CBSE Class 12 Business Studies Question Paper 2018 with Solution PDF-Set 66/1 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) Answers to questions carrying **1 mark** may be from **one word to one sentence**.

(ii) Answer to questions carrying **3 marks** may be from **50-75 words**.

(iii) Answer 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. What is meant by 'functional structure' of an organisation ? [1 mark]

Solution:

Concept:

- An organisational structure specifies how activities are grouped and reporting relationships are established.
- A functional structure groups similar jobs according to the major functions performed in an enterprise.

Step 1: Identify the basis of grouping In a functional structure, activities of the same nature are brought together. For example, all production activities are placed under production, while selling activities are placed under marketing.

Step 2: State the meaning Each functional department is headed by a specialist responsible for that function. Employees therefore work in departments based on the kind of work they perform, rather than on separate product lines.

Step 3: Conclusion Functional structure means an organisational structure formed by grouping jobs of a similar nature under major functions, such as production, marketing and finance.

Quick Tip to Solve: Look at the basis of grouping: similar activities grouped as production or marketing indicate a functional structure.

2. How does planning reduces the risks of uncertainty ? [1 mark]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it.
- It reduces the risk of uncertainty by anticipating future conditions and preparing suitable courses of action.

Step 1: Anticipate future changes Planning requires managers to look ahead and assess likely changes in demand, competition and other business conditions. This helps them identify possible problems before those problems arise.

Step 2: Prepare suitable action Managers can then make provision for unfavourable developments and choose appropriate responses. Although planning cannot eliminate uncertainty, this preparation reduces the impact of unexpected events on business operations.

Step 3: Conclusion Planning reduces the risks of uncertainty by enabling managers to anticipate future events and prepare appropriate measures to deal with them.

Quick Tip to Solve: Link uncertainty to looking ahead: anticipation plus advance preparation reduces risk, but does not remove it completely.

3. Zamon Ltd. is manufacturer of electronics goods based in Pune. On one hand it deals in items like books, music instruments, videotapes etc., and on the other hand it deals in laptops and mobile phones.

The company had a functional structure with separate heads for production, marketing and finance. All the functional heads were looking after the products, but at times their activities overlapped. This led to problems related to coordination and inter-departmental conflicts. To facilitate specialisation Ramit, the CEO of the company decided to group books, music instruments, videotapes etc. under 'Media' and laptops and mobile phones under 'consumer electronics'. While doing so Ramit has performed a step in the process of one of the functions of management. Identify the step. [1 mark]

Solution:

Concept:

- Organising includes identification and division of work, departmentalisation, assignment of duties and establishment of reporting relationships.
- Departmentalisation is the grouping of similar or related activities into departments to facilitate specialisation.

Step 1: Identify the action described Ramit decided to group books, music instruments and videotapes under 'Media' and laptops and mobile phones under 'consumer electronics'. The case therefore describes grouping related activities into distinct units.

Step 2: Name the organising step This grouping is departmentalisation, the second step in the organising process. Here, the grouping is on a product basis, which helps each product group receive specialised attention and reduces overlap between activities.

Step 3: Conclusion The step is **departmentalisation** in the organising process, shown by grouping the products under 'Media' and 'consumer electronics'.

Quick Tip to Solve: When a case says that activities or products are grouped into departments, identify departmentalisation rather than assignment of duties.

4. VXL Ltd. is a company dealing in dairy products. It procures these products from Rajasthan and sells them to various parts of Delhi. A month before 'Merio Ltd.', a Haryana based company entered Delhi market with a similar range of products. State the impact of entry of Haryana based 'Merio Ltd.' on the working capital requirements of VXL Ltd. Also, name the factor affecting the working capital requirements of VXL Ltd. [1 mark]

Solution:

Concept:

- Working capital is the finance needed for day-to-day business operations.
- The level of competition affects the amount of working capital required by a business.

Step 1: Identify the relevant factor The case says that Merio Ltd. entered the Delhi market 'with a similar range of products'. This increases competition faced by VXL Ltd.; hence the relevant factor is the level of competition.

Step 2: State the effect on working capital Greater competition may require VXL Ltd. to keep more stock for prompt delivery and offer more liberal credit to retain customers. More funds would then be tied up in inventories and receivables, increasing its working capital requirement.

Step 3: Conclusion VXL Ltd.'s working capital requirement will increase. The factor is **level of competition**, as the new entrant sells a similar range of products in the same market.

Quick Tip to Solve: A new rival selling similar products points to competition; explain how additional stock or customer credit can tie up more working capital.

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5. 'Vani Oil Refinery' is a large company, engaged in processing crude oil and refining it into more useful products like Petroleum, Kerosene, LPG etc. It has build good reputation over the years. It has been consistently earning profits and paying regular dividend to its shareholders. It needs additional working capital immediately to finance a project. It expects to return this amount after seven to eight months. Ashish Batra, the Finance Manager of the company does not want to get into procedural requirements of securing finance from a Commercial Bank.

Suggest how the company can raise the required finance for meeting its additional working capital requirements. [1 mark]

Solution:

Concept:

- Commercial paper is an unsecured, negotiable short-term instrument issued by large and creditworthy companies.
- It enables such companies to raise funds directly from the money market for short-term financing requirements.

Step 1: Match the company to the instrument The company has 'build good reputation over the years' and has been 'consistently earning profits'. These features indicate the creditworthiness needed to issue commercial paper without providing collateral.

Step 2: Match the repayment period The funds are needed for 'seven to eight months', which is within the short-term maturity of commercial paper. Issuing it raises funds directly from investors and avoids the procedural requirements of obtaining a commercial bank loan.

Step 3: Conclusion Vani Oil Refinery should raise the required short-term finance by issuing **commercial paper**. Its strong reputation and profitability support this unsecured borrowing.

Quick Tip to Solve: A large, creditworthy company needing funds for less than a year without a bank loan is a strong clue for commercial paper.

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6. Give the meaning of Marketing Mix. [1 mark]

Solution:

Concept:

- Marketing mix is the combination of marketing variables used by a firm to achieve its marketing objectives.
- Its four main elements are product, price, place and promotion, commonly called the four Ps.

Step 1: Identify the controllable decisions A business decides what product to offer, what price to charge, how to make the product available and how to communicate its benefits. These are variables that the firm can combine to influence buyers.

Step 2: Explain the combination The four elements work together to satisfy the target market and achieve the firm's marketing objectives. For example, a product's price, distribution and promotion should support the position the firm wants it to have in the market.

Step 3: Conclusion Marketing mix means the combination of product, price, place and promotion decisions used by a firm to achieve its marketing objectives in the target market.

Quick Tip to Solve: Remember the four Ps, but define the mix as their coordinated combination for achieving marketing objectives.

7. If the company has enough funds and the management also wants to have greater control on the channel members, which channel of distribution should the company adopt ? Give reason in support of your answer. [1 mark]

Solution:

Concept:

- Financial strength and the desired degree of control influence the choice of distribution channel.
- A shorter channel requires the producer to undertake more distribution work but provides greater control over selling activities.

Step 1: Use the financial strength clue The company has 'enough funds'. It can therefore bear the investment and operating costs of performing distribution functions itself instead of depending on a long chain of intermediaries.

Step 2: Use the control clue Management wants 'greater control on the channel members'. A short channel, preferably direct distribution, gives the producer closer control over sales policies, customer service and other distribution activities because fewer intermediaries intervene.

Step 3: Conclusion The company should adopt a **short channel of distribution, preferably direct distribution**. It can finance the distribution functions itself and retain greater control over the selling process.

Quick Tip to Solve: Combine both clues: strong finances make a short channel feasible, and fewer intermediaries give the producer greater control.

8. 'My Bakery', a biscuit manufacturing company, launched biscuits with different flavours based on quality and features like 'Crunchy biscuits', 'Sweet Potato', 'Coffee Jolly' etc.

The labels on the package of the biscuits are with pictures and different colours indicating and specifying the flavours of the biscuits and their contents.

Identify the two functions of labelling discussed above. [1 mark]

Solution:

Concept:

- A label helps in identifying a product or brand and in describing the product and specifying its contents.
- Different varieties of the same product can be recognised from the information displayed on their packages.

Step 1: Identify the product or variety **Identification of the product:** The labels have 'pictures and different colours' that indicate the flavours. These distinguish the biscuit varieties, such as 'Crunchy biscuits', 'Sweet Potato' and 'Coffee Jolly', so a buyer can identify the required variety.

Step 2: Describe the contents **Describing the product and specifying its contents:** The labels specify 'the flavours of the biscuits and their contents'. They therefore tell the buyer what the package contains and the nature of the biscuits being purchased.

Step 3: Conclusion The two functions are identification of the product and describing the product and specifying its contents.

Quick Tip to Solve: Link colours or pictures that distinguish varieties to identification; link information about what is inside to description and contents.

9. Distinguish between 'delegation' and 'decentralization' on the basis of (i) Freedom of action; (ii) Status and (iii) Purpose. [3 marks]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate to perform assigned duties; the superior retains accountability.
- Decentralisation is the systematic delegation of authority throughout all levels of management. It is an organisational policy extending decision-making power to lower levels.

Step 1: Compare freedom of action and status The first two differences are:

Basis	Delegation	Decentralisation
Freedom of action	The subordinate has less freedom because the superior exercises greater control over decisions and performance.	Lower-level managers have greater freedom in taking decisions within the powers systematically assigned to them.
Status	It is a process followed by a manager to share tasks and authority with subordinates.	It is a policy decision of top management concerning the distribution of authority throughout the organisation.

Step 2: Compare the purpose

Basis	Delegation	Decentralisation
Purpose	Its purpose is to lessen the burden of the manager by assigning part of the work and the necessary authority to subordinates.	Its purpose is to increase the role of subordinates in the organisation by giving them greater autonomy in decision making.

Delegation takes place between a superior and a subordinate; decentralisation gives such distribution of authority a wider, systematic organisational application.

Step 3: Conclusion Delegation is a managerial process with relatively less subordinate freedom, mainly to reduce the superior's workload. Decentralisation is a top-management policy giving greater autonomy and an increased decision-making role to lower levels.

Quick Tip to Solve: For the three stated bases, remember: less versus more freedom, process versus policy, and reducing workload versus increasing the subordinate's role.

10. State any three financial incentives other than 'Pay and Allowances' to motivate employees.

[3 marks]

Solution:

Concept:

- Financial incentives are benefits expressed in monetary terms that motivate employees by satisfying their financial needs.
- Apart from pay and allowances, NCERT identifies incentives such as productivity-linked wage incentives, bonus and profit sharing.

Step 1: State productivity-linked wage incentives **Productivity-linked wage incentives:** Employees receive additional wages when their output or productivity meets or exceeds the specified standard. Linking earnings to performance encourages them to increase productivity. For example, a payment for output beyond an agreed target directly connects extra effort with extra earnings. This incentive rewards results rather than merely attendance.

Step 2: State bonus and profit sharing **Bonus:** A bonus is an incentive offered over and above wages or salary. It is an additional monetary benefit that rewards employees and encourages better performance. It is distinct from the normal pay and allowances excluded by the question.

Profit sharing: Employees receive a share in the profits of the organisation. As employees benefit when the organisation earns higher profits, they are encouraged to work efficiently and help improve its performance. It links their financial interest with the prosperity of the enterprise.

Step 3: Conclusion Three financial incentives other than pay and allowances are productivity-linked wage incentives, bonus and profit sharing.

Quick Tip to Solve: Name three distinct monetary benefits and briefly explain how each motivates; do not repeat ordinary salary or allowances under another name.

11. Lakhan, an expert in the area of Financial Management, sent an e-mail to his subordinate Thomas about a new project for a client in France. Though, the mail was in English, a language known to Thomas, he was not able to understand the actual meaning of many words used in the mail. He was also not a specialist in the field of Financial Management. Not only this, some portions of the mail were translated from French to English in such a manner that many mistakes crept in, causing different meaning to the message.

(a) Identify two specific barriers to communication in Lakhan's e-mail.

(b) State any two measures which can be taken by Lakhan to overcome the barriers identified in part (a) above to improve in future the effectiveness of his communication. [3 marks]

Solution:

Concept:

- Semantic barriers arise when words, symbols or expressions are interpreted differently, preventing the receiver from understanding the intended message.
- Technical jargon and faulty translations are specific semantic barriers. Effective communication requires language suited to the receiver and feedback to confirm understanding.

Step 1: Identify the two barriers with case evidence **Technical jargon:** Thomas 'was also not a specialist in the field of Financial Management' and could not understand 'the actual meaning of many words'. Lakhan used specialised financial terminology that was unfamiliar to the receiver, even though Thomas knew English.

Faulty translations: Some portions were translated 'from French to English' with 'many mistakes', giving 'different meaning to the message'. The translation therefore distorted the intended information. Both are semantic barriers; knowing the general language does not remove them.

Step 2: State two measures for future communication **Be aware of languages, tone and content of the message:** Lakhan should use clear, simple words appropriate to Thomas's knowledge, explain unavoidable financial terms and ensure that translated portions accurately retain the original meaning. The vocabulary and expressions must be understandable to the receiver.

Ensure proper feedback: Lakhan should ask Thomas to explain the important instructions in his own words and invite questions. This checks whether the intended meaning has been understood and allows Lakhan to correct misunderstood jargon or wrongly translated expressions before Thomas acts.

Step 3: Conclusion The barriers are technical jargon and faulty translations. Using suitable, accurate language and obtaining feedback will improve the effectiveness of Lakhan's future communication.

Quick Tip to Solve: Use the clue 'not a specialist' for technical jargon and 'mistakes' in French-to-English conversion for faulty translations; then connect each remedy to understanding.

12. Neelabh Sarin, the Finance Manager and Atul Chopra, the Managing Director of Ghokerns Ltd. were discussing regarding the source of finance to be raised for modernisation of their existing plant. Quoting that 'Sensex has soared by 5078 points' in the last three years, Neelabh Sarin suggests that equity should be preferred while Atul Chopra wanted to opt for debt.

Keeping in mind the high operating costs of the company, suggest the source of finance that should be used for modernisation of existing plant. Also, explain the two factors highlighted above which should be kept in mind for taking this decision. [3 marks]

Solution:

Concept:

- Capital structure is the mix of debt and equity used to finance a business. The choice must consider both the conditions in the capital market and the risk already arising from operations.
- Equity does not impose a compulsory fixed interest payment. Debt creates financial risk because interest and repayment obligations must be met even when business earnings are low.

Step 1: Suggest equity financing Ghokerns Ltd. should raise equity share capital for modernising its existing plant. The case states that it has "high operating costs". Adding compulsory interest on debt to this existing operating burden would increase the company's total risk. Equity avoids this additional fixed financial commitment; dividends are not a compulsory fixed charge.

Step 2: Explain stock market conditions **Stock market conditions:** The statement "Sensex has soared by 5078 points" signals a rising or bullish stock market. During a buoyant market, investors are more willing to invest in shares, so an equity issue can attract a better response and equity can generally be raised more easily. In a depressed market, investors may be reluctant to subscribe to equity and debt may be more suitable. Thus, the market conditions mentioned support Neelabh Sarin's proposal.

Step 3: Explain the risk consideration **Risk consideration:** The company's "high operating costs" indicate substantial business risk arising from its operations. Where fixed operating costs are high, fixed financing costs should be kept low to avoid an excessive combined burden. Debt would add mandatory interest and thereby increase financial risk. A company with lower business risk can bear more debt, but this company's existing operating burden favours equity.

Step 4: Conclusion Equity share capital is the appropriate source. Both the bullish stock market and the need to limit financial risk in view of high operating costs support this choice. The two factors are stock market conditions and risk consideration.

Quick Tip to Solve: In a capital-structure case, link a rising Sensex to stock market conditions and high operating costs to risk consideration; then assess whether debt would add an unsafe fixed burden.

13. Explain any three points of importance of consumer protection from the point of view of consumers.

[3 marks]

Solution:

Concept:

- Consumer protection safeguards buyers against unfair and exploitative business practices. From the consumers' point of view, it is necessary because consumers may be uninformed, poorly organised and vulnerable to exploitation.
- The three NCERT grounds are consumer ignorance, unorganised consumers and widespread exploitation of consumers. Each explains a different reason why protection and consumer education are needed.

Step 1: Explain consumer ignorance **Consumer ignorance:** Many consumers do not know their rights or the reliefs available when those rights are violated. They may therefore accept defective goods or unfair treatment without taking action. Consumer protection educates them about their rights, responsibilities and the remedies available so that they become informed buyers capable of seeking redressal.

Step 2: Explain the problem of unorganised consumers **Unorganised consumers:** Consumers are widely scattered and often act individually. As a result, they lack the collective strength to protect their interests effectively against organised businesses. Consumer protection encourages the formation and work of consumer organisations, which represent consumers, spread awareness and help them pursue their complaints.

Step 3: Explain widespread exploitation **Widespread exploitation of consumers:** Consumers can suffer from adulteration, defective or unsafe products, false weights and measures, misleading advertisements and other unfair trade practices. Such practices may cause financial loss or harm their health and safety. Consumer protection checks these practices and provides a means of obtaining relief against exploitation.

Step 4: Conclusion Consumer protection is important because it removes consumer ignorance through education, strengthens unorganised consumers through collective representation, and safeguards them against widespread exploitation through protective measures and redressal.

Quick Tip to Solve: For the consumers' viewpoint, remember ignorance, lack of organisation and exploitation; explain the weakness and the protection needed for each rather than listing business benefits.

14. Vardan Patel started the business of preparation and supplying sweets through home delivery at a production cum show-room 'Express Sweets' at Ahmedabad.

He made a plan forecasting the sales of different types of sweets in various localities of Ahmedabad for each month of the year to earn a profit of 20% on Capital employed.

He set a sales target of ₹ 20,00,000 in the current year with a 10% increase every year.

He then set the criteria for selecting suppliers from whom he would make purchases of raw material. The planning paid off and the business was able to achieve its targets.

(a) Identify any two types of plans by quoting the lines from the above.

(b) Also give the meaning of the types of plans identified in part (a) above. [4 marks]

Solution:

Concept:

- Planning involves deciding in advance what is to be achieved and how it will be achieved. Different plans perform different roles: objectives specify the desired results, while policies guide decisions.
- An objective is the end point towards which managerial activities are directed. A policy is a general statement that guides thinking and channels decisions towards organisational objectives.

Step 1: Identify the objective and quote its evidence **(a) Objective:** The case states, "He set a sales target of Rs 20,00,000 in the current year with a 10% increase every year." This is an objective because it states a definite result that Express Sweets seeks to achieve. It specifies both the desired sales and the period for achieving them; the planned annual increase also gives direction to future efforts.

Step 2: Explain the meaning of an objective **(b) Meaning:** Objectives are the desired future positions or end results that an organisation seeks to reach through its activities. They provide the basic direction for planning and a standard against which actual performance can be compared. Here, purchases, production and delivery efforts would be directed towards achieving the stated sales target.

Step 3: Identify the policy and quote its evidence **(a) Policy:** The relevant line is, "He then set the criteria for selecting suppliers from whom he would make purchases of raw material." The criteria guide repeated supplier-selection decisions. They therefore represent a policy rather than a numerical target or a sequence of operating steps.

Step 4: Explain the meaning of a policy **(b) Meaning:** Policies are general statements or understandings that guide managerial thinking and decision-making. They define the broad area within which decisions should be made, helping managers decide consistently while allowing judgement within those guidelines. The supplier-selection criteria guide Vardan's purchasing decisions without requiring a fresh basic decision each time raw material is needed.

Step 5: Conclusion The two types of plans are **objectives**, shown by the sales target, and **policy**, shown by the supplier-selection criteria. Objectives state the ends to be achieved; policies guide decisions made to achieve those ends.

Quick Tip to Solve: In a planning case, match a measurable desired result to an objective and recurring decision criteria to a policy; quote the case before defining each plan.

15. A.V.M. Ltd. set-up its electric appliances manufacturing factory in a backward area of Himachal Pradesh where subsidies are provided by the government and labour is available at cheaper rates. A.V.M. Ltd. was able to produce its products at low cost thereby generating enough profits in the first year itself. It was because of the fact that the limits of authority and responsibility of the employees were clearly defined and the activities of various departments were co-ordinated and integrated. The Production Manager of the company also came to know about the availability of raw-materials at cheaper rates from a vendor. For this he wrote a letter to the Managing Director of the company for getting sanction. But because of procedural delays in getting this sanction and procuring funds from the Finance Manager, the order could not be placed.

(a) Identify the type of organisation, that led to procedural delays and because of which the company could not get the advantage of procuring raw material at cheaper rates.

(b) State an advantage of the type of organisation identified in (a) above other than those discussed in the above case.

(c) Also, state any two values communicated by A.V.M Ltd. to the society. [4 marks]

Solution:

Concept:

- A formal organisation is the structure of authority and responsibility deliberately designed by management to achieve organisational objectives. It specifies official relationships and communication channels.
- Following the prescribed chain of communication can cause procedural delays. Establishing business activities in a backward area can also promote social values such as balanced regional development and employment generation.

Step 1: Identify the organisation from the case **(a) Formal organisation:** The company follows a deliberately established official structure. The case says that "the limits of authority and responsibility of the employees were clearly defined" and that departmental activities were "co-ordinated and integrated." Its formal approval procedure is also evident when the Production Manager "wrote a letter to the Managing Director" for sanction and needed funds from the Finance Manager. Following these prescribed channels caused delay, so the cheaper raw-material order could not be placed in time.

Step 2: State an additional advantage **(b) Stability of the organisation:** Formal organisation provides stability because behaviour and working relationships are governed by established rules and procedures. Work depends on the defined structure rather than merely on personal relationships, so the organisation can function predictably even when individual employees change. This is an advantage other than the clarity of authority and responsibility or coordination already discussed in the case.

Step 3: Explain the two social values **(c) Balanced regional development:** By setting up its factory "in a backward area of Himachal Pradesh," A.V.M. Ltd. promotes industrial and economic development in a less-developed region. It helps spread business activity beyond already developed centres.

Employment generation: The factory creates work opportunities for people in that area. The case refers to labour being available there; locating production in the region gives that labour opportunities for productive employment and income. This communicates concern for local livelihoods. The

availability of cheaper labour explains a cost advantage, but does not establish any claim about additional welfare benefits that the case does not mention.

Step 4: Conclusion A.V.M. Ltd. has a **formal organisation**. An additional advantage is **organisational stability**. Its location in a backward area communicates the values of **balanced regional development** and **employment generation**.

Quick Tip to Solve: When asked for an advantage other than those in the case, exclude the benefits already quoted. Link each social value to an actual business decision described in the passage.

16. Explain the steps to be followed in the process of controlling function of management after 'Setting Standards.' [4 marks]

Solution:

Concept:

- Controlling ensures that actual performance conforms to planned performance. Standards provide the criteria against which the work done is assessed.
- After setting standards, management measures performance, compares it with standards, analyses deviations and takes corrective action. These stages form a continuous feedback process.

Step 1: Measure actual performance **Measurement of actual performance:** Measure the work actually accomplished using reliable methods such as personal observation, sample checking and performance reports. As far as possible, measure performance in the same units in which the standards were set. Measurement may take place during work as well as after its completion, so that a problem can be detected promptly.

Step 2: Compare performance with standards **Comparison of actual performance with standards:** Compare the measured results with the predetermined standards to find the deviation, if any. For example, actual output is compared with the output target for the same period. The comparison reveals whether performance meets expectations, falls short of them or exceeds them.

Step 3: Analyse the deviations **Analysing deviations:** Determine the extent and causes of the differences. Management should focus on critical areas through critical point control, and on significant deviations through management by exception. Minor differences within acceptable limits need not receive the same attention. Significant deviations must be investigated to locate causes such as defective material, inadequate training or unrealistic standards.

Step 4: Take corrective action **Taking corrective action:** Remove the causes of significant deviations by taking suitable remedial measures. Depending on the cause, action may include repairing machinery, improving supervision or training employees. If the standards themselves are unrealistic, revise them. When performance is within acceptable limits, corrective action may not be necessary.

Step 5: Conclusion The four steps after setting standards are measurement of actual performance, comparison with standards, analysis of deviations and corrective action. Together they help bring future performance into line with organisational plans.

Quick Tip to Solve: Remember the sequence as Measure, Compare, Analyse and Correct; explain what a manager does at each stage rather than merely listing its name.

17. After passing his secondary school examination, David left the school at the age of 15 years and started getting training under his father. His father, a renowned electrician, had worked for many companies. He everyday started accompanying his father on work and watched him carefully while working. David was a good learner and learnt the techniques of work quickly. Now his father started passing on the tricks of the trade to David. With the passage of time David acquired a high level skill and became a well-known electrician at Indore. Big business-houses started calling him for electrical-wiring.

(a) Name the method of training discussed in the above para.

(b) State any three benefits which David could get on being trained. [4 marks]

Solution:

Concept:

- Apprenticeship training is an on-the-job training method in which a learner works under the guidance of a master worker to acquire the skills of a trade. It is commonly used for skilled occupations such as electricians and plumbers.
- Training improves an individual's knowledge and skills for a particular job. Benefits to the employee include improved career prospects, higher earnings, greater safety and increased satisfaction and morale.

Step 1: Identify the training method from the case **(a) Apprenticeship training:** David is learning a skilled trade under an experienced master worker, his father. The case says that he "started getting training under his father" and that his father "started passing on the tricks of the trade to David." These statements show guided, practical learning from an expert electrician. David acquires a high level of skill by accompanying his father on actual work, rather than merely attending classroom lectures.

Step 2: State the benefits to David **(b) Any three benefits of training to David are:**

1. Improved skills and knowledge leading to a better career: Training develops the abilities needed to perform electrical work competently. David's guided practical learning builds occupational expertise and improves his prospects of advancement in the trade. The case supports this through the words "David acquired a high level skill and became a well-known electrician at Indore."

2. Higher earnings: Improved performance and productivity can increase an employee's earning capacity. As David becomes more skilled and reliable, his services become more valuable and he can obtain better paid work. The statement "Big business-houses started calling him for electrical-wiring" shows the resulting demand for his skills; no particular income amount is assumed.

3. Increased safety: Proper training teaches the correct methods of using equipment and carrying out electrical work. This helps David handle tools and electrical installations more carefully, reducing the likelihood of work-related accidents. This is a benefit he could obtain from training, rather than a claim that a specific accident occurred in the case.

Step 3: Conclusion David received apprenticeship training under his father. Three benefits he could obtain are improved skills and career prospects, greater earning capacity and increased safety while carrying out electrical work.

Quick Tip to Solve: Learning a skilled trade under a master worker points to apprenticeship. When benefits are asked for the trainee, give employee benefits rather than advantages to the organisation.

18. Describe any four functions of Financial Market. [4 marks]

Solution:

Concept:

- A financial market is a market for the creation and exchange of financial assets. It links savers who have surplus funds with investors who need funds for productive use.
- Its main functions are mobilisation and allocation of savings, price discovery, provision of liquidity, and reduction of transaction costs.

Step 1: Explain mobilisation and price discovery **Mobilisation of savings and channelising them into the most productive uses:** A financial market facilitates the transfer of savings from savers to investors. It gives savers a choice of investment opportunities and channels funds towards enterprises that can employ them productively. Thus, funds need not remain idle with households and can support business investment and economic activity.

Facilitating price discovery: The demand for financial assets by investors and their supply by firms interact in the financial market. Their interaction determines the prices of financial assets. Buyers and sellers can therefore use market prices when making investment and financing decisions, rather than each party having to determine a price in isolation.

Step 2: Explain liquidity and lower transaction costs **Providing liquidity to financial assets:** Financial markets provide a mechanism for the ready purchase and sale of financial assets. Investors can sell their assets and convert them into cash when needed. This liquidity makes investment more attractive because an investor need not necessarily hold a security until its maturity.

Reducing the cost of transactions: Financial markets provide valuable information about the securities being traded and bring buyers and sellers together. This saves the time, effort and money that they would otherwise spend searching for one another and gathering information. Consequently, the cost of buying and selling financial assets is reduced.

Step 3: Conclusion The four functions are mobilising and allocating savings, discovering prices, providing liquidity, and reducing transaction costs. Together, they help surplus funds move efficiently towards productive investment.

Quick Tip to Solve: Remember the four functions as funds, price, liquidity and cost; explain how each helps either a saver or a user of funds.

19. Sara was pursuing her graduation. Everyday she saw her mother working tirelessly at home after coming back from her work-place. She decided to start a tiffin service to increase her family income. To begin with she started supplying tiffin only in the neighbourhood. Everyday she detailed out the menu after consulting her mother. For informing the people about her service she designed a beautiful informative pamphlet, got it printed and started distributing it through the daily newspapers. She also appointed two delivery boys to deliver tiffins.

The business was slow to begin with but picked-up well afterwards. She was able to earn a profit of 20% of the revenue in the first month.

(a) Identify the promotional tool used by Sara to communicate to the customers about her tiffin service.

(b) State any three roles of the promotional tool identified in (a) above in marketing of goods and services. [4 marks]

Solution:

Concept:

- Advertising is an impersonal form of communication paid for by an identified sponsor to promote goods, services or ideas. Printed pamphlets are an advertising medium.
- Advertising supports marketing by creating awareness, persuading customers and improving the firm's ability to compete. The advertised benefits help consumers evaluate the offering.

Step 1: Identify the promotional tool from the case **(a) Advertising:** Sara used advertising to communicate with customers. The case states that she "designed a beautiful informative pamphlet, got it printed and started distributing it through the daily newspapers." The pamphlet carried an impersonal promotional message about her tiffin service to a number of potential customers. Sara is the identified sponsor of that message. It is not personal selling, since the communication described is through printed material rather than a personal sales conversation; nor is it a sales-promotion incentive such as a discount or a free sample.

Step 2: State three roles of advertising in marketing **(b) Creating awareness and stimulating demand:** Advertising informs potential customers about the availability, features and uses of a product or service. Sara's informative pamphlet tells people that her tiffin service is available. Such awareness is the first step towards attracting interested customers and generating demand.

Persuading customers and enhancing satisfaction and confidence: Advertising communicates the benefits of an offering and helps customers assess how it can satisfy their needs. It can persuade them to try it and give existing buyers greater confidence in their choice. For a service such as Sara's, an informative message provides a basis for customers to decide whether to enquire about or use the service; the case does not specify any additional promises she made.

Helping the firm face competition: Advertising enables a business to highlight the distinctive features and benefits of its offering and build a favourable image. This can create customer preference and help it compete with alternative suppliers. Sara's printed communication makes her service known in the neighbourhood and provides a means of differentiating it, without relying only on customers discovering it by chance.

Step 3: Conclusion Sara used advertising, evidenced by her printed informative pamphlet distributed through daily newspapers. Three roles of this tool are creating awareness and demand, persuading

customers and building confidence, and helping the firm face competition.

Quick Tip to Solve: A paid printed message from an identified business indicates advertising; a temporary incentive indicates sales promotion, while a personal sales conversation indicates personal selling.

20. State any five characteristics of co-ordination. [5 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments and individuals towards the achievement of organisational goals.
- It is the essence of management because it binds planning, organising, staffing, directing and controlling into a unified effort. Its characteristics explain how this integration takes place.

Step 1: State how coordination integrates activities **1. Coordination integrates group efforts:** An organisation consists of people and groups carrying out different activities. Coordination unifies their unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort so that the contributions of different departments complement one another instead of pulling the organisation in different directions.

2. Coordination ensures unity of action: Coordination acts as the binding force between departments and ensures that all action is aimed at achieving organisational goals. Each department may have its own targets, but its work must support the common objective. Thus, individual and departmental activities become parts of one concerted organisational effort.

Step 2: Explain the continuing and organisation-wide nature of coordination **3. Coordination is a continuous process:** Coordination is not a one-time exercise. It begins at the planning stage and continues through organising, staffing, directing and controlling. As activities proceed and circumstances change, managers must repeatedly reconcile efforts, timings and resources to maintain harmony.

4. Coordination is an all-pervasive function: Coordination is required at all levels of management and in every department because activities are interdependent. Top management coordinates overall plans, middle management coordinates departmental work, and supervisory management coordinates the day-to-day activities of workers.

5. Coordination is the responsibility of all managers: Every manager must coordinate the work of subordinates and relate it to the work of other units. It is not confined to a specialist coordinator or a single department. Each manager contributes to the common organisational purpose by bringing together the activities for which that manager is responsible.

Step 3: Conclusion The five characteristics are integration of group efforts, unity of action, continuity, pervasiveness and responsibility of all managers. Together, they make the separate activities of an organisation work as one coherent whole.

Quick Tip to Solve: Keep the distinction clear: all-pervasive means coordination is needed everywhere; responsibility of all managers means every manager must actively carry it out.

21. Deewan Ltd. is a multinational consulting company with its headquarters at Washington D.C. It hires young people from different countries of the world.

It is a company in which people dream to work because of its work-environment, pay and growth prospectus. The company has a culture of open communication and people of various nationalities work together in a discrimination free environment. The behaviour of managers of Deewan Ltd. emphasises kindliness and justice which ensures loyality and devotion of workers.

It also promotes mutual trust and belongingness among team members. In this way management of Deewan Ltd. is able to achieve its objectives by promoting team work. By doing so Managers of Deewan Ltd. are following some principles of management.

Identify and explain any two such principles. [5 marks]

Solution:

Concept:

- Henri Fayol's principles are general guidelines for managerial action. Two principles illustrated by Deewan Ltd. are equity and esprit de corps.
- Equity concerns fair and kind treatment of employees, whereas esprit de corps concerns unity, mutual trust and team spirit. The case gives separate evidence for each principle.

Step 1: Identify and explain equity **Principle identified – Equity:** The case states that people of various nationalities work in a "discrimination free environment" and that managers emphasise "kindliness and justice". These words directly indicate Fayol's principle of equity.

Meaning: Equity requires managers to treat employees with a combination of kindness and justice. Employees should receive fair and impartial treatment, without discrimination on grounds such as nationality, religion, language, caste or sex. Fair treatment encourages loyalty and devotion towards the organisation.

Application to Deewan Ltd.: The company's employees come from different countries, yet the managers treat them without discrimination. Their kind and just behaviour encourages the loyalty and devotion specifically mentioned in the case. Equity does not mean abandoning discipline; fairness and appropriate firmness can coexist when employees' conduct requires it.

Step 2: Identify and explain esprit de corps **Principle identified – Esprit de corps:** The case says that the company "promotes mutual trust and belongingness among team members" and achieves its objectives "by promoting team work". These statements indicate esprit de corps.

Meaning: Management should promote team spirit, unity and harmony among employees. In Fayol's view, a manager should replace "I" with "We" in dealings with workers, so that employees identify with the group and work together towards common organisational objectives.

Application to Deewan Ltd.: Open communication, mutual trust and a sense of belonging help its employees cooperate despite their different nationalities. Managers encourage collective effort rather than divisions within the workforce. This strengthens group morale and makes the combined efforts of employees more effective in achieving the company's objectives.

Step 3: Conclusion Deewan Ltd. follows **equity** through kind, just and discrimination-free treatment, and **esprit de corps** through mutual trust, belongingness and teamwork. The former builds loyalty through fairness; the latter unites employees in pursuing common goals.

Quick Tip to Solve: Link "kindliness and justice" to equity and "mutual trust" or "team work" to esprit de corps; quote a separate case clue before explaining each principle.

22. Aditi set-up a company 'Dantik Ltd.' to manufacture toothpastes using herbs found in her village instead of chemicals that are hazardous to health. The package of the product was eco-friendly and had details like price, quantity, ingredients, directions for use and other relevant information. It also carries the contact details like address, phone number and e-mail id of 'Dantik Consumer Services and Grievance Cell'. The toothpaste became very popular and she started getting orders from reputed traders.

(a) Identify and explain any two Rights of Consumers discussed above.

(b) State any two values being communicated by 'Dantik Ltd.' to the society. [5 marks]

Solution:

Concept:

- Consumer Protection: the right to safety protects consumers against goods and services hazardous to life and health.
- The right to be informed gives consumers complete information about a product, enabling an informed purchase and proper use. Ethical business also reflects concern for health and the environment.

Step 1: Identify and explain the first consumer right **(a) Right to safety:** The case states that Aditi manufactures toothpaste using "herbs found in her village instead of chemicals that are hazardous to health." A consumer has the right to protection against products that endanger life or health. By avoiding hazardous chemicals in a product used for oral care, Dantik Ltd. recognises consumers' need for a safe product. The relevant issue here is the protection of the user's health, rather than merely the popularity of the toothpaste.

Step 2: Identify and explain the second consumer right **Right to be informed:** The package gives "price, quantity, ingredients, directions for use and other relevant information." This right requires consumers to receive complete information about the product, including its quality, quantity, ingredients and price. Such information allows a buyer to compare products, judge suitability and use the toothpaste correctly. The label therefore helps the buyer make an informed choice rather than purchase without knowing what the product contains.

Step 3: State the two values conveyed to society **(b) Concern for consumers' health and well-being:** Choosing herbs "instead of chemicals that are hazardous to health" communicates care for the safety and health of users.

Environmental protection: The statement that "the package of the product was eco-friendly" communicates concern for conserving the environment and reducing the environmental harm associated with packaging. These values follow directly from the manufacturing and packaging choices described in the case.

Step 4: Conclusion The two consumer rights are the **right to safety** and the **right to be informed**. Dantik Ltd. communicates the values of **concern for consumers' health** and **environmental protection**.

Quick Tip to Solve: Link hazardous products with safety, product-label details with information, and eco-friendly packaging with environmental concern; quote the matching case phrase for each.

23. With rapid advancements in the field of replacing manual work with machines, a robot named 'Sujan' has been invented and developed and is likely to get the citizenship of the country of its origin. It has led to a stage where machines are being used in place of human beings.

'Sujan' is doing all types of work whether routine or hazardous and even answering the queries of people. However, this issue has to be carefully looked into keeping in mind the consumer attitude towards product innovations, problem of unemployment and its impact on the quality of life. Through the orders and decisions of various commissions and agencies at Centre, State or local level the Indian Government is playing a very significant role in balancing the use of human and machine power.

Various dimensions of business environment are being discussed in the above para.

By quoting the lines from the above identify and explain any three dimensions. [6 marks]

Solution:

Concept:

- Business environment consists of external forces that influence an enterprise's functioning. Its specific dimensions include technological, social, economic, political and legal environments.
- Technological environment concerns scientific improvements and new methods; social environment includes attitudes and quality-of-life concerns; legal environment includes laws and decisions of commissions and agencies.

Step 1: Identify the technological environment and explain its evidence **Technological environment:** The case refers to "rapid advancements in the field of replacing manual work with machines" and says that "a robot named 'Sujan' has been invented and developed." This dimension includes forces related to scientific improvements and innovations that provide new ways of producing goods and services and new methods of operating a business. A robot that performs routine and hazardous tasks represents an advance in production and service technology. It can change the equipment, processes and skills enterprises require; existing methods may become obsolete as new ones become available.

Step 2: Identify the social environment and explain its evidence **Social environment:** The case specifically asks that the issue be considered while "keeping in mind the consumer attitude towards product innovations, problem of unemployment and its impact on the quality of life." This dimension consists of social forces such as customs, traditions, values, social trends and society's expectations from business. Consumers' acceptance of innovations and society's concern about employment and quality of life influence whether and how an enterprise introduces robots. An enterprise must therefore consider social acceptance and the welfare concerns accompanying the change, alongside technical feasibility.

Step 3: Identify the legal environment and explain its evidence **Legal environment:** The case says, "Through the orders and decisions of various commissions and agencies at Centre, State or local level the Indian Government is playing a very significant role in balancing the use of human and machine power." This dimension includes legislation, administrative orders, court judgments and decisions of commissions and agencies at different levels of government. Such requirements establish the framework within which enterprises operate. Consequently, a business introducing machines must observe applicable orders and decisions governing their use, rather than decide solely on its own preferences. The reference to orders and decisions is the specific evidence for the legal dimension.

Step 4: Conclusion The three dimensions are **technological environment** (robotic innovation), **social environment** (consumer attitudes, unemployment concerns and quality of life) and **legal environment** (orders and decisions of commissions and agencies).

Quick Tip to Solve: Match inventions to technology, attitudes and quality of life to society, and orders or commission decisions to the legal environment; support each identification with its own quotation.

24. There were two vacancies for the post of Assistant Manager in 'Gyan Electrics Private Ltd.'. 'Parth' the Human Resources Manager identified one suitable candidate 'Vishwas' from within the organisation and promoted him to the post of Assistant Manager. For another post, the Manager 'Parth' took help of a placement agency and selected 'Saleem'. After six months, Parth observed that 'Vishwas's' performance was much better than 'Saleem's' performance though 'Vishwas' was less qualified than 'Saleem'. Hence, 'Parth' decided that in future he will not make any appointment with the help of an outside source.

Explain any four reasons on the basis of which 'Parth' would have taken the above decision. [6 marks]

Solution:

Concept:

- Recruitment searches for prospective employees and stimulates them to apply. Promotion is an internal source, whereas a placement agency is an external source of recruitment.
- External recruitment widens the choice of candidates but can involve dissatisfaction among existing employees, a lengthy process, greater expense and uncertainty about the recruit's suitability.

Step 1: Identify the sources used in the case Vishwas was selected "from within the organisation and promoted", so his appointment used an internal source. Parth "took help of a placement agency and selected Saleem", which is an external source. The observation that "Vishwas's performance was much better than Saleem's performance" explains why Parth reconsidered recruitment from outside. The following are four limitations of external recruitment on which such a decision could be based; the case does not establish that all four actually occurred.

Step 2: Explain four limitations of external recruitment

1. **Dissatisfaction among existing staff:** Recruitment from outside may cause dissatisfaction and frustration among employees who expect promotion. When a higher post is filled by an outsider, existing employees can feel that their experience and service have not been recognised. Their morale and motivation may decline. Internal promotion, as in Vishwas's appointment, offers employees a visible opportunity for advancement.
2. **Lengthy process:** External recruitment requires the organisation to notify vacancies and wait for applications before screening and selecting suitable candidates. These activities take time, and a vacancy may remain unfilled during the process. Recruiting a known employee from within can avoid much of this search and preliminary assessment.
3. **Costly process:** Recruiting from outside involves expenditure on attracting candidates and carrying out selection. Using a placement agency, as Parth did for Saleem, can also involve agency charges. Advertising, processing applications and conducting tests or interviews make the external route more expensive than filling a suitable vacancy internally.

4. **Uncertainty of selection:** Even an elaborate selection procedure may fail to reveal whether an outsider will adapt to the organisation and perform satisfactorily. Qualifications alone do not guarantee suitability. This limitation is directly illustrated by Saleem: although he was better qualified, his performance after six months was inferior to that of the internally promoted Vishwas.

Step 3: Conclusion Parth could have based his decision on dissatisfaction among existing staff, the lengthy recruitment process, its higher cost and uncertainty about the selected outsider's performance. The contrast between Saleem's qualifications and his actual performance most directly illustrates uncertainty of selection.

Quick Tip to Solve: When a manager rejects outside recruitment, explain its four NCERT limitations. Link the case's performance comparison specifically to uncertainty of selection.

25. What is meant by 'New Issue Market' ? Explain the various methods of floatation of new securities issues in this market. [6 marks]

Solution:

Concept:

- The primary market is the New Issue Market: it deals in securities issued for the first time. Funds pass from investors to the company issuing the securities.
- New securities can be floated through an offer through prospectus, offer for sale, private placement, rights issue or electronic initial public offer (e-IPO).

Step 1: Define the New Issue Market The **New Issue Market, or primary market**, is the market in which new securities are issued and sold for the first time. A new company can raise capital here, and an existing company can raise additional capital for expansion or diversification. The issuing company receives the funds. This distinguishes it from the secondary market, where investors trade securities already issued and the issuing company does not receive the proceeds of those trades.

Step 2: Explain the methods of floatation

1. **Offer through prospectus:** The company invites subscriptions from the public by issuing a prospectus. The prospectus gives relevant information about the company, its business, financial position, management and the purpose of the issue so that investors can make an informed decision. The issue may be supported by underwriters and intermediaries, including brokers, merchant bankers and bankers.
2. **Offer for sale:** The issuing company does not sell the securities directly to the public. Instead, it sells them to an intermediary, such as an issuing house or stockbroker, at an agreed price. That intermediary then offers them for sale to the investing public, generally at a higher price. Thus, the intermediary provides the link between the company and public investors.
3. **Private placement:** The company allots securities to selected institutional investors and certain individuals rather than inviting subscriptions from the general public. Examples of institutional investors include banks, insurance companies and mutual funds. This method can raise funds more quickly and with less expenditure than a general public issue.
4. **Rights issue:** An existing company offers new shares first to its existing shareholders in

proportion to the shares they already hold. Shareholders receive the right to subscribe to the additional shares before they are offered to others. This enables existing shareholders who subscribe to maintain their proportionate ownership while the company raises additional capital.

5. **Electronic initial public offer (e-IPO):** A company proposing to issue capital to the public enters into an agreement with a stock exchange to offer securities through its online system. SEBI-registered brokers are appointed to accept applications and place orders through the exchange. A lead manager coordinates the issue with the intermediaries, so the public issue can be processed electronically.

Step 3: Conclusion The New Issue Market is the primary market for the first issue of securities. Its principal methods of floatation are offer through prospectus, offer for sale, private placement, rights issue and e-IPO.

Quick Tip to Solve: Distinguish the methods by who receives the offer: the public, an intermediary, selected investors, existing shareholders, or investors using the exchange's online system.