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

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) Section A contains questions **1 to 8** carrying **one mark** each. Answers 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 given in **50 – 75 words**.

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

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

(vi) Section E contains questions **23 to 25** carrying **six marks** each. Answers to these questions may be given 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. Give the meaning of functional structure. [1 mark]

Solution:

Concept:

- Functional structure is an organisational structure formed by grouping jobs of a similar nature under major functions.
- Activities such as production, marketing, finance and personnel form separate functional departments.

Step 1: Identify the basis of grouping The basis is the function performed rather than the product sold or the geographical area served. Employees doing related work are brought together in a department.

Step 2: State the meaning Functional structure means grouping similar jobs into departments according to the major functions of the organisation. For example, production activities are grouped in the production department and marketing activities in the marketing department.

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

Quick Tip to Solve: Link functional structure with functions or departments; grouping by individual product lines indicates divisional structure.

2(a). Distinguish between 'Principles of Management' and 'Techniques of Management'. [1 mark]

Solution:

Concept:

- Management principles are broad and general guidelines for managerial decision-making and behaviour.
- Management techniques are methods or procedures involving a series of steps to achieve desired results.

Step 1: Identify what each term provides A principle guides a manager in choosing an appropriate course of action. A technique sets out how a particular task or result can be achieved in practice.

Step 2: Present the distinction

Basis	Principles of Management	Techniques of Management
Meaning	Broad, general guidelines for managerial decision-making and behaviour.	Methods involving a series of steps to accomplish desired results.

Step 3: Conclusion Principles guide managerial decisions and behaviour, whereas techniques prescribe procedures or steps for achieving specific results.

Quick Tip to Solve: Remember the distinction as guideline versus procedure: principles guide decisions, while techniques specify how to perform work.

OR

2(b). Distinguish between 'Time study' and 'Motion study'. [1 mark]

Solution:

Concept:

- Time study determines the standard time required to perform a well-defined job.
- Motion study examines movements made while performing a job to eliminate unnecessary movements.

Step 1: Identify the focus of each study Time study concentrates on how long a specified job should take under standard conditions. Motion study concentrates on the movements involved in doing the job and the possibility of removing wasteful movements.

Step 2: Present the distinction

Basis	Time study	Motion study
Purpose	Determines the standard time needed to perform a well-defined job.	Identifies and eliminates unnecessary movements in performing a job.

Step 3: Conclusion Time study sets the standard time for a job; motion study eliminates unnecessary movements to improve the method of doing it.

Quick Tip to Solve: Associate time study with duration and motion study with movements; the two studies improve different aspects of work.

3(a). Name the method of training in which the trainee works under the guidance of a master worker. [1 mark]

Solution:

Concept:

- Apprenticeship training is an on-the-job method in which a trainee learns under the guidance of a master worker.
- It is commonly used for skilled trades that require practical proficiency developed over a prescribed training period.

Step 1: Recognise the training arrangement The trainee works under the guidance of an experienced master worker. Learning therefore occurs through supervised practical work rather than only through lectures or classroom instruction.

Step 2: Name the method This arrangement is called apprenticeship training. The master worker guides the apprentice in acquiring the knowledge and practical skills of the trade.

Step 3: Conclusion The method is **apprenticeship training**.

Quick Tip to Solve: The expression master worker is the key cue for apprenticeship training, especially in a skilled trade.

OR

3(b). Name the type of barrier of communication which refers to problems and obstructions in the process of encoding and decoding of message into words or impressions. [1 mark]

Solution:

Concept:

- Semantic barriers are communication barriers associated with the meaning of words and symbols.
- They arise from difficulties in encoding and decoding a message into words or impressions.

Step 1: Locate the source of the obstruction The question refers to problems in converting ideas into words or impressions and interpreting those words or impressions. This concerns the meaning conveyed by language and symbols.

Step 2: Identify the category Such obstructions are semantic barriers. Poorly expressed messages, words with different meanings or faulty translations can cause the receiver to interpret a message differently from what the sender intended.

Step 3: Conclusion The barrier described is a **semantic barrier** to communication.

Quick Tip to Solve: Encoding, decoding and the meaning of words signal semantic barriers; attitudes or organisational rules indicate other categories.

4(a). What is meant by 'Branding' ? [1 mark]

Solution:

Concept:

- Branding is the process of giving a name, sign, symbol or other identifying feature to a product.
- The identity enables customers to identify the product and distinguish it from competing products.

Step 1: Identify the marketing activity A marketer needs a recognisable identity for a product so that buyers can locate it and tell it apart from similar offerings of other sellers.

Step 2: State the meaning Branding means giving a name, sign, symbol, design or a combination of these to a product for its identification and differentiation from competitors. It establishes a distinct product identity in the market.

Step 3: Conclusion Branding is the process of giving a product a name, sign, symbol or other identifying feature to distinguish it from competing products.

Quick Tip to Solve: Use both identification and differentiation in a branding definition; merely wrapping a product describes packaging.

OR

4(b). What is meant by 'Pricing' ? [1 mark]

Solution:

Concept:

- Price is the amount of money a buyer has to pay to obtain a product or service.
- Pricing is the marketing activity of determining that amount for the product or service offered.

Step 1: Identify what is being decided The marketer must decide the amount to be charged to customers in exchange for the product or service. That decision relates to the price element of the marketing mix.

Step 2: State the meaning Pricing means determining or fixing the amount of money customers must pay to obtain a product or service. Costs, demand, competition and marketing objectives may influence this decision, but the activity itself is setting the price.

Step 3: Conclusion Pricing is the process of determining the amount of money to be charged for a product or service.

Quick Tip to Solve: Distinguish price, the amount charged, from pricing, the process of deciding that amount.

5. Archana is a pure vegetarian. She went to a popular food chain shop and asked for a packaged 'Veg-Biryani'. While eating the same she noticed that it had some non-vegetarian content. Neither the advertisement, nor the label on the package showed that the product had non-vegetarian content. Name the consumer right under which Archana can claim for compensation as per the provisions of Consumer Protection Act, 1986. [1 mark]

Solution:

Concept:

- The right to seek redressal gives a consumer relief against unfair trade practices or unscrupulous exploitation.
- Consumer relief can include replacement, refund or compensation for loss or injury caused by a defective product or deficient service.

Step 1: Identify the relief sought Archana seeks compensation after discovering non-vegetarian content in a product sold as 'Veg-Biryani'. The question specifically asks for the consumer right under which she can claim this remedy.

Step 2: Name the applicable right The applicable right is the **right to seek redressal**. Although the missing information on the advertisement and label also relates to the right to be informed, seeking compensation is an exercise of the right to seek redressal.

Step 3: Conclusion Archana can claim compensation under the **right to seek redressal**.

Quick Tip to Solve: Match the right to the action requested: compensation, refund and replacement point to the right to seek redressal.

6. 'Technological Upgradation' affects one of the types of capital requirement of an organisation. Identify the type of capital affected with reference to the above statement. [1 mark]

Solution:

Concept:

- Fixed capital is the capital invested in fixed assets such as plant, machinery and equipment used over a long period.
- Technological upgradation can make existing machinery obsolete and require investment in replacement or modernised equipment.

Step 1: Connect technology with assets Technological upgradation concerns the production equipment used by an organisation. Keeping pace with improved technology may require purchasing new machines or replacing old ones, rather than merely financing routine daily expenses.

Step 2: Identify the capital requirement These purchases involve long-term investment in fixed assets. Therefore, technological upgradation affects **fixed capital requirements**; industries with rapidly changing technology generally need more funds to replace obsolete equipment.

Step 3: Conclusion The type of capital affected is **fixed capital**.

Quick Tip to Solve: Replacement of plant and machinery indicates fixed capital; routine operating expenses indicate working capital.

7. Raj and Riya are working in different departments of Leo Infocom. One day at lunch time Riya told Raj that due to recession many people are going to be retrenched soon from the organisation.

Name the type of communication that took place between Raj and Riya. [1 mark]

Solution:

Concept:

- Informal communication takes place through social relationships and personal interactions rather than the officially prescribed channels.
- This unofficial communication network is called the grapevine and can transmit rumours as well as other information.

Step 1: Identify the setting Riya tells Raj the news 'at lunch time'. They work in different departments, and the conversation arises from personal interaction rather than an official notice or a communication through the formal chain of command.

Step 2: Classify the communication The exchange is **informal communication**, also known as **grapevine communication**. The information about retrenchment is passed unofficially; the case does not establish that it is an authorised organisational announcement.

Step 3: Conclusion The communication between Raj and Riya is **informal (grapevine) communication**.

Quick Tip to Solve: Look for the channel, not merely the topic: lunch-time personal conversations usually indicate the grapevine.

8. Raj Auto Ltd. was engaged in manufacturing motor cycles. Its long term objective was to capture the market by increasing sales every year. For this it analysed the pricing policy of the competitors. To achive this objective it decided to offer a discount of ₹ 3,000 and free insurance on purchase of every motor cycle. This attracted the customers and the sales increased.

Identify the type of plan being followed by Raj Auto Ltd. [1 mark]

Solution:

Concept:

- A strategy is a comprehensive plan for achieving an organisation's long-term objectives while taking the business environment into account.
- It includes determining long-term objectives, choosing a course of action and deploying resources to implement that course.

Step 1: Find the objective and environmental analysis Raj Auto Ltd. aims to 'capture the market by increasing sales every year'. It also analyses the 'pricing policy of the competitors', showing that its plan considers the external competitive environment.

Step 2: Identify the comprehensive plan The company chooses a course of action: a discount of Rs 3,000 and free insurance on each motorcycle. Linking this competitive response to its long-term market objective identifies the plan as a **strategy**, rather than simply the objective itself.

Step 3: Conclusion Raj Auto Ltd. is following a **strategy**.

Quick Tip to Solve: A long-term objective combined with analysis of competitors and a chosen course of action is a strong signal of strategy.

Section B (15 marks)

9(a). State any three limitations of Planning. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it; it provides direction but cannot remove all business uncertainty.
- Its limitations arise from both the way plans are implemented and changes in the environment in which the organisation operates.

Step 1: State the limitation arising from fixed plans **Planning leads to rigidity:** Once a detailed plan has been drawn up, managers may have to work within its framework. They can become reluctant to change a predetermined course even when circumstances call for a different approach. Strict adherence to the plan can therefore restrict initiative and flexibility.

Step 2: State the limitation arising from environmental change **Planning may not work in a dynamic environment:** Plans are based on assumptions about future conditions. Economic, technological, political and other external conditions can change unexpectedly, making those assumptions and the resulting plans ineffective. Managers cannot accurately foresee or control every such change.

Step 3: State the limitation arising from the planning process **Planning involves huge costs:** Collecting and analysing information, consulting experts and evaluating alternatives require money and managerial effort. These expenses can be substantial, and the benefits expected from a plan may sometimes be smaller than the costs incurred in preparing it. The planning exercise must therefore be justified by its likely benefits.

Step 4: Conclusion Any three limitations are: planning leads to rigidity, may not work in a dynamic environment, and involves huge costs.

Quick Tip to Solve: For a limitation question, name each NCERT heading and explain how it restricts planning; do not substitute the benefits of planning.

OR

9(b). State any three points of importance of Organising. [3 marks]

Solution:

Concept:

- Organising identifies and divides work, groups related activities, assigns duties and establishes reporting relationships to implement plans.
- Its importance includes benefits of specialisation, clarity in working relationships and optimum utilisation of resources. Each benefit explains how a properly designed organisation improves performance.

Step 1: State the benefit of specialisation **Benefits of specialisation:** Organising systematically allocates work among employees. Repeated performance of a particular task enables an employee to gain experience and develop expertise in that task. Division of work therefore improves efficiency and the quality of performance, instead of requiring everyone to perform every activity.

Step 2: Explain clarity in working relationships **Clarity in working relationships:** Organising defines each employee's duties, authority and responsibility, including who reports to whom. Employees know from whom they must receive instructions and to whom they are accountable. This removes ambiguity, facilitates communication and helps departments coordinate their work.

Step 3: Explain optimum utilisation of resources **Optimum utilisation of resources:** Organising assigns jobs according to employees' capabilities and avoids unnecessary duplication of activities. Clear allocation of work allows human, material and financial resources to be used productively. It reduces waste and helps the enterprise obtain better results from the resources available to it.

Step 4: Conclusion Three points of importance of organising are benefits of specialisation, clarity in working relationships and optimum utilisation of resources.

Quick Tip to Solve: For an importance question, name each benefit and explain its effect: expertise, clear reporting or reduced duplication.

10. Mayank, the director of a company, is planning to manufacture stuffed toys for utilising waste material of one of his garments factories. He decided that this manufacturing unit will be set up in a rural area, so that people living in rural areas can have job opportunities. For this he selected Arbaaz, Kriti, Lata and Ritik as heads of Sales, Accounts, Purchase and Production departments respectively. They were differently abled but intelligent and creative persons in designing.

State the next three steps Mayank has to follow in the staffing process after selecting heads of different departments. [3 marks]

Solution:

Concept:

- Staffing fills and keeps filled the positions in an organisation with suitable people. Selection is followed by placement and orientation, training and development, and performance appraisal.
- The case says Mayank has already selected people as departmental heads. Therefore the answer must begin after selection rather than repeat recruitment or selection.

Step 1: Carry out placement and orientation **Placement and orientation:** Placement means assigning the selected employee to the position for which the person has been selected. Mayank should place Arbaaz, Kriti, Lata and Ritik in their respective Sales, Accounts, Purchase and Production positions. Orientation introduces them to the organisation, its policies, their colleagues, superiors and subordinates. This helps them understand their duties and become familiar with the working environment.

Step 2: Provide training and development **Training and development:** Mayank should arrange learning opportunities that improve the knowledge and skills needed for the assigned jobs. Training prepares employees to perform their present duties efficiently, while development builds their broader capabilities for future responsibilities. The case describes the selected people as 'intelligent and creative persons in designing'; appropriate learning should help them apply their abilities to their departmental responsibilities.

Step 3: Undertake performance appraisal **Performance appraisal:** After the employees have worked in their positions, Mayank should evaluate their performance against predetermined standards. He should communicate the appraisal results and give feedback on strengths and areas requiring improvement. Appraisal shows whether actual performance meets job expectations and helps identify further training and development needs.

Step 4: Conclusion The next three staffing steps are placement and orientation, training and development, and performance appraisal, in that order.

Quick Tip to Solve: Locate the completed staffing step first. After selection, remember: place and introduce, train and develop, then appraise.

11(a). Stock index measures the movement of prices of securities at a stock exchange. Stock index reflects the day-to-day fluctuations in stock prices and are known as barometers of market behaviour of securities.

In the light of this statement, state any three functions of stock exchange. [3 marks]

Solution:

Concept:

- A stock exchange is a market in which existing securities are bought and sold under prescribed rules. It performs economic functions beyond merely reporting changes in a stock index.
- Three functions are providing liquidity and marketability to existing securities, pricing of securities, and ensuring safety of transactions. The reference to the stock index particularly connects with the pricing function.

Step 1: Explain liquidity and marketability **Providing liquidity and marketability to existing securities:** A stock exchange provides a continuous market where investors can buy and sell securities already issued. An investor can convert an investment into cash by selling it to another investor. This gives investors liquidity without withdrawing funds from the company whose securities they hold.

Step 2: Explain pricing of securities **Pricing of securities:** The forces of demand and supply determine security prices through trading on the exchange. Such prices communicate information about the relative value of securities to investors. Changes in these prices are reflected in stock indices, linking this function to the case's description of indices as 'barometers of market behaviour of securities'.

Step 3: Explain safety of transactions **Safety of transactions:** The exchange operates within a defined legal framework and prescribed rules. Its membership is regulated, and trading procedures are specified so that investors receive a fair and safe market for dealing in securities. This safeguards the conduct of transactions; it does not guarantee that an investment's market price will rise or that investors can never suffer a loss.

Step 4: Conclusion Any three functions of a stock exchange include liquidity and marketability of existing securities, pricing of securities, and safety of transactions.

Quick Tip to Solve: Separate transaction safety from investment returns: exchange rules protect trading procedures, while market prices can still fall.

OR

11(b). To promote orderly and healthy growth of securities market and protection of investors, Securities and Exchange Board of India was set up.

In the light of the given statement, state any three regulatory functions of the Securities and Exchange Board of India. [3 marks]

Solution:

Concept:

- SEBI regulates the securities market so that dealings take place within an organised legal framework and market intermediaries remain accountable.
- Regulatory functions prescribe rules, register market participants and supervise their conduct. They are distinct from developmental measures such as training intermediaries.

Step 1: State the rules governing intermediaries **Regulation of market intermediaries:** SEBI frames rules and regulations and a code of conduct for stockbrokers, merchant bankers, underwriters and other securities-market intermediaries. These rules establish standards for their operations and help ensure orderly dealings in the market.

Step 2: State the registration and supervision functions **Registration of investment schemes and funds:** SEBI registers and regulates the working of collective investment schemes, including mutual funds. Registration brings such institutions within its regulatory supervision rather than allowing public funds to be mobilised without oversight.

Inspection and audit: SEBI calls for information from, undertakes inspections of, conducts inquiries into and audits stock exchanges and intermediaries. Examination of records enables it to check compliance with the prescribed rules and identify irregular practices.

Step 3: Conclusion Three regulatory functions of SEBI are framing rules and a code of conduct for intermediaries, registering and regulating collective investment schemes including mutual funds, and conducting inspections, inquiries and audits of exchanges and intermediaries.

Quick Tip to Solve: For regulatory functions, recall rules, registration and inspection; keep training and investor education separate from this list.

12. Explain any three points of importance of decentralisation. [3 marks]

Solution:

Concept:

- Decentralisation means the systematic delegation of decision-making authority throughout the levels of an organisation, subject to overall managerial control.
- Its importance lies in giving managers opportunities to decide and act while allowing senior managers to concentrate on broader organisational matters.

Step 1: Explain its effect on initiative and talent **Develops initiative among subordinates:** When lower-level managers receive authority to make decisions, they gain confidence and freedom to act.

They learn to rely on their own judgement instead of asking superiors for instructions on every matter. This encourages responsibility and initiative.

Develops managerial talent for the future: Making decisions at lower levels gives employees practical experience of handling managerial problems and accepting responsibility for outcomes. This training through experience builds a pool of capable managers who can take on higher positions as the organisation grows.

Step 2: Explain its effect on the speed of decisions **Facilitates quick decision-making:** Decisions can be taken at the level closest to the point of action, where relevant information is readily available. A matter need not travel repeatedly up and down a long hierarchy for approval. This reduces delays and allows a timely response to local problems and opportunities.

Step 3: Conclusion Decentralisation develops initiative, builds managerial talent for future responsibilities and facilitates quicker decisions by placing authority closer to the point of action.

Quick Tip to Solve: Explain each benefit through the authority given to lower levels: confidence, managerial experience and fewer approval delays.

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13. Sunflag Iron Ltd. is manufacturing steel at its plant in India. It is enjoying increased demand for its steel as economic growth of the country is about 8%. It is planning to set up a new plant to avail the benefits of increased demand. It is estimated that it will require about ₹ 4,000 crore for setting up of plant and about ₹ 600 crore for other expenses to start the new plant.

To collect the above mentioned funds, the sources to be used and the quantity to be collected from different sources had to be considered.

(a) Identify the above discussed concept and give its meaning.

(b) Explain any two factors that affect the concept identified in (a) above. [3 marks]

Solution:

Concept:

- The financing decision determines the sources from which a business will raise finance and the amount to be raised from each source.
- Long-term financing choices commonly involve owned funds, such as equity, and borrowed funds, such as debentures or loans. Their costs and financial risks differ.

Step 1: Identify and define the financing decision **(a) Financing decision:** The case says that the company must consider "the sources to be used and the quantity to be collected from different sources". This directly concerns deciding how the required funds will be raised and how much will come from each source. It is therefore the financing decision. The proposed plant explains why funds are needed, whereas the quoted statement focuses on arranging their finance.

Step 2: Explain two factors affecting the decision **(b) Cost:** The cost of raising funds differs across sources. Management compares the cost of equity, preference capital and borrowings and generally prefers a source with a lower cost, while also considering its other implications. The objective is to obtain the needed finance without imposing an unnecessarily high financing cost on the business.

Risk: Borrowed funds require payment of interest and repayment of principal irrespective of the

company's operating performance. Heavy borrowing therefore increases financial risk, especially if future earnings or cash flows are uncertain. Equity does not carry the same compulsory interest and principal repayment obligations, so management must balance the benefit of debt against its risk.

Step 3: Conclusion The concept is the financing decision: selecting sources of finance and the amount to raise from each. Two factors affecting it are the cost of funds and the financial risk associated with the source.

Quick Tip to Solve: Focus on the decision verb: choosing sources and amounts means financing; choosing which asset or project to buy means investment.

Section C (24 marks)

14. 'Express Tours Ltd.' is a travel agency which books air tickets on commission basis. It takes two days for Express Tours to get the tickets from airport reservation counter and deliver the same to customers. During the last one year, there has been drastic decrease in its business as most of the customers have shifted to another travel agency, 'Shiva Tours and Travels', which provides tickets within half-an-hour through internet.

(a) Name and explain the dimension of business environment that is being overlooked by 'Express Tours Ltd.'.

(b) Explain another dimension of business environment other than that identified in (a) above.

[4 marks]

Solution:

Concept:

- Business environment consists of the external forces that affect the performance of an enterprise. Its dimensions include technological, economic, social, political and legal environments.
- The technological environment includes scientific improvements and innovations that provide new methods of producing goods and services, and new ways of operating a business.

Step 1: Identify and explain the overlooked dimension **(a) Technological environment:** Express Tours Ltd. has overlooked developments in information technology, particularly internet-based ticket reservation. This dimension includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business. An enterprise must recognise such changes because they can make an existing business method less competitive.

Step 2: Connect the technology to the case Express Tours takes 'two days' to obtain tickets from the airport reservation counter and deliver them. In contrast, Shiva Tours and Travels provides tickets 'within half-an-hour through internet'. The internet has therefore enabled a faster way to supply the same service. By continuing with its older procedure, Express Tours has failed to respond to this technological development, and customers have shifted to the more convenient agency.

Step 3: Explain another dimension of the environment **(b) Economic environment:** This consists of factors such as interest rates, inflation rates, changes in disposable income, stock-market indices and the value of the rupee. These conditions influence consumers' purchasing power and business

costs, and hence affect business opportunities and decisions. For example, a rise in consumers' disposable income can increase demand for discretionary travel, whereas inflation may reduce the income available for such expenditure. A travel agency should therefore monitor economic conditions when planning its services and prices. This is a separate dimension from the technological change illustrated in the case.

Step 4: Conclusion Express Tours Ltd. is overlooking the technological environment, as shown by its failure to adopt internet-based ticket booking. Another dimension is the economic environment, which influences demand and costs through factors such as income, inflation and interest rates.

Quick Tip to Solve: When a case contrasts an old operating method with faster internet-based service, identify the technological environment and support it with the exact contrast in the case.

15(a). Describe 'Offer through Prospectus' and 'Private Placement' as methods of floatation of new issues in Primary market. [4 marks]

Solution:

Concept:

- The primary market deals in new securities issued for the first time. It enables a company to raise fresh capital from investors, and is also called the new issues market.
- Offer through prospectus and private placement are alternative methods of placing new securities with investors. They differ principally in the investors approached and the manner of inviting subscription.

Step 1: Describe an offer through prospectus **Public invitation:** Under an offer through prospectus, the company invites the public to subscribe to its securities by issuing a prospectus. The prospectus is a formal invitation containing the prescribed information about the company and the proposed issue, so prospective investors can consider the investment.

Reaching investors: The issue may be advertised through newspapers and magazines to reach a wide section of the investing public. It can also be underwritten, and brokers and other intermediaries can assist in distributing the issue. Investors who wish to subscribe apply for the securities in accordance with the terms of the offer. The purpose is to mobilise capital from the public rather than from a small, privately selected group.

Step 2: Describe private placement **Selected investors:** Private placement is the allotment of securities by a company to institutional investors and selected individuals. Instead of inviting the general public to subscribe, the company places the issue with a limited group of investors. For example, it may approach financial institutions capable of investing substantial funds.

Economy and speed: Raising capital through a public issue can involve extensive formalities and substantial costs. Private placement allows a company to raise capital more quickly and at a lower cost than a public issue, which can be especially useful when it does not wish to bear those public-issue expenses. The securities are still newly issued, so this transaction belongs to the primary market; it is not a resale of existing securities on a stock exchange.

Step 3: Conclusion An offer through prospectus raises new capital by inviting subscription from the

public through a prospectus. Private placement raises new capital by allotting securities to institutional investors and selected individuals, generally with greater speed and lower issue costs.

Quick Tip to Solve: Remember the target investors: a prospectus invites the public, whereas private placement approaches selected investors. Both concern newly issued securities.

OR

15(b). Describe 'Treasury Bill' and 'Call money' as money market instruments. [4 marks]

Solution:

Concept:

- The money market deals in short-term funds and monetary assets with a maturity of up to one year. Its instruments meet temporary financing and liquidity needs.
- Treasury bills meet the Central Government's short-term borrowing needs, whereas call money enables banks to adjust their short-term cash and reserve positions.

Step 1: Describe Treasury Bills **Meaning and issuer:** A Treasury Bill is a short-term borrowing instrument issued by the Reserve Bank of India on behalf of the Central Government. Its maturity is less than one year. It is a promissory note and is also called a zero-coupon bond, because it carries no separately stated interest payment.

Issue and return: Treasury bills are issued at a discount to their face value and are repaid at par on maturity. The difference between the purchase price and the face value is the investor's return. Thus, a buyer earns through the discount rather than through periodic coupon payments. They are highly liquid and carry negligible default risk because the government undertakes repayment.

Step 2: Describe Call Money **Meaning and users:** Call money is short-term finance repayable on demand. Banks borrow from and lend to one another in this market to meet temporary shortages of funds and maintain the cash reserve ratio required by the Reserve Bank of India. In the textbook treatment, its maturity ranges from one day to fifteen days.

Rate and adjustment: The interest charged is called the call rate. It changes from day to day, and sometimes within a day, with the demand for and supply of funds. A bank with surplus cash lends to a bank facing a temporary deficit. This transfers existing liquidity between banks and helps them manage immediate payment and reserve requirements.

Step 3: Conclusion Treasury bills are discounted, short-term government securities redeemed at face value; call money is demand-repayable short-term interbank finance used mainly to adjust liquidity and cash reserves.

Quick Tip to Solve: For each instrument, state who borrows, how repayment works, and how the lender earns: government and discount for Treasury bills; banks and the call rate for call money.

16. Anchal purchased a food processing machine for ₹ 3,000 from 'Kajal Machinery Pvt. Ltd.' She found that the machine was not working properly. Despite many complaints, the defect was not rectified by Kajal Machinery Pvt. Ltd.

(a) Identify the consumer right that has been violated by Kajal Machinery Pvt. Ltd.

(b) Suggest the appropriate forum where Anchal can file her complaint.

(c) Can she appeal to the Supreme Court if she is not satisfied with the order of the appropriate forum ? Give reason in support of your answer. [4 marks]

Solution:

Concept:

- The right to seek redressal entitles a consumer to relief against unfair trade practices, exploitation and defective goods. Relief may include removal of the defect, replacement, refund or compensation.
- Under the Consumer Protection Act, 1986 framework applicable to this question, the District Forum, State Commission and National Commission form the three-tier consumer redressal machinery. Jurisdiction and the prescribed appeal route determine the appropriate forum.

Step 1: Identify the violated right **(a) Right to seek redressal:** Anchal found that the food processing machine was defective and made repeated complaints. The words "the defect was not rectified" despite "many complaints" show that her request for relief was ignored. Kajal Machinery Pvt. Ltd. has therefore violated her right to seek redressal. She can seek an appropriate remedy, such as rectification, replacement or refund, rather than being required to accept a defective product.

Step 2: Select the appropriate forum **(b) District Forum:** Anchal should file her complaint before the appropriate District Consumer Disputes Redressal Forum. Under the framework tested in this 2019 paper, the District Forum entertains complaints where the value of the goods or services and the compensation claimed does not exceed Rs 20 lakh. The stated purchase price is only Rs 3,000 and no larger compensation claim is given, so the complaint falls within the District Forum's pecuniary jurisdiction.

Step 3: Explain the appeal route **(c) No direct appeal to the Supreme Court:** If Anchal is dissatisfied with the District Forum's order, her appeal lies to the State Commission, ordinarily within thirty days of the order. She cannot bypass the prescribed hierarchy and appeal directly from the District Forum to the Supreme Court. The next level above the State Commission is the National Commission under the applicable provisions. The textbook route to the Supreme Court concerns an appeal against an eligible order of the National Commission, not an immediate appeal against the District Forum's order.

Step 4: Conclusion The violated right is the right to seek redressal. Anchal should approach the District Forum and, if dissatisfied with its order, appeal to the State Commission; she cannot appeal directly to the Supreme Court from that forum.

Quick Tip to Solve: Use the consumer-law framework tested by the paper: identify the denied remedy, choose the first forum by claim value, and take an appeal to the next prescribed level.

17(a). Differentiate between 'marketing' and 'selling' on any four basis. [4 marks]

Solution:

Concept:

- Marketing is a social process through which people obtain what they need and want by creating, offering and freely exchanging products and services of value. In business, it begins with identifying customer needs and continues through customer satisfaction.
- Selling is the activity of persuading a buyer to purchase an existing product and transferring its ownership. It is one part of the wider marketing process.

Step 1: Identify the central difference Marketing first asks what customers need and then organises the firm's activities to satisfy those needs profitably. Selling starts with goods already produced and seeks buyers for them. Thus, successful selling alone does not cover all the activities included in marketing, such as product design, pricing and distribution.

Step 2: Compare marketing and selling on four bases

Basis	**Marketing**	**Selling**
Starting point	Begins before production, with identifying the needs and wants of the target customers.	Begins after production, with the goods that the firm already has for sale.
Main focus	Focuses on satisfying customers through suitable products and services.	Focuses on the existing product and persuading customers to buy it.
Scope	Has a wide scope: market research, product planning, pricing, promotion and physical distribution.	Has a narrower scope: promotion and the transfer of ownership from seller to buyer.
Means	Uses integrated marketing efforts; product, price, promotion and distribution work together.	Relies mainly on selling and promotional efforts to increase sales of existing goods.

Step 3: Conclusion Marketing and selling differ in starting point, main focus, scope and means. Marketing coordinates the whole business around customer satisfaction, whereas selling concentrates on obtaining orders for the products already available.

Quick Tip to Solve: Use the same basis for both columns in each row: compare when each activity starts, what it focuses on, its scope and the means it uses.

OR

17(b). Differentiate between 'Production concept' and 'Marketing concept' of marketing on the basis of

(a) Starting point

(b) Main focus

(c) Means

(d) Ends [4 marks]

Solution:

Concept:

- The production concept assumes that consumers favour products that are widely available and affordable. Its emphasis is on improving production and distribution efficiency to increase output and reduce cost.
- The marketing concept holds that achieving organisational goals depends on identifying the needs of a target market and satisfying them more effectively than competitors. It integrates marketing activities around customer satisfaction.

Step 1: Recognise the orientation of each concept Under the production concept, a firm directs attention to its productive capacity: it tries to make goods efficiently and make them readily available. Under the marketing concept, the firm first studies its customers and then decides what to offer. This difference in orientation determines the starting point, focus, means and ultimate route to profits.

Step 2: Differentiate on the four specified bases

Basis	Production concept	Marketing concept
Starting point	The factory or production facilities: decisions begin with what can be produced efficiently.	The target market: decisions begin with identifying the needs and wants of a chosen group of customers.
Main focus	Quantity of production and the availability and affordability of products.	Customer needs and satisfaction, through offerings suited to the target market.
Means	Improving production and distribution efficiency, increasing output and lowering cost.	Integrated marketing efforts: coordinating product, price, promotion and distribution to serve customers.
Ends	Earning profits through a larger volume of production and sales made possible by low cost and wide availability.	Earning profits through customer satisfaction, which encourages repeat purchases and lasting customer relationships.

Step 3: Conclusion The production concept starts with the factory and seeks profits through efficient, large-scale production. The marketing concept starts with the target market and seeks profits through coordinated efforts that satisfy customers. These differences explain all four specified bases.

Quick Tip to Solve: Remember the sequence: factory, output, efficiency, volume for production; target market, needs, integrated efforts, satisfaction for marketing.

18. The Managing Director of 'Verma Chemicals Pvt. Ltd.' held a meeting of all the departmental managers. In the meeting, the managing director said that besides doing their current work efficiently, they also had to make themselves capable of shouldering more responsibility in future as the company is going to add an additional product to its existing product line. For the realisation of this objective he invited suggestions from all departmental heads. The Managing Director proposed a plan on the basis of the suggestions received. All the departmental heads carried out the plan.

(a) Identify and give the meaning of the style of leadership referred in the above para.

(b) Explain the other two styles of leadership. [4 marks]

Solution:

Concept:

- Leadership is the process of influencing the behaviour of people so that they willingly strive towards organisational goals. A leadership style describes how the leader makes decisions and deals with subordinates.
- The three main styles are democratic or participative, autocratic or authoritarian, and laissez-faire or free-rein. The extent of subordinate participation differs under each style.

Step 1: Identify and explain the style in the case **(a) Democratic or participative leadership:** A democratic leader develops plans and takes decisions in consultation with subordinates. The leader encourages employees to participate in decision-making, considers their suggestions and secures their cooperation in implementing the decision. Here the Managing Director "invited suggestions from all departmental heads" and "proposed a plan on the basis of the suggestions received". These statements show consultation rather than a decision imposed entirely by the superior. The departmental heads then carried out the plan, reflecting participation and cooperation towards the company's expansion objective.

Step 2: Explain the other two leadership styles **(b) Autocratic or authoritarian leadership:** The leader makes decisions independently, gives orders and expects subordinates to obey them. Decision-making authority is centralised in the leader, who determines work methods and maintains close supervision. Subordinates have little opportunity to contribute suggestions to the decision. This style can provide quick decisions when immediate action or strict direction is necessary.

Laissez-faire or free-rein leadership: The leader gives subordinates a high degree of freedom to make decisions and carry out their work. Employees set their own goals and decide how to achieve them within the broad organisational framework. The leader avoids exercising authority unnecessarily and provides information, resources and assistance when required. This approach works best with capable, responsible and self-motivated employees.

Step 3: Conclusion Verma Chemicals' Managing Director follows democratic leadership because he consults the departmental heads and bases the plan on their suggestions. The other two styles are autocratic leadership, with centralised decisions and obedience to orders, and free-rein leadership, with substantial decision-making freedom for subordinates.

Quick Tip to Solve: Look at who decides: consultation suggests democratic leadership, unilateral orders suggest autocratic leadership, and employee freedom suggests free-rein leadership.

19. 'MICO Automobiles Ltd.' is engaged in manufacturing of auto parts for car manufacturing companies.

The company enjoys good creditworthiness. It now wants to expand its business by investing in new plant and machinery. For this it requires long terms finance. Arsh, the Finance Manager of the company advised the CEO of the company to raise funds by issuing equity shares. It requires huge floatation cost. To meet the expenses of floatation cost the company decided to tap the money market.

(a) Name the money market instrument the company can use for meeting the floatation cost.

(b) Differentiate between 'money market' and 'capital market' on any three basis. [4 marks]

Solution:

Concept:

- The money market deals in short-term funds and financial assets with a maturity of up to one year. The capital market provides medium-term and long-term finance, including finance raised through equity shares.
- Commercial paper is an unsecured, negotiable short-term promissory note issued by large, creditworthy companies. It can provide bridge finance for expenses incurred before a company receives the proceeds of a capital-market issue.

Step 1: Name the instrument suited to the flotation expenses **(a) Commercial paper:** MICO Automobiles Ltd. can issue commercial paper to meet the flotation expenses of its equity-share issue. The case states that the company "enjoys good creditworthiness", which is significant because commercial paper is unsecured and investors rely on the issuer's credit standing. Although the plant and machinery require long-term finance through shares, the immediate flotation expenses arise before the share issue brings in funds. Commercial paper supplies short-term bridge finance for these expenses. Thus, the financing instrument for the temporary expense is distinguished from the equity issue used to finance the expansion itself.

Step 2: Compare the two markets on three bases **(b) Differences between money market and capital market:**

Basis	Money market	Capital market
Duration	Deals in short-term funds and instruments having a maturity of up to one year.	Deals in medium-term and long-term funds. Securities generally have a maturity exceeding one year; equity shares have no fixed maturity.
Instruments	Includes treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Includes equity shares, preference shares, debentures and bonds.
Participants	Major participants include the Reserve Bank of India, commercial banks, financial institutions and large companies.	Participants include financial institutions, banks, companies, foreign investors and individual retail investors.

Step 3: Conclusion Commercial paper can meet MICO's short-term flotation expenses as bridge finance. The money market and capital market differ in the duration of funds, the instruments traded and their participants; the proposed equity issue belongs to the capital market.

Quick Tip to Solve: Separate the purpose from the timing: equity finances long-term expansion, while commercial paper can bridge the temporary expenses incurred before the equity proceeds arrive.

Section D (15 marks)

20. Identify and state the techniques of sales promotion used by the marketer in the following cases :

(a) A free holiday package of ₹ 5,000 on purchase of goods worth ₹ 20,000.

(b) Payment of ₹ 1,60,000 for the purchase of a bike can be made, ₹ 40,000 immediately and balance in 20 equal instalments of ₹ 6000 each.

(c) 30 grams extra soap in a cake of bathing soap.

(d) Get 4 GB memory card free with a 'Popo' mobile phone.

(e) Lucky draw coupon for a car on purchase of petrol ₹ 2,500 from Indian Oil Corporation petrol pumps. [5 marks]

Solution:

Concept:

- Sales promotion consists of short-term incentives designed to encourage customers to buy a product immediately. The incentive supplements the normal product offer rather than changing the basic purpose of the product.
- Identify a technique by the benefit offered: a usable reward, financing without interest, extra quantity, another product free, or the chance to win a prize. The word "free" alone does not distinguish all these techniques.

Step 1: Identify the benefit in the first two offers **(a) Usable benefit:** A usable benefit gives the purchaser a useful additional benefit, such as a holiday package, as an incentive to buy. Here the words "a free holiday package" identify the technique: the customer purchasing goods worth Rs 20,000 receives a holiday package valued at Rs 5,000. The reward is a service the buyer can use; it is not a reduction of the listed price of the goods.

(b) Full finance: This technique offers easy financing, generally through instalments without an additional interest charge. Here the buyer pays Rs 40,000 immediately and the remaining Rs 1,20,000 in twenty instalments of Rs 6,000 each. These payments together equal the stated bike price of Rs 1,60,000, so no extra financing charge is included in the offer. The easy repayment arrangement encourages a purchase that would otherwise require the full amount at once.

Step 2: Identify the incentives in the remaining three offers **(c) Quantity gift:** Extra quantity of the same product is supplied without charging for that extra quantity. The phrase "30 grams extra soap" identifies a quantity gift: the customer gets more bathing soap in the cake for the normal offer price. It is not a sample because the extra soap accompanies the purchased product.

(d) Product combination: Another product is offered free with the purchase of the main product. The words "4 GB memory card free" with a 'Popo' mobile phone show that the phone and memory card form the promotional combination. Unlike a quantity gift, the additional item is a separate product rather than more of the same product.

(e) Lucky draw: Eligible purchasers receive an opportunity to win a prize through a draw. A "lucky draw coupon for a car" on buying petrol worth Rs 2,500 offers a chance of winning the car. The car is not promised to every purchaser; the coupon makes the buyer eligible for selection in the draw.

Step 3: Conclusion The techniques, in order, are **(a) usable benefit, (b) full finance, (c) quantity**

gift, (d) product combination, and (e) lucky draw. Each uses a different immediate incentive to promote sales.

Quick Tip to Solve: Classify what is added to the purchase: a holiday is a usable benefit, more soap is a quantity gift, a separate free item is a product combination, and a prize chance is a lucky draw.

21(a). State any five impacts of government policy changes on Business and Industry. [5 marks]

Solution:

Concept:

- Liberalisation, privatisation and globalisation changed the Indian business environment by reducing many restrictions, encouraging private participation and integrating domestic businesses more closely with world markets.
- These policy changes affect competition, customer expectations, technology and the way enterprises manage their people and operations. An impact states a consequence for business and industry, rather than merely naming a policy measure.

Step 1: State the effects on competition and customers **1. Increasing competition:** Relaxation of industrial licensing and the entry of foreign firms increased competition for Indian enterprises, particularly in service industries. Businesses could no longer depend as heavily on protected markets. They had to improve efficiency, quality and their competitive position to retain customers against domestic and multinational rivals.

2. More demanding customers: Greater competition gave customers a wider choice of products and services. As customers became better informed and could compare alternatives, they expected better quality, lower prices and improved service. Businesses therefore had to pay closer attention to consumer needs and satisfaction rather than assume that whatever they produced would find buyers.

Step 2: State the effects on technology, adaptability and people **3. Rapidly changing technological environment:** Increased competition encouraged firms to acquire and develop improved technologies. New machines and processes could raise productivity, improve quality and reduce costs. Enterprises had to monitor technological developments and update their methods so that outdated technology did not weaken their ability to compete.

4. Necessity for change: The market became more dynamic as competitive conditions, customer preferences and technologies changed. Enterprises had to modify products, policies, procedures and working methods in response. Continuing with old practices simply because they had worked in the past could threaten survival; successful firms had to accept change and become adaptable.

5. Need for developing human resources: New technologies and more competitive business practices require employees with suitable knowledge, skills and attitudes. Enterprises therefore needed to invest in training and development and to improve employee competence. Developing people enables a firm to use new technology effectively and respond to the demands of the changing environment.

Step 3: Conclusion Five impacts are **increasing competition, more demanding customers, a rapidly changing technological environment, the necessity for change, and the need for developing**

human resources. Together, they require enterprises to become more efficient, responsive and capable of adapting.

Quick Tip to Solve: Remember five business consequences through competition, customers, technology, change and people; explain each as an effect on firms rather than a definition of liberalisation.

OR

21(b). State any five points that highlight the importance of 'Management'. [5 marks]

Solution:

Concept:

- Management is the process of getting things done effectively and efficiently through people to achieve organisational objectives.
- Its importance extends beyond production: it aligns efforts, uses resources well, supports adaptation and reconciles organisational, individual and social needs.

Step 1: State how management improves collective performance **1. Helps in achieving group goals:** Management gives a common direction to the efforts of different individuals. It brings together human, physical and financial resources and coordinates activities so that employees work towards the organisation's shared objectives rather than pursuing unrelated aims.

2. Increases efficiency: Management seeks to reduce costs and increase productivity through better planning, organising, directing and controlling. By making the best possible use of people, money, materials and machines, it minimises waste and obtains greater output from the available resources.

Step 2: State how management benefits people and society **3. Creates a dynamic organisation:** An organisation operates in an environment that keeps changing. Management helps employees understand and accept necessary changes, overcomes resistance and adapts operations to new conditions. This enables the organisation to remain competitive and sustain its performance.

4. Helps in achieving personal objectives: Through motivation and leadership, management helps individuals achieve their own goals while contributing to organisational success. Fair rewards, recognition and opportunities for growth satisfy employees' needs and encourage cooperation and commitment.

5. Helps in the development of society: Efficient management contributes to society by supplying good-quality goods and services, creating employment opportunities and adopting improved technology. A well-managed organisation also fulfils its responsibilities towards employees and the community, supporting economic and social development.

Step 3: Conclusion Management is important because it helps achieve group goals, increases efficiency, creates a dynamic organisation, helps employees achieve personal objectives and contributes to the development of society.

Quick Tip to Solve: Remember the five headings as goals, efficiency, change, people and society; add a clear explanation of how management contributes to each.

22. Each employee of 'Bhoomika Ltd.' should manufacture 10 tables per day as per the terms of employment. All the employees met the said target except a few who manufactured between 4 – 6 tables per day. The management look a decision to install Closed Circuit Television (CCTV's) in the factory for monitoring the activities of the employees.

(a) Identify the managerial function discussed above.

(b) Explain the steps in the process of the function identified in (a) above. [5 marks]

Solution:

Concept:

- Controlling compares actual performance with planned standards, identifies deviations and initiates corrective action to ensure that organisational objectives are achieved.
- Its process consists of setting performance standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action.

Step 1: Identify the managerial function in the case **(a) The function is controlling.** The standard requires each employee to manufacture '10 tables per day', while some actually produce 'between 4 – 6 tables per day'. Management is checking performance against the standard and arranging monitoring through CCTVs. These actions indicate controlling; the cameras help observe performance but do not by themselves establish why output is low.

Step 2: Explain the first three steps in the process **1. Setting performance standards:** Standards are the criteria against which actual performance is assessed. They should be clear and measurable wherever possible. Bhoomika Ltd.'s output standard is ten tables per employee per day.

2. Measurement of actual performance: Managers collect reliable information about the work actually done, using methods such as personal observation and performance reports. Here, daily production records measure the number of tables made; CCTV monitoring can supplement observation of employees' activities.

3. Comparing actual performance with standards: Actual results are compared with the prescribed targets to identify deviations. Employees making four to six tables fall short of the daily standard by four to six tables, while those making ten meet the target.

Step 3: Explain analysis and corrective action **4. Analysing deviations:** Managers examine significant deviations and investigate their causes, using critical point control and management by exception to focus attention where needed. The shortfall warrants investigation, but poor effort must not be assumed: inadequate training, faulty equipment or material shortages could also cause low output.

5. Taking corrective action: Management acts on the causes actually established. It may provide training, repair equipment or improve material supply; if negligence is established, appropriate supervisory or disciplinary measures may be taken. Performance is then checked again. Standards should be revised only if evidence shows that they are unrealistic, rather than merely because a few employees fail to meet them.

Step 4: Conclusion (a) Controlling is the managerial function. (b) Its five steps are setting standards, measuring actual performance, comparing performance with standards, analysing deviations and taking corrective action to bring performance into line with the plan.

Quick Tip to Solve: Use the sequence standard–measurement–comparison–analysis–action. Link ten tables to the standard and four to six tables to actual performance; investigate before choosing a remedy.

Section E (18 marks)

23(a). Explain any four characteristics of planning. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done. It bridges the gap between the present position and the desired future position of an organisation.
- The characteristics of planning explain how plans guide management. Four important characteristics are its focus on objectives, its primacy among management functions, its pervasiveness and its continuity.

Step 1: Explain the focus on objectives **Planning focuses on achieving objectives:** Planning begins with clearly defined organisational objectives. Managers then decide the activities and methods needed to attain them. Every proposed course of action is judged by its contribution to the desired result, so planning gives direction and purpose to effort. For example, if a firm aims to increase its sales, its production and selling plans must support that target. A plan is therefore a means of achieving an objective, rather than an activity undertaken without a purpose.

Step 2: Explain why planning comes first **Planning is a primary function of management:** Planning provides the basis for all other management functions. Only after deciding what must be achieved and how can managers organise resources, recruit and develop employees, direct their work and control performance. Plans also establish standards against which actual results can be compared. Thus planning precedes and supports organising, staffing, directing and controlling; this relationship is called the primacy of planning.

Step 3: Explain its presence throughout the organisation **Planning is pervasive:** Planning is required in every department and at every level of management. Top management prepares plans for the organisation as a whole, middle management prepares departmental plans, and supervisory management plans day-to-day operations. The scope and time horizon differ with the level, but the need to decide future action exists everywhere. For example, a production supervisor plans a work schedule even though the overall expansion plan is prepared by senior management.

Step 4: Explain why plans must be renewed **Planning is continuous:** Plans are prepared for a specific period, such as a month or a year. At the end of that period, new plans are needed on the basis of experience and fresh requirements. Plans may also need revision during the period when business conditions change. Consequently, planning does not end with the preparation of one document: the cycle of planning, implementation, review and renewed planning continues as long as the organisation operates.

Step 5: Conclusion Planning is objective-oriented, the primary management function, pervasive across levels and departments, and continuous. Together, these four characteristics show how it gives a purposeful and ongoing direction to organisational activities.

Quick Tip to Solve: Link each characteristic to a different question: Why plan? Objectives. What comes first? Planning. Who plans? Every level. When? Continuously.

OR

23(b). Explain the steps in the process of organising function of management. [6 marks]

Solution:

Concept:

- Organising is the management function that identifies and groups work, assigns duties and establishes authority relationships so that organisational plans can be implemented effectively.
- Its process moves from identifying the work to creating a coordinated structure: identification and division of work, departmentalisation, assignment of duties, and establishment of reporting relationships.

Step 1: Identify and divide the work **Identification and division of work:** The first step is to identify all the activities that must be performed to achieve the objectives laid down in the plan. The total work is then divided into manageable tasks. This division avoids unnecessary duplication and makes it possible to allocate clearly defined jobs to individuals. It also promotes specialisation, because an employee can concentrate on a particular task. For example, manufacturing, purchasing materials and selling finished goods are separate activities that must be identified before responsibilities are assigned.

Step 2: Group related activities into departments **Departmentalisation:** Once work has been divided, activities that are similar or related are grouped together into departments. This brings connected tasks under common supervision and facilitates coordination. The grouping may be based on functions such as production, finance and marketing, or on another suitable basis such as products or geographical areas. The basis selected should suit the needs of the organisation. Thus departmentalisation converts individual tasks into organised units of work.

Step 3: Assign duties to suitable employees **Assignment of duties:** Jobs in each department are allocated to employees according to their abilities, skills and competence. Each employee should know the work for which he or she is responsible. Matching the nature of a job with the employee's capabilities helps the organisation obtain the best possible performance and prevents confusion about who should undertake a task. For example, accounts work should be entrusted to a person with the relevant knowledge rather than assigned without considering suitability.

Step 4: Establish authority and reporting relationships **Establishment of authority and reporting relationships:** Finally, the organisation clearly specifies who reports to whom. Each employee knows the superior from whom instructions will be received and the subordinates whose work is to be supervised. The authority required to perform assigned duties is also made clear. These relationships create a hierarchy, facilitate communication and coordinate individual and departmental effort. Without them, employees may receive conflicting instructions or be uncertain about responsibility and accountability.

Step 5: Conclusion The organising process consists of identifying and dividing work, grouping related activities into departments, assigning duties to suitable people, and establishing authority and reporting relationships. This sequence transforms a plan into a workable structure of jobs and relationships.

Quick Tip to Solve: Remember the sequence as work, groups, people and relationships: decide the tasks, group them, allocate them, and clarify who reports to whom.

24. Mohan is working as a vice-president in Ashoka Ltd. He performs a separate and specialised function having many aspects of human relations. His job is closely linked with organising since after the structure and positions have been decided, people are required to work in these positions. His function is seen as a generic function of management. When he performs his duties, his role is slightly limited.

(a) Identify and explain the meaning of the function being performed by Mohan as the vice-president of Ashoka Ltd.

(b) The function performed by Mohan benefits the organisation in many ways. State any five such benefits. [6 marks]

Solution:

Concept:

- Staffing is the managerial function of finding the right people for the right jobs. It fills and keeps filled the positions created by organising.
- Staffing includes estimating manpower requirements, recruitment, selection, placement, training and development. It is a responsibility of every manager, supported by human resource specialists.

Step 1: Identify the function from the case **(a) Staffing:** Mohan performs the staffing function. The decisive clue is that, after the organisational structure and positions have been decided, "people are required to work in these positions." Organising creates positions and relationships; staffing supplies suitable people to occupy those positions. Thus, staffing means filling and keeping filled the positions in the organisation structure by identifying personnel requirements and recruiting, selecting, placing, appraising and developing suitable employees. As a generic managerial function, it is performed by managers at all levels; the human resource department provides specialised assistance.

Step 2: Explain how staffing provides competent people and better performance **(b) Five benefits of staffing are as follows:**

- **Obtaining competent personnel:** Staffing identifies the organisation's human resource requirements and attracts and selects people with the necessary knowledge, ability and experience. Ashoka Ltd. can therefore fill its positions with suitable employees instead of merely appointing available people.
- **Higher performance:** Proper selection and placement put the right person on the right job. Employees whose abilities match their duties can work more efficiently, while training helps them acquire the skills needed for better performance.

Step 3: Explain the remaining organisational and employee benefits

- **Continuous survival and growth:** Staffing develops managers and prepares employees for greater responsibilities. Succession planning ensures that capable people are available to fill important positions when existing employees retire, leave or are promoted, supporting continuity and future expansion.
- **Optimum utilisation of human resources:** Systematic manpower planning avoids both overstaffing and understaffing. Assigning suitable work to employees reduces waste of talent and unnecessary labour costs, while ensuring that enough people are available to carry out operations effectively.
- **Job satisfaction and morale:** Objective assessment, fair rewards, career advancement and

opportunities for development make employees feel valued. Appropriate placement and recognition improve their satisfaction and confidence, encouraging commitment to the organisation.

Step 4: Conclusion Mohan performs staffing: filling and keeping organisational positions filled with suitable people. Its five benefits are competent personnel, higher performance, continuity and growth through succession, optimum use of human resources, and improved job satisfaction and morale.

Quick Tip to Solve: Use the sequence "positions first, people next" to distinguish organising from staffing; connect each staffing benefit to either employee suitability, continuity, resource use or morale.

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25. Fayol and Taylor both have contributed immensely to the knowledge of management, which has become a basis for further practice by managers. Taylor thought that by scientifically analysing work it would be possible to find 'one best way' to do it. He is most remembered for his time and motion studies and functional foremanship. He said that the best result would come from the partnership between a trained and qualified management and a cooperative and innovative workforce. Fayol explained what amounts to a manager's work and what principles should be followed in doing this work.

In the light of the above discussion, differentiate between the contribution of Taylor and Fayol on the following basis :

(a) Perspective

(b) Unity of command

(c) Focus

(d) Expression

(e) Applicability

(f) Basis of formation [6 marks]

Solution:

Concept:

- Henri Fayol developed general principles of management by examining the work of managers and the administration of the enterprise as a whole.
- F.W. Taylor developed scientific management by studying work methods at the operational level and using scientific investigation to improve worker efficiency and productivity.

Step 1: Establish the different approaches in the case Fayol asks what a manager's work involves and what principles should guide it. His contribution therefore concerns general administration. Taylor seeks the "one best way" of doing work through scientific analysis; the case's references to time and motion studies and functional foremanship identify his operational approach. Their contributions can be distinguished on each of the six specified bases as follows.

Step 2: Compare perspective, unity of command and focus

Basis	Fayol's contribution	Taylor's contribution
(a) Perspective	Top-level management perspective: he examined managerial work and administration of the whole enterprise.	Shop-floor perspective: he examined the actual work of operatives and supervision at the production level.
(b) Unity of command	Supported unity of command: an employee should receive orders from only one superior to avoid confusion and conflicting instructions.	Did not follow unity of command in functional foremanship: a worker receives specialised guidance from several functional foremen.
(c) Focus	Improving the efficiency of overall administration through general principles guiding management.	Increasing productivity and efficiency of workers by scientifically determining methods, standards and working conditions.

Step 3: Compare expression, applicability and basis of formation

Basis	Fayol's contribution	Taylor's contribution
(d) Expression	His contribution is expressed as the general theory of administration, including fourteen principles of management.	His contribution is expressed as scientific management, including its principles and techniques such as work study.
(e) Applicability	Universal applicability: the principles can guide management of different kinds of organisations and activities, with adaptation to circumstances.	Specialised applicability: his work primarily concerns production situations and the efficiency of operational work.
(f) Basis of formation	Developed from his personal experience as a practising manager and his observations of managerial work.	Developed through observations and experimentation, including systematic study and measurement of work.

Step 4: Conclusion Fayol's general administrative theory approaches efficiency from the top management level, whereas Taylor's scientific management approaches it from the shop floor. Their perspectives, treatment of unity of command, focus, expression, applicability and methods of formation differ in the six ways shown above, although both seek improved organisational performance.

Quick Tip to Solve: Anchor the comparison in "Fayol: whole enterprise and one boss" and "Taylor: shop floor and specialist foremen"; then connect the remaining bases to these different starting points.