CBSE Class 12 Business Studies Question Paper 2018 with Solution PDF-Set 66/2 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) 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. 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 finances day-to-day operations, including inventories and credit sales.
- The level of competition affects working capital: greater competition generally increases the funds required to maintain sales.

Step 1: Identify the changed condition Merio Ltd. has entered the same market with a 'similar range of products'. Thus, VXL Ltd. now faces greater competition in the Delhi dairy-products market.

Step 2: Explain the effect on funds To retain customers, VXL Ltd. may need to allow more liberal credit and maintain sufficient stocks for prompt delivery. More money will consequently remain tied up in receivables and inventories, increasing its working capital requirement.

Step 3: Conclusion VXL Ltd. will require more working capital. The factor is **level of competition**.

Quick Tip to Solve: When a competitor enters, link customer retention through credit and ready stocks to higher working capital.

2. '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 buyers identify a product or brand and describes the product and its contents.
- Link each function to the information actually conveyed by the label in the case.

Step 1: Identify the products **Identifying the product or brand:** Pictures and 'different colours indicating' the flavours help buyers recognise and distinguish one biscuit variety from another on the shelf.

Step 2: Describe their features **Describing the product and specifying its contents:** The labels specify the 'flavours of the biscuits and their contents'. They therefore communicate what the biscuits contain and what kind of product the buyer is selecting.

Step 3: Conclusion The two functions are **identifying the product or brand** and **describing the product and specifying its contents**.

Quick Tip to Solve: Match recognition or distinction to identification, and information about flavour or ingredients to description.

3. What is meant by 'functional structure' of an organisation ? [1 mark]

Solution:

Concept:

- A functional structure is an organisational structure based on the major functions performed in the enterprise.
- Activities of a similar nature are grouped into departments so that functional specialists can supervise them.

Step 1: State the basis of grouping Under a functional structure, activities are grouped according to functions such as production, marketing, finance and personnel. The grouping is by the nature of the work performed.

Step 2: Explain the resulting arrangement All activities relating to one function are placed under its departmental head. For example, marketing work is brought together in a marketing department, facilitating functional specialisation rather than grouping the organisation around separate products.

Step 3: Conclusion A **functional structure** groups similar activities into functional departments such as production, marketing and finance.

Quick Tip to Solve: Ask what forms the department: grouping by work or function indicates a functional structure.

4. 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 identifying and dividing work, departmentalisation, assigning duties and establishing reporting relationships.
- Departmentalisation groups activities of a similar nature into departments; the basis can be functions or products.

Step 1: Locate the action in the case Ramit decided to 'group books, music instruments, videotapes etc. under Media' and laptops and mobile phones under 'consumer electronics'. He is grouping related activities according to product categories.

Step 2: Name the organising step The step is **departmentalisation**. Creating these product-based groups facilitates specialisation and coordination within each category. The question asks for the step

performed, so naming only the resulting divisional structure would not identify the organising-process step precisely.

Step 3: Conclusion Ramit has performed **departmentalisation**, the grouping of similar activities into departments, here on a product basis.

Quick Tip to Solve: For an organising-process question, grouping work means departmentalisation; allotting it to individuals means assigning duties.

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

Solution:

Concept:

- Planning is looking ahead and deciding in advance what is to be done and how it is to be done.
- Forecasting and preparing suitable courses of action reduce the adverse impact of uncertain future events.

Step 1: Anticipate future developments Planning requires managers to look ahead, examine available information and anticipate changes in demand, competition or other business conditions. They can identify possible difficulties before these arise.

Step 2: Prepare suitable responses Managers frame courses of action to meet the expected conditions and prepare for adverse developments. This improves readiness and reduces the impact of uncertainty. Planning cannot predict every event or eliminate risk completely, because the business environment can still change unexpectedly.

Step 3: Conclusion Planning reduces the risks of uncertainty by anticipating future events and preparing suitable courses of action to deal with them.

Quick Tip to Solve: Write both links: anticipating a possible change and preparing a response; avoid claiming that planning eliminates all risk.

6. '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 short-term promissory note issued by large and creditworthy companies to raise funds.
- It can finance working capital and generally has a maturity ranging from 15 days to one year.

Step 1: Match the financing need Vani Oil Refinery needs working capital and expects to repay it after 'seven to eight months'. This is a short-term requirement within the usual maturity range of commercial paper.

Step 2: Select the suitable instrument The company can issue **commercial paper**. Its 'good reputation' and consistent profits support its creditworthiness. This unsecured money-market instrument allows it to raise short-term funds without obtaining a conventional commercial-bank loan and undertaking that loan's procedural requirements.

Step 3: Conclusion Vani Oil Refinery should raise the required finance by **issuing commercial paper**.

Quick Tip to Solve: A large, creditworthy company needing funds for a few months points to commercial paper rather than long-term equity or debentures.

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

Solution:

Concept:

- Marketing mix refers to the set of marketing tools a firm uses to pursue its marketing objectives in a target market.
- The four principal elements are product, price, place and promotion, commonly called the four Ps.

Step 1: State what the mix contains A firm combines decisions about the product offered, the price charged, the channels through which it reaches customers and the communication used to inform and persuade buyers.

Step 2: Connect the tools to the objective These controllable marketing tools are used together to satisfy the needs of the target market and achieve the firm's marketing objectives. The term refers to their combined use, rather than to advertising or selling alone.

Step 3: Conclusion **Marketing mix** is the set of marketing tools used by a firm to pursue its marketing objectives in a target market: **product, price, place and promotion**.

Quick Tip to Solve: Define the mix first, then recall its four Ps: product, price, place and promotion.

8. 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:

- The financial strength of the producer and the degree of control desired over distribution influence the choice of channel.
- A shorter channel gives the producer closer control over selling and customer service, but requires the producer to finance more distribution activities.

Step 1: Choose a direct or short channel The company should adopt a direct channel of distribution, or the shortest feasible channel. Its sufficient funds enable it to maintain its own sales outlets and carry out the distribution functions.

Step 2: Explain the control advantage Direct selling removes intermediaries, giving management direct control over selling policies, prices and customer service. If a short channel uses an intermediary, fewer channel members make supervision and coordination easier. A long chain would reduce the control the company wants.

Step 3: Conclusion A direct or short channel is suitable because the company can finance distribution itself and wants greater control over channel members.

Quick Tip to Solve: Link adequate funds with the ability to perform distribution functions, and greater control with fewer intermediaries.

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9. 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. [3 marks]

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

Solution:

Concept:

- Semantic barriers arise when words or symbols do not convey the same meaning to the sender and the receiver. A message can therefore fail even when both people know the language.
- Technical jargon and faulty translations are two specific semantic barriers. The first concerns specialised vocabulary; the second concerns incorrect conversion from one language to another.

Step 1: Identify the specialised language barrier **Technical jargon:** Lakhan uses specialised financial-management words that Thomas cannot understand. The evidence is that Thomas was 'not able to understand the actual meaning of many words' and 'was also not a specialist in the field of Financial Management'. Knowledge of ordinary English does not guarantee knowledge of a specialist's

terminology; the vocabulary prevents Thomas from decoding the intended meaning.

Step 2: Identify the translation barrier **Faulty translations:** Some portions were translated from French to English with errors. The case states that 'many mistakes crept in, causing different meaning to the message'. The translated words convey something different from what Lakhan intended. This is distinct from technical jargon because even understandable words can communicate the wrong meaning when translated incorrectly.

Step 3: Conclusion The two specific barriers are technical jargon and faulty translations; both are semantic barriers to effective communication.

Quick Tip to Solve: Separate unfamiliar specialist words from incorrect language conversion: the first indicates technical jargon and the second faulty translation.

9(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.

Solution:

Concept:

- Effective communication requires the receiver to understand the message in the sense intended by its sender. The sender must adapt both vocabulary and presentation to the receiver.
- Considering the needs of the receiver and being aware of the language and content of the message help remove semantic barriers such as technical jargon and faulty translation.

Step 1: Adapt the message to Thomas **Communicate according to the receiver's needs:** Lakhan should consider Thomas's level of knowledge and understanding before drafting the e-mail. Since Thomas is 'not a specialist in the field of Financial Management', Lakhan should replace financial jargon with familiar words and explain unavoidable technical terms. The amount and level of detail should help Thomas understand the project rather than presume the expertise that Lakhan possesses.

Step 2: Check language and translation **Be aware of the language and content of the message:** Lakhan should use clear, precise and unambiguous language. Because the case mentions mistakes in translating from French to English, he should obtain competent translation and verify that the English version preserves the original meaning before sending it. Reviewing the wording prevents a translated expression from changing the intended project instructions.

Step 3: Conclusion Lakhan should adapt the message to Thomas's understanding and carefully check its language and translation. These measures directly address the two semantic barriers in his e-mail.

Quick Tip to Solve: Match each measure to its cause: explain jargon for the non-specialist and verify translated wording for accuracy.

10. 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 trade practices and provides a framework for awareness and redressal.
- From the consumer viewpoint, its importance follows from consumer ignorance, unorganised consumers and widespread exploitation.

Step 1: Explain ignorance and lack of organisation

- **Consumer ignorance:** Many consumers are unaware of their rights and the remedies available when a seller supplies defective goods or deficient services. Consumer protection educates them about these rights and available relief, enabling informed purchases and effective complaints.
- **Unorganised consumers:** Consumers need consumer organisations to safeguard their interests. In India many such organisations remain insufficiently powerful or active, and individual consumers have limited bargaining strength. Protection encourages consumers to organise and gives them a collective voice against unfair practices.

Step 2: Explain protection against exploitation

- **Widespread exploitation:** Consumers can face adulteration, unsafe or defective products, false advertising, hoarding, black marketing and short weights. Consumer protection checks such practices and provides avenues for redressal. It helps prevent a seller's greater information or economic strength from being used to the buyer's disadvantage.

Step 3: Conclusion Consumer protection is important because it addresses consumer ignorance, strengthens unorganised consumers and safeguards them against widespread exploitation.

Quick Tip to Solve: For the consumer viewpoint, remember ignorance, lack of organisation and exploitation; explain how protection addresses each.

11. 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 proportion of debt and equity used to finance a business. Its choice must consider both market conditions and the risk of fixed financial commitments.

- Debt carries contractual interest obligations, whereas equity does not require a compulsory fixed dividend. High operating costs reduce the capacity to bear additional fixed financial charges.

Step 1: Recommend the appropriate source **Equity share capital** should be used for modernisation. The company already has high operating costs, so adding compulsory interest payments through debt would increase its fixed payment burden. Equity provides funds without a mandatory fixed dividend and is therefore the more suitable source in the given circumstances.

Step 2: Explain the stock market condition **Stock market conditions:** The statement that the "Sensex has soared by 5078 points" indicates a buoyant stock market. In a rising market investors are generally more willing to invest in equity shares, making an equity issue relatively attractive. During a depressed market, firms may find it harder to raise equity and may prefer debt. Here the market condition supports Neelabh's suggestion.

Step 3: Explain the fixed operating cost factor **Fixed operating costs:** The case highlights the company's "high operating costs". When fixed operating costs are high, the business already carries substantial operating risk and should keep fixed financing costs low. Debt would add interest that must be paid regardless of profit. Equity avoids this additional compulsory interest burden; it is therefore preferable to Atul's debt proposal for this situation.

Step 4: Conclusion Use equity rather than debt. The two factors are favourable stock market conditions and high fixed operating costs, both supporting equity in this case.

Quick Tip to Solve: A rising Sensex points to stock market conditions; a heavy operating cost burden points to keeping compulsory interest costs low.

12. 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 for performing assigned duties. The superior remains accountable for the final results.
- Decentralisation is the systematic delegation of authority throughout the organisation, giving lower levels a greater role in taking decisions.

Step 1: Identify the scope of the two concepts Delegation concerns a superior–subordinate relationship: a manager assigns responsibility and grants the authority needed to carry it out. Decentralisation extends this arrangement across levels and units as a deliberate policy of sharing decision-making authority.

Step 2: Compare the three specified bases

Basis	Delegation	Decentralisation
Freedom of action	Subordinates have less freedom of action because the superior retains closer control over the exercise of delegated authority.	Lower-level managers have greater freedom of action and initiative in making decisions within their areas.
Status	It is a process followed by managers to share tasks and the authority required to perform them.	It is a policy decision of the organisation to disperse decision-making authority systematically.
Purpose	Its purpose is to reduce the manager's workload by sharing work with subordinates.	Its purpose is to increase the role of subordinates in organisational decision-making and give them greater autonomy.

Step 3: Conclusion Delegation is a process of sharing a manager's work with relatively limited freedom for subordinates; decentralisation is an organisational policy that gives lower levels greater freedom and a larger role in decisions.

Quick Tip to Solve: Match the bases in pairs: less versus greater freedom, managerial process versus organisational policy, and workload sharing versus a greater role in decisions.

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

[3 marks]

Solution:

Concept:

- Financial incentives are monetary benefits, or benefits measurable in money, used to motivate employees and improve their performance.
- Besides pay and allowances, NCERT financial incentives include bonus, profit sharing and co-partnership or stock options. These link employees' rewards to their contribution or the firm's results.

Step 1: State bonus and profit sharing

- **Bonus:** This is an incentive offered over and above wages or salary. An additional monetary reward can motivate employees to work more effectively because it supplements their regular earnings.
- **Profit sharing:** Employees receive a share of the profits of the organisation. It encourages them to improve performance and contribute to higher profits, since they also benefit from the improved results.

Step 2: State co-partnership or stock options

- **Co-partnership or stock options:** Employees are offered shares of the company at a price lower than the market price. Becoming shareholders gives them a sense of ownership and encourages them to contribute to the growth and success of the company.

These are distinct from regular pay and allowances: bonus is an additional reward, profit sharing

distributes a part of the firm's profits, and co-partnership gives employees an ownership interest.

Step 3: Conclusion Three financial incentives other than pay and allowances are **bonus**, **profit sharing** and **co-partnership or stock options**.

Quick Tip to Solve: When pay and allowances are excluded, name three other NCERT financial incentives and add one line explaining the monetary benefit of each.

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

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, identifies significant deviations and takes corrective action so that organisational objectives are achieved.
- After setting standards, the process proceeds through measurement of actual performance, comparison with standards, analysis of deviations and corrective action. Standards provide the reference point throughout these stages.

Step 1: Measure actual performance **Measurement of actual performance:** Obtain objective and reliable information about the work actually performed. Depending on the activity, managers use personal observation, sample checking, performance reports or other appropriate measurement techniques. Performance should be measured in the same terms as the standard, such as units produced, cost incurred or time taken, so that comparison is meaningful. Measurement may be undertaken during the activity as well as after its completion.

Step 2: Compare actual performance with standards **Comparison of actual performance with standards:** Compare the measured results with the targets already established. This reveals whether performance meets expectations and the extent and direction of any deviation. For example, comparing actual output with the production target shows a shortfall or excess. Both favourable and unfavourable deviations should be identified rather than treating the existence of an output figure as sufficient evidence of success.

Step 3: Analyse significant deviations **Analysing deviations:** Determine which deviations require managerial attention and investigate their causes. Under critical point control, attention is concentrated on key result areas crucial to organisational success. Management by exception focuses on deviations beyond the permissible limits. A significant shortfall may arise from inadequate training, defective equipment or unrealistic standards; identifying the actual cause helps the manager choose a suitable remedy.

Step 4: Take corrective action **Taking corrective action:** Remove the causes of significant deviations through appropriate measures, such as training employees, repairing equipment or improving supervision. If performance is within acceptable limits, no corrective action is needed. Where investigation shows that the standard itself is unrealistic, revise it in the light of the changed conditions. Follow-up ensures that the chosen measure brings actual performance back towards the desired level.

Step 5: Conclusion The four steps after setting standards are measurement of actual performance,

comparison with standards, analysis of deviations and taking corrective action, in that order.

Quick Tip to Solve: Remember the sequence as measure, compare, analyse and correct. Explain what happens in each stage; merely listing the four names does not explain the controlling process.

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. [4 marks]

15(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.

Solution:

Concept:

- Formal organisation is deliberately designed by management to accomplish organisational tasks. It specifies authority, responsibility and official reporting relationships.
- Strict adherence to prescribed channels can delay decisions even when these channels make responsibilities clear.

Step 1: Identify the organisation structure The type is **formal organisation**. The case says that the "limits of authority and responsibility of the employees were clearly defined." These deliberately established relationships are a feature of formal organisation.

Step 2: Connect official procedures with the delay The Production Manager "wrote a letter to the Managing Director" for sanction and needed funds from the Finance Manager. Following these official approval channels led to "procedural delays," so the cheaper raw-material order could not be placed. Informal organisation concerns spontaneous personal relationships and does not prescribe this chain of approval.

Step 3: Conclusion Formal organisation caused the procedural delays through its prescribed official channels and approval requirements.

Quick Tip to Solve: Link clearly defined authority and prescribed approval channels to formal organisation; use the delay as evidence of its limitation.

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

Solution:

Concept:

- Formal organisation assigns duties and authority to established positions rather than depending solely on individual employees.
- Stability is an advantage of this structure because official roles and relationships support continuity when personnel change.

Step 1: Select an additional advantage **Stability of the organisation:** Formal organisation provides stability by emphasising established positions, rules and procedures. If a person leaves or another employee occupies the post, its duties and reporting relationships remain defined, helping the enterprise continue its work.

Step 2: Distinguish this advantage from those in the case The passage already mentions that "limits of authority and responsibility" were clear and departmental activities were "co-ordinated and integrated." Stability explains continuity through established positions, so it supplies an advantage other than the clear responsibilities and coordination already discussed.

Step 3: Conclusion An additional advantage is organisational stability, since established positions and procedures provide continuity despite changes in personnel.

Quick Tip to Solve: When asked for another advantage, exclude clear duties and coordination already in this case; choose stability through established positions.

15(c). Also, state any two values communicated by A.V.M Ltd. to the society.

Solution:

Concept:

- A business communicates social values through its location decisions and the opportunities its operations create for the community.
- Case-based values must be supported by the stated facts; a favourable social effect need not imply charitable activity or an unstated benefit.

Step 1: State the value shown by the factory location **Balanced regional development:** A.V.M. Ltd. set up its factory in "a backward area of Himachal Pradesh." Establishing productive industrial activity in a less developed area supports its economic development and helps reduce regional disparities.

Step 2: State the value shown by local employment **Creation of employment opportunities:** The company established an "electric appliances manufacturing factory" where "labour is available at cheaper rates." Its operations create work opportunities for the available local labour, supporting livelihoods. The case does not state unusually high wages or charitable contributions, so those should not be claimed as values demonstrated here.

Step 3: Conclusion The two values are balanced regional development and generation of employment opportunities for local people.

Quick Tip to Solve: Use the backward-area location for regional development and the factory's use of available labour for employment generation.

16. 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. [4 marks]

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

Solution:

Concept:

- Objectives and policies are types of plans. An objective states the result to be achieved, whereas a policy gives broad guidance for making decisions.
- Identify a plan from what a quoted line does: a numerical sales target specifies an end, while criteria for choosing suppliers guide recurring purchase decisions.

Step 1: Identify the desired result **Objectives:** The relevant line is: 'He set a sales target of ₹ 20,00,000 in the current year with a 10% increase every year.' The target states the sales result Vardan wants his enterprise to achieve and provides a definite direction for its activities. The amount and growth target describe the desired outcome, so this line identifies objectives.

Step 2: Identify guidance for decisions **Policy:** The relevant line is: 'He then set the criteria for selecting suppliers from whom he would make purchases of raw material.' These criteria guide the choice of suppliers whenever raw materials are purchased. They create a general framework for purchase decisions rather than specify a sales result or the sequence of tasks. This line therefore indicates a policy.

Step 3: Conclusion The two types of plans identified are objectives, shown by the sales target, and policy, shown by the supplier-selection criteria.

Quick Tip to Solve: For plan-identification cases, pair each plan with its own exact clue: the target is an objective, and general selection criteria indicate a policy.

16(b). Also give the meaning of the types of plans identified in part (a) above.

Solution:

Concept:

- Plans differ in their function. Objectives specify the ends to be achieved, while policies guide the decisions through which an organisation works towards those ends.
- The two plans identified in part (a) are objectives and policy. Their meanings should remain distinct: a desired result is different from a framework for choosing a course of action.

Step 1: Define objectives **Objectives:** Objectives are the desired future positions or results that

management seeks to achieve. They are the end points towards which the activities of an organisation are directed. Clear objectives provide direction to the planning of departments and allow actual performance to be compared with the intended result. In the case, the 'sales target' and its annual increase express the end that Vardan wants Express Sweets to attain.

Step 2: Define policy **Policy:** A policy is a general guideline that channels thinking and guides decision-making towards achieving organisational objectives. It sets a broad framework within which managers can exercise discretion when dealing with recurring situations. It does not prescribe the detailed sequence of steps for every task. In the case, the 'criteria for selecting suppliers' guide purchase decisions, helping Vardan choose appropriate sources of raw materials consistently.

Step 3: Conclusion Objectives define the results the business seeks, and a policy provides general guidance for decisions taken to achieve those results.

Quick Tip to Solve: Keep the definitions paired with the same plans chosen earlier: objectives answer what to achieve; policies guide how decisions should be made.

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

Solution:

Concept:

- A financial market is a market for creating and exchanging financial assets. It links those who save funds with those who need funds for productive investment.
- Financial markets help allocate savings through mobilisation, price discovery, liquidity and lower transaction costs. These are distinct functions of the market, rather than types of financial instruments.

Step 1: Explain how funds are mobilised and prices are discovered

- **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 investments and helps direct their funds towards productive activities. Thus, savings that might otherwise remain idle become available to businesses for investment, contributing to capital formation and economic development.
- **Facilitating price discovery:** The forces of demand and supply determine the prices of financial assets. Suppliers of funds seek an appropriate return, while business firms demand funds for investment. Their interaction in the financial market helps establish the price of the asset being traded, giving buyers and sellers a basis for their investment decisions.

Step 2: Explain how trading becomes easier and less costly

- **Providing liquidity to financial assets:** Financial markets provide a mechanism for the easy purchase and sale of financial assets. An investor can sell an existing security and convert it into cash when required. This marketability makes investment more attractive because the investor need not necessarily hold the asset until its maturity.
- **Reducing the cost of transactions:** Financial markets provide useful information about securities and bring buyers and sellers together. This saves the time, effort and money that participants

would otherwise spend searching for suitable counterparties and collecting information. Organised trading arrangements therefore reduce the cost of buying and selling financial assets.

Step 3: Conclusion The four functions are mobilisation and productive allocation of savings, price discovery, provision of liquidity, and reduction in transaction costs. Together, they connect savers and investors and facilitate the efficient exchange of financial assets.

Quick Tip to Solve: Remember the four functions as funds, price, liquidity and cost. For each heading, explain the specific benefit to savers, investors or both.

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18. 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. [4 marks]

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

Solution:

Concept:

- Advertising is an impersonal form of communication paid for by an identified sponsor to promote goods, services or ideas. It communicates a common message to prospective customers rather than explaining the offering through a personal conversation with each buyer.
- Printed pamphlets are an advertising medium. The promotional tool is identified by how the business informs and persuades potential customers, while arranging the actual delivery of goods or services belongs to distribution.

Step 1: Identify the promotional tool The promotional tool used by Sara is **advertising**. She prepared an informative message about the tiffin service for circulation among potential customers. The same printed communication reaches many people, so it is impersonal promotion rather than personal selling.

Step 2: Support the identification with the case The case states that she "designed a beautiful informative pamphlet, got it printed and started distributing it through the daily newspapers." The pamphlet advertises the availability of her service, and Sara is the identified sponsor. Her appointment of delivery boys concerns delivery of tiffins; it is not the tool used to communicate the promotional message.

Step 3: Conclusion Sara used **advertising through printed pamphlets** to communicate information about her tiffin service to customers.

Quick Tip to Solve: Identify the communication activity first: a common printed pamphlet signals advertising, whereas the delivery boys represent physical distribution.

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

Solution:

Concept:

- Advertising supports marketing by informing potential buyers about an offering and influencing their attitude towards it. It can create awareness, distinguish an offering from rivals and help customers develop a preference.
- The roles of advertising concern communication and demand. It makes an offering known and attractive, while quality, pricing and delivery must support the promises made in the message.

Step 1: State how advertising informs and distinguishes **1. Creating awareness:** Advertising informs prospective customers that a product or service is available and communicates its features. Sara circulated an "informative pamphlet" so that neighbourhood customers could learn about her tiffin service.

2. Differentiating the product: Advertising highlights distinctive features or benefits so buyers can distinguish an offering from competing alternatives. A message can explain why a service meets particular needs, helping the business establish a recognisable position in customers' minds.

Step 2: State how advertising builds demand **3. Building preference and stimulating demand:** Persuasive advertising develops a favourable attitude towards the advertised offering and encourages trial or purchase. By bringing her service to potential buyers' attention, Sara gives them an opportunity to consider ordering tiffins. This supports demand; it does not by itself guarantee sales or customer satisfaction.

Step 3: Conclusion Three roles are creating awareness, differentiating the offering, and building customer preference to stimulate demand.

Quick Tip to Solve: Write three separate communication roles: make buyers aware, show a difference, and develop preference. Do not count delivery as a role of advertising.

19. 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. [4 marks]

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

Solution:

Concept:

- Apprenticeship training is an on-the-job method in which a trainee learns a skilled trade under the guidance of a master worker. It combines practical work with instruction and enables the learner to acquire proficiency over a period of time.
- Trades such as electrical work, plumbing and mechanical work require practical techniques that are learned through supervised experience. The defining case clue is a learner working under an experienced skilled person.

Step 1: Name the method The method is **apprenticeship training**. David learns the skilled trade of electrical work under his father, a renowned electrician with experience in many companies. He is gaining practical proficiency at the workplace rather than learning only through a classroom lecture.

Step 2: Connect the method with the evidence David "started accompanying his father on work and watched him carefully while working." His father then began "passing on the tricks of the trade to David." This continuing guidance by an experienced master worker, followed by acquisition of a high level of skill, identifies apprenticeship training. Merely observing once would not explain the continuing, supervised acquisition of a trade described here.

Step 3: Conclusion David received **apprenticeship training** under his father, an experienced electrician.

Quick Tip to Solve: When a learner acquires an electrician's trade through continuing work under a skilled master, identify apprenticeship training.

19(b). State any three benefits which David could get on being trained.

Solution:

Concept:

- Training improves an employee's knowledge and practical skills so that work can be performed more competently. Its employee benefits include improved career prospects, increased earning capacity and greater safety.
- The question asks for benefits to David, the trainee. Explain outcomes for his own work and development rather than listing only organisational benefits such as lower supervision costs or higher production.

Step 1: Explain career and earning benefits **1. Better career prospects:** Improved knowledge and skills equip an employee for more demanding assignments and advancement. David "acquired a high level skill and became a well-known electrician at Indore," illustrating improved standing in his trade.

2. Higher earning capacity: A trained worker performs skilled work more efficiently and can undertake valuable assignments. The case says that "Big business-houses started calling him for electrical-wiring." His proficiency therefore improves his opportunity to secure work and earn more, although the case states no income figure.

Step 2: Explain the safety benefit **3. Greater safety and fewer accidents:** Training teaches correct methods and proper handling of tools and equipment. An electrician who understands safe working practices is less likely to suffer accidents or injury while carrying out electrical work. This is a benefit David could receive from training; it does not assert that the case reports an actual accident.

Step 3: Conclusion David could gain better career prospects, higher earning capacity, and greater safety through fewer work-related accidents.

Quick Tip to Solve: Keep employee benefits focused on the trainee: career growth, earnings and safety. Use the case as evidence without inventing an income amount or accident.

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20. 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 prospects. 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 loyalty 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:

- Fayol's principle of equity requires managers to treat employees with kindliness and justice. Fair and impartial treatment promotes loyalty and devotion towards the organisation.
- Esprit de corps means promoting team spirit, unity and harmony among employees. Management should create a sense of belongingness so that individuals work together towards common organisational objectives.

Step 1: Identify equity from the managers' behaviour **Equity:** The case states that the managers' behaviour "emphasises kindliness and justice which ensures loyalty and devotion of workers." It also says that people of different nationalities work together in a "discrimination free environment." These statements identify Fayol's principle of equity.

Equity means that managers should be fair and impartial in their dealings with subordinates. Employees should not face discrimination on grounds such as nationality, sex, language, caste or religion.

Managers should combine kindliness with justice, while remaining firm where necessary. At Deewan Ltd., the diverse workforce receives fair treatment, which helps employees feel respected and encourages their loyalty and commitment to the company.

Step 2: Identify esprit de corps from the emphasis on teamwork **Esprit de corps:** The statement that the company "promotes mutual trust and belongingness among team members" and achieves its objectives "by promoting team work" identifies this principle.

Esprit de corps means that management should promote team spirit, unity and harmony among employees. Managers should replace an attitude of "I" with "We", encourage cooperation and help employees regard themselves as members of one team. They should avoid dividing employees into rival groups. In Deewan Ltd., mutual trust and a sense of belongingness unite people from different countries. Their coordinated efforts help achieve the company's objectives, rather than allowing individual differences to obstruct collective performance.

Step 3: Conclusion The two principles are **equity**, shown by kindliness, justice and freedom from discrimination, and **esprit de corps**, shown by mutual trust, belongingness and teamwork. The first promotes fair treatment; the second promotes unity of effort.

Quick Tip to Solve: Link "kindliness and justice" to equity and "mutual trust, belongingness and teamwork" to esprit de corps; quote the case evidence before explaining each principle.

21. 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. [5 marks]

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

Solution:

Concept:

- Consumer rights protect buyers against unsafe products and unfair practices. The right to safety concerns protection against goods and services hazardous to life and health; the right to be informed concerns access to complete product information.
- Case-based identification requires a precise link between each right and the action taken by the seller. Product safety and disclosure of price, contents and use instructions are distinct protections.

Step 1: Identify and explain the right to safety **1. Right to safety:** Consumers have the right to be protected against goods and services that are hazardous to life and health. The case states that Dantik Ltd. uses "herbs found in her village instead of chemicals that are hazardous to health." Avoiding those harmful chemicals reflects concern for the consumer's health and therefore illustrates this right.

Step 2: Identify and explain the right to be informed **2. Right to be informed:** Consumers have the right to complete information about a product, including its quality, quantity, ingredients, price and relevant use instructions, so that they can make an informed choice. The package provides "price,

quantity, ingredients, directions for use and other relevant information." These disclosures enable buyers to compare the offering and use it properly.

Step 3: Conclusion The two rights are the right to safety, shown by avoiding hazardous chemicals, and the right to be informed, shown by complete information on the package.

Quick Tip to Solve: Pair each right with a separate case clue: harmful chemicals relate to safety; price, quantity, ingredients and directions relate to information.

21(b). State any two values being communicated by 'Dantik Ltd.' to the society.

Solution:

Concept:

- Business values are the ethical commitments reflected in decisions towards consumers, society and the natural environment. A case answer should name the value and cite the specific business practice that communicates it.
- Consumer welfare and environmental responsibility are distinct values. The former concerns the health and well-being of buyers, while the latter concerns reducing harm to the surroundings through responsible production and packaging choices.

Step 1: State concern for consumer health **1. Concern for consumer health and well-being:** Dantik Ltd. communicates responsibility towards consumers by choosing herbs "instead of chemicals that are hazardous to health." This decision reflects a commitment to consumer welfare, since the firm considers the health effects of the product rather than treating sales alone as its objective.

Step 2: State environmental responsibility **2. Environmental protection:** The case expressly states that "The package of the product was eco-friendly." Choosing such packaging communicates concern for the natural environment and a willingness to reduce adverse environmental effects. This value is supported by the stated packaging choice; there is no need to invent a recycling programme or any other unstated activity.

Step 3: Conclusion Two values communicated are concern for consumer health and well-being, and environmental protection through eco-friendly packaging.

Quick Tip to Solve: For values, write an ethical commitment and its evidence: consumer welfare from avoiding hazardous chemicals, and environmental care from eco-friendly packaging.

22. 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 a common organisational goal.
- It binds the other functions of management together. Its characteristics explain how separate efforts become a unified and harmonious whole.

Step 1: State the first two characteristics

- **Coordination integrates group efforts:** It unifies diverse interests and individual efforts, giving them a common focus. The work of departments and employees is brought together so that their combined contribution helps achieve organisational objectives rather than separate personal goals.
- **Coordination ensures unity of action:** It acts as a binding force between departments and ensures that their actions move in the same direction. For example, production and sales activities must complement each other so that what is produced can be sold as planned.

Step 2: State three further characteristics

- **Coordination is a continuous process:** It begins at the planning stage and continues through organising, staffing, directing and controlling. Changing activities and circumstances require managers to keep adjusting and harmonising efforts; coordination is not completed by a single meeting or decision.
- **Coordination is an all-pervasive function:** It is required at every level of management and in every department because their activities depend on one another. Top management harmonises overall plans, while middle and supervisory managers coordinate the work within and between their respective units.
- **Coordination is the responsibility of all managers:** Each manager must coordinate the work of subordinates and relate it to the work of other units. It cannot be treated as the exclusive duty of a separate specialist or of top management alone.

Step 3: Conclusion Thus, any five characteristics are that coordination integrates group efforts, ensures unity of action, is continuous, is all-pervasive and is the responsibility of all managers.

Quick Tip to Solve: Distinguish integration, which combines efforts, from unity of action, which gives those combined efforts a common direction.

23. 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, also called the New Issue Market, deals with securities issued for the first time. It enables companies to raise fresh capital directly from investors.
- In this market the funds flow from investors to the issuing company. The issue can be floated through a prospectus, an offer for sale, private placement, a rights issue or electronic initial public offers.

Step 1: Define the New Issue Market The **New Issue Market or primary market** is the market for new securities being issued for the first time. A new company may raise its initial capital here, while an existing company may obtain additional capital for expansion or diversification. It differs from the secondary market, where investors trade securities already issued and the company does not receive the proceeds of those trades.

Step 2: Explain issues offered to the public

- **Offer through prospectus:** The company invites the public to subscribe to its securities by issuing a prospectus. This document discloses information about the company, the purpose of the issue and the terms on which the securities are offered. Investors apply for the securities, which are then allotted according to the issue procedure.
- **Offer for sale:** Securities are first sold to intermediaries, such as issuing houses or stockbrokers, at an agreed price. These intermediaries then resell them to the investing public, generally at a higher price. Thus, the company does not offer the securities directly to the public in this method.

Step 3: Explain the remaining methods

- **Private placement:** The company allots securities to institutional investors and selected individuals instead of offering them to the general public. This enables it to raise capital more quickly and at lower cost than a public issue, and is useful when a full public issue would be expensive.
- **Rights issue:** An existing company offers its existing shareholders the right to subscribe to a new issue in proportion to their present shareholding. Shareholders therefore receive the first opportunity to buy the additional shares before these are offered to others.
- **Electronic Initial Public Offers (e-IPOs):** A company may issue capital to the public through the online system of a stock exchange. It enters into an agreement with the exchange; registered brokers accept applications and place orders through the system. A registrar and a lead manager help organise and process the issue.

Step 4: Conclusion The New Issue Market raises fresh capital through first-time issues of securities. The five methods of floatation are offer through prospectus, offer for sale, private placement, rights issue and electronic initial public offers.

Quick Tip to Solve: Remember who receives the offer: the public through a prospectus, intermediaries in an offer for sale, selected investors in private placement and existing shareholders in a rights issue.

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24. 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 decisions and performance. Its dimensions are interrelated, so one development can affect technology, society and regulation together.
- The technological dimension concerns scientific improvements and new production methods; the social dimension concerns attitudes and expectations; the legal dimension concerns the rules and official decisions within which a business must operate.

Step 1: Identify and explain the technological environment **Technological environment:** The case states, "With rapid advancements in the field of replacing manual work with machines, a robot named 'Sujan' has been invented and developed." This dimension includes scientific improvements, innovations and new methods that provide more efficient ways of producing goods and services or running a business. The robot's ability to perform routine as well as hazardous work illustrates a change in the technology available to enterprises. Such developments can improve productivity and safety, while making older methods obsolete. Managers must therefore monitor innovation and consider its suitability for their operations.

Step 2: Identify and explain the social environment **Social environment:** The relevant words are "consumer attitude towards product innovations, problem of unemployment and its impact on the quality of life." This dimension includes social forces such as values, beliefs, customs, attitudes, lifestyles and society's expectations from business. Consumers' willingness to accept a new product affects its demand, while concern about employment and living standards affects the social acceptance of automation. A technologically possible change may therefore require careful consideration of people's attitudes and welfare before a business adopts it.

Step 3: Identify and explain the legal environment **Legal environment:** The case refers to "the orders and decisions of various commissions and agencies at Centre, State or local level" through which the government balances human and machine power. This dimension includes laws, administrative orders and the decisions of courts, commissions and regulatory agencies that prescribe the framework for business activity. Enterprises must understand and comply with the applicable requirements when introducing machines or changing employment practices. The quoted reference to orders and decisions identifies the legal framework; it does not merely describe the prevailing political climate.

Step 4: Conclusion The three dimensions are the **technological environment**, shown by advances in robotics; the **social environment**, shown by consumer attitudes, unemployment concerns and quality of life; and the **legal environment**, shown by official orders and decisions regulating the use of human and machine power.

Quick Tip to Solve: Link each dimension to its clue: invention to technology, people's attitudes and welfare to society, and commissions' orders and decisions to law. Quote the clue before explaining the dimension.

25. 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:

- Internal recruitment fills vacancies from the existing workforce through promotion or transfer. Promotion raises an employee to a position with greater responsibility, status and usually higher remuneration.
- External recruitment brings candidates from outside the organisation, for example through a placement agency. The case contrasts promotion of Vishwas with the agency-based appointment of Saleem and asks for reasons supporting Parth's preference for internal recruitment.

Step 1: Relate the decision to the source of recruitment The words "from within the organisation and promoted him" establish that Vishwas was appointed through an **internal source**. Parth "took help of a placement agency" to appoint Saleem, which is an external source. Vishwas's better performance despite lower formal qualifications explains why Parth favoured the internal route. The following are four merits of internal recruitment that could support that decision; they are reasons for the preference rather than additional events stated in the case.

Step 2: Explain motivation and more dependable selection **1. Motivation of employees:** Promotion opportunities show existing employees that good work can lead to advancement. This encourages them to improve performance and develop their abilities, and can strengthen their commitment to the organisation. Vishwas's promotion illustrates the opportunity for advancement that an internal recruitment policy provides.

2. Simpler selection and placement: The organisation already has information about an existing employee's work, conduct and capabilities. Managers can assess suitability from actual performance instead of relying mainly on qualifications and interviews. This reduces uncertainty in selection and placement. The statement that "Vishwas's performance was much better than Saleem's performance though Vishwas was less qualified" shows why knowledge of practical ability can matter more than a comparison of formal qualifications alone.

Step 3: Explain development and economy **3. Preparation for higher positions:** Internal recruitment provides a means of training and developing employees for more responsible jobs. The organisation can give promising employees suitable experience and prepare them to take up higher positions when vacancies arise. Thus it develops a pool of personnel who understand its work and can shoulder greater responsibilities; Vishwas's promotion is the internal movement illustrated in this case.

4. Economy of recruitment: Filling a vacancy internally is generally less expensive than recruiting from outside. It avoids or reduces expenditure on advertisements, placement agencies and the wider search for candidates. Existing employees are also familiar with the organisation, reducing the need

for extensive introductory orientation. Since Saleem was obtained through a placement agency, avoiding that channel can save the corresponding recruitment expense.

Step 4: Conclusion Parth could favour internal recruitment because it **motivates employees**, makes **selection and placement simpler and more dependable**, helps **develop employees for higher positions**, and is **more economical**. These merits explain his preference for promotion after comparing Vishwas's performance with Saleem's.

Quick Tip to Solve: First identify promotion as an internal source. Then explain four distinct merits, connecting them to the case without claiming that every possible benefit actually occurred.