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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

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

Solution:

Concept:

- Management principles provide useful insights into real-world situations by supplying knowledge, ability and understanding of managerial situations and circumstances.
- They are general guidelines derived from experience and observation; managers apply them with judgement to the particular problem.

Step 1: Identify the value of accumulated experience Principles make the lessons gained from earlier managerial experience available to a manager. The manager can understand a situation more clearly rather than relying only on a personal trial-and-error approach.

Step 2: Connect the insight with action This understanding helps the manager recognise relationships, anticipate the likely consequences of actions and select a suitable response to the problem in hand.

Step 3: Conclusion Principles of management provide managers with knowledge, ability and understanding of real-world managerial situations, helping them make informed decisions.

Quick Tip to Solve: For useful insights, link principles with understanding a situation and choosing an appropriate managerial response.

2. Seema, a student of management likes to relate what she learnt in class to real life situations. She observed many situations while watching educational programmes on television that reminded her the concepts of Scientific Management. In one such programme, factories manufacturing components for products like automobiles, computers and mobile phones were shown.

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

[1 mark]

Solution:

Concept:

- Standardisation is a technique of scientific management that establishes standards for business activities, including materials, processes and products.
- Standards for components specify such features as their dimensions, quality and performance so that the components can be used consistently.

Step 1: Identify the clue in the case Seema observes factories **manufacturing components** for products such as automobiles, computers and mobile phones. Components need to conform to specified standards to fit and function properly in the finished product.

Step 2: Name the relevant technique The technique is standardisation. Producing components to established specifications ensures uniformity and interchangeability, instead of variations that could prevent their proper assembly or use.

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

Quick Tip to Solve: When a case stresses components fitting consistently into a finished product, look for standardisation.

3. On the introduction of 'Goods and Services Tax Act', experts in the field of business started analysing and forecasting its impact on various sectors and industries. Arun, an established businessman, attended a few seminars and conferences organised by such experts to familiarize himself with this information. He wanted to use these forecasts and conjectures to reduce the uncertainty in making decisions for the future in his business.

Name the step in the planning process that is being discussed in the above paragraph. [1 mark]

Solution:

Concept:

- Planning premises are assumptions about the future conditions in which a plan is expected to operate.
- Developing premises uses forecasts and information about the business environment as the basis for future plans.

Step 1: Locate the forecasting clue Arun wants to use the experts' **forecasts and conjectures** about the impact of the Goods and Services Tax Act. These estimates concern the future environment of his business.

Step 2: Identify the planning step Using such information to form assumptions for future decisions is developing premises. The case does not describe choosing between alternative courses of action; it describes establishing the assumptions on which those choices will rest.

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

Quick Tip to Solve: Forecasts and assumptions about future conditions indicate developing premises in the planning process.

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

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

Solution:

Concept:

- Status is an organisational barrier when a superior-subordinate relationship inhibits free communication.
- Employees may hesitate to express their feelings or opinions to a person occupying a higher position in the organisation.

Step 1: Identify the hierarchical relationship Amar is the marketing manager and the salesmen work under him. Their difference in organisational position could ordinarily discourage the salesmen from speaking openly to their superior.

Step 2: Connect the behaviour with the barrier removed Amar allows the salesmen to **freely express their frank opinion and feelings**. His openness removes the inhibition arising from his higher

position and encourages upward communication.

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

Quick Tip to Solve: When subordinates can speak frankly to their superior, identify the status barrier as the one overcome.

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

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

Solution:

Concept:

- Stability of earnings is a factor affecting the dividend decision.
- A company whose future earnings are expected to remain stable can be more confident of sustaining a higher dividend.

Step 1: Read the decisive evidence Satvik favours a higher dividend because he is **sure about the earning potential of the company in the coming years**. This confidence concerns future earnings, rather than merely the high profit earned this year.

Step 2: Name the influencing factor The factor is stability of earnings. Confidence that profits can be sustained supports a higher dividend, since the company is more likely to be able to maintain distributions in later years as well.

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

Quick Tip to Solve: Confidence about earning potential in coming years points to stability of earnings, rather than only the current amount of profit.

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

Solution:

Concept:

- Commercial paper is a money-market instrument used by large, creditworthy companies to raise short-term funds.
- It is an unsecured promissory note issued in bearer form, with a fixed maturity period.

Step 1: State its essential form A commercial paper is a short-term, unsecured promissory note issued by a large and creditworthy company to raise funds. Unsecured means that no specific collateral is pledged against the instrument.

Step 2: Explain its financing role It is issued in bearer form for a fixed period, normally at a discount and redeemed at its face value on maturity. It provides a source of short-term finance, including funds

needed for working capital.

Step 3: Conclusion A **commercial paper** is an unsecured, short-term promissory note issued in bearer form by a large, creditworthy company to raise funds for a fixed maturity period.

Quick Tip to Solve: Remember the defining features together: short-term, unsecured, promissory note and a creditworthy corporate issuer.

7. How does 'Level of competition' affect the working capital requirement of an organisation ? State. [1 mark]

Solution:

Concept:

- Working capital finances day-to-day operations, including inventories and credit extended to customers.
- The level of competition affects the credit terms and stock availability a business must offer to retain its customers.

Step 1: Explain the effect of intense competition When competition is intense, an organisation may have to offer more liberal credit terms to customers and maintain larger stocks so that goods are readily available. Funds remain tied up in receivables and inventory.

Step 2: State the resulting requirement Consequently, greater competition generally increases working capital requirements. Where competition is low, the business may be able to operate with stricter credit terms and lower inventories, so less working capital is needed.

Step 3: Conclusion An organisation generally requires **more working capital when competition is high**, because it may need to offer liberal credit and keep higher inventories.

Quick Tip to Solve: Trace competition through customer credit and inventory: more funds tied up in these assets means more working capital.

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

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they willingly strive towards the achievement of organisational goals.
- It is an interpersonal process: the leader guides followers and builds their willingness to contribute to a common objective.

Step 1: Identify the essential action A leader influences people rather than merely issuing orders. Through guidance, encouragement and personal example, the leader shapes how followers behave at work.

Step 2: Connect willingness with the common goal The influence must lead people to work voluntarily

towards organisational objectives. Thus, leadership combines influence, followers and a shared goal; formal authority alone does not fully describe it.

Step 3: Conclusion Leadership means influencing the behaviour of people to make them willingly work towards organisational goals.

Quick Tip to Solve: For a definition of leadership, remember three linked ideas: influence, willingness and organisational goals.

9. After completing her studies in product design, Sarah wishes to start her own business to design products to cater to the mobility and communication requirements of persons with special needs. She told her friend that she wanted to focus on supplying high quality and affordable products on "no profit - no loss basis". The Unique Selling Proposition (U.S.P.) of the products will be sensitivity to the challenges and needs of the differently abled. She has to follow a series of steps to attain her predetermined objectives.

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

[3 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. It sets objectives and determines the course of action for achieving them.
- The planning process begins with setting objectives, followed by the examination and selection of possible courses of action and their implementation.

Step 1: Identify the function and the step already described The function is **planning**. Sarah has already undertaken **setting objectives**: she wants high-quality, affordable products on a "no profit - no loss basis, sensitive to the needs of persons with special needs. These statements specify what her enterprise seeks to achieve. Therefore, setting objectives is excluded from the list of remaining steps.

Step 2: State the remaining steps in chronological order

1. **Developing premises:** Establish assumptions about the future conditions in which the plan will operate.
2. **Identifying alternative courses of action:** List the different possible ways of achieving the objectives.
3. **Evaluating alternative courses:** Assess the merits, limitations and likely consequences of each alternative.
4. **Selecting an alternative:** Choose the course of action best suited to the objectives and circumstances.
5. **Implementing the plan:** Put the chosen course into action by arranging resources and carrying out the required activities.
6. **Follow-up action:** Monitor implementation to check that activities proceed according to the plan and objectives are being achieved.

Step 3: Conclusion The function is planning. After setting objectives, its steps are developing premises, identifying alternatives, evaluating alternatives, selecting an alternative, implementing the plan and follow-up action, in that order.

Quick Tip to Solve: First identify the planning step already present in the case, then start the chronological list with the next step.

10. Miracle Ltd. deals in the sale of stationery and office furniture. They source the finished products from reputed brands who give them four to six months credit. Because of increase in the demand for electronic items, they are planning to sell these items also. For this, they have decided to join hands with a Japanese electronic goods manufacturer, to open sales outlets throughout India.

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

Solution:

Concept:

- Working capital finances day-to-day operations through current assets such as cash, inventories and receivables. Its requirement depends on how much money remains tied up in these assets.
- The question asks for factors other than those in the case. Therefore, avoid repeating the trading nature of the business, supplier credit, increased demand and expansion of the business.

Step 1: Explain credit allowed to customers **Credit allowed:** A liberal credit policy towards buyers increases working capital requirements because sales proceeds remain tied up in debtors for a longer period. A stricter policy or a larger proportion of cash sales brings cash back sooner and reduces this requirement. This concerns credit given to customers, which is different from the four-to-six-month credit received from suppliers in the case.

Step 2: Explain seasonal factors and operating efficiency **Seasonal factors:** If sales are concentrated in a particular season, the enterprise needs more working capital during that peak period to hold adequate stocks and support higher selling activity. In the lean season, the requirement is lower. The seasonal distribution of sales, rather than the general increase in demand mentioned in the case, is the factor here.

Operating efficiency: Efficient inventory management, prompt collection from debtors and avoidance of wastage reduce the funds unnecessarily blocked in current assets. Faster movement of goods and cash lowers working capital needs for a given level of business. Inefficient operations, slow collections or excessive stock have the opposite effect.

Step 3: Conclusion Three other factors are credit allowed to customers, seasonal factors and operating efficiency. Longer customer credit, peak-season stock needs and inefficient operations increase working capital requirements.

Quick Tip to Solve: Keep credit received and credit allowed separate: supplier credit reduces the funds needed, while customer credit ties funds up in receivables.

11. Explain the following methods of training :

(i) Vestibule Training; and

(ii) Internship Training. [3 marks]

Solution:

Concept:

- Training is a systematic process of improving the knowledge and skills required for the effective performance of a particular job.
- Vestibule training reproduces the work setting away from the actual workplace; internship training combines educational learning with practical experience in an organisation.

Step 1: Explain vestibule training **Vestibule training:** Employees learn to operate equipment in a separate training area that duplicates the actual working environment. They use the same or similar materials, files and equipment as those used on the job, but are trained away from the work floor. This allows them to learn under controlled conditions without disrupting normal operations. It is especially useful when employees must handle sophisticated machinery or equipment and mistakes during learning could interfere with production.

Step 2: Explain internship training **Internship training:** It is a joint programme in which an educational institution and a business enterprise cooperate to provide both theoretical learning and practical experience. Students continue their regular studies for a prescribed period and also work in a factory, office or other organisation to acquire practical knowledge and skills. They apply classroom concepts to real work and become familiar with workplace practices. For example, a student may receive academic instruction and then undertake supervised work experience in a business organisation as part of the programme.

Step 3: Conclusion Vestibule training teaches work skills in a simulated workplace separate from actual operations. Internship training links institutional study with practical experience in a cooperating organisation.

Quick Tip to Solve: Use the setting to distinguish the methods: vestibule means a replicated workplace, while internship means study combined with actual organisational experience.

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

(i) Safety;

(ii) Liquidity; and

(iii) Duration. [3 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term funds through instruments such as shares and debentures. The money market deals in short-term funds through instruments such as Treasury bills and commercial paper.
- Safety concerns the risk of losing the invested amount; liquidity concerns how readily an instrument

can be converted into cash. Duration refers to the period for which funds are raised.

Step 1: Compare safety and liquidity The differences on the first two specified bases are:

Basis	Capital market	Money market
Safety	Instruments are relatively riskier. Both repayment and returns may be uncertain; share prices also fluctuate with market conditions.	Instruments are relatively safer because they are short-term and issuers generally have high creditworthiness.
Liquidity	Securities are marketable, especially through stock exchanges, but are comparatively less liquid than money-market instruments.	Instruments have a high degree of liquidity, with arrangements for short-term investment and conversion into cash.

Step 2: Compare the duration of funds

Basis	Capital market	Money market
Duration	Provides medium- and long-term finance, generally for periods exceeding one year. Equity capital has no fixed repayment maturity.	Provides short-term finance for periods of up to one year. Instruments meet temporary requirements of funds.

Step 3: Conclusion Thus, the capital market provides longer-term funds through relatively riskier and less liquid instruments, whereas the money market provides short-term funds through relatively safer and more liquid instruments.

Quick Tip to Solve: Use the three bases in the question as table rows: safety means risk, liquidity means conversion into cash, and duration means the funding period.

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

Solution:

Concept:

- External recruitment means inviting candidates from outside the organisation to fill vacancies. It widens the choice of applicants but requires a fresh search and selection process.
- Its limitations include dissatisfaction among existing employees, a lengthy process and higher cost. These are disadvantages of obtaining staff from outside rather than promoting or transferring existing employees.

Step 1: State the effect on existing employees **Dissatisfaction among existing staff:** When a higher post is filled by an outsider, existing employees may feel that their promotion prospects have been reduced. Employees who expected advancement may become dissatisfied and lose motivation. Thus, external recruitment can adversely affect the morale of people already serving the organisation.

Step 2: State the time and cost limitations **Lengthy process:** The organisation must communicate vacancies, wait for applications and screen the applicants before making a selection. These activities take time, so external recruitment may delay the filling of a vacancy compared with choosing a suitable employee who is already known to the organisation.

Costly process: Considerable expenditure may be incurred on advertising vacancies, engaging recruitment agencies and processing or assessing candidates. A large number of applications may have to be examined, increasing the expense of obtaining a suitable person from outside.

Step 3: Conclusion Three limitations of external sources of recruitment are dissatisfaction among existing employees, a lengthy recruitment process and the higher expenditure involved in searching for and selecting outsiders.

Quick Tip to Solve: Recall external recruitment's drawbacks through morale, time and cost; state the limitation first and then explain its effect on the organisation.

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14. Irma is the chief executive officer of a reputed company. She introduced appropriate skill development programmers and a sound promotion policy for the employees of her company. To motivate and retain the best talent in the company, she designed the jobs of the managers to include greater variety of work content.

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

Solution:

Concept:

- Non-financial incentives motivate employees by satisfying psychological, social and esteem needs rather than merely increasing their monetary earnings.
- Career advancement opportunities include training and promotion, while job enrichment makes the work itself more varied and challenging. Other incentives must be distinct from these measures already used by Irma.

Step 1: Identify the incentives already introduced Irma's "appropriate skill development programmers and a sound promotion policy" provide **career advancement opportunities**. Designing jobs to include "greater variety of work content" is **job enrichment**. As the question asks for other incentives, these measures should not be repeated as the answer.

Step 2: Explain employee recognition programmes **Employee recognition programmes:** Irma can acknowledge and appreciate employees' good performance and contributions. Recognition can take the form of a personal word of appreciation, a certificate, an award or public acknowledgement of an achievement before colleagues. It should be timely and connected to a specific contribution so that employees understand which behaviour is valued. Such recognition satisfies their need for appreciation and esteem, makes them feel that their work matters and encourages them to maintain or improve their performance. It can also encourage other employees to emulate the recognised performance.

Step 3: Explain employee participation **Employee participation:** Irma can involve employees in decisions concerning matters related to their work, for example by inviting suggestions through committees or joint consultations. Their experience can help management choose practical solutions to workplace problems. Being consulted creates a sense of belonging and makes employees feel that management values their judgement. Participation also improves their acceptance of decisions

and their commitment to implementing them, because they have contributed to the decision-making process. This motivates them through involvement rather than through another promotion or a change in job content.

Step 4: Conclusion Irma may introduce **employee recognition programmes** and **employee participation** as two additional non-financial incentives. They motivate through appreciation, esteem and involvement, complementing the career advancement opportunities and job enrichment already provided.

Quick Tip to Solve: First identify and exclude incentives already present in the case; then name and explain two different NCERT non-financial incentives.

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15. Vindhya Ayurved Ltd., a new and leading manufacturer of herbal and ayurvedic medicines and grocery products has captured a large share of the market in a short span of time. The Research and Development (R & D) department of the company spends considerable time and effort in developing eco-friendly, chemical-free and healthy alternatives for a variety of products of daily use, from toothpaste to biscuits, instant noodles to soaps, shampoos and detergents etc. Their business orientation differs from competitors who are short-sighted and want to maximize profit by maximising sales. Instead Vindhya Ayurved considers maximization of profit by understanding needs and wants of customers in the target market and development of products or services for satisfying such needs and wants.

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

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

Solution:

Concept:

- The marketing concept treats the identification and satisfaction of customers' needs and wants as the means of achieving an organisation's objectives, including profit.
- Business values are desirable commitments reflected in a company's actions. Product development can demonstrate concern for consumer health and protection of the natural environment.

Step 1: Identify the philosophy from the stated business orientation **(i) Marketing concept:** Vindhya Ayurved Ltd. adopts the marketing concept. The decisive evidence is that it seeks profit by "understanding needs and wants of customers in the target market" and developing products or services to satisfy them. Thus its starting point is the customer and the target market, rather than simply a product that it wishes to sell.

Step 2: Explain how customer satisfaction leads to profit Under this philosophy, the firm identifies what its target customers need, develops suitable products and coordinates its marketing activities to satisfy those needs more effectively than competitors. Customer satisfaction encourages repeat purchases and customer loyalty, helping the firm achieve its profit objective. Vindhya's research and development efforts support this approach by developing alternatives suited to consumers' requirements. This differs from the selling concept followed by the competitors described in the case: they emphasise increasing sales of what they offer, whereas Vindhya seeks sales and profit through

satisfying identified customer needs. Eco-friendly products also reveal responsible values; the explicit statement of its route to profit identifies the marketing concept here.

Step 3: State two values supported by the company's actions **(ii) Protection of the environment:** The development of "eco-friendly" alternatives reflects concern for environmental protection and an effort to reduce the adverse impact of products on nature.

Concern for consumer health and well-being: The company's effort to develop "chemical-free and healthy alternatives" reflects concern for the health and safety of consumers. It seeks to offer daily-use products that address their well-being rather than concentrating only on immediate sales revenue.

Step 4: Conclusion Vindhya Ayurved Ltd. follows the **marketing concept**, earning profit through satisfaction of target customers' needs and wants. The two values promoted are **environmental protection** and **concern for consumer health and well-being**.

Quick Tip to Solve: Identify a marketing philosophy from its stated route to profit; use the eco-friendly and healthy-product clues separately to state the values.

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

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

Solution:

Concept:

- Selection is the process of choosing the most suitable candidates from the applicants. Each stage supplies information for deciding whether a candidate meets the requirements of the job.
- The case states that Raman has "conducted preliminary interviews" and "conducted tests". Thus, he has already completed preliminary screening and selection tests: the tests of maturity and emotions are personality tests, while decision-making ability is examined through intelligence tests. The answer must therefore begin with the stages following selection tests.

Step 1: Conduct employment interviews and check references **Employment interview:** Conduct an in-depth conversation with the shortlisted nursing candidates to assess their suitability for the job. Raman can discuss their nursing knowledge, experience and approach to patient care; candidates can also seek information about the hospital and the work expected of them.

Reference and background checks: Contact the previous employers, teachers or other referees named by the candidates. Verify the information supplied in their applications and obtain additional information about their experience, competence and professional conduct. This checks the reliability of the claims on which selection is based.

Step 2: Make the selection decision and obtain medical clearance **Selection decision:** Choose the most suitable candidates after considering their performance at all previous stages. The final decision should involve the manager who will be responsible for the selected nurses, since that manager

understands the actual requirements of the work.

Medical examination: After the selection decision, require the selected candidates to undergo a medical fitness examination. The purpose is to establish that they are medically fit to perform the duties of the nursing post, before the appointment proceeds.

Step 3: Offer the job and complete the employment contract **Job offer:** Issue a letter of appointment to candidates who have successfully cleared the earlier stages. State the post and the date by which they should report for duty, allowing reasonable time to join.

Contract of employment: Once a candidate accepts the offer, finalise the written contract and relevant employment documents. Clearly record terms such as duties, remuneration, working hours, leave entitlements and other applicable conditions so that both the hospital and the nurse understand their obligations.

Step 4: Conclusion The remaining stages, in sequence, are employment interview, reference and background checks, selection decision, medical examination, job offer and contract of employment. These complete the process after the preliminary interviews and tests already conducted by Raman.

Quick Tip to Solve: Locate the last completed stage in the case, then list only the stages that follow it; do not repeat preliminary screening or selection tests as remaining steps.

17. State any four features of informal organisation. [4 marks]

Solution:

Concept:

- Informal organisation is the network of social relationships that arises among people as they interact while working in a formal organisation. It fulfils needs for friendship, belonging and social contact.
- Its relationships are based on personal interaction rather than on an official allocation of duties and authority. Consequently, its formation, standards of behaviour, communication and structure differ from those prescribed by management.

Step 1: State how the organisation develops and regulates behaviour **1. Spontaneous origin:** Informal organisation emerges spontaneously through the personal interactions of employees. Management does not deliberately create it through an organisation chart or an official order. People who share interests, experiences or concerns develop social relationships while working together.

2. Group norms guide behaviour: Standards of behaviour evolve from the group's own expectations and values. Members are influenced by the acceptance or disapproval of other members, rather than only by written rules prescribed by management. For example, a group may expect its members to support one another, even though no official rule requires this.

Step 2: State the nature of communication and structure **3. Independent channels of communication:** Communication takes place through personal and social contacts without a fixed, formally prescribed route. Information may move in any direction and across official levels of authority; employees need not follow the scalar chain when talking to their informal contacts.

4. No fixed structure: Informal organisation has no rigidly defined pattern of positions, authority

and responsibility. Its relationships and membership may change as people's interests and interactions change. Influence rests on personal qualities and acceptance by the group rather than necessarily on a person's official designation.

Step 3: Conclusion Four features of informal organisation are spontaneous formation through personal interaction, behaviour governed by group norms, communication through independent channels without a fixed direction, and the absence of a fixed structure.

Quick Tip to Solve: For features, describe how informal groups actually operate: spontaneous formation, group norms, flexible communication and a flexible structure.

18. Explain the steps in the process of controlling. [4 marks]

Solution:

Concept:

- Controlling ensures that actual performance conforms to planned standards. It identifies deviations and enables corrective action.
- The controlling process proceeds from setting standards to measuring performance, comparing results, analysing deviations and taking corrective action. Planning supplies the standards against which control operates.

Step 1: Establish standards and measure actual performance **1. Setting performance standards:** Standards are the criteria against which actual performance is judged. They should be clear and measurable wherever possible, such as units to be produced, costs to be incurred or time allowed. Qualitative standards may also be established, for example for employee motivation or customer satisfaction.

2. Measurement of actual performance: Measure what has actually been achieved using suitable techniques such as personal observation, sample checking and performance reports. Measurement should be objective and reliable, and should use the same units as the standards so that a meaningful comparison is possible.

Step 2: Compare performance and analyse deviations **3. Comparing actual performance with standards:** Compare the measured results with the predetermined standards to identify the size and direction of any deviation. For example, actual production below the planned output indicates a shortfall requiring examination.

4. Analysing deviations: Investigate the causes and significance of differences. Through critical point control, managers focus on key result areas; through management by exception, they concentrate on significant deviations that exceed acceptable limits. Causes may include unsuitable standards, defective equipment or inadequate training.

Step 3: Take corrective action **5. Taking corrective action:** Where deviations exceed the acceptable range, remove their causes through appropriate measures, such as repairing equipment, improving work methods or training employees. If the standards themselves are unrealistic, revise them after proper analysis. If performance falls within acceptable limits, no corrective action is necessary.

Step 4: Conclusion Thus, controlling consists of setting standards, measuring actual performance,

comparing it with standards, analysing deviations and taking corrective action to bring organisational performance in line with plans.

Quick Tip to Solve: Remember the sequence: set, measure, compare, analyse and correct. State both the activity and its purpose when explaining each stage.

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

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

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

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers understand situations and choose appropriate actions.
- Their nature includes universal applicability, general guidelines, formation by practice and experimentation, flexibility, a mainly behavioural orientation, cause-and-effect relationships and contingency. Their application requires managerial judgement.

Step 1: Identify the point highlighted in Reema's statement **(i) Universal applicability:** Management principles apply to all types of organisations, irrespective of their size, ownership or purpose. The case expressly refers to "business as well as non-business, small as well as large, public sector as well as private sector". This range of organisations establishes the universal applicability of the principles. However, the extent and manner of their application depend on the nature of the organisation and the prevailing situation.

Step 2: Explain three other points about their nature **(ii) General guidelines:** Management principles provide broad guidance for action rather than ready-made solutions to every managerial problem. Business situations are complex and changing, so a manager must interpret the relevant principle in the light of the specific circumstances before deciding what to do.

Formed by practice and experimentation: These principles have developed through managers' experience, observation and repeated experimentation in actual work situations. For example, the benefits of specialisation have been observed through the practice of dividing work among people. They are therefore based on practical experience and tested understanding rather than arbitrary opinions.

Flexible: Management principles are not rigid prescriptions that must be applied identically in every situation. A manager can modify their application to meet the needs of a particular organisation and its circumstances. For example, the appropriate degree of centralisation may differ with the size of the enterprise and the competence of subordinates. Flexibility concerns how the principle is used; it does not mean the manager disregards its purpose.

Step 3: Conclusion The nature highlighted in the case is universal applicability. Three other characteristics are that management principles are general guidelines, are formed by practice and experimentation, and are flexible in their application.

Quick Tip to Solve: When a case lists different kinds and sizes of organisations, identify universal applicability; then choose three different nature headings and explain each separately.

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

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

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

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

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

Solution:

Concept:

- Taylor's scientific management promotes cooperation between management and workers so that their efforts serve a common purpose rather than conflicting interests.
- Fayol's general management principle of order requires a proper place for every material and person, with everything and everyone in the assigned place.

Step 1: Identify and explain the scientific management principle **Cooperation, not individualism:** Taylor advocated complete cooperation between workers and management instead of individualism. Management should welcome constructive suggestions from workers, involve them appropriately in decisions and share work and responsibility with them. Workers should also cooperate sincerely in achieving organisational objectives. The principle develops mutual confidence and replaces unnecessary competition with joint effort.

In the case, management "does not close its ears to any constructive suggestions" and there is "an equal division of work and responsibility between volunteers and management." Management also works "side by side with the volunteers helping, encouraging and smoothing the way for them." These details directly demonstrate cooperation rather than isolated individual effort.

Step 2: Identify and explain the general management principle **Order:** Fayol stated that there should be a place for everything and everyone, and everything and everyone should be in its designated place. Material order ensures that supplies can be located without delay, while social order places suitable people in suitable positions. It reduces wasted time and effort and supports efficient functioning.

Sakaar Foundation keeps the collected materials in shelves and boxes "labelled systematically." There is "a specific place for each of these items," and volunteers put them in their respective places. This is a clear application of material order. The division of volunteer jobs also illustrates specialisation, but the orderly storage passage by itself establishes the required one general management principle.

Step 3: State two values promoted by the Foundation **Compassion and concern for the disadvantaged:** Supporting children with medical needs, homeless people and disaster victims displays empathy for suffering and a commitment to helping vulnerable people.

Social responsibility and service: Collecting donations and useful articles and organising volunteer effort for public welfare encourages people to contribute their time and resources to society rather than considering only personal benefit.

Step 4: Conclusion The scientific management principle is cooperation, not individualism, and the general management principle is order. Through its relief and welfare activities, Sakaar Foundation promotes compassion and social responsibility.

Quick Tip to Solve: Match each principle to its own evidence: joint management-worker effort indicates cooperation; labelled materials in designated places indicate order.

21. Describe any five points of importance of business environment. [5 marks]

Solution:

Concept:

- Business environment comprises the external individuals, institutions and forces that affect an enterprise's performance but lie outside its direct control.
- Understanding these forces helps managers relate business decisions to changing opportunities, threats, resources and expectations. Environmental awareness improves the quality of action, although it cannot remove uncertainty completely.

Step 1: Explain how environmental knowledge supports timely action **1. Identifying opportunities and gaining first-mover advantage:** Opportunities are favourable external trends that can improve business performance. By identifying them early, an enterprise can develop suitable products or enter a new market before competitors. Acting promptly enables it to establish customer relationships and gain an advantage that late entrants may find difficult to match.

2. Identifying threats and early warning signals: Threats are unfavourable developments that can hinder performance, such as new competitors, changing customer preferences or technological substitutes. Understanding the environment gives management advance warning. It can then modify its strategy, improve its offering or prepare safeguards before the adverse change causes serious damage.

Step 2: Explain how environmental understanding supports operations and decisions **3. Tapping**

useful resources: A business draws inputs such as finance, materials, labour and technology from its environment and supplies goods and services in return. Understanding the expectations of suppliers, investors and customers helps it secure suitable resources and convert them into outputs valued by society. This exchange is necessary for continued business activity.

4. Coping with rapid changes: Markets, technology, competition and consumer expectations change continually. A business that monitors these changes can adapt its products, methods and organisation in time. Environmental understanding therefore helps it respond effectively instead of persisting with practices that no longer meet present requirements.

5. Assisting in planning and policy formulation: Plans and policies must reflect the conditions in which they will operate. Information about external trends gives managers a sound basis for setting objectives, choosing alternatives and framing policies. For example, anticipated changes in demand or technology can guide investment and production decisions, making plans more realistic and relevant.

Step 3: Conclusion Understanding the business environment helps an enterprise identify opportunities, detect threats, obtain resources, cope with rapid change, and formulate realistic plans and policies. These benefits improve its preparedness and ability to achieve its objectives.

Quick Tip to Solve: Recall five benefits through the sequence: opportunities, threats, resources, change and planning; explain how each one improves a business decision.

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

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product. It protects the product and makes its handling, storage and use convenient.
- The three levels are primary packaging, secondary packaging and transportation packaging. Identify the level by what it directly contains and the purpose it serves.

Step 1: Identify the immediate container **Primary packaging – the ointment tube:** The tube directly contains the pain relieving ointment and is therefore its immediate container. It protects the medicine from contamination and leakage and allows the user to dispense the ointment conveniently. Primary packaging stays with the product during use; Shivam can keep the remaining medicine safely in the tube after each application.

Step 2: Identify the additional protective pack **Secondary packaging – the cardboard box:** The statement that "the ointment tube was packed in a cardboard box" identifies the second level. This is an additional layer surrounding the primary package. It gives the tube further protection during storage and handling and provides a convenient surface for product identification and information. Such additional packaging is normally discarded when the product is ready for use, while the ointment remains in its tube.

Step 3: Identify the pack used for bulk movement **Transportation packaging – the corrugated box containing 20 units:** The wholeseller sends several sale units together to the chemist in this outer container. Its main purpose is safe bulk storage, identification, handling and transportation. The strong corrugated box protects the individual packs from damage during movement and enables 20 units to be handled together rather than separately. It serves the distribution process rather than the consumer's day-to-day application of the ointment.

Step 4: Conclusion The tube is primary packaging, the cardboard box around the tube is secondary packaging, and the corrugated box holding 20 units is transportation packaging. Each successive level encloses and protects the units within it for a different purpose.

Quick Tip to Solve: Work outwards from the medicine: direct contact identifies primary packaging, its individual outer box identifies secondary packaging, and the bulk shipping container identifies transportation packaging.

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

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

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

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

Solution:

Concept:

- Consumer protection provides redress against practices such as overcharging and the sale of defective goods. The relief should address the specific wrong established by a genuine complaint.
- Under the consumer-protection framework studied for this paper, a Consumer Court may order removal of a defect, replacement, refund, compensation for loss or injury, and discontinuance of an unfair trade practice, as appropriate.

Step 1: State two reliefs for Komal's overcharging complaint The words "charged more than the printed price" show that Komal paid an excess amount merely because the book was in short supply.

Refund the excess amount: The court can direct the bookseller to return the amount collected above the printed price. This restores the money wrongly taken from Komal rather than allowing scarcity to justify overcharging.

Discontinue the unfair trade practice: The court can direct the bookseller to stop charging more than the printed price and not repeat the practice. This addresses the conduct responsible for the complaint as well as protecting other buyers of the book.

Step 2: State two reliefs for Kumar's defective truck complaint The truck has a "defective engine", so the complaint concerns a defect in the goods supplied.

Remove the defect: The court can order the seller or manufacturer to rectify the engine defect without charging Kumar for the correction. The repair must remedy the fault so that the truck

functions properly.

Replace the defective goods: Alternatively, the court can direct replacement of the defective truck with a new truck of similar description free from defects. This is an appropriate alternative where replacement, rather than correction of the engine, is the remedy ordered. These are two available forms of relief; they need not both be granted for the same defect.

Step 3: State two reliefs for Suresh's injury complaint Suresh suffered injury while using a "newly bought defective electric iron". His complaint therefore includes both a defective product and injury caused by it.

Pay compensation for injury: The court can direct payment of appropriate compensation for the loss or injury suffered due to the defective iron, including the consequences established by the complaint. Compensation addresses the harm caused, rather than merely the price of the appliance.

Refund the price paid: The court can also order return of the price paid for the defective iron against its return. This redresses the defective purchase itself, while compensation separately addresses the injury. No amount of compensation can be calculated from the facts given.

Step 4: Conclusion Komal can obtain a refund of the excess charge and an order stopping the unfair practice. Kumar can obtain removal of the engine defect or replacement with defect-free goods. Suresh can obtain compensation for his injury and a refund of the defective iron's price.

Quick Tip to Solve: Match the remedy to the wrong: excess price calls for repayment and stopping the practice, defective goods call for repair or replacement, and injury calls for compensation as well as redress for the purchase.

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24. Radha is an enterprising businesswoman who has been running a fishery for the past ten years. She has saved ₹ 10 Lakhs from her business. She shared with her family her desire to utilize this money to expand her business. Her family members gave her different suggestions like buying new machinery to replace the existing one, acquiring altogether new equipment with latest technology, opening a new branch of the fishery in another village and so on. Since these decisions are crucial for her business, involve huge amount of money and are irreversible except at a huge cost, Radha wants to analyse all aspects of the decision, before taking any steps.

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

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

Solution:

Concept:

- Financial management includes the investment decision: deciding how the firm's funds will be invested in different assets to earn returns.
- A long-term investment decision, or capital budgeting decision, commits funds to fixed assets or projects whose benefits extend over several years. Expected cash flows and the rate of return help assess such proposals.

Step 1: Identify the decision from the proposed uses of funds Radha must take a **long-term investment decision, also called a capital budgeting decision**. The alternatives are "buying new

machinery", acquiring equipment with the "latest technology", and "opening a new branch". Each involves investment in assets or facilities that will serve the fishery over a long period. This is a decision about where to invest the saved Rs 10 lakhs, rather than a decision about raising finance or distributing profits.

Step 2: Explain why careful capital budgeting is necessary Capital budgeting involves selecting the long-term assets or projects in which the business should invest its funds. It affects the business's earning capacity and profitability for many years. Such decisions usually require a large amount of money and involve substantial risk because future benefits are uncertain. They are also difficult to reverse without heavy loss. The case specifically says that the decisions "involve huge amount of money" and are "irreversible except at a huge cost", confirming their capital budgeting character.

Step 3: Explain cash flows of the project as the first factor **Cash flows of the project:** An investment normally creates a series of cash outflows and cash inflows over its life. Radha should estimate the additional cash receipts and cash payments associated with each proposal, including the initial outlay. She should examine both the amount and timing of the net cash flows. For instance, a new branch must generate future net cash inflows sufficient to justify the funds committed to establishing and operating it; merely comparing the purchase prices of the alternatives is insufficient.

Step 4: Explain the rate of return as the second factor **Rate of return:** The expected return from each investment proposal should be estimated and assessed in relation to the investment required and the risk involved. Proposals with a higher expected return are preferred, other things remaining the same. Radha should therefore compare the likely returns from replacement machinery, new technology and expansion, and select an acceptable proposal after considering its expected benefits. A proposal should not be chosen simply because sufficient savings are available to pay for it.

Step 5: Conclusion Radha faces a **capital budgeting or long-term investment decision**. Two factors affecting it are the **cash flows of the project** and its **rate of return**; analysing these helps her commit the Rs 10 lakhs to a suitable long-term use.

Quick Tip to Solve: Identify the decision by the use of money: investment in machinery or a new branch indicates capital budgeting; raising money indicates financing.

25. 'The functional structure of organisation has certain advantages and disadvantages which an enterprise must take into consideration before adopting it.' Explain any such three advantages and any three disadvantages of this structure. [6 marks]

Solution:

Concept:

- A functional structure groups jobs of a similar nature into major departments such as production, marketing, finance and personnel. Each department concentrates on its specialised function under a functional head.
- Functional grouping offers the benefits of specialisation and efficient use of resources, but an enterprise must weigh these against difficulties of coordination and a narrow departmental outlook.

Step 1: Explain the first advantage: occupational specialisation **Occupational specialisation:**

Employees performing similar tasks are placed together and repeatedly work within their field of expertise. They can learn from one another and receive specialised guidance from their functional head. This develops skill and competence, improves the quality of work and raises efficiency in performing the function.

Step 2: Explain the second advantage: coordination and control **Coordination and control within a department:** Similar activities are grouped under one manager. That manager can plan their sequence, allocate duties and supervise performance using common standards. Coordination and control of these related activities become easier because responsibility for the function is clearly located within the department.

Step 3: Explain the third advantage: economy of operations **Economy of operations:** Grouping similar activities avoids unnecessary duplication of effort and resources. The enterprise can use specialised staff and equipment for the common needs of the function instead of maintaining several separate arrangements. This improves utilisation of resources and can lower costs through economies of scale.

Step 4: Explain the first disadvantage: functional empires **Functional empires and narrow perspective:** A functional head may give greater importance to departmental objectives than to the enterprise's overall objectives. For example, a department may judge a proposal only by its effect on its own work. Such a narrow outlook can obstruct a common organisational purpose and reduce willingness to cooperate with other departments.

Step 5: Explain the second disadvantage: coordination problems **Difficulty in interdepartmental coordination:** Each department has its own specialised priorities and approach. When completion of a task requires several departments to work together, these different orientations can create misunderstandings and delays. Coordination across functions becomes difficult, particularly when departments are strongly differentiated and do not communicate effectively.

Step 6: Explain the third disadvantage: interdepartmental conflict **Interdepartmental conflict:** Departments may have incompatible interests and compete for funds, staff or other resources. For example, production may prefer long runs of standardised products for economy, while marketing may seek greater variety to meet customers' demands. Disagreements over such priorities can create conflict and make it difficult to decide whose needs should receive preference.

Step 7: Conclusion Three advantages of a functional structure are **occupational specialisation**, **coordination and control within departments**, and **economy of operations**. Three disadvantages are **functional empires**, **interdepartmental coordination difficulties**, and **interdepartmental conflict**.

Quick Tip to Solve: Separate coordination within a function, which is an advantage, from coordination across different functions, which can become a difficulty.