# CBSE Class 12 Business Studies Question Paper 2019 with Solution PDF-Set 66/1/1

## Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

### General Instructions

(i) This question-paper contains five Sections – A, B, C, D and E.

(ii) Section – A contains questions **1 to 8** carrying **one** mark each. Answer to these questions may be given in **one** word or a sentence.

(iii) Section – B contains questions **9 to 13** carrying **three** marks each, answers to these questions may be in **50 to 75** words.

(iv) Section – C contains questions **14 to 19** carrying **four** marks each. Answers to these questions may be in about **120** words.

(v) Section – D contains questions **20 to 22** carrying **five** marks each. Answers to these questions may be in about **150** words.

(vi) Section – E contains questions **23 to 25** carrying **six** marks each. Answer to these questions may be in about **200** words.

(vii) There is no over-all-choice in the question paper, however an internal choice has been provided in **3** questions of **one** mark, **2** questions of **three** marks, **2** questions of **four** marks, **1** question of **five** marks and **1** question of **six** marks. You have to attempt only **one** of the choices in such questions.

## Section A (8 marks)

**1(a). Define 'Workforce Analysis'.** [1 mark]

**Solution:**

**Concept:**

- Workforce analysis is part of estimating manpower requirements in the staffing process.
- It examines the people already available in the organisation, in terms of both their number and their capabilities.

**Step 1:** Identify the existing workforce Count and assess the employees presently working in the organisation. The assessment covers their qualifications, skills and competence, rather than merely recording how many names appear on the payroll.

**Step 2:** State the purpose of the analysis Compare the existing workforce with the personnel required for the work. This reveals whether the organisation is overstaffed, understaffed or has an adequate workforce, and helps determine its further staffing requirements.

**Step 3:** Conclusion Workforce analysis is an assessment of the number and type of personnel available in the organisation, which reveals whether it is overstaffed or understaffed.

**Quick Tip to Solve:** Remember: workload analysis concerns the work and people required; workforce analysis concerns the people already available.

OR

**1(b). Define 'Selection'.** [1 mark]

**Solution:**

**Concept:**

- Selection follows recruitment in the staffing process. Recruitment attracts applicants, while selection chooses the most suitable people from among them.
- The purpose is to match the requirements of a job with the qualifications and abilities of applicants.

**Step 1:** Identify the pool of applicants The organisation first has applicants who have responded to recruitment. Their qualifications and suitability need to be assessed against the requirements of the vacant positions.

**Step 2:** Define the choice made Selection is the process of choosing, from among the pool of prospective job candidates developed at the recruitment stage, those who will perform the jobs most effectively. Tests and interviews assist this choice; they are tools within selection rather than its definition.

**Step 3:** Conclusion Selection means choosing the most suitable candidates from the pool of prospective job candidates so that they can perform the jobs most effectively.

**Quick Tip to Solve:** Use the verb choose for selection and the verb attract for recruitment to keep the two staffing stages distinct.

**2. Appliances India Ltd. is engaged in manufacturing and distribution of home appliances since 1987. It has a good name in the market as the company is producing good quality appliances. It has separate departments for manufacturing, finance, sales, maintenance services and technical services to achieve specialization.**

**Since the areas of operations of the company have increased and customers have become more demanding, the company decided to modify the existing principle of management to meet the changing requirements of the environment.**

**State the general principle of management which the company wants to modify to meet the changing requirements.** [1 mark]

**Solution:**

**Concept:**

- Fayol's principle of division of work divides work into specialised tasks and assigns these to specialist departments or employees.
- Management principles are flexible guidelines; their application can be modified according to the organisation and its changing environment.

**Step 1:** Locate the specialisation in the case Appliances India Ltd. has "separate departments for manufacturing, finance, sales, maintenance services and technical services to achieve specialization. This arrangement divides the total work into specialised activities.

**Step 2:** Name the principle being modified The existing principle is division of work. The company intends to modify its application because operations have expanded and customers have become more demanding. Flexibility explains why such modification is possible, but the question asks for the particular general principle already reflected in its departmental specialisation.

**Step 3:** Conclusion The principle is **Division of Work**.

**Quick Tip to Solve:** Separate departments created to achieve specialisation signal division of work; changing their application illustrates the flexibility of principles.

**3. How does Financial Market facilitate 'Price Discovery' of financial assets ?** [1 mark]

**Solution:**

**Concept:**

- A financial market brings together buyers and sellers of financial assets.
- The interaction of demand and supply determines the price at which a financial asset is traded.

**Step 1:** Identify the two sides of the market Households supplying funds and firms demanding funds meet through the financial market. Buyers express the prices they are willing to pay, while sellers express the prices they are willing to accept for financial assets.

**Step 2:** Explain how a price emerges Their interaction establishes the market price of the financial asset. Demand for the asset and its available supply therefore determine its price, rather than either buyer or seller fixing it independently. This process is called price discovery.

**Step 3:** Conclusion Financial markets facilitate price discovery through the interaction of buyers and sellers: the forces of demand and supply determine the prices of financial assets.

**Quick Tip to Solve:** For price discovery, write the chain: buyers and sellers interact, demand and supply operate, and the asset price is determined.

**4. Biru Nandan, Chairman of Lalit group of companies founded 'Biru University' for undergraduate and postgraduate courses in diverse disciplines. The Information Technology department of the 'Lalit Power Ltd., had few vacancies related to Cyber Security. The Human Resource Department of the Company decided to recruit fresh engineering graduates from 'Biru University' for the same. Identify the type of source of recruitment.** [1 mark]

**Solution:**

**Concept:**

- Campus recruitment is recruitment from educational institutions such as universities, colleges and technical institutes.
- It is an external source because fresh candidates enter the organisation from outside its existing workforce.

**Step 1:** Locate where the candidates are found The Human Resource Department decides to "recruit fresh engineering graduates from Biru University. A university is an educational institution supplying potential new employees with technical qualifications.

**Step 2:** Classify the recruitment source The specific source is campus recruitment, which is an external source of recruitment. The fact that the group chairman founded the university does not make its fresh graduates existing employees of Lalit Power Ltd.; this is neither promotion nor transfer within the company.

**Step 3:** Conclusion The source is **Campus Recruitment**, an external source of recruitment.

**Quick Tip to Solve:** Identify the institution supplying candidates: recruitment of fresh graduates from a university or college indicates campus recruitment.

**5. Varsha Jain after completing her fashion designing course from Indian Institute of Fashion Technology planned to enter into designer clothing venture. She had to address issues like her target customers, channel of distribution to be used, pricing policy etc. Identify the type of plan that Varsha Jain needs to develop to provide direction and scope to her organization in the long run.** [1 mark]

**Solution:**

**Concept:**

- A strategy is a comprehensive plan that provides an organisation with direction and scope over the long term.
- It incorporates long-term objectives, a course of action and the allocation of resources needed to achieve those objectives.

**Step 1:** Recognise the breadth of the decisions Varsha must decide her "target customers, channel of distribution to be used, pricing policy etc. These interconnected decisions shape the overall approach of her designer-clothing venture rather than one routine activity.

**Step 2:** Match the long-term purpose to the plan The question asks for a plan providing "direction and scope to her organization in the long run. This describes a strategy. A single pricing policy would guide one area, whereas the strategy integrates the venture's broader choices and its response to the business environment.

**Step 3:** Conclusion Varsha Jain needs to develop a **Strategy**.

**Quick Tip to Solve:** Long-term direction and scope, together with several connected business decisions, are the identifying clues for a strategy.

**6(a). State any two 'Developmental Functions' of Securities and Exchange Board of India.** [1 mark]

**Solution:**

**Concept:**

- SEBI's developmental functions promote the growth and orderly development of the securities market.
- These functions improve the capabilities of market participants and encourage practices that support an efficient market.

**Step 1:** State the first developmental function **Training of intermediaries:** SEBI promotes the training of intermediaries in the securities market. Better professional knowledge and competence help these participants perform their market roles effectively.

**Step 2:** State the second developmental function **Research and information:** SEBI conducts research and publishes information useful to all market participants. Making relevant information available supports informed participation and the development of the securities market.

**Step 3:** Conclusion Two developmental functions of SEBI are training intermediaries in the securities market, and conducting research and publishing information useful to market participants.

**Quick Tip to Solve:** Use training and research as clear developmental examples; prohibiting fraud is a protective function, not a developmental one.

OR

**6(b). What is meant by 'Allocative Function' of Financial Markets ?** [1 mark]

**Solution:**

**Concept:**

- Financial markets bring together savers who have surplus funds and investors who require funds for productive use.

- The allocative function concerns directing available savings towards the most productive investment opportunities.

**Step 1:** Explain the transfer of funds Financial markets mobilise savings and channel them from savers to investors. They provide the link through which surplus money becomes available to businesses and other users of capital.

**Step 2:** State the basis of allocation Funds are directed towards investment opportunities expected to yield the highest productive return. This allocation helps scarce financial resources move towards their most productive uses instead of remaining idle with savers.

**Step 3:** Conclusion The allocative function of financial markets means mobilising savings and channelling them into the most productive investment opportunities, thereby promoting efficient allocation of funds.

**Quick Tip to Solve:** Connect allocation with the destination of savings: funds move from savers to their most productive investment uses.

**7. Beena has been using 'Klean', a famous detergent available in the market. On watching numerous advertisements in the television, she decided to try a new brand of detergent. When she went to the near-by store to purchase the same, she saw detergents of other producers making similar claims of whiteness and stain removing abilities. Hence she could not make up her mind as which detergent to purchase.**

**Name the objection of advertising being discussed in this case.** [1 mark]

**Solution:**

**Concept:**

- An objection to advertising is that it confuses buyers when competing brands make similar claims about their products.
- The relevant objection is identified by the effect on the buyer described in the case, rather than merely by the number of advertisements.

**Step 1:** Locate the evidence in the case The detergents of different producers were making 'similar claims of whiteness and stain removing abilities'. Thus, the claims did not help Beena distinguish one brand from another.

**Step 2:** Link the evidence to the objection Beena 'could not make up her mind as which detergent to purchase'. This inability to choose identifies the objection **confuses the buyers**. The case does not describe an offensive advertisement or establish an increase in the product's cost.

**Step 3:** Conclusion The objection being discussed is that **advertising confuses the buyers**. Similar claims by competing detergent brands leave Beena uncertain about which one to purchase.

**Quick Tip to Solve:** For an advertising case, identify the stated effect on the consumer; inability to choose points to confusion of buyers.

**8(a). Give the meaning of 'Physical Distribution' as an element of Marketing Mix.** [1 mark]

**Solution:**

**Concept:**

- Physical distribution is the part of the place element of the marketing mix concerned with the actual movement of goods.
- Goods must be made available to customers at the right place and time; this involves managing their physical flow.

**Step 1:** Identify what is distributed Physical distribution deals with moving finished goods from producers to the customers who need them. It concerns the physical availability of the product, rather than creating awareness through promotion.

**Step 2:** Explain how availability is ensured The movement of goods requires activities such as transportation, warehousing, inventory control and order processing. These activities together enable products to reach customers in the required quantity at the appropriate place and time.

**Step 3:** Conclusion Physical distribution means the physical movement of goods from producers to consumers, including activities that make the goods available at the right place and time.

**Quick Tip to Solve:** Remember the word physical: explain the actual movement and availability of goods, with transport and storage as examples.

OR

**8(b). What is meant by 'Marketing Management' ?** [1 mark]

**Solution:**

**Concept:**

- Marketing management involves selecting target markets and building profitable relationships with their customers.
- The aim is to obtain, retain and increase customers by creating, delivering and communicating superior customer value.

**Step 1:** State the managerial choice Marketing management is the art and science of choosing target markets. A business first decides which group of customers it will serve instead of treating every possible buyer as its target.

**Step 2:** Explain how customers are developed It then seeks to get, keep and grow customers through creating, delivering and communicating superior customer value. This includes satisfying customer needs effectively so that customers buy, remain loyal and strengthen their relationship with the business.

**Step 3:** Conclusion Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.

**Quick Tip to Solve:** Use the sequence choose target markets, then get, keep and grow customers through superior customer value.

## Section B (15 marks)

**9. JTM Ltd. launched 'Buddyline', an exercise book and comprehensive stationery brand name comprising of ball pens, gel pens and geometry boxes after identifying the target market and understanding the needs and wants of the consumers of that market. All their products were of good quality and eco-friendly but expensive. They wanted to distinguish their products from that of their competitors. They spent lot of efforts, time and money in creating the brand name, as they knew that without a brand name, they can only create awareness for the generic products and can never be sure of the sale of their products. The effort paid off and the demand for the products started growing. The customers liked the brand and became habitual to it. They did not mind paying a higher price. Over a period of time, it became a status symbol to buy 'Buddyline' brand because of its quality. The consumers felt pride in using them.**

**(i) Identify the marketing management philosophy followed by JTM Ltd.**

**(ii) Explain the advantages of branding to the marketeers highlighted in the above case.** [3 marks]

**Solution:**

**Concept:**

- The societal marketing concept satisfies the needs and wants of target consumers while preserving or enhancing consumers' and society's long-term well-being.
- Branding gives a product a distinctive identity. For marketers it supports product differentiation, advertising and differential pricing.

**Step 1:** Identify the marketing philosophy JTM Ltd. follows the **societal marketing concept**. It launched products 'after identifying the target market and understanding the needs and wants of the consumers of that market'. In addition, its products were 'of good quality and eco-friendly'. Meeting customer needs reflects the marketing orientation, while eco-friendly products show concern for environmental welfare and society's long-term interests. Together these clues support the societal marketing concept.

**Step 2:** Explain product differentiation **Enables marking product differentiation:** A brand distinguishes the firm's products from competing products. The case says that JTM Ltd. 'wanted to distinguish their products from that of their competitors'. The name Buddyline gives customers an identifiable product to ask for, rather than an undifferentiated exercise book or pen.

**Step 3:** Explain support for advertising **Helps in advertising and display programmes:** A brand name provides a specific identity around which promotion can be built. JTM Ltd. knew that 'without a brand name, they can only create awareness for the generic products'. With Buddyline, advertising can create awareness and preference for its own range instead of merely promoting stationery in general.

**Step 4:** Explain differential pricing **Differential pricing:** A recognised brand can command a price different from competing products when customers value its quality and identity. Here, customers became habitual to Buddyline and 'did not mind paying a higher price'. Its becoming a status symbol further strengthens preference and reduces competition based only on price.

**Step 5:** Conclusion JTM Ltd. follows the societal marketing concept, combining satisfaction of consumer needs with eco-friendly products. The branding advantages highlighted are product

differentiation, support for advertising and display programmes, and differential pricing through customer preference.

**Quick Tip to Solve:** Match each branding advantage to its case clue: distinguish products, promote a specific brand, and willingness to pay a higher price.

**10. Mita has a successful ice cream business at Bikaner, namely 'Smartflavours'. Her ice creams are utterly delicious. She makes ice creams from fresh milk and the same are available in a wide range of flavours and packs. She sets viable business objectives and works with the same in mind in order to ensure that the customers will come back for purchasing.**

**Having the first mover advantage, her business was doing well. To earn higher profits, she started cutting costs. This would sometimes lead to delay in delivery and the ice cream was not reaching the market in time. Over a period of time, the demand for her ice cream declined and because of it the competitors entered the market. She lost some of her market share to competitors.**

**At the beginning of summer season, she got back to back orders for supply of 4,000 ice cream packs of different flavours for special occasions. To ensure that the task was completed and orders delivered in time she hired additional workers. She was, thus able to produce and deliver the ice cream packs but at a high production cost. While completing activities and finishing the given task for achieving goals, Mita realized that she was ignoring one of the important aspects of management.**

**Identify the aspects of management that has been ignored by Mita. Also explain the same with the help of an example.** [3 marks]

**Solution:**

**Concept:**

- Effectiveness means completing the given task and achieving the desired goals within the required time.
- Efficiency means doing the task correctly with minimum cost and optimum use of resources. Management must balance effectiveness with efficiency.

**Step 1:** Identify the neglected aspect **Efficiency:** Mita ignored efficiency when she fulfilled the summer orders. The case says that she was "able to produce and deliver the ice cream packs but at a high production cost". Hiring additional workers helped her meet the delivery target, but the excessive cost shows that resources were not used economically.

**Step 2:** Explain the difference using the case **Achievement of the goal:** Delivering the 4,000 packs on time made Mita effective. However, achieving a target at an unnecessarily high cost does not make the operation efficient. Earlier, cutting costs while delaying deliveries also upset the balance: low costs alone cannot compensate for failure to supply customers on time.

**Step 3:** Illustrate efficient performance **Minimum resources for the target:** For example, a manager who must produce 1,000 units within a week should organise labour, materials and machinery so that the required quality and deadline are met with the least avoidable waste and cost. Producing the same output on time with fewer wasted materials and unnecessary labour hours improves efficiency without sacrificing effectiveness.

**Step 4:** Conclusion The aspect ignored was efficiency: Mita achieved timely delivery, but at a high production cost. Good management achieves the goal while using resources economically.

**Quick Tip to Solve:** Read the final outcome carefully: meeting the deadline indicates effectiveness; achieving it economically indicates efficiency.

**11. State 'Job Enrichment' and 'Employee Participation' as non-financial incentives. How do they motivate employees ?** [3 marks]

**Solution:**

**Concept:**

- Non-financial incentives satisfy psychological, social and higher-order needs rather than providing a direct monetary reward.
- Job enrichment improves the content of a job, while employee participation gives employees a voice in decisions affecting their work.

**Step 1:** Explain job enrichment **Job enrichment:** It means designing jobs to contain a greater variety of work, require a higher level of knowledge and skill, give workers more autonomy and responsibility, and provide opportunities for personal growth. Meaningful and challenging duties make the employee an active contributor rather than merely a performer of repetitive tasks.

**Step 2:** Explain how enriched work motivates **Achievement and growth:** When employees use their abilities, exercise judgement and accept responsibility for results, they experience achievement and self-development. Enriched jobs satisfy higher-order needs and increase interest and involvement in work, which motivates better performance.

**Step 3:** Explain employee participation and its effect **Employee participation:** It means involving employees in decision-making on issues related to their work. This may be done through joint management committees, work committees or suggestion systems. Being consulted makes employees feel that their knowledge and opinions are valued. Participation satisfies their need for recognition and belonging, builds ownership of the decision and encourages willing cooperation in implementing it.

**Step 4:** Conclusion Job enrichment motivates through challenging, responsible work and opportunities for growth. Employee participation motivates through involvement, recognition and a sense of belonging in work-related decisions.

**Quick Tip to Solve:** Distinguish the two by asking whether the incentive changes the job itself or involves the employee in decisions about the work.

**12(a). Explain the objectives of Financial Planning.** [3 marks]

**Solution:**

**Concept:**

- Financial planning is the preparation of a financial blueprint for future operations. It estimates the funds needed and specifies their sources.
- Its objectives are to ensure that sufficient funds are available when needed and that the firm does not raise funds unnecessarily.

**Step 1:** Ensure availability of funds when required **Provide sufficient funds:** Financial planning anticipates the amount of finance required for investment and day-to-day operations and the time at which it will be needed. It then plans suitable sources of finance. This helps the business meet its obligations and implement its investment and operating plans without interruption due to a shortage of funds.

**Step 2:** Avoid unnecessary raising of finance **Prevent excess funds:** Financial planning also ensures that the firm does not raise resources unnecessarily. Excess finance can remain idle and add to financing costs without producing a corresponding return. Careful estimation prevents waste and helps the business use available funds profitably rather than carrying an avoidable surplus.

**Step 3:** Balance the two objectives **Match needs with resources:** These objectives must be considered together. Raising too little finance can delay activities, while raising too much ties up resources and reduces returns. By comparing expected requirements with expected availability, financial planning seeks the right amount of finance at the right time for the planned business activities.

**Step 4:** Conclusion The objectives of financial planning are to ensure the availability of sufficient funds whenever needed and to ensure that the firm does not raise funds unnecessarily.

**Quick Tip to Solve:** Remember both sides of financial planning: avoid a shortage that interrupts operations and avoid excess funds that remain idle.

OR

**12(b). What is meant by 'Financial Management' ? State the primary objective of Financial Management.**

[3 marks]

**Solution:**

**Concept:**

- Financial management concerns the efficient acquisition and utilisation of finance. It aims to procure funds at minimum cost and use them effectively.
- The primary objective is shareholders' wealth maximisation, represented by maximising the market price of the company's equity shares.

**Step 1:** Explain the meaning of financial management **Meaning:** Financial management is concerned with the optimal procurement as well as the usage of finance. It determines the amount of finance

required, chooses suitable sources from which to obtain it and decides how to invest the funds. Thus, it seeks to reduce the cost of procuring funds, keep financial risk under control and ensure that the funds are used to obtain the best possible benefit. Investment, financing and dividend decisions are its major decisions.

**Step 2:** State and clarify the primary objective **Shareholders' wealth maximisation:** The primary objective is to maximise the wealth of the shareholders. For a company, this means maximising the current market price of its equity shares. The market price reflects the expected returns available to shareholders and the risk associated with those returns. Financial decisions should therefore increase the value of the shareholders' investment through a favourable combination of return and risk. Merely increasing accounting profit is insufficient if that increase involves excessive risk or does not increase the value of the owners' investment.

**Step 3:** Conclusion Financial management means the optimal procurement and utilisation of funds. Its primary objective is shareholders' wealth maximisation, expressed through maximisation of the market price of equity shares.

**Quick Tip to Solve:** Link the meaning to both obtaining and using funds; link the primary objective specifically to shareholders' wealth and the equity share price.

**13(a). 'Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.' In the light of this statement, describe management a science.** [3 marks]

**Solution:**

**Concept:**

- Science is a systematised body of knowledge based on observation and experimentation, with principles that can be tested and applied.
- Management has scientific features, but its principles deal with human behaviour and must be modified to suit circumstances. It is therefore an inexact science.

**Step 1:** Examine its organised knowledge and methods

- **Systematised body of knowledge:** Management has its own organised body of knowledge containing basic concepts, theories, principles and techniques. These establish relationships between variables, such as the relationship between division of work and efficiency, and provide a logical basis for managerial decisions.
- **Principles based on experimentation:** Management principles have developed through observation and repeated experimentation in different organisations. For example, scientific management techniques grew from studies of actual work. However, because management deals with human beings whose behaviour cannot be predicted with complete accuracy, these results are less exact than those of the physical sciences.

**Step 2:** Assess the applicability of its principles

- **Universal validity with modification:** Management principles and techniques can be applied to different types of organisations, but they do not have the exact and unchanging universal validity of physical laws. Their application must be modified according to the situation, the people involved

and the conditions of the organisation. They act as useful general guidelines rather than rigid rules that always produce an identical result.

**Step 3:** Conclusion Management possesses a systematised body of knowledge and principles developed through observation and experimentation. Since their application is situation-dependent and concerns variable human behaviour, management is an inexact or social science.

**Quick Tip to Solve:** Test management against all three scientific features, then qualify the conclusion: its principles are flexible guidelines, so it is an inexact science.

OR

**13(b). Management is a complex activity that has three main dimensions. Explain these dimensions.**

[3 marks]

**Solution:**

**Concept:**

- Management is a multidimensional activity. Its three main dimensions are management of work, management of people and management of operations.
- These dimensions are interrelated: people use resources through a process of operations to accomplish the organisation's work and objectives.

**Step 1:** Explain management of work and people

- **Management of work:** Every organisation exists to perform some work, such as manufacturing goods, selling products or providing services. Management translates this work into goals and assigns the means by which they can be achieved. It determines what is to be done and organises the activities and resources required to accomplish the tasks effectively and efficiently.
- **Management of people:** Human resources are an organisation's greatest asset. Management gets work done through people by dealing with employees as individuals with different needs and behaviour and also as members of a group. It coordinates their efforts, influences their behaviour and helps them work as a team towards common organisational objectives while attending to their individual needs.

**Step 2:** Explain management of operations

- **Management of operations:** Every organisation has a process that transforms inputs into desired outputs for consumption. Management directs this flow of inputs and the technology and activities used to convert raw materials and other resources into goods or services. This dimension is closely linked to managing work and people, since employees operate the transformation process. It applies to service organisations as well as manufacturing enterprises.

**Step 3:** Conclusion The three dimensions are management of work, which converts tasks into achievable goals; management of people, which coordinates human effort; and management of operations, which controls the transformation of inputs into goods or services.

**Quick Tip to Solve:** Remember work, people and operations: what must be achieved, who will achieve it and the transformation process through which it will be achieved.

## Section C (24 marks)

**14. Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical fertilizers free vegetables. They conducted a survey to find out consumer preferences for such vegetables.**

**They found that most of the consumers were concerned about the harmful chemicals being used in growing the vegetables. They found that 90% of the households were searching for its alternatives. The company contacted a group of agriculture experts to lay down the procedure for growing the vegetables by the farmers. They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods. The experts also suggested soil management techniques through which farmers would be able to create an abundant and lasting harvest.**

**Identify and explain the two dimensions of business environment highlighted in the above para.**

[4 marks]

**Solution:**

**Concept:**

- Business Environment includes the external forces that influence the decisions and performance of a business. Its dimensions are distinguished by the nature of the change affecting the enterprise.
- The social environment includes people's attitudes, values, expectations, customs and lifestyles. The technological environment includes scientific improvements, innovations and new methods of production.

**Step 1:** Identify and explain the social environment **Social environment:** This dimension is highlighted by the statement that most consumers were "concerned about the harmful chemicals being used in growing the vegetables" and that "90% of the households were searching for its alternatives." These words show changing consumer attitudes and preferences towards food and health. Consumers want vegetables free from harmful chemicals, so the company recognises a demand arising from their health-conscious lifestyle. Social expectations therefore influence what the business offers to its customers.

**Step 2:** Identify and explain the technological environment **Technological environment:** This dimension is highlighted by the decision to "train the farmers in new technology to grow chemical free vegetables according to new innovative methods." It includes scientific improvements and innovations that provide new ways of producing goods and services. The agriculture experts' advice on "soil management techniques" is another application of improved production knowledge. Training farmers to use these methods enables the enterprise to obtain chemical-free vegetables and an abundant, lasting harvest.

**Step 3:** Conclusion The two dimensions are the **social environment**, reflected in consumers' concern for health and preference for chemical-free vegetables, and the **technological environment**, reflected in innovative farming methods and soil management techniques.

**Quick Tip to Solve:** Link changing consumer attitudes and lifestyles with the social environment; link new production methods and scientific techniques with the technological environment.

**15. Mega Ltd. holds an Annual Management Programme every year in the month of March in which the top managerial personnel formulate plans for the next year by analyzing and predicting the future to meet future events effectively.**

**As they are responsible for providing direction to the organization, facts are thoroughly checked using scientific calculations. Detailed plans are prepared after discussion with professional experts. Preliminary investigations are also undertaken to find out the viability of the plan. Since it is an intellectual activity requiring intelligent imagination and sound judgement so it is mainly done by the top management. Usually rest of the members just implement the plans. Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own. The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them.**

**State any two limitations and any two features of planning discussed above.** [4 marks]

**Solution:**

**Concept:**

- Planning means thinking in advance about what is to be done and how it is to be done. It lays down objectives and selects a course of action to achieve them.
- Features describe the nature of planning, whereas limitations explain the difficulties that planning may create. The case illustrates both through the way Mega Ltd. prepares and implements its plans.

**Step 1:** State two limitations shown in the case **Planning leads to rigidity:** Middle level managers are "neither allowed to deviate from the plans nor are they permitted to act on their own." Once the detailed course of action is fixed, managers must follow it even when circumstances call for adjustment. Such inflexibility can prevent timely adaptation.

**Planning reduces creativity:** Planning is "mainly done by the top management" and "rest of the members just implement the plans." Employees and managers at other levels have little opportunity to contribute their own ideas or develop alternative ways of working. Merely carrying out plans made by others can reduce their initiative and creative thinking.

**Step 2:** State two features shown in the case **Planning is futuristic:** The top managers formulate plans "by analyzing and predicting the future to meet future events effectively." Planning looks ahead, anticipates likely conditions and prepares the organisation to respond to them. Thus, the next year's actions are decided before those events occur.

**Planning is a mental exercise:** The case expressly describes planning as "an intellectual activity requiring intelligent imagination and sound judgement." Managers think logically, examine facts and evaluate possible courses before choosing a plan. The scientific calculations and discussions with professional experts support this thoughtful decision-making process.

**Step 3:** Conclusion Two limitations are that planning **leads to rigidity** and **reduces creativity**. Two features are that planning **is futuristic** and **is a mental exercise**, as shown by Mega Ltd.'s future predictions and intellectual preparation.

**Quick Tip to Solve:** Separate what planning is from what it may hinder: looking ahead and thinking are features; restrictions on adjustment and initiative are limitations.

**16. Vinber Ltd. set up a manufacturing unit at Bhiwadi in Himachal Pradesh to manufacture electric geysers and supply them to dealers all over the country. Their production target was 500 geysers per week. It was decided by the management that variation in production upto 10 units would be acceptable.**

**At the end of the first week, the production was 450 geysers. The next week, production increased to 470 geysers. A week later, production was 460 geysers. On investigation, it was found that fluctuation in production was due to irregular supply of electricity.**

**(a) The above para discusses some of the steps in the process of one of the functions of management. Explain these steps.**

**(b) Also, state the step(s) that have not been discussed in the above para.** [4 marks]

**Solution:**

**Concept:**

- Controlling means comparing actual performance with predetermined standards, identifying deviations and taking corrective action to ensure that organisational goals are achieved.
- Its process comprises setting performance standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action. An acceptable range helps managers concentrate on significant deviations.

**Step 1:** Explain the steps discussed in the case

- **Setting performance standards:** Standards are the criteria against which actual performance is measured. They should be clear and measurable. Vinber Ltd. fixed a quantitative standard: its "production target was 500 geysers per week". The decision that "variation in production upto 10 units would be acceptable" also established the permissible deviation.
- **Measurement of actual performance:** Actual results are measured objectively in the same units as the standards. The company recorded production of "450 geysers", "470 geysers" and "460 geysers" in the three successive weeks. These figures provide weekly output data for control.
- **Comparison of actual performance with standards:** Actual output is compared with the target to determine the deviations. Against 500 geysers, the shortfalls were 50, 30 and 40 geysers respectively. Each exceeded the acceptable variation of 10 units, so each required attention rather than being treated as a normal fluctuation.
- **Analysing deviations:** Management examines significant deviations to find their causes. The case states that "On investigation" the fluctuation was found to be "due to irregular supply of electricity". Thus the company identified the reason for the production shortfalls.

**Step 2:** State the step not discussed **Taking corrective action** has not been discussed. After establishing the cause, management must act to remove it and bring performance closer to the standard. The paragraph ends with the investigation; it does not state that Vinber Ltd. implemented any remedy for the irregular electricity supply. Merely discovering the cause is analysis, whereas implementing a remedy is the final control step.

**Step 3:** Conclusion The management function is controlling. Setting standards, measuring actual performance, comparing performance with standards and analysing deviations are illustrated; taking corrective action is not discussed.

**Quick Tip to Solve:** In a controlling case, link target, recorded output, difference, cause and remedy to the five steps. Finding the cause does not mean corrective action has already been taken.

**17(a). Organising involves a series of steps that need to be taken in order to achieve the desired goal. Explain these steps.** [4 marks]

**Solution:**

**Concept:**

- Organising is the process of identifying and grouping the work to be performed, assigning duties and establishing authority relationships so that people can work together effectively towards organisational goals.
- The organising process translates plans into an arrangement of activities, jobs and reporting relationships. Its four steps proceed from identifying work to defining how employees relate to one another.

**Step 1:** Identify the work and group related activities

- **Identification and division of work:** First, identify all the activities needed to carry out the plan. Divide the total work into manageable tasks that can be assigned to individuals. Such division prevents duplication, ensures that no essential activity is overlooked and permits specialisation because each employee can concentrate on a defined part of the work.
- **Departmentalisation:** Next, group similar or related activities into departments. For example, activities may be grouped by function, such as production, marketing and finance, or on the basis of products or territories. Bringing related tasks together facilitates coordination and gives each department a clear area of responsibility.

**Step 2:** Assign duties and establish reporting relationships

- **Assignment of duties:** Allocate the work of each department among its employees. Clearly define the duties of each job and assign them according to employees' knowledge, skills and abilities. Matching the work with the person best suited to it helps employees discharge their responsibilities effectively and avoids uncertainty about who must perform a task.
- **Establishing authority and reporting relationships:** Specify who reports to whom and who has authority to give instructions to whom. Clearly establish superior–subordinate relationships and the extent of authority attached to jobs. These relationships create a hierarchy, facilitate coordination between people and departments, and make accountability clear so that employees know from whom to receive orders and to whom they must report their performance.

**Step 3:** Conclusion Organising involves identification and division of work, departmentalisation, assignment of duties, and establishment of authority and reporting relationships. Together, these steps create a workable structure for achieving the planned goals.

**Quick Tip to Solve:** Remember the organising sequence as work, groups, people and relationships: identify tasks, form departments, assign duties and define who reports to whom.

OR

**17(b). Explain any four points of importance of 'Organising'.** [4 marks]

**Solution:**

**Concept:**

- Organising is the management function that identifies and groups work, assigns duties and establishes authority relationships so that people work together to achieve organisational objectives.
- A sound organisation structure connects specialised jobs, clear reporting relationships and available resources. Its importance can be explained through the benefits it provides to the enterprise.

**Step 1:** Explain specialisation and clarity of relationships **Benefits of specialisation:** Organising divides the total work into smaller jobs and allocates specific tasks to employees. Repeated performance of a particular task gives employees experience and improves their skills. This systematic division of work therefore increases efficiency and productivity.

**Clarity in working relationships:** Organising specifies who reports to whom and defines the authority and responsibility of each position. Employees know whose instructions to follow and whom they can approach for guidance. This removes ambiguity, avoids confusion and helps different individuals and departments coordinate their work.

**Step 2:** Explain resource use and adjustment to change **Optimum utilisation of resources:** By assigning duties according to employees' knowledge and abilities, organising makes effective use of human resources. Clearly defined jobs also prevent overlapping work and duplication of effort. Proper allocation of material and financial resources reduces waste and allows the enterprise to obtain better results from what it has.

**Adaptation to change:** A properly designed organisation structure gives management scope to modify duties, relationships and arrangements when the business environment changes. Work can be reorganised to meet new requirements without losing coordination. This flexibility helps the enterprise adjust to changing technology, markets and other external conditions.

**Step 3:** Conclusion Four points of importance of organising are benefits of specialisation, clarity in working relationships, optimum utilisation of resources and adaptation to change. Together, these benefits enable people and resources to contribute effectively towards common objectives.

**Quick Tip to Solve:** For each point of importance, name the benefit and then explain how division of work or clear relationships produce that benefit.

**18. Stock exchange acts as a regulator of the securities market. It creates a continuous market where the securities are bought and sold. It gives investors the chance to disinvest and reinvest. Through this process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues. To ensure that the investing public gets a safe and fair deal in the market, the membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. It also ensures wider share of ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.**

**Various functions performed by the Stock Exchange are discussed in the above para. By quoting lines from the above para, state any four functions of stock exchange.** [4 marks]

**Solution:**

**Concept:**

- A stock exchange provides an organised market for existing securities. Its functions support investors, protect orderly dealing and direct savings towards productive uses.
- In a case-based answer, each function must be linked to the passage by quoting the line that describes it. Four functions evident here are liquidity and marketability, contribution to economic growth, safety of transactions and spreading of equity cult.

**Step 1:** Identify liquidity and contribution to growth **Providing liquidity and marketability to existing securities:** "It creates a continuous market where the securities are bought and sold. It gives investors the chance to disinvest and reinvest." The exchange allows investors to sell their securities and obtain cash when needed. Thus, their funds need not remain locked in a particular investment, although the company continues to use the capital originally raised.

**Contributing to economic growth:** "Through this process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues." Trading enables investors to shift their savings among investment opportunities. This process directs funds towards promising and productive enterprises and supports capital formation and economic growth.

**Step 2:** Identify safety and wider public ownership **Safety of transactions:** "To ensure that the investing public gets a safe and fair deal in the market, the membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework." Regulated membership and legally defined dealings provide safeguards and promote fair transactions. This means institutional protection in trading; it does not guarantee that an investor can never suffer a fall in security prices.

**Spreading of equity cult:** "It also ensures wider share of ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments." By educating investors and encouraging sound trading practices, the exchange promotes wider participation in share ownership. More members of the public are encouraged to invest in corporate securities.

**Step 3:** Conclusion The four functions are providing liquidity and marketability to existing securities, contributing to economic growth, safety of transactions and spreading of equity cult. Each is supported by the quoted statement from the passage.

**Quick Tip to Solve:** Match "buy and sell" with liquidity, "productive avenues" with growth, "legal framework" with safety, and "wider ownership" with equity cult.

**19(a). Explain any four points of difference between 'Marketing' and 'Selling'.** [4 marks]

**Solution:**

**Concept:**

- Marketing is the social process through which people obtain what they need and want by creating, offering and freely exchanging products and services of value. It begins with understanding the customer.
- Selling is the narrower activity of persuading customers to purchase the firm's existing products. It is a part of marketing; the two terms therefore differ in their scope, starting point, emphasis and means of earning profit.

**Step 1:** Compare scope and starting point The first two differences concern how much each activity includes and where its decisions begin.

| Basis | Marketing | Selling |
|---|---|---|
| Scope | It is a broad process covering identification of needs, product planning, pricing, promotion and distribution, as well as selling. | It is a limited part of marketing, mainly concerned with promoting and transferring the existing product to the buyer. |
| Starting point | It starts before production, with the identification of customer needs in the target market. Products are then planned to meet those needs. | It starts after the product has been produced, generally from the factory and the stock already available for sale. |

**Step 2:** Compare focus and means of earning profit The remaining two differences show how each approach directs business effort and seeks profit.

| Basis | Marketing | Selling |
|---|---|---|
| Main focus | It focuses on customer needs and satisfaction; the firm develops an offering that customers value. | It focuses on the existing product and the seller's need to convert that product into money. |
| Means and objective | It uses integrated marketing efforts, including product, price, promotion and distribution, to earn profit through customer satisfaction. | It emphasises aggressive selling and promotional efforts to increase sales volume and earn profit through larger sales. |

**Step 3:** Conclusion Thus, the four bases of distinction are scope, starting point, main focus, and means of earning profit. Marketing begins with customer needs and coordinates the whole offering, whereas selling concentrates on persuading buyers to purchase products already made.

**Quick Tip to Solve:** Compare both terms on the same basis in each row. Remember the sequence: needs before production for marketing, existing goods after production for selling.

OR

**19(b). Explain the following functions of marketing :**

**(i) Product designing and development ; and**

**(ii) Standardisation and Grading** [4 marks]

**Solution:**

**Concept:**

- Marketing includes activities that develop a suitable product and make its quality understandable to buyers. Product designing and development, standardisation and grading are important functions in this process.
- Product design determines the features and appearance of the offering. Standardisation establishes specifications, while grading classifies products into quality groups according to relevant characteristics.

**Step 1:** Explain product designing and development **Meaning:** Product designing and development means deciding the product's design, features and other characteristics so that it meets customer requirements. It involves developing a product that provides the benefits sought by the target market, rather than merely producing something the firm can manufacture.

**Importance:** An attractive and suitable design improves the product's performance and utility and can give it a competitive advantage. For instance, the shape, size, style and ease of use of a product can influence customer preference. A well-designed product can attract potential buyers even when competing products perform the same basic function. Development therefore brings customer needs into the actual product offering.

**Step 2:** Explain standardisation and grading **Standardisation:** This means producing goods according to predetermined specifications, such as quality, size and weight. It brings uniformity and consistency to the output. Buyers know the characteristics they can expect from a standardised product, and the need to inspect every individual unit is reduced. The standard provides a clear basis for buying and selling.

**Grading:** This means classifying products into different groups or grades according to characteristics such as quality, size and other important features. It is particularly useful when products cannot be produced with complete uniformity, as with agricultural produce. For example, fruits can be sorted into grades according to size and quality. Each grade can then be sold on a common description, making the buyer's choice and the fixing of prices easier.

**Step 3:** Conclusion Product designing and development create a suitable and appealing offering. Standardisation makes products conform to stated specifications, while grading sorts products with differing characteristics into identifiable quality groups. Together these functions help buyers assess the product and obtain the quality they require.

**Quick Tip to Solve:** Keep the terms distinct: design decides product features, standardisation sets specifications, and grading sorts products into groups according to those characteristics.

## Section D (15 marks)

**20(a). Explain any five points of significance of Principles of Management.** [5 marks]

**Solution:**

**Concept:**

- Principles of management are broad and general guidelines for managerial decision-making and behaviour, developed through observation and experimentation.
- Their significance lies in improving managerial understanding and action. They guide judgement but must be adapted to the circumstances rather than applied as rigid rules.

**Step 1:** Explain how principles improve managerial decisions

- **Providing managers with useful insights into reality:** Principles make managers aware of the consequences of their actions by drawing on experience and knowledge accumulated by earlier managers. They help managers understand recurring situations and avoid learning everything by trial and error. For example, unity of command explains why receiving conflicting orders from several superiors can create confusion.
- **Optimum utilisation of resources and effective administration:** Principles promote the economical use of scarce human and material resources. They help reduce waste and establish orderly authority, responsibility and working relationships. For example, division of work develops specialisation, while discipline helps secure cooperation and compliance with organisational rules.
- **Scientific decisions:** Principles encourage managers to base decisions on facts, logic and an objective assessment of the situation instead of personal bias or mere guesswork. Decisions become more balanced, timely and capable of being justified. Since circumstances vary, managers examine the relevant facts before choosing and applying a principle.

**Step 2:** Explain how principles support adaptation and responsibility

- **Meeting changing environment requirements:** Management principles are flexible guidelines, so their application can be modified to suit changes in technology, markets, competition and employee expectations. They give managers a foundation for responding effectively to new conditions instead of mechanically continuing an outdated practice.
- **Fulfilling social responsibility:** Principles encourage managers to recognise the interests of employees and other groups affected by business decisions. For example, equity and fair remuneration support fair treatment of workers. Such guidance helps management pursue organisational objectives while accepting its responsibilities towards society.

**Step 3:** Conclusion Thus, principles of management provide useful insights, improve resource utilisation and administration, support scientific decisions, help meet environmental changes and guide the fulfilment of social responsibility.

**Quick Tip to Solve:** For a significance question, name each benefit and then explain how it improves a manager's action; merely listing the principles themselves does not answer the question.

OR

**20(b). Explain the following techniques of Scientific Management :**

**(a) Fatigue Study ; and**

**(b) Differential Piece Wage System** [5 marks]

**Solution:**

**Concept:**

- F. W. Taylor's scientific management uses systematic study of work and suitable incentives to increase efficiency and replace unscientific working practices.
- Fatigue study determines suitable rest intervals, while the differential piece wage system links the wage rate to the worker's achievement of a scientifically established output standard.

**Step 1:** Explain fatigue study **Meaning:** Fatigue study determines the amount and frequency of rest intervals required by a worker while completing a task. A person cannot work efficiently without breaks; continuous physical or mental exertion causes fatigue and reduces efficiency.

**Purpose and procedure:** Management scientifically studies the work and the causes of fatigue, such as long working hours, unsuitable working conditions, insufficient rest and lack of cordial relations with the boss. It then arranges suitable pauses during the working day, considering the nature of the task and the workers' needs.

**Result:** Properly planned rest intervals allow workers to recover and resume work with greater energy. They reduce fatigue and help workers sustain efficiency and productivity. The aim is to improve the organisation of work, rather than to demand uninterrupted effort that eventually lowers output.

**Step 2:** Explain the differential piece wage system **Meaning:** Under this technique, different wage rates per unit are paid to efficient and inefficient workers. Management first establishes a fair standard of output through scientific work study.

**Operation:** A worker achieving or exceeding the prescribed standard is paid at a higher piece rate, whereas a worker falling below it receives a lower piece rate. The applicable rate is used for the units produced by the worker; this creates a clear financial reward for reaching the standard.

**Purpose:** The difference in earnings recognises efficient performance and encourages workers producing below the standard to improve their productivity. It therefore links remuneration with measured output instead of paying every worker alike regardless of performance. The standard must be scientifically determined so that the distinction reflects attainable work performance.

**Step 3:** Conclusion Fatigue study improves efficiency by fixing suitable rest intervals. The differential piece wage system improves efficiency through a higher piece rate for workers who attain the output standard and a lower rate for those who do not.

**Quick Tip to Solve:** Link fatigue study with rest intervals and differential piece wages with two output-linked rates; differential piece wages do not simply mean paying more for working longer hours.

**21. Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like televisions, refrigerators and air conditioners, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilizers of varying voltages from 90 V – 260 V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers but the product differed from region to region.**

**(a) Identify the organisational structure of N-Guard Company.**

**(b) State any two advantages and two limitations of the structure identified in the above para.**

[5 marks]

**Solution:**

**Concept:**

- A divisional structure groups activities into separate divisions for different products or product lines. Each division has responsibility for its own operations and results.
- Divisions permit specialisation and accountability, but the autonomy and duplication of resources involved can also create organisational difficulties.

**Step 1:** Identify the structure from the case **(a) Divisional organisational structure:** N-Guard Company uses a divisional structure. The decisive clue is that "the product differed from region to region", and separate engineers were appointed for the South, West and East regions. Although all the products are stabilizers, their voltage requirements differ, so the company organises responsibility around these different product requirements rather than merely creating departments such as production, finance and marketing.

**Step 2:** Explain two advantages of the structure **(b) Advantages:**

- **Development of managerial skills:** A divisional head handles several functions connected with the division's product. This gives experience in varied situations, develops managerial capabilities and prepares the head for higher responsibilities.
- **Accountability for performance:** Revenue and costs can be identified separately for each division, enabling assessment of its profit or loss. Responsibility for poor performance can therefore be fixed, and corrective action can be directed at the division concerned.

**Step 3:** Explain two limitations of the structure **Limitations:**

- **Conflict over allocation of resources:** Divisions may compete for funds, equipment and personnel. Disagreements over the distribution of these resources can create conflict between divisional heads and obstruct cooperation towards common organisational objectives.
- **Increased cost through duplication:** Each division may maintain its own functional facilities and staff. Repeating activities across divisions raises operating costs and can prevent the enterprise from obtaining the economies available from sharing resources.

**Step 4:** Conclusion N-Guard follows a **divisional structure**. It develops managerial skills and makes divisional performance accountable, but may lead to conflict over resources and higher costs through duplication.

**Quick Tip to Solve:** Identify what activities are grouped around: different products or product variants point to divisions; production, finance and marketing departments point to functions.

**22. Nisha Sethi was working as a Human Resource Manager in a famous consultancy firm, KLI Global Services. Her job included preparing job descriptions, recruitment, developing compensation and incentive plans and facilitating employee learning. They had entered into alliances with institutes to ensure continuous learning of their employees. With the jobs becoming more and more complex, KLI Global Services invested large amount of money in making the employees learn the skills necessary to complete the jobs.**

**State by giving any five points, how this investment is likely to benefit the organisation ?** [5 marks]

**Solution:**

**Concept:**

- Training is the systematic process of increasing employees' knowledge and skills for performing particular jobs. Development prepares employees for broader and future responsibilities.
- Staffing includes training and development so that employee capabilities remain suited to organisational requirements. Their benefits extend beyond the individual trainee to the enterprise's efficiency and adaptability.

**Step 1:** Relate the investment to training and development KLI Global Services is investing in **training and development**. The case says it facilitates "continuous learning of their employees" and helps employees "learn the skills necessary to complete the jobs". These are planned efforts to build capability as jobs become more complex. The following five benefits accrue to the organisation.

**Step 2:** Explain the benefits for efficiency and performance

- **Systematic learning reduces wastage:** Training teaches the correct method of doing a job systematically. It is better than learning through trial and error, which wastes time, effort and materials and can produce avoidable mistakes. The organisation consequently saves resources.
- **Higher productivity and profits:** Trained employees can perform their work more efficiently and accurately. Improvement in both the quantity and quality of output increases productivity and contributes to higher organisational profits.

**Step 3:** Explain the benefits for people and future requirements

- **Preparation of future managers:** Training and development equip employees with wider knowledge and skills, preparing future managers to take over when responsibilities increase or positions become vacant. This supports continuity of management.
- **Higher morale and lower employee turnover:** When employees become competent and see opportunities to grow, their morale improves. Greater confidence and satisfaction help reduce absenteeism and employee turnover, preserving a more stable workforce.
- **Effective response to a changing environment:** Training enables employees to understand and use new technology and methods. Development helps them handle changing conditions, allowing the organisation to respond effectively when work requirements and the business environment change.

**Step 4:** Conclusion The investment benefits KLI Global Services through systematic learning with less wastage, greater productivity and profits, preparation of future managers, improved morale with lower turnover and absenteeism, and a stronger response to environmental and technological change.

**Quick Tip to Solve:** For benefits to the organisation, connect training to enterprise outcomes: resource savings, productivity, managerial succession, workforce stability and adaptability.

## Section E (18 marks)

**23(a). 'Determining the relative proportion of various types of funds depends upon various factors.' Explain any six such factors.** [6 marks]

**Solution:**

**Concept:**

- Capital structure is the proportion of debt and equity used to finance a business. The statement refers to choosing this financing mix, rather than deciding how much total investment is required.
- Debt carries obligatory interest and repayment, whereas equity carries no compulsory dividend. The mix should balance cost, financial risk and shareholders' return.

**Step 1:** Identify the financing decision and assess repayment capacity The relative proportion of different sources is the **capital structure decision**. Three factors governing it are:

- **Cash-flow position:** Debt creates fixed cash commitments for interest and principal repayment. A company with strong, predictable cash flows can use more debt; one with uncertain cash flows should rely more on equity to avoid a payment default even when its accounts show a profit.
- **Interest coverage ratio:** This compares earnings before interest and tax with interest payable. A higher ratio indicates a larger cushion for meeting interest, making additional debt more feasible. A low ratio limits borrowing because a small fall in earnings could make interest difficult to pay.
- **Debt service coverage ratio:** This examines the cash available to service both interest and principal repayments. A higher ratio indicates a better ability to meet total debt commitments and therefore supports greater use of debt. It is more comprehensive than looking at interest alone.

**Step 2:** Evaluate the return and cost of borrowing Three further factors are:

- **Return on investment:** When the company's return on investment exceeds the rate of interest on debt, borrowing can raise the earnings available per equity share through favourable financial leverage. If the return is below the borrowing rate, more debt depresses shareholders' earnings and becomes unattractive.
- **Cost of debt:** Borrowing is more attractive when funds are available at a lower interest rate. A higher borrowing cost raises fixed commitments and reduces the advantage of debt, encouraging a greater equity component. The company must assess the rate at which it can actually borrow.
- **Tax rate:** Interest on debt is deductible in calculating taxable business income, whereas equity dividends are paid out of after-tax profits. A higher corporate tax rate therefore increases the tax advantage of debt and lowers its effective after-tax cost; a lower rate reduces this advantage.

**Step 3:** Conclusion The six factors are cash-flow position, interest coverage ratio, debt service coverage ratio, return on investment, cost of debt and tax rate. Together they guide a debt-equity mix that offers a cost advantage without creating excessive repayment risk.

**Quick Tip to Solve:** For a capital-structure answer, link each factor explicitly to greater or lower use of debt; merely listing factors does not explain the financing choice.

OR

**23(b). Explain any six factors affecting the decision that determines the amount of profit earned to be distributed and to be retained in the business.** [6 marks]

**Solution:**

**Concept:**

- The dividend decision determines how much of the profit earned is distributed to shareholders as dividend and how much is retained in the business for reinvestment.
- Dividend policy must balance shareholders' desire for current income with the company's need for internal finance. Profits and the cash available to pay dividends are separate considerations.

**Step 1:** Assess earnings and the ability to pay The decision described is the **dividend decision**. Three factors affecting it are:

- **Amount of earnings:** Dividends may be paid from current and past earnings. A company with larger earnings has greater scope to distribute dividends, while low earnings restrict the amount it can distribute without weakening its resources. Earnings therefore provide the basic capacity for declaring dividends.
- **Stability of earnings:** A company with stable, predictable earnings can generally declare a higher dividend because it can expect to sustain payments in future years. A company with fluctuating earnings is more cautious, retaining a larger buffer instead of committing to a dividend it may be unable to maintain.
- **Stability of dividends:** Companies generally seek a stable dividend per share and avoid frequent changes, especially reductions. A temporary increase in profits may therefore be retained instead of being distributed immediately; dividends are increased when management expects the higher earnings level to continue.

**Step 2:** Balance growth needs, liquidity and shareholders' preferences Three additional factors are:

- **Growth opportunities:** A company with attractive investment opportunities needs funds for expansion. It may retain a larger part of earnings and pay a smaller dividend to finance these projects internally. A company with fewer growth opportunities can distribute a larger proportion of its profits.
- **Cash-flow position:** Dividend payment requires a cash outflow. Even a profitable company may have insufficient cash because funds are tied up in inventories or receivables. A sound cash-flow position supports higher dividends, whereas a shortage of cash limits the payment despite reported profits.
- **Shareholders' preference:** Management considers whether shareholders prefer regular dividend income or capital appreciation arising from reinvested earnings. A stronger preference for current income favours higher dividends; a preference for future growth supports greater retention, subject to the company's financial requirements.

**Step 3:** Conclusion Amount of earnings, stability of earnings, stability of dividends, growth opportunities, cash-flow position and shareholders' preference are six factors affecting the dividend decision. They help management choose how much profit to distribute and how much to retain for the business.

**Quick Tip to Solve:** Separate stable earnings from stable dividends: the first concerns predictability of profit, while the second concerns continuity of the payout per share.

**24. 'VOICE' is an important consumer organization. It organized workshops in the months of December in Delhi/NCR for consumers. The theme was 'Organic Food – From Farm to Plate', to spread awareness on the importance of organic farming and to encourage consumers to switch from conventional food, that contains chemicals and pesticides to organic food. Expert speakers from farmers' community explained the harmful effects of usage of pesticides in farming and the importance of organic food. People were informed that the organization regularly tests samples to detect adulteration like presence of heavy metals or pesticides. The results of the tests are published in their monthly magazine 'Consumer Voice' to make people aware of quality of different products. It also provides aid and legal advice to the consumers in seeking a remedy.**

**State the functions performed by the Consumer Voice for the protection and promotion of consumer interest by quoting lines from the above para.** [6 marks]

**Solution:**

**Concept:**

- Consumer organisations and non-governmental organisations protect and promote consumer interests by educating consumers, testing products, publishing useful information and assisting consumers in obtaining redressal.
- A case-based answer must match each function to the activity actually described. The four functions evidenced in this passage should be stated with their supporting lines; unrelated functions should not be added merely to lengthen the answer.

**Step 1:** Identify consumer education and product testing

- **Educating consumers and creating awareness:** Consumer organisations organise training programmes, seminars and workshops to make consumers aware of matters affecting their interests. The passage states, "It organized workshops in the months of December in Delhi/NCR for consumers." Its purpose was "to spread awareness on the importance of organic farming and to encourage consumers to switch from conventional food" to organic food. The expert explanation of the harmful effects of pesticides helps consumers make informed choices.
- **Testing consumer products:** These organisations carry out comparative testing of products, including in accredited laboratories, to assess their relative quality and identify adulteration or other defects. The supporting line is: "the organization regularly tests samples to detect adulteration like presence of heavy metals or pesticides." Such testing gives consumers objective information about the safety and quality of products available to them.

**Step 2:** Identify information publication and legal assistance

- **Publishing information for consumers:** Consumer organisations publish periodicals and other publications to disseminate information about products and matters of consumer interest. The passage says, "The results of the tests are published in their monthly magazine 'Consumer Voice' to make people aware of quality of different products." Publishing the findings enables a wider group of consumers to compare products and make better buying decisions.
- **Providing legal assistance and advice:** Consumer organisations help consumers understand and pursue remedies when their interests are harmed. The relevant line is: "It also provides aid and legal advice to the consumers in seeking a remedy." This assistance supports consumers in seeking redressal instead of abandoning a justified complaint because they do not know the procedure.

**Step 3:** Conclusion The four functions performed by Consumer Voice in this passage are consumer education through workshops, testing products for adulteration, publishing consumer information and providing legal assistance and advice for seeking remedies. Each is supported by a specific activity stated in the case.

**Quick Tip to Solve:** Underline the action words in the case: workshops, tests, published and legal advice. Match each to one distinct function and quote the line that proves it.

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**25. Pratap Singh is the Chief Executive Officer of Nissar Enterprises. It is an automobile parts manufacturing company. The enterprise has a functional structure, in which jobs of similar nature have been grouped together as Production, Finance, Marketing and Human Resource. Nissar Enterprises has its manufacturing unit at Manesar. The factory has been plagued with many problems for a long time which was in the knowledge of the Production Manager, Varun Sharma. The workers had internal differences. Time and again, there were misunderstandings between the management and the workers. Keeping the problems in mind, Varun Sharma appointed, Siyaram Singh who had 14 years of experience of working with the actual work force and passing on instructions of the middle management to the workers.**

**Siyaram Singh met Varun Sharma to understand what the management wanted ?**

**Thereafter he met the workers and conveyed the ideas of management to them. He also promised the workers to convey their problems to the management. In this way, he cleared the misunderstanding between the management and the workers.**

**He also sorted out internal differences and was able to unite the workers within a month of his joining. His work was acknowledged by management and he was given a certificate of good performance along with 10% increase in salary.**

**(i) Siyaram Singh performed some of the functions which are required to be performed at the position he is working at. State any five other functions Siyaram Singh is expected to perform.**

**(ii) Name the incentives provided to Siyaram Singh.** [6 marks]

**Solution:**

**Concept:**

- Supervision means overseeing employees' work and guiding their efforts towards organisational objectives. A supervisor works in direct contact with the operative employees at the first level of management.
- The case already shows Siyaram acting as a link between management and workers and promoting group unity. The answer must therefore state five other functions of supervision rather than repeat those two functions.
- Incentives may be financial, involving a monetary benefit, or non-financial, satisfying psychological and social needs such as appreciation and recognition.

**Step 1:** Identify Siyaram's supervisory position Siyaram Singh is a **supervisor**. The case describes his experience of "working with the actual work force and passing on instructions of the middle management to the workers." He performs the linking role when he "conveyed the ideas of management" and promised to convey workers' problems back to management. He promotes group unity when he

"sorted out internal differences" and united the workers. These establish his position and identify the functions already performed.

**Step 2:** State five other functions expected of him

- **Maintain day-to-day contact and friendly relations:** Siyaram should remain in regular personal contact with workers and develop cordial relations. This helps him understand their difficulties promptly and gives workers a dependable person to approach for guidance.
- **Ensure performance of work:** He should oversee the work of employees and ensure that it is performed according to the targets set by management. His guidance and attention help workers accept responsibility and carry out their assigned duties efficiently.
- **Provide on-the-job training:** He should guide workers while they perform their actual jobs, demonstrating correct methods and helping them improve their skills. Such training makes employees more capable and reduces errors in production.
- **Provide leadership and motivation:** Through effective leadership, he should influence workers to give their best and build their morale. Encouragement and proper guidance help them cooperate willingly in achieving the enterprise's objectives.
- **Provide feedback and suggest improvements:** He should analyse the work performed, give workers feedback on their performance and suggest ways of improving it. Constructive feedback allows employees to recognise shortcomings and improve the quality and efficiency of their work.

**Step 3:** Name the two incentives provided

- **Employee recognition programme, a non-financial incentive:** Siyaram received "a certificate of good performance." It formally acknowledges his achievement and satisfies his need for appreciation and recognition.
- **Pay and allowances, a financial incentive:** He received a "10% increase in salary." An increase in basic pay directly raises his monetary remuneration and rewards his good performance.

**Step 4:** Conclusion As supervisor, Siyaram should additionally maintain friendly daily contact, ensure performance, provide on-the-job training, offer leadership and motivation, and give feedback for improvement. The certificate represents employee recognition, while the salary increase is a pay and allowances incentive.

**Quick Tip to Solve:** For "other functions", first cross out the supervisory roles already illustrated. Classify a certificate as recognition and a salary rise as a financial pay incentive.