'Discipline' and 'Unity of Command' as general principles of management. [3 marks]

Solution:

Concept:

- Fayol's principles provide general guidelines for managerial conduct; discipline and unity of command help maintain orderly working relationships.
- Discipline concerns observance of organisational rules and agreements, while unity of command specifies the reporting relationship of an employee.

Step 1: Explain discipline **Meaning:** Discipline means obedience to organisational rules and to the employment agreement necessary for the working of the organisation. It requires employees and managers to honour their commitments and follow agreed standards of conduct. **Requirements:** Fayol emphasised good supervisors at all levels, clear and fair agreements, and judicious application of penalties. Thus discipline does not mean arbitrary punishment: fair agreements and responsible supervision help secure willing compliance and orderly performance.

Step 2: Explain unity of command **Meaning:** An individual employee should receive orders from, and be responsible to, only one superior. A single reporting superior makes the source of instructions and accountability clear. **Importance:** If two superiors issue conflicting instructions to the same employee, authority is undermined, discipline is jeopardised, order is disturbed and stability is threatened. For example, an employee told by one boss to prioritise one task and by another to prioritise a different task faces uncertainty about whose order to obey. Unity of command prevents this conflict of authority.

Step 3: Conclusion Discipline secures observance of rules and fair agreements. Unity of command requires one employee to receive orders from and report to one superior.

Quick Tip to Solve: Keep unity of command distinct from unity of direction: one boss for an employee differs from one head and plan for similar activities.

12. State any three points of importance of planning function of management. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done, when it is to be done and who is to do it. It links the present position of an organisation with its desired future position.
- The importance of planning lies in giving purposeful direction to activities, preparing for future uncertainties and establishing standards against which actual performance can be checked.

Step 1: State how planning provides direction **Planning provides directions:** Plans clearly state the objectives to be achieved and the actions needed to achieve them. Employees therefore know what they must do and how their work contributes to organisational goals. This guides the efforts of different departments towards a common purpose and reduces aimless activity.

Step 2: State how planning reduces uncertainty **Planning reduces the risks of uncertainty:** Planning requires managers to look ahead, anticipate possible changes and consider their effects on business. They can prepare suitable courses of action for expected developments. Planning cannot eliminate

uncertainty, but it helps the organisation face future events with greater preparedness rather than react without a plan.

Step 3: State how planning supports control **Planning establishes standards for controlling:** Plans specify the results expected from activities. These planned results serve as standards with which actual performance is compared. Managers can identify deviations and take corrective action. Without a planned target, they would have no clear basis for judging whether performance is satisfactory.

Step 4: Conclusion Thus, planning is important because it provides directions, reduces the risks of uncertainty and establishes standards for controlling. These are three distinct ways in which it helps management achieve organisational objectives.

Quick Tip to Solve: Remember direction, preparedness and standards: explain what each planning benefit enables managers or employees to do.

13. Explain briefly any three personal barriers to effective communication. [3 marks]

Solution:

Concept:

- Personal barriers are obstacles to effective communication arising from the personal attitudes, feelings or behaviour of the sender or receiver. They prevent information from being conveyed or understood openly even when a channel of communication exists.
- Personal barriers include fear of challenge to authority, lack of confidence of a superior in subordinates, unwillingness to communicate and lack of proper incentives. Any three may be explained.

Step 1: Explain fear of challenge to authority **Fear of challenge to authority:** A superior may fear that communicating particular information to subordinates will adversely affect the superior's authority or position. As a result, the superior may withhold or suppress that information. Subordinates then do not receive the information they need, so communication becomes incomplete and ineffective.

Step 2: Explain lack of confidence in subordinates **Lack of confidence of a superior in subordinates:** If a superior does not trust the competence or judgement of subordinates, the superior may not seek their advice, opinions or suggestions. Even useful ideas from employees may be ignored. This attitude discourages upward communication and prevents management from benefiting from employees' knowledge and experience.

Step 3: Explain unwillingness to communicate **Unwillingness to communicate:** Subordinates may be unwilling to communicate with their superiors if they believe the information is likely to affect their own interests adversely. For example, they may avoid reporting a problem because they fear blame or an unfavourable reaction. Information is then withheld, delaying the superior's awareness of the actual situation.

Step 4: Conclusion Fear of challenge to authority, lack of confidence of a superior in subordinates and unwillingness to communicate are three personal barriers. Each obstructs the free exchange of information because of the attitudes or concerns of the people involved.

Quick Tip to Solve: For a personal barrier, identify whose attitude causes the difficulty and explain how it stops information from being shared.

14. Give the meaning of 'Budget' and 'Strategy' as types of plans. [4 marks]

Solution:

Concept:

- Planning sets objectives and decides in advance how they will be achieved. Different types of plans express either an overall course of action or the measurable results expected from it.
- A budget expresses expected results numerically, whereas a strategy provides a comprehensive plan for achieving organisational objectives in the business environment.

Step 1: Explain budget as a numerical plan **Budget:** A budget is a statement of expected results expressed in numerical terms. It translates the activities to be undertaken during a specified period into measurable quantities, such as expected sales, expenditure, production or cash receipts and payments. For example, a production budget may state the number of room heaters to be manufactured in the coming period; a cash budget states expected cash inflows and outflows. Thus, a budget is itself a plan and gives a definite numerical target against which actual performance can later be compared. Although budgets often use money, they can also use physical units.

Step 2: Explain strategy as a comprehensive plan **Strategy:** A strategy is a comprehensive plan for accomplishing an organisation's objectives. It includes determining long-term objectives, adopting a particular course of action and allocating the resources necessary to achieve those objectives. Strategy takes account of the business environment, including the actions of competitors and the opportunities and threats facing the organisation. It therefore supplies the broad direction within which more detailed plans are framed. For example, a manufacturer may decide to enter a new market, choose the product range through which it will compete and allocate funds and people to that course of action.

Step 3: Conclusion A budget states expected results in numerical terms. A strategy states the comprehensive course of action, long-term objectives and resource allocation required to accomplish organisational objectives.

Quick Tip to Solve: Link budget with numerical targets; link strategy with objectives, course of action and allocation of resources. Include all three elements when defining strategy.

15. 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:

- Levels of management reflect the hierarchy of authority and responsibility. Top management has responsibility for the organisation as a whole and for its interaction with the external environment.
- Top managers formulate overall objectives and strategies, integrate departmental activities and

analyse the business environment to secure the survival and growth of the enterprise.

Step 1: Identify Chandrika's level of management **(a) Top-level management:** Chandrika Bhattacharya is working at the top level of management in Olax Ltd. The decisive evidence is that she is "responsible for all the activities of the business and for its impact on the society." This is responsibility for the entire organisation, rather than for a single department or the direct supervision of workers. The statement that her job demands "long hours and commitment to the organisation" also supports the demanding nature of a top manager's work.

Step 2: State three additional functions at this level **(b) Formulate overall organisational goals and strategies:** She must determine the broad objectives of Olax Ltd. and frame strategies for achieving them. These objectives and strategies provide direction for managers throughout the company.

Integrate and coordinate departmental activities: She must bring together the efforts of departments such as production, marketing and finance so that they work towards the same overall objectives. Departmental priorities must support the interests of the enterprise as a whole.

Analyse the business environment: She must examine changes in the external environment and their implications for the enterprise. Identifying opportunities and threats helps her make decisions that secure the company's survival, growth and long-term success. These are additional functions beyond the overall business and social responsibility already described in the case.

Step 3: Conclusion Chandrika belongs to top-level management. Three further functions are formulating overall goals and strategies, integrating departmental activities, and analysing the business environment and its implications for the enterprise.

Quick Tip to Solve: Responsibility for the whole business signals top management. For the three further functions, state distinct tasks rather than repeating the responsibility already given in the case.

16. 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:

- Taylor's scientific management replaces trial-and-error working with a scientific analysis of each task, so that avoidable effort and delay can be removed.
- Motion study examines movements in doing a job, time study fixes its standard completion time, and simplification eliminates unnecessary varieties of a product.

Step 1: Identify motion study from the avoidable stoppages **Motion study:** Riya found "many unnecessary stoppages in between which could be eliminated." Motion study studies the movements involved in performing a job and identifies productive, incidental and unproductive motions. Unnecessary movements or interruptions are eliminated so that the task can be completed efficiently with less time and effort. Here, removing avoidable stoppages in processing a coffee order makes the service sequence smoother and reduces the customers' waiting time.

Step 2: Identify time study from the standard processing time **Time study:** The case states that Riya "set up a standard time for processing the order." Time study determines the standard time required to perform a well-defined job by a worker of reasonable efficiency under specified conditions. Observations of the time taken for the task provide a scientific basis for setting this standard. In the coffee shop, a standard order-processing time helps organise the work, assess delays and ensure that customers receive their orders promptly.

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 aims at eliminating superfluous varieties, sizes and dimensions of products. By retaining the varieties customers actually want, the business avoids unnecessary stock and effort associated with slow-moving flavours. It can use its resources more economically and concentrate on serving the popular flavours efficiently, without changing the distinctive aroma appreciated by customers.

Step 4: Conclusion Riya used motion study to eliminate avoidable stoppages, time study to fix the standard order-processing time, and simplification to discontinue low-demand flavours. Together, these scientific-management techniques addressed the delay and unnecessary variety identified in the case.

Quick Tip to Solve: Match each case clue to its technique: unnecessary movements or stoppages – motion study; a standard duration – time study; fewer unnecessary varieties – simplification.

17. 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. [4 marks]

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

Solution:

Concept:

- A financial market brings together savers, who supply funds, and investors, who need funds for productive uses. The capital market and money market are its two main segments.
- Its 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 transactions.

Step 1: Identify the function from the case **Mobilisation of savings and channelising them into the most productive uses:** The decisive words are that the markets help "the savers and investors in allocating the available funds into their most productive investment opportunity." A financial market transfers savings from surplus units to those requiring funds. It gives savers a choice of investment opportunities and directs funds towards productive investment, thereby supporting capital formation and economic development. The references to the capital market and short-term debt market describe segments performing this common financial-market function.

Step 2: Explain how savings reach productive users Savers have funds in surplus, while businesses and other investors require finance. By bringing these groups together, the financial market offers alternative investment opportunities and channels savings towards their most productive use. This allocates scarce financial resources more efficiently and supports capital formation. The case refers to both capital-market and money-market instruments, but the function common to them is the transfer and productive allocation of savings.

Step 3: Conclusion The function is mobilisation of savings and channelising them into the most productive uses.

Quick Tip to Solve: Separate the market's function from its type: capital and money are market segments, while transferring surplus savings into productive investment is a function.

17(b). Also, explain three other functions performed by this market.

Solution:

Concept:

- A financial market brings together savers, who supply funds, and investors, who need funds for productive uses. The capital market and money market are its two main segments.
- Its 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 transactions.

Step 1: Explain price discovery **Facilitating price discovery:** The interaction of demand and supply determines the price of a financial asset. Households supply funds and business firms demand them; their interaction helps establish the price at which securities are bought and sold. Thus, the market provides a mechanism for determining the value of financial assets.

Step 2: Explain liquidity and lower transaction costs **Providing liquidity to financial assets:** Financial markets facilitate the purchase and sale of securities. An investor can sell an existing security and convert the investment into cash when required. This provides liquidity and makes investment more attractive, since the investor need not wait until the security's maturity to recover funds through a sale.

Reducing the cost of transactions: Financial markets provide information about securities, their prices and the parties wishing to buy or sell them. This saves investors and borrowers the time, effort and expense of independently searching for one another and collecting information. The market therefore makes financial transactions more convenient and economical.

Step 3: Conclusion The other three functions are facilitating price discovery, providing liquidity to financial assets and reducing the cost of transactions.

Quick Tip to Solve: Recall the financial-market functions as productive allocation, price discovery, liquidity and lower transaction costs; omit the allocation function already identified in part (a).

18. 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. [4 marks]

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

Solution:

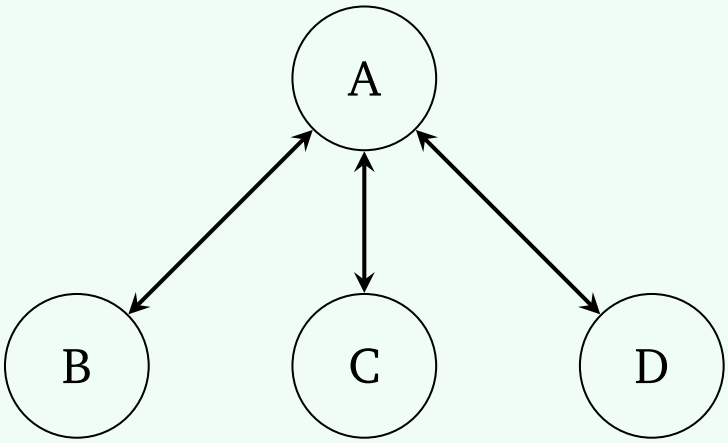
Concept:

- Leadership is the process of influencing people so that they willingly work towards organisational goals. Leadership style describes how a leader makes decisions and interacts with subordinates.
- In democratic or participative leadership, the leader consults subordinates and encourages their participation in decision-making. Communication and influence are two-way.

Step 1: Identify the leadership style from the case Aarav Gupta follows **democratic or participative leadership**. The case says that he had "a meeting with his employees where they planned for accurate and speedy processing of orders. The employees participate in planning rather than merely receive

unilateral commands. Their agreement to work as a team shows willing cooperation.

Step 2: Depict participation and two-way communication The diagram shows the leader A and subordinates B, C and D. Arrows in both directions represent consultation, exchange of suggestions and feedback. The leader guides the group while involving its members in decisions. This is consistent with Aarav Gupta planning together with employees to meet deadlines, rather than leaving the group entirely on its own or imposing decisions without consultation.



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

Step 3: Conclusion Aarav Gupta uses democratic or participative leadership, involving employees in planning and encouraging their cooperation through two-way communication.

Quick Tip to Solve: Joint planning and consultation identify democratic leadership; show arrows both ways between the leader and subordinates.

18(b). State any two values highlighted in the behaviour of Aarav Gupta.

Solution:

Concept:

- Values guide a manager in dealing with employees and pursuing organisational goals. A value must be supported by conduct actually described in the case.
- Team spirit promotes cooperation towards common objectives; concern for employee welfare recognises employees as human beings whose health and well-being matter.

Step 1: Identify cooperation and team spirit **Cooperation and team spirit:** Aarav Gupta meets employees to plan the work jointly, and "Everybody agreed to work as a team. His good attitude encourages them to contribute extra time and effort voluntarily. He values collective effort and builds unity instead of blaming individuals for the temporary difficulty.

Step 2: Identify care for employee welfare **Concern for employee welfare and compassion:** Aarav Gupta "visited Ms. Charu and advised her to take the required rest. Although the firm faces deadlines, he respects her need to recover after the accident. This shows humane concern for her health rather than pressuring her to return before she is fit.

Step 3: Conclusion Two values are cooperation and team spirit, and concern for employee welfare or compassion. Joint planning and his caring visit to Ms. Charu provide the evidence.

Quick Tip to Solve: Link each named value to a specific action: joint teamwork shows cooperation, while the visit and advice to rest show care for employee welfare.

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

Solution:

Concept:

- Recruitment means searching for prospective employees and encouraging them to apply for jobs. External recruitment seeks candidates from outside the organisation.
- Direct recruitment and advertisement are external sources with different reach: the former attracts people at the workplace, while the latter communicates vacancies to a wider public.

Step 1: Explain direct recruitment **Method:** Under direct recruitment, a notice specifying the available jobs is placed on the enterprise's notice board. Job seekers assemble outside the premises on the specified date; the organisation assesses them and selects suitable persons on the spot.

Suitability and economy: This source is commonly used for casual vacancies involving unskilled or semi-skilled work, including daily-wage labour. It is inexpensive because the employer need not incur advertisement expenses, and it can provide workers quickly when the workload suddenly increases or regular workers are absent. Such workers are often described as workers recruited at the factory gate or daily-wage workers.

Step 2: Explain advertisement **Method:** The enterprise announces vacancies through newspapers, professional journals or trade publications. The advertisement normally states the nature of the job, required qualifications and experience, and the procedure for applying, so suitable candidates can submit applications for screening and selection.

Reach and suitability: Advertisement gives the vacancy wide publicity and offers a larger choice of applicants. It is especially useful when an organisation needs qualified or experienced personnel, including middle- and higher-level employees, who may not be available through internal sources. The advertisement should be clear about requirements to reduce applications from unsuitable candidates; compared with recruitment at the gate, it involves publicity costs and more screening.

Step 3: Conclusion Direct recruitment obtains applicants at the enterprise's premises and is particularly useful for immediate casual labour needs. Advertisement publicly communicates the vacancy and attracts a wider pool of candidates with the qualifications and experience required for the job.

Quick Tip to Solve: Link direct recruitment with the notice board and selection at the factory gate; link advertisement with published job details and a wider pool of applicants.

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.

[5 marks]

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

Solution:

Concept:

- Liberalisation means freeing business and industry from unnecessary government controls and restrictions. It gives enterprises greater freedom in their decisions and operations.
- Globalisation means integrating the national economy with the world economy through freer cross-border movement of goods, services, capital and technology. Changes in government policy alter the competitive environment of Indian business.

Step 1: Identify liberalisation **Liberalisation:** The words "removal of unnecessary control over the economy" identify liberalisation. It involves reducing restrictions on business, for example by removing industrial licensing requirements in most industries, easing controls over expansion and production, and liberalising trade and foreign-exchange regulations. Enterprises consequently obtain greater freedom to respond to business opportunities.

Step 2: Identify globalisation **Globalisation:** The company's search for "markets abroad" and its decision to set up "an office in Kolkata" identify globalisation. The reference to "trade liberalisation through rationalisation of the tariff structure and reforms with respect to foreign exchange" describes measures that facilitate integration with the world economy. A Canadian company entering India illustrates business activity extending across national borders, with products and technology reaching a new market.

Step 3: Conclusion The concepts are liberalisation and globalisation. Removal of unnecessary controls indicates liberalisation, while the Canadian company entering the Indian market illustrates globalisation.

Quick Tip to Solve: Use the case cues: removal of controls indicates liberalisation; business crossing national borders indicates globalisation. Explain each impact as a change firms must respond to.

20(b). Also, explain any three impacts of these concepts on Indian business and industry.

Solution:

Concept:

- Liberalisation means freeing business and industry from unnecessary government controls and restrictions. It gives enterprises greater freedom in their decisions and operations.
- Globalisation means integrating the national economy with the world economy through freer cross-border movement of goods, services, capital and technology. Changes in government policy alter the competitive environment of Indian business.

Step 1: Explain increasing competition **1. Increasing competition:** Liberalised entry and trade expose Indian firms to more domestic entrants and foreign enterprises. The case states that success "attracted many other players to enter the market". Existing businesses must improve quality, control costs and operate efficiently to retain customers in this more competitive market.

Step 2: Explain customer and technological changes **2. More demanding customers:** Wider product choice makes customers better informed and more selective about quality, features and prices. In the case, "Competition resulted in reduced prices thereby benefitting the customers". Businesses therefore have to satisfy customers with better value and service rather than depend on a protected market or limited alternatives.

3. Rapidly changing technological environment: Foreign competition and access to new technology require Indian enterprises to adopt improved products and production methods. The case's "large Research and Development team" and smart watch that could "monitor few health parameters" illustrate technology-based innovation. Indian firms must invest in research, modernisation and relevant employee skills to remain competitive instead of relying indefinitely on older products and processes.

Step 3: Conclusion Three impacts are increasing competition, more demanding customers and a rapidly changing technological environment. Indian firms must respond with greater efficiency, better customer value and continued innovation.

Quick Tip to Solve: For each impact, state the change in the business environment and then explain the response it demands from Indian enterprises.

21. '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. [5 marks]

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

Solution:

Concept:

- Consumer Protection: consumer redressal agencies can direct a trader or service provider to remedy defective goods, deficient services and unfair trade practices when a complaint is proved.
- Relief should address the consumer's loss and prevent misleading practices. HHO's concern for elderly people and their health also communicates social values.

Step 1: Relate the complaint to consumer relief The product promised "easy, inexpensive and long lasting pest control", but its effect began wearing off after a fortnight and the company kept postponing its visit. On finding the complaint genuine, the court could issue the following directions, as appropriate: The court can give directions appropriate to the proved deficiency and resulting loss. Three possible directions are:

1. **Remove the deficiency in service:** Direct the company to rectify the ineffective pest-control service and provide the service of the promised quality.
2. **Refund the price or service charges:** Direct it to return the amount paid by HHO for the unsatisfactory pest-control service.
3. **Pay compensation:** Direct it to pay a reasonable amount for the loss or injury suffered by the consumer owing to the company's negligence.

Step 2: State three further directions

1. **Discontinue the unfair trade practice:** Direct it to stop misleading claims about the effectiveness or lasting nature of the product or service and not repeat such practices.
2. **Issue a corrective advertisement:** Direct it to neutralise the effect of the misleading advertisement or pamphlet by correcting the false impression created among consumers.
3. **Pay adequate costs:** Direct it to reimburse appropriate litigation costs incurred by the complainant in obtaining redressal.

The court chooses the appropriate relief on the evidence; these six directions need not all be awarded together.

Step 3: Conclusion The six possible directions are rectification of deficient service, refund, compensation, discontinuance of unfair trade practices, corrective advertising and payment of litigation

costs.

Quick Tip to Solve: Name the legal remedy first, then state what the company must do; keep compensation distinct from refund.

21(b). Also, identify any two values which are communicated by HHO to the society.

Solution:

Concept:

- Values are principles that guide socially responsible decisions. In a case-based answer, identify a value from an action actually described rather than merely listing desirable qualities.
- Consumer Protection: a voluntary organisation can promote social welfare by serving vulnerable consumers and respecting their health and safety concerns.

Step 1: Identify social responsibility **Concern for the elderly and social responsibility:** HHO organised the visit "to inculcate the habit of social work" and decided to "clean the premises". Its members therefore served vulnerable elderly people and improved their living conditions.

Step 2: Identify concern for health and safety **Concern for health and safety:** When inmates feared health problems, HHO chose an "ethical, safe and odourless solution for pest control". It respected their concerns and placed their well-being above mere convenience.

Step 3: Conclusion HHO communicates social responsibility and concern for the elderly, and concern for health and safety. Both values are shown by concrete actions in the case.

Quick Tip to Solve: For each value, quote the action that demonstrates it: cleaning the home shows social responsibility, while safe pest control shows concern for health.

22. State the steps in the controlling process. [5 marks]

Solution:

Concept:

- Controlling ensures that organisational activities conform to plans. It compares actual performance with predetermined standards and corrects significant deviations.
- The controlling process consists of setting standards, measuring performance, comparing results, analysing deviations and taking corrective action. It supplies feedback for future planning.

Step 1: Establish the standards and measure performance

1. **Setting performance standards:** Specify the criteria against which actual performance will be assessed. Standards should be clear, realistic and measurable wherever possible, such as a specified output, cost, sales volume or completion time. Qualitative standards, such as employee motivation or customer satisfaction, also need clear criteria so that performance can be assessed meaningfully.
2. **Measurement of actual performance:** Measure the work actually accomplished objectively and reliably. Personal observation, sample checking and performance reports are useful methods.

Measurement should use the same units as the standards, and should occur at suitable intervals so that deviations can be detected in time.

Step 2: Compare, analyse and correct the results

3. **Comparing actual performance with standards:** Place actual results against the predetermined standards to identify the extent and direction of deviations. For instance, compare actual output with the output target rather than comparing it with an unrelated cost figure.
4. **Analysing deviations:** Determine which deviations are significant and investigate their causes. Critical point control focuses attention on key result areas, while management by exception brings deviations beyond the acceptable range to managerial attention. Causes may include unrealistic standards, inadequate resources or deficiencies in work methods; the cause determines the suitable response.
5. **Taking corrective action:** Remove the causes of significant deviations so that performance returns to the planned course. Action may involve training employees, improving methods or ensuring adequate resources. If the standards themselves prove unrealistic, revise them after careful examination. Where deviations remain within acceptable limits, no corrective action may be necessary.

Step 3: Conclusion The sequence is: set performance standards, measure actual performance, compare it with standards, analyse significant deviations and take suitable corrective action. Feedback from this process helps managers improve subsequent plans and performance.

Quick Tip to Solve: Remember the order as standards, measurement, comparison, analysis and action; comparison detects a gap, while analysis explains its cause.

23. Explain any four factors that affect the choice of capital structure of a company. [6 marks]

Solution:

Concept:

- Capital structure is the mix of owners' funds and borrowed funds used by a company. Equity involves ownership, whereas debt creates a contractual obligation to pay interest and repay principal.
- A suitable capital structure balances the benefit of relatively cheaper debt against financial risk. The choice must therefore reflect the company's capacity to service debt and the return earned from the funds employed.

Step 1: Examine cash flow and interest-paying capacity

- **Cash flow position:** A company must estimate its future cash inflows before raising debt. It requires cash not only for normal business operations but also for interest payments and repayment of principal. Strong, steady and predictable cash flows permit greater use of debt. Uncertain or inadequate cash flows favour a larger equity component because equity dividends do not create the same compulsory payment obligation.
- **Interest coverage ratio:** This ratio indicates how many times earnings before interest and tax cover the interest payable. A higher ratio provides a larger safety margin and makes the company

better able to use debt. A low ratio suggests that even a small fall in earnings could make interest payment difficult. The ratio must be considered with cash flows, since accounting earnings alone do not guarantee cash to meet an obligation.

Step 2: Assess return on investment and the cost of debt

- **Return on investment:** When the return earned on the total funds employed exceeds the cost of debt, greater use of debt can raise the return available to equity shareholders. This is favourable trading on equity. If the return on investment is lower than the cost of debt, borrowing reduces the return to equity holders, so the company should rely more on equity.
- **Cost of debt:** Debt is generally cheaper than equity because lenders bear comparatively lower risk, and interest is deductible in computing taxable business income. A company can consider more debt when it can borrow at a low rate. However, as borrowing rises, lenders may demand a higher interest rate to compensate for additional risk. The company must judge the cost of further borrowing rather than assume that all debt remains equally cheap.

Step 3: Conclusion The four factors are cash flow position, interest coverage ratio, return on investment and cost of debt. Together they show whether borrowing is affordable, serviceable and beneficial to shareholders; the lowest apparent financing cost alone does not determine the best mix.

Quick Tip to Solve: For each capital-structure factor, state both directions: when it supports more debt and when it calls for more equity.

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24. 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. [6 marks]

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

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the ultimate user. A direct channel has no intermediary; indirect channels use intermediaries such as wholesalers and retailers.

- The channel choice depends on product-related, company-related and market-related factors. The appropriate route must provide the technical service customers need while matching the company's resources and the market's buying pattern.

Step 1: Identify the product-related factor **Product-related factors:** Sanjeev said that staff should "explain personally to the hospital staff who would be using the machine, since the machine is sophisticated." This identifies the technical nature and complexity of the product. Sophisticated medical equipment needs explanation and specialised selling support, which favour a short or direct channel.

Step 2: Identify the company and market factors

- **Company-related factors:** Rishu observed that "additional funds were not available for recruiting the personnel". This identifies the company's financial strength. Establishing its own selling team requires funds; limited resources can make the services of intermediaries more practical.
- **Market-related factors:** Ankur stated that "the size of the order was not large". This identifies order size as a market consideration. Small orders generally favour intermediaries, whereas large orders may justify direct selling to the customer.

Step 3: Conclusion The factors discussed are product-related factors (technical sophistication), company-related factors (financial strength), and market-related factors (order size).

Quick Tip to Solve: Classify the exact clue: sophisticated machine is product, unavailable funds are company, and order size is market.

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

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the ultimate user. A direct channel has no intermediary; indirect channels use intermediaries such as wholesalers and retailers.
- The channel choice depends on product-related, company-related and market-related factors. The appropriate route must provide the technical service customers need while matching the company's resources and the market's buying pattern.

Step 1: Explain the other product and company considerations

- **Other product considerations:** The nature, perishability and unit value of the product also matter. Industrial products generally use shorter channels because buyers require technical advice and personal attention, while standard consumer products often use longer channels for widespread availability. Perishable products need short channels to avoid delay and deterioration; durable products can pass through more intermediaries. High unit-value products generally favour shorter channels, whereas inexpensive, standardised products may use longer channels economically.
- **Other company consideration:** The degree of control desired over distribution is important. A company seeking close control over selling methods, customer service and distribution policy may prefer a direct or short channel. If it is willing to share this control and use intermediaries'

experience and networks, it may select a longer channel. This is distinct from the financial constraint already stated by Rishu.

Step 2: Explain the other market considerations

- **Other market considerations:** The nature of buyers, their number and their geographical concentration must be examined. Industrial buyers generally favour direct or short channels; numerous individual consumers generally require intermediaries. A small number of buyers can be served directly, while a large number favours longer channels. Geographically concentrated buyers are easier to reach directly; widely scattered buyers generally require intermediaries with local reach. These considerations supplement the order-size factor mentioned by Ankur.

Step 3: Conclusion Other considerations are product nature, perishability and unit value; the degree of distribution control desired by the company; and buyers' nature, number and geographical concentration. These supplement technical complexity, financial strength and order size already identified.

Quick Tip to Solve: Stay within the three identified factor groups, and explain how each additional consideration favours a shorter or longer channel.

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25. 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 Ministry 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. [6 marks]

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

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out an assigned task. It enables a manager to share work while retaining ultimate accountability for its satisfactory completion.
- Its elements are authority, responsibility and accountability. Authority is the right to take decisions and issue commands; responsibility is the obligation to perform an assigned duty; accountability is answerability for its outcome.

Step 1: Identify delegation from the case **(a) Concept: Delegation.** Vinod found that "the volume of work made it impractical for him to handle all the work himself." He therefore entrusted work to Anishka and Kavya, whom he found "capable, enthusiastic and trustworthy." Assigning project duties and the necessary authority to these subordinates allowed him to share his workload and focus on objectives. This is delegation of authority under the organising function of management.

Step 2: Explain how the concept works A superior assigns responsibility for particular duties to a subordinate and grants authority sufficient to perform them. The subordinate becomes accountable to the superior for the results. Delegation does not mean abandoning supervision or transferring the superior's ultimate accountability. Here Vinod could obtain the employees' assistance without having to personally perform every project task; he remained responsible for the overall project.

Step 3: Conclusion The concept is delegation of authority: Vinod entrusted work and the necessary authority to capable employees, enabling him to focus on objectives while retaining ultimate accountability.

Quick Tip to Solve: Sharing a superior's workload with subordinates points to delegation; remember that ultimate accountability stays with the superior.

25(b). Also, explain any three points of importance of the concept identified in part (a).

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to carry out an assigned task. It enables a manager to share work while retaining ultimate accountability for its satisfactory completion.
- Its elements are authority, responsibility and accountability. Authority is the right to take decisions and issue commands; responsibility is the obligation to perform an assigned duty; accountability is answerability for its outcome.

Step 1: Explain effective management **Effective management:** Delegation reduces a manager's routine workload and allows concentration on important activities and objectives. The case states that Vinod "was thus able to focus on objectives" and that "the project was completed on time." Sharing work therefore enabled him to manage the project more effectively.

Step 2: Explain employee development **Employee development:** Subordinates gain experience by exercising authority, making decisions and taking responsibility for results. This develops their abilities and prepares them for greater responsibilities. The case specifically says that "Anishka and Kavya also got opportunities to develop and exercise initiative." Delegation thus helped their development rather than restricting them to mechanically following every instruction.

Step 3: Explain facilitation of growth **Facilitation of growth:** Delegation builds a pool of competent employees who can undertake higher responsibilities when the organisation expands. Managers can distribute additional work instead of becoming a bottleneck. In the case, Vinod "was also able to extend his area of operations." The help of capable employees enabled expansion alongside successful completion of the existing project.

Step 4: Conclusion Delegation promotes effective management, develops employees and facilitates organisational growth. Vinod's focus on objectives, the employees' initiative and the extension of operations illustrate these benefits.

Quick Tip to Solve: Link each benefit to its stated outcome: manager's focus, employees' initiative, and the extension of operations.