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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1 mark** may be from **one word to one sentence**.
(ii) 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. 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 the assumptions about the future on which plans are based. Forecasts provide information for making these assumptions.
- Preparing premises reduces uncertainty by giving managers a common basis for choosing future courses of action.

Step 1: Identify the information being collected Arun attends seminars to learn experts' forecasts of the impact of the Goods and Services Tax Act on business. These concern conditions under which his future plans will operate.

Step 2: Link the forecasts to the planning step The words 'forecasts and conjectures' indicate assumptions about the future business environment. Using these assumptions as the foundation for plans is the step called developing premises.

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

Quick Tip to Solve: Forecasts and assumptions used as the basis of future plans point to developing premises.

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

Solution:

Concept:

- Management principles embody knowledge and experience gained through observation, experimentation and practice.
- They are general guidelines that help managers understand situations and choose suitable action.

Step 1: Recognise the accumulated knowledge Principles place the experience of earlier managers at the disposal of present managers. They indicate relationships between managerial actions and likely outcomes.

Step 2: Apply this knowledge to actual situations Managers use these guidelines to understand real problems, identify relevant factors and decide how to act. This improves their insight and efficiency while reducing reliance on trial and error; the guidelines are adapted to the particular situation.

Step 3: Conclusion Management principles provide useful insights by giving managers the benefit of accumulated knowledge and experience for understanding and handling real world situations.

Quick Tip to Solve: Connect useful insights with the accumulated experience that principles make available to managers.

3. 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, a technique of scientific management, means setting standards for business activities, including materials, processes and products.
- Component standards specify consistent dimensions, quality and performance so that parts meet the requirements of the finished product.

Step 1: Identify the manufacturing requirement The case refers to factories manufacturing components for automobiles, computers and mobile phones. Such components must conform to the specifications of the products in which they are used.

Step 2: Name the scientific management technique Manufacturing components to prescribed specifications requires standardisation. It ensures uniform quality and dimensions and facilitates compatibility and interchangeability; simplification instead concentrates on eliminating unnecessary product varieties.

Step 3: Conclusion The concept is **standardisation**.

Quick Tip to Solve: Uniform specifications and interchangeable components indicate standardisation; fewer varieties indicate simplification.

4. 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 organisational goals.
- A leader guides and motivates followers and secures their voluntary cooperation in achieving shared objectives.

Step 1: Identify the essential process Leadership involves influencing how people think and act. The leader provides direction, inspiration and support rather than relying only on a formal position or issuing orders.

Step 2: Relate influence to the organisational purpose The influence encourages people to work willingly and enthusiastically towards organisational goals. Thus, leadership links the efforts of followers with the objectives that the organisation seeks to achieve.

Step 3: Conclusion Leadership means influencing the behaviour of people so that they willingly strive towards the achievement of organisational goals.

Quick Tip to Solve: A complete definition links influence, willing effort and organisational goals.

5. 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 the superior-subordinate relationship prevents free communication.
- A status-conscious superior can discourage subordinates from expressing their feelings or giving honest feedback.

Step 1: Identify the evidence in the case Amar allows salesmen to 'freely express their frank opinion and feelings' on work related matters. His subordinates therefore feel able to communicate openly with their superior.

Step 2: Name the barrier removed The difference in organisational status could otherwise make the salesmen hesitant to speak frankly. By encouraging open expression, Amar overcomes the status barrier associated with the superior-subordinate relationship.

Step 3: Conclusion The organisational barrier overcome is **status**, specifically the status of the superior.

Quick Tip to Solve: When a superior makes subordinates comfortable enough to speak frankly, identify the status barrier.

6. What is meant by a 'Treasury Bill' ? [1 mark]

Solution:

Concept:

- A Treasury Bill is a short-term borrowing instrument issued by the Government of India, with a maturity of less than one year.
- It is a money market instrument issued at a discount and redeemed at its face value; the difference is the return to its holder.

Step 1: Identify the issuer and purpose The Government of India uses Treasury Bills to meet short-term funding needs. The Reserve Bank of India issues them on behalf of the government.

Step 2: Explain their financial nature Treasury Bills are also called zero-coupon bonds: they do not carry a periodic interest payment. Investors purchase them below face value and receive face value on maturity, which occurs within a period of less than one year.

Step 3: Conclusion A Treasury Bill is a short-term Government of India borrowing instrument, issued at a discount and redeemed at face value, with maturity of less than one year.

Quick Tip to Solve: Remember three identifying features: government borrowing, maturity below one year and discount issue.

7. How does 'availability of raw material' affect the working capital requirement of an enterprise ? State. [1 mark]

Solution:

Concept:

- Working capital finances current assets such as inventories of raw materials needed for day-to-day operations.
- The amount tied up in raw material stock depends on how reliably and quickly the enterprise can obtain supplies.

Step 1: Consider readily available supplies If raw materials are readily and regularly available, the enterprise can replenish them when needed. It need not maintain a large stock, so less money remains tied up in inventory and working capital requirements are lower.

Step 2: Consider scarce or irregular supplies If raw materials are scarce, seasonal or uncertain in supply, the enterprise must keep larger stocks to avoid interruptions in production. This locks more funds in inventory and increases its working capital requirement.

Step 3: Conclusion Easy and regular availability of raw materials reduces working capital requirements; scarce or irregular availability increases them because larger stocks must be maintained.

Quick Tip to Solve: Trace the link as availability, required inventory, funds tied up and hence working capital.

8. 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:** A company with stable and predictable earnings can commit to a higher dividend than a company with uncertain earnings.
- The dividend decision considers the sustainability of future payments as well as the amount earned in the current year.

Step 1: Identify the decisive clue Satvik favours a higher dividend because he is "sure about the earning potential of the company in the coming years". His confidence concerns the continuity of earnings.

Step 2: Name the factor The factor is **stability of earnings**. Current high profits alone would not establish that a higher dividend can be maintained; the expectation of dependable future earnings supports his choice.

Step 3: Conclusion **Stability of earnings** affected Satvik's dividend decision.

Quick Tip to Solve: Link confidence about earnings in coming years to stability of earnings; link the current profit amount alone to the amount of earnings.

9. Explain the following methods of training :

(i) Vestibule Training; and

(ii) Internship Training. [3 marks]

Solution:

Concept:

- Training develops the knowledge and skills needed to perform a particular job effectively. Different methods provide different settings for learning the work.
- Vestibule training reproduces the workplace away from the actual work floor; internship combines educational instruction with practical experience in an organisation.

Step 1: Explain vestibule training **Vestibule training:** Employees learn their jobs on equipment and machines similar to those used at the actual workplace, but in a separate training area rather than on the actual work floor. The simulated setting allows instruction and practice without disrupting normal production. This method is useful where employees must handle sophisticated machinery and need familiarity with its operation before working in the production setting. The essential feature is the reproduction of actual working conditions in a separate place.

Step 2: Explain internship training **Internship training:** Educational institutions and business firms jointly organise this programme. Students continue their regular studies for a prescribed period and also work in a factory, office or other organisation for practical knowledge and skills. They apply classroom learning to actual work situations under guidance. Thus, theoretical education and workplace experience complement each other; the arrangement is more than a classroom demonstration because the student participates in real organisational work.

Step 3: Conclusion Vestibule training provides practice in a separately reproduced work environment, whereas internship training links formal studies with practical work experience through cooperation between educational institutions and organisations.

Quick Tip to Solve: Remember the defining setting: vestibule means a simulated work floor; internship means study combined with actual organisational experience.

10. 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 setting objectives and deciding in advance the course of action to attain them. It specifies what is to be done and how it is to be done.
- The planning process begins with setting objectives, followed by premises, alternative courses, their evaluation and selection, implementation and follow-up.

Step 1: Identify the function and the step already discussed The function is **planning**. Sarah wishes to supply "high quality and affordable products" on a "no profit - no loss basis" and focuses on the needs of the differently abled. These statements describe **setting objectives**, the first step. The remaining steps, in chronological order, are as follows.

Step 2: State the remaining steps in sequence **1. Developing premises:** Establish assumptions about the future conditions under which the plan will operate, such as expected demand and availability of resources.

2. Identifying alternative courses of action: List the different possible ways of achieving the objectives.

3. Evaluating alternative courses: Examine the merits, limitations, costs and likely results of each alternative in relation to the objectives and premises.

4. Selecting an alternative: Choose the most suitable and feasible course, or combination of courses, after evaluation.

5. Implementing the plan: Put the chosen course into action by arranging resources and assigning responsibilities.

6. Follow-up action: Monitor implementation to determine whether activities follow the plan and objectives are being achieved, and take the necessary corrective action.

Step 3: Conclusion Sarah is discussing **planning**. After setting objectives, the order is developing premises, identifying alternatives, evaluating alternatives, selecting an alternative, implementing the plan and follow-up action.

Quick Tip to Solve: First locate the planning step given in the case; then list only the remaining steps in their textbook order, ending with follow-up action.

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

Solution:

Concept:

- External recruitment fills vacancies by inviting candidates from outside the organisation. It widens the choice of applicants but requires a fresh search and selection process.
- Its limitations include dissatisfaction among existing employees, a lengthy recruitment process and substantial expenditure on searching for and selecting candidates.

Step 1: Explain the effect on present employees **Dissatisfaction among existing staff:** When a higher position is filled by an outsider, existing employees who expected promotion may feel that their opportunities for advancement have been reduced. Repeated reliance on outsiders can discourage them and lower their motivation and commitment. Thus, external recruitment may damage morale even when the selected outsider is capable.

Step 2: State the time and cost limitations **Lengthy process:** Vacancies must be publicised, applications received and screened, and candidates assessed before appointment. These activities take time, so external recruitment may delay filling an urgently needed position.

Costly process: The organisation incurs expenditure on advertising vacancies and processing and evaluating applications. Interviews, tests and the selection arrangements add to the cost. The expense is incurred to locate suitable people outside the organisation, unlike a straightforward internal transfer or promotion.

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

Quick Tip to Solve: For three limitations, use three distinct headings: existing staff morale, time taken and recruitment cost; explain the effect of each separately.

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

(i) Participants;

(ii) Instruments; and

(iii) Safety. [3 marks]

Solution:

Concept:

- Financial Markets: the capital market deals in medium- and long-term funds, whereas the money market deals in short-term funds with a maturity of up to one year.
- The two markets differ in their participants, the instruments traded and the degree of risk associated with those instruments.

Step 1: Compare the markets on the three stated bases

Basis	Capital market	Money market
Participants	Financial institutions, banks, corporate entities, foreign investors and ordinary retail investors participate.	Major participants include the Reserve Bank of India, commercial banks, financial institutions and corporate entities.
Instruments	Equity shares, preference shares, debentures and bonds are the main instruments.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are the main instruments.
Safety	Instruments are relatively riskier because of longer maturities and uncertainty regarding returns or repayment.	Instruments are generally safer because they have short maturities and are issued or used by financially sound institutions and borrowers.

Step 2: Relate the differences to each market's purpose The capital market mobilises funds for long-term investment, so it offers securities to a wider range of investors, including individuals. The money market meets short-term financing and liquidity needs and is dominated by institutional participants. Its greater safety is a relative comparison; it does not mean that every money-market instrument is completely free of risk.

Step 3: Conclusion Thus, the capital market has a broader investor base, trades shares and long-term debt securities, and is relatively riskier; the money market is mainly institutional, trades short-term instruments, and is generally safer.

Quick Tip to Solve: Match each comparison to the stated basis: who participates, what is traded, and how safe the investment is. Keep safety separate from liquidity.

13. 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:

- Financial Management: working capital finances day-to-day operations and the funds tied up in current assets, such as stock and trade receivables.
- The case already discusses the nature of the trading business, credit availed from suppliers and growth prospects. The question asks for other factors, so these should not be repeated as the answer.

Step 1: State two further factors affecting funds tied up in operations **Credit allowed:** The credit policy towards customers affects working capital. If Miracle Ltd. allows a longer period for customers to pay, more funds will be tied up in debtors and its working capital requirement will increase. Cash sales or faster collection reduce this requirement. This concerns credit given to customers, which differs from the four to six months' supplier credit mentioned in the case.

Operating efficiency: Efficient management of inventories and receivables reduces the funds blocked in daily operations. Faster stock turnover, prompt collection and avoidance of waste enable the company to operate with less working capital. Inefficient operations or unnecessary stocks increase its requirement.

Step 2: Explain the effect of changes in the price level **Inflation:** When prices rise, a higher amount is needed to purchase and maintain the same physical quantity of goods and meet day-to-day expenses. Other things remaining unchanged, Miracle Ltd. would therefore need more working capital. The exact increase depends on the prices of its particular goods and expenses; inflation need not affect every business equally.

Step 3: Conclusion Any three additional factors are credit allowed to customers, operating efficiency and inflation. Longer customer credit and rising prices generally increase working capital needs, while greater operating efficiency reduces them.

Quick Tip to Solve: Separate credit availed from suppliers from credit allowed to customers. When a case asks for other factors, first exclude the factors its facts already describe.

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

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

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

Solution:

Concept:

- Marketing Management: the marketing concept treats the needs and wants of the target market as the starting point of business decisions and seeks profits through customer satisfaction.
- A company's conduct can also express values such as concern for consumers' health and protection of the environment. These values should be supported by the facts of the case.

Step 1: Identify the marketing philosophy **(i) Marketing concept:** Vindhya Ayurved Ltd. adopts the marketing concept. The decisive words are "understanding needs and wants of customers in the target market" and developing products or services "for satisfying such needs and wants." These show that the company begins with the customer rather than with an existing product that it must somehow sell.

Step 2: Explain how the philosophy operates Under this concept, the firm first identifies its target customers and studies what they need. It then develops suitable products and coordinates its marketing

activities to satisfy those needs better than competitors. Customer satisfaction generates demand and supports profits over time. Vindhya's research and development of healthier daily-use alternatives illustrates this customer-oriented approach. Its competitors, by contrast, seek profit by maximising sales; that emphasis on selling existing output reflects the selling concept. The statement of Vindhya's profit objective through satisfaction of identified customer needs establishes the marketing concept here.

Step 3: State two values supported by the case **(ii) Protection of the environment:** The company develops "eco-friendly" alternatives. This shows concern for conserving environmental quality and reducing harm associated with products used in daily life.

Concern for consumers' health and well-being: It develops "chemical-free and healthy alternatives." This demonstrates a commitment to customers' health while supplying medicines and everyday consumer products. Both values follow directly from the stated product-development effort.

Step 4: Conclusion Vindhya Ayurved follows the **marketing concept**, earning profits by understanding and satisfying its target customers' needs. Two values promoted are **environmental protection** and **concern for consumer health**.

Quick Tip to Solve: Identify the philosophy from how profit is sought: sales volume points to selling, while satisfying the target market's needs points to marketing. Then link each value to a specific phrase in the case.

15. 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: management principles are broad guidelines for managerial decisions and behaviour, developed through experience, observation and experimentation.
- Their universal applicability means that they are relevant to different kinds of organisations. Their application nevertheless depends on the circumstances, size and nature of the organisation.

Step 1: Identify the nature highlighted in the case **(i) Universal applicability:** Reema recognises that management principles apply to "all types of organisations," including business and non-business organisations, small and large organisations, and public and private enterprises. This is universal applicability. A school, a hospital and a manufacturing company all require managerial guidance, although the manner and extent of application may differ with their conditions.

Step 2: Explain the first other characteristic **(ii) General guidelines:** Management principles give broad directions for action rather than ready-made, rigid solutions to every managerial problem.

Business situations involve several changing factors. A manager must therefore use judgement to interpret a principle in the particular situation. For example, a principle may guide the distribution of work, but it does not prescribe the exact duties of every employee in every organisation.

Step 3: Explain the second other characteristic **Flexibility:** Principles of management are flexible and can be modified in their application according to the needs of a situation. Managers have discretion to adapt their use. For instance, the degree of centralisation appropriate for a small enterprise can differ from that suitable for a large enterprise; the principle guides the choice without requiring one identical arrangement everywhere.

Step 4: Explain the third other characteristic **Contingent nature:** The application of a management principle depends upon the prevailing situation and the requirements at that time. The same principle need not produce an identical result under all conditions. For example, an incentive intended to motivate employees must be suited to their needs; additional pay may motivate someone seeking financial security, whereas recognition may matter more to another employee. Thus a manager considers the circumstances before applying the principle.

Step 5: Conclusion The feature highlighted is **universal applicability**. Three other features are that management principles are **general guidelines**, are **flexible**, and are **contingent on the situation**.

Quick Tip to Solve: "All types of organisations" identifies universal applicability. For the remaining points, use distinct NCERT headings and explain each; do not repeat universal applicability as one of the three other features.

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 for a job after assessing their qualifications and suitability. Each successive stage helps the employer make a better appointment decision.
- The case says that Raman has already conducted "preliminary interviews" and tests of the candidates' "maturity and emotions" and "ability to take decisions". Preliminary screening and selection tests are therefore complete; the remaining selection stages must follow.

Step 1: Conduct the employment interview **Employment interview:** Raman should hold a formal, in-depth conversation with the shortlisted candidates to evaluate their suitability for nursing duties. It provides an opportunity to assess qualities that written tests may not reveal and lets candidates seek information about the hospital and the job.

Step 2: Check references and background **Reference and background checks:** He should contact

the referees named by the candidates, such as previous employers or teachers, to verify the information supplied. Such checks provide additional information about experience, character and past performance before the hospital makes its choice.

Step 3: Make the selection decision **Selection decision:** After evaluating interview results, test performance and references, Raman should choose the most suitable candidates. The final decision should involve the concerned managers who will supervise the selected nurses, since they will be responsible for their performance.

Step 4: Arrange the medical examination **Medical examination:** The selected candidates should undergo the prescribed medical fitness test. A satisfactory medical report establishes whether they are physically fit to perform the duties of the post before the job offer is made.

Step 5: Make the job offer **Job offer:** The hospital should issue a letter of appointment to each selected candidate, requesting acceptance and stating the date for reporting to work. The reporting date should allow a reasonable period for any required notice to a previous employer.

Step 6: Complete the contract of employment **Contract of employment:** Once the offer is accepted, the hospital and candidate should complete the employment contract and required documents. The terms should clearly state the job title, duties, remuneration, working hours, leave provisions, notice period and other applicable conditions.

Step 7: Conclusion Raman should complete the employment interview, reference and background checks, selection decision, medical examination, job offer and contract of employment, in that order. These steps follow the screening and selection tests already described in the case.

Quick Tip to Solve: Locate the last completed selection stage in the case, then begin with the next stage. Here, tests are complete, so begin with the employment interview rather than repeating screening or tests.

17. State any four advantages of formal organization. [4 marks]

Solution:

Concept:

- Formal organisation is the structure deliberately designed by management to define jobs, responsibilities, authority and reporting relationships. Employees are expected to work within these prescribed relationships to achieve organisational objectives.
- Its advantages arise from clarity about who performs each task, who is answerable for it and how different departments relate to one another. The following are four advantages of this planned structure.

Step 1: Explain how it fixes responsibility **Easy fixation of responsibility:** Formal organisation clearly specifies the duties of each employee and the extent of the authority assigned to that position. Consequently, management can identify who is responsible for performing a task and hold that person accountable if it is not properly completed. Defined duties reduce the scope for employees to evade responsibility by blaming one another.

Step 2: Explain how it avoids duplication **Avoidance of duplication of effort:** The role of each member is specified, and work is systematically divided among positions and departments. This prevents several people from unnecessarily doing the same work while other essential tasks are neglected. Clear boundaries between jobs help employees use their time and organisational resources effectively.

Step 3: Explain how it preserves unity of command **Maintenance of unity of command:** The formal structure establishes the chain of authority and identifies the superior to whom each subordinate reports. Employees know from whom they should receive instructions and to whom they are accountable. This reduces confusion caused by conflicting directions and makes the reporting relationship clear.

Step 4: Explain how it supports organisational goals **Achievement of organisational objectives:** Formal organisation provides a framework within which the operations of different departments are coordinated and controlled. The activities of individual employees are linked to departmental and overall goals, allowing separate contributions to support a common purpose rather than becoming disconnected efforts.

Step 5: Conclusion Four advantages of formal organisation are easy fixation of responsibility, avoidance of duplication of effort, maintenance of unity of command and support for the achievement of organisational objectives.

Quick Tip to Solve: Link each advantage to a feature of the formal structure: defined duties fix responsibility, divided work avoids duplication, reporting lines preserve unity of command, and coordinated departments support common goals.

18. Explain 'Critical Point Control' and 'Management by Exception' used by managers while analysing deviations in the process of controlling. [4 marks]

Solution:

Concept:

- Controlling compares actual performance with predetermined standards. Analysing deviations helps managers decide which differences need investigation and corrective action.
- Critical point control focuses attention on key result areas, while management by exception focuses attention on deviations that exceed acceptable limits.

Step 1: Explain critical point control **Meaning:** Critical point control means concentrating control efforts on the key result areas that are critical to the success of an organisation. It is neither economical nor practical to check every activity with equal intensity. Managers therefore identify the areas where a departure from the standard would seriously affect organisational performance.

Application: Deviations in these critical areas receive priority during analysis. For example, in a manufacturing business, an increase in production cost may deserve closer attention than a comparable increase in a minor administrative expense because production cost directly affects the competitiveness and profitability of its main activity. The critical areas depend on the organisation's objectives and operations.

Step 2: Explain management by exception **Meaning:** Management by exception is based on the belief that trying to control everything can result in controlling nothing. Only significant deviations that go beyond a predetermined permissible range should be brought to the attention of management. Routine variations within that range need not consume the manager's personal attention.

Application: Suppose an organisation permits a small specified variation in material costs. A variation within that tolerance can be handled through routine procedures, but a variation beyond the limit should be reported, investigated and corrected. This saves managerial time and directs attention to matters where intervention is most necessary.

Step 3: Conclusion Critical point control selects the important areas to monitor; management by exception selects the significant deviations requiring managerial attention. Together they make the analysis of deviations more focused and economical.

Quick Tip to Solve: Remember the distinction as "where to focus" for critical point control and "which departures to investigate" for management by exception.

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

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

Solution:

Concept:

- Motivation can be strengthened through non-financial incentives that satisfy employees' needs for recognition, belonging, esteem and personal development.
- Incentives already described in a case must be distinguished from the additional incentives requested. Irma already provides career advancement opportunities and job enrichment.

Step 1: Identify what Irma has already introduced The case mentions "appropriate skill development programmers and a sound promotion policy". These provide **career advancement opportunities**: employees can develop their skills and progress to higher positions. The expression "greater variety of work content" points to **job enrichment**, which makes a job more challenging and meaningful. Since the question asks for other incentives, neither of these should be repeated as an additional recommendation.

Step 2: Introduce employee recognition programmes **Employee recognition programmes:** Irma can formally acknowledge and appreciate employees who perform well or make valuable contributions. Recognition may take the form of a letter of appreciation, a certificate, praise before colleagues, or displaying an outstanding employee's achievement on a notice board or in the company newsletter.

Such appreciation makes employees feel that their efforts are noticed and valued. It satisfies their need for esteem, increases confidence and encourages them to maintain or improve their performance. To retain its motivational value, recognition should relate to actual contributions and be given fairly

and promptly.

Step 3: Encourage employee participation **Employee participation:** Irma can involve employees in decisions about matters that affect their work. For example, she can establish joint consultation committees or work committees through which employees offer suggestions and participate in resolving workplace problems.

Participation gives employees a sense of belonging and makes them feel that management respects their views. When employees help shape decisions, they understand them better and are more willing to implement them. This strengthens cooperation and commitment to the company's objectives, rather than treating employees merely as recipients of instructions.

Step 4: Conclusion Irma may introduce employee recognition programmes and employee participation. These additional non-financial incentives motivate employees through appreciation and involvement, beyond the career advancement and job enrichment already provided.

Quick Tip to Solve: First underline the incentives already present in a case; then select two different NCERT incentives and explain how each motivates employees.

---

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

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product. It protects the product and makes its handling, storage and presentation convenient.
- The three levels are primary packaging, secondary packaging and transportation packaging. A level is identified by its relationship to the product, rather than by the material alone.

Step 1: Identify the primary package **Primary packaging:** This is the product's immediate container. In this case, it is the **ointment tube**, identified by the words "The ointment tube was packed in a cardboard box." The ointment itself is held directly in the tube; the tube is therefore the immediate package, while the cardboard box is outside it. The tube protects the medicine from direct exposure and allows the consumer to take out the required quantity. It remains with the ointment during use, rather than being discarded as soon as the product is bought.

Step 2: Identify the additional protective package **Secondary packaging:** This is an additional layer of protection around the primary package, generally discarded when the product is ready for use. The **cardboard box** in which the ointment tube was packed is secondary packaging. The words "packed in a cardboard box" show that this box surrounds the immediate container. It helps protect the tube during handling and provides a convenient surface for displaying product information. The consumer can remove the cardboard box while retaining the tube containing the medicine.

Step 3: Identify the bulk transport package **Transportation packaging:** This is the further packaging used for storage, identification and transportation of several packaged units together. The **corrugated**

boxes containing 20 units supplied by the wholesaler to the chemist are transportation packaging. The quoted phrase establishes that these boxes group several retail units for distribution. They facilitate bulk handling and help protect the individual packages during movement between the wholesaler and the retailer; they are not the medicine's immediate container.

Step 4: Conclusion The ointment tube is primary packaging, the cardboard box enclosing the tube is secondary packaging, and the corrugated box holding 20 units is transportation packaging. These represent the immediate, additional protective and bulk distribution levels respectively.

Quick Tip to Solve: Work outwards from the product: the container touching it is primary, its additional outer cover is secondary, and the box grouping retail units is transportation packaging.

21. Is management a science ? Explain. [5 marks]

Solution:

Concept:

- Science is a systematised body of knowledge that explains general truths or the operation of general laws. Its principles are developed through observation and experimentation.
- Management has scientific features, but deals with human beings whose behaviour varies across circumstances. It is therefore an inexact or social science, rather than an exact science like physics or chemistry.

Step 1: Examine whether management has systematic knowledge **Systematised body of knowledge:** A science has an organised body of knowledge consisting of concepts, principles and theories. Management satisfies this feature: its knowledge is arranged around functions such as planning, organising, staffing, directing and controlling. It has developed its own concepts and principles, including unity of command and division of work. Managers can study these ideas systematically instead of relying only on personal guesses. Management also draws on disciplines such as economics, psychology and sociology to understand organisational problems.

Step 2: Examine how management principles are developed **Principles based on experimentation:** Scientific principles arise from repeated observation and testing. Management principles have also been developed through observation, practical experience and experiments. For example, Taylor's scientific management used systematic studies of work to improve efficiency. However, experiments in management cannot always be conducted under fully controlled conditions. People respond differently, and their attitudes and the organisational environment can change. Thus, management principles offer useful guidance but do not give the same precise results in every situation.

Step 3: Examine the scope of universal application **Universal validity:** Principles of an exact science normally apply uniformly under specified conditions. Management principles can be used in different kinds of organisations, but their application is less exact and must be adapted to the situation. The size of an organisation, its objectives, its workforce and its environment affect how a principle should be applied. For example, the appropriate degree of centralisation depends on the circumstances of the enterprise. Consequently, management principles are flexible guidelines rather than rigid laws guaranteeing identical outcomes everywhere.

Step 4: Conclusion Yes, management is a science because it possesses an organised body of knowledge and principles developed through observation and experimentation. Its principles have qualified application because human behaviour and organisational situations vary. It is therefore an inexact or social science, not an exact science.

Quick Tip to Solve: Test management against three scientific features: systematic knowledge, experimentation and universal validity. Explain its limits before concluding that it is an inexact science.

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

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

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

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

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

Solution:

Concept:

- Taylor's Scientific Management includes **cooperation, not individualism**: management and workers should cooperate to achieve their common objectives instead of treating one another as opponents.
- Fayol's General Management includes **order**: there should be a definite place for every person and material, and each should be in the appropriate place when required.

Step 1: Identify and explain the Scientific Management principle **(i) Cooperation, not individualism:** The case says that management "does not close its ears to any constructive suggestions" and that there is "an equal division of work and responsibility between volunteers and management." It also describes management working side by side with volunteers, helping and encouraging them. These statements show cooperation between the two groups. Under Taylor's principle, management should welcome constructive suggestions, involve workers in decisions affecting them and assist them in their work. Workers should also cooperate with management rather than obstruct it. Both should replace rivalry with mutual confidence and work towards their common organisational objective. Here, such cooperation helps the NGO use its volunteers' effort effectively for its welfare activities.

Step 2: Identify and explain the General Management principle **Order:** The case states that the collected material is "segregated, classified and put in shelves and boxes that are labelled systematically" and that "There is a specific place for each of these items." These are direct clues to Fayol's principle of order. Materials should be kept in their designated places so that they can be located quickly and are available whenever required. Social order similarly requires an appropriate place for every person. At Sakaar Foundation, systematic storage prevents confusion and waste of time when volunteers need to locate and distribute donated articles.

Step 3: State two values promoted by the Foundation **(ii) Compassion and concern for the disadvantaged:** Helping children with medical needs, homeless people and victims of natural disasters shows sensitivity to the suffering and basic needs of others.

Social responsibility and service to society: Collecting donations and useful articles for people in need reflects a commitment to community welfare and encourages voluntary participation in helping society.

Step 4: Conclusion Sakaar Foundation adopts Taylor's **cooperation, not individualism** and Fayol's **order**. Its welfare work displays **compassion for the disadvantaged** and **social responsibility**.

Quick Tip to Solve: In a management case, match the exact clue to the named principle: labelled storage points to order, while shared responsibility and constructive suggestions point to cooperation.

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

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

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

Solution:

Concept:

- An **investment decision** concerns how the firm's funds are invested in different assets. A long-term investment decision, or **capital budgeting decision**, commits funds to fixed assets that affect the business over several years.
- Capital budgeting compares the expected future cash flows and returns of investment proposals against the investment required and the return expected by the business.

Step 1: Identify the financial decision from the case **(i) Long-term investment decision or capital budgeting decision:** Radha must decide where to invest her savings for expanding the fishery. The suggestions include replacing machinery, acquiring equipment with the latest technology and opening a new branch. Each involves acquiring or creating assets for long-term use, rather than meeting routine day-to-day expenses. The case expressly says that these decisions "involve huge amount

of money" and "are irreversible except at a huge cost." These are characteristic features of capital budgeting.

Step 2: Explain what Radha must decide Capital budgeting involves evaluating long-term investment proposals and selecting those that best serve the business's objectives. Radha must compare the different uses of her funds before committing her savings. The choice determines the fishery's future earning capacity, scale of operations and business risk. A poor selection can tie up substantial funds in an unproductive asset, and reversing it may involve a heavy loss. She should therefore appraise the proposals rather than select one simply because the equipment is newer or the business would become larger.

Step 3: Explain the cash-flow factor **(ii) Cash flows of the project:** Each proposal involves an initial cash outflow followed by expected cash inflows and operating cash outflows over its useful life. Radha should carefully estimate the amount and timing of these flows for each alternative. For example, a new branch requires an initial investment and recurring operating payments, while it is expected to generate future receipts. Reliable estimates help her judge whether the proposal can recover the funds committed and produce adequate net cash benefits. Accounting profit alone does not show when cash will actually be received or paid.

Step 4: Explain the rate-of-return factor **Rate of return:** The return expected from each proposal must be assessed in relation to the investment required. Radha should compare the expected return with the return required by her business and with the returns of the other proposals, taking account of their risk. Proposals offering an inadequate return should not be accepted merely because funds are available. This assessment helps her select an investment that uses her savings productively and contributes to the long-term value of the fishery.

Step 5: Conclusion Radha faces a **capital budgeting decision**, which is a long-term investment decision. Two factors affecting it are the **cash flows of each project** and its **expected rate of return**; both should be evaluated before she commits funds to machinery, equipment or expansion.

Quick Tip to Solve: Large investment, long-term assets and costly reversal together signal capital budgeting. When asked for two factors, explain project cash flows and rate of return separately.

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

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

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

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

Solution:

Concept:

- Consumer Protection: the consumer redressal machinery can order appropriate relief when a genuine complaint about an unfair trade practice, defective goods or injury caused by defective goods is established.
- The remedy must match the harm: refund addresses money wrongly paid, removal or replacement addresses defective goods, and compensation addresses loss or injury suffered.

Step 1: Identify two reliefs for Komal's overcharging Komal was "charged more than the printed price" because the NCERT book was in short supply. Scarcity does not justify charging above the printed price.

- **Refund the excess amount:** The Court can direct the seller to return the amount collected above the printed price. This restores the money wrongly taken from Komal while allowing her to retain the book at its proper price.
- **Discontinue the unfair trade practice:** The Court can direct the seller to stop charging more than the printed price and not repeat the practice. This addresses the conduct that caused the complaint and protects buyers against its recurrence.

Step 2: Identify two reliefs for Kumar's defective truck Kumar received a truck "with 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 its removal, so that the truck becomes fit for its intended use.
- **Replace the defective truck:** The Court can order replacement with a new truck free from the defect. Replacement is an appropriate alternative where Kumar should not be left with a defective vehicle after paying for a sound one.

Step 3: Identify two reliefs for Suresh's injury Suresh "suffered injury" while using a newly purchased defective electric iron. The reliefs should address both the defective purchase and the resulting injury.

- **Refund the price:** The Court can direct the seller to refund the price paid for the defective iron, restoring the purchase amount instead of requiring Suresh to keep the defective product.
- **Pay compensation:** The Court can award compensation for the injury or loss suffered due to the defective iron, such as the resulting medical expenses where established. This is distinct from merely returning the iron's price.

Step 4: Conclusion The two suitable reliefs in each case are: refund of the excess charge and discontinuance of the unfair trade practice for Komal; removal of the engine defect or replacement of the truck for Kumar; and refund of the iron's price and compensation for the injury for Suresh.

Quick Tip to Solve: Match each remedy to the complaint: overcharging calls for refund and stopping the practice, a defective product for repair or replacement, and an injury for compensation in addition to a remedy for the product.

25. 'The divisional structure of organization 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:

- Organising: a divisional structure groups activities around different products or product lines. Each division has its own functional departments, such as production, finance and marketing.
- A divisional head is responsible for the division's performance. Product-wise grouping provides autonomy and clear responsibility, but may duplicate resources and encourage narrow divisional interests.

Step 1: Explain three advantages of divisional structure

- **Development of managerial skills:** A divisional head handles several functions associated with a product rather than specialising only in one function. This develops a range of skills and prepares the manager for higher positions requiring general management competence.
- **Accountability for results:** The revenues and costs of each division can be identified separately. Its profit or loss can therefore be assessed, making it easier to hold the divisional head responsible for performance and to take suitable corrective action in an underperforming division.
- **Flexibility and initiative:** Each division operates as a relatively autonomous unit and can take many decisions concerning its own operations. Managers can respond promptly to their product's requirements without referring every matter to the top management, encouraging initiative and faster decisions.

Step 2: Explain three disadvantages of divisional structure

- **Conflict over resource allocation:** Divisions may compete for funds, personnel and other resources. One division may seek a larger share at the expense of another, creating disagreements and making coordination in the interests of the whole enterprise more difficult.
- **Increased cost through duplication:** Each division maintains similar functions, such as purchasing, sales and personnel. The duplication of staff, facilities and support activities across divisions increases operating costs compared with sharing those resources centrally.
- **Neglect of organisational interests:** A divisional manager may focus on improving the division's own results and misuse the autonomy available. Decisions that benefit that division may harm other divisions or the enterprise as a whole, so divisional objectives can displace overall organisational objectives.

Step 3: Conclusion Divisional structure develops managers, establishes accountability for results and encourages flexibility and initiative. An enterprise must balance these benefits against conflicts over resources, the cost of duplicated functions and the risk that divisional interests will override organisational interests.

Quick Tip to Solve: Link the advantages to product-wise autonomy and responsibility; link the disadvantages to divisions competing, duplicating functions and pursuing their own goals.