CBSE Class 12 Business Studies Question Paper 2019 with Solution PDF-Set 66/1/3 - Compartment

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) 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 'Process' in the definition of management. [1 mark]

Solution:

Concept:

- Management is a process consisting of interrelated functions directed towards organisational goals.
- The main functions are planning, organising, staffing, directing and controlling.

Step 1: Identify the linked activities The word process refers to the series of basic functions or activities performed by managers. Planning decides what is to be done, organising arranges resources, and staffing provides the people needed to carry out the work.

Step 2: Explain their relationship Directing guides people in implementing plans, while controlling compares actual performance with the plan and initiates corrective action. These activities are interrelated and are performed continuously; they are not isolated acts.

Step 3: Conclusion Process means the series of interrelated management functions of planning, organising, staffing, directing and controlling performed to achieve organisational objectives.

Quick Tip to Solve: Remember process by recalling the five linked functions, rather than describing management as a single activity.

2. '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.
- Technological upgradation influences how soon existing machinery becomes obsolete and requires replacement.

Step 1: Recognise the asset affected Technological upgradation concerns the machinery and equipment used in production. Where technology changes rapidly, equipment may become outdated even before its physical useful life ends.

Step 2: Identify the capital requirement Replacing obsolete machines or purchasing improved equipment requires investment in fixed assets. Therefore, an enterprise facing frequent technological changes generally needs more fixed capital; this is distinct from working capital used for day-to-day operations.

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

Quick Tip to Solve: Link technological change with replacement of machinery: machinery is a fixed asset, so the relevant requirement is fixed capital.

3. 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 enables consumers to obtain relief against unfair trade practices and exploitation.
- The right to be informed concerns disclosure of product details, whereas compensation is a remedy sought through redressal.

Step 1: Identify the grievance The food was sold as Veg-Biryani, but Archana found non-vegetarian content. Neither the advertisement nor the package disclosed this fact. The product therefore did not conform to its vegetarian representation.

Step 2: Connect compensation with the appropriate right The question asks for the right under which she can claim compensation. That remedy falls under the right to seek redressal. Although the missing disclosure also concerns information, the specific demand for compensation identifies redressal as the answer.

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

Quick Tip to Solve: When a consumer question asks for compensation or another remedy, identify the right to seek redressal; distinguish it from the right to information.

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

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making.
- Techniques of management are procedures or methods involving a sequence of steps for a desired result.

Step 1: Choose the basis of distinction The relevant distinction is their nature: a principle guides a manager in thinking and deciding, whereas a technique provides a method of carrying out a task.

Step 2: State the comparison

Basis	Principles of management	Techniques of management
Nature	Broad guidelines for decision-making and behaviour.	Procedures or methods involving a sequence of steps to achieve a desired result.

Step 3: Conclusion Principles provide general guidance; techniques specify procedures for achieving a desired result.

Quick Tip to Solve: For this distinction, contrast a guiding rule with a procedure: the former directs judgement, while the latter explains how to do the task.

OR

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

Solution:

Concept:

- Time study determines the standard time required for a well-defined job performed by a worker of average ability.
- Motion study examines movements in doing a job to eliminate unnecessary motions and develop the best method.

Step 1: Identify what each study measures Time study focuses on the time taken to complete a specified task. Motion study focuses on the movements involved in performing that task, separating necessary motions from avoidable ones.

Step 2: State the comparison

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

Step 3: Conclusion Time study establishes standard time, while motion study eliminates unnecessary movements.

Quick Tip to Solve: Associate time study with duration and motion study with movements; do not describe both merely as methods of increasing efficiency.

5(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 a master worker.
- It is used for skilled trades where practical learning and proficiency develop through supervised work.

Step 1: Identify the clue The decisive expression is that the trainee works under the guidance of a master worker. This describes learning a skilled occupation through practical work under an experienced craftsperson.

Step 2: Name the training method This arrangement is apprenticeship training. The trainee acquires skills by observing and practising under expert supervision. It differs from vestibule training, where learning takes place in a separate training setting rather than through this master-worker relationship.

Step 3: Conclusion The method is apprenticeship training.

Quick Tip to Solve: The phrase master worker is a direct clue to apprenticeship training; connect it with learning a skilled trade through guided practice.

OR

5(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 concern problems in encoding and decoding a message into words or impressions.
- Words, symbols and expressions may carry different meanings for the sender and receiver, obstructing understanding.

Step 1: Locate the source of obstruction The statement refers specifically to converting a message into words or impressions and interpreting those expressions. Thus the obstruction concerns the meaning and use of language, rather than organisational rules or the physical channel.

Step 2: Identify the barrier Such difficulties are semantic barriers. Badly expressed messages, symbols with different meanings and 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: Connect encoding, decoding and meaning with semantic barriers; reserve psychological barriers for problems arising from the mental state of the participants.

6(a). What is meant by 'Packaging' ? [1 mark]

Solution:

Concept:

- Packaging means designing and producing the container or wrapper of a product.
- It is a product-related marketing activity that protects the goods and makes them convenient to handle and present to buyers.

Step 1: Identify what is designed The activity concerns the package surrounding the product, such as its container or wrapper. It is therefore concerned with how the product is enclosed and presented.

Step 2: State the meaning Packaging is the act of designing and producing the container or wrapper of a product. For example, designing and producing a toothpaste tube and its outer carton is packaging; the printed information on it is labelling.

Step 3: Conclusion Packaging means designing and producing the container or wrapper of a product.

Quick Tip to Solve: Remember packaging as the container or wrapper; labelling is the information displayed on that package.

OR

6(b). Give the meaning of 'Product' as an element of 'Marketing Mix'. [1 mark]

Solution:

Concept:

- A product is anything of value that can be offered to a market to satisfy a want or need.
- In the marketing mix, product covers the total offering, including goods or services and their related benefits.

Step 1: Link the product with a customer need A buyer obtains a product for the utility or benefit it provides. Thus, the marketing meaning goes beyond the physical article and focuses on satisfying a need or want.

Step 2: State the meaning of product As an element of the marketing mix, product means the goods, services or anything of value offered by a firm to its target market to satisfy customer needs. It includes decisions about features, quality, branding, packaging and associated services.

Step 3: Conclusion Product is anything of value, including goods or services, offered to a market to satisfy a need or want.

Quick Tip to Solve: For the product element, think of the complete customer offering, including benefits and supporting services.

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 without following the officially prescribed channels of communication.
- The informal network is also called the grapevine and develops through social interaction among employees.

Step 1: Locate the communication setting The case states that Riya told Raj the news "at lunch time". Their conversation arises from personal interaction, rather than from an authorised departmental report or official instruction.

Step 2: Identify the channel Raj and Riya work in different departments, yet the information about possible retrenchment passes through their informal social contact. This is informal communication, also called grapevine communication. The claim need not be an official announcement to circulate through this network.

Step 3: Conclusion The communication between Raj and Riya is informal communication, or grapevine communication.

Quick Tip to Solve: Identify the channel used: a lunch-time personal conversation usually indicates the informal 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 accomplishing an organisational objective.
- It includes determining long-term objectives, adopting a course of action and allocating resources, while considering the business environment.

Step 1: Identify the objective and environmental analysis Raj Auto Ltd. wants to capture the market by increasing sales every year. It also "analysed the pricing policy of the competitors", so the plan considers competitive conditions rather than merely setting an isolated target.

Step 2: Connect the course of action to the plan The company offers a discount of Rs 3,000 and free insurance to attract buyers and achieve its long-term objective. The combination of the objective, competitor analysis and chosen action indicates a strategy. A policy alone would be a general guide to decisions; here a comprehensive competitive course is described.

Step 3: Conclusion The type of plan followed by Raj Auto Ltd. is a strategy.

Quick Tip to Solve: Look for a long-term objective, analysis of competitors and a chosen course of action together: these identify strategy.

Section B (15 marks)

9. 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 involves obtaining, placing, developing and retaining suitable people for organisational positions.
- After selection, the next three steps in the NCERT staffing process are placement and orientation, training and development, and performance appraisal.

Step 1: Arrange placement and orientation **Placement and orientation:** Mayank should place each selected person in the post for which that person has been selected: Arbaaz in Sales, Kriti in

Accounts, Lata in Purchase and Ritik in Production. Placement means assigning the selected employee to the appropriate job. Orientation introduces the new employee to the organisation, its rules, work arrangements, colleagues and responsibilities, helping the employee settle into the workplace.

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 the heads to perform their present departmental duties efficiently; development supports their wider abilities and readiness for future responsibilities. Their intelligence and creativity do not remove the need to understand the new unit and its work.

Step 3: Appraise performance **Performance appraisal:** Mayank should evaluate the employees' performance against predetermined standards and provide feedback. Comparing actual work with expected performance helps identify strengths, improvement needs and further training requirements. This assessment follows placement and development in the staffing sequence; it is not the earlier selection of candidates.

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

Quick Tip to Solve: Anchor the sequence at selection: place and introduce the employee, develop capability, then assess performance.

10(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 an organised market in which existing securities are bought and sold according to prescribed rules.
- Its functions include providing liquidity, discovering security prices and ensuring the safety of transactions. A stock index summarises price movements in this market.

Step 1: State the liquidity and price-discovery functions **Providing liquidity and marketability to existing securities:** A stock exchange provides a continuous market where investors can sell securities already held and buy others. It allows an investor to convert an investment into cash without requiring the issuing company to return its capital.

Pricing of securities: The forces of demand and supply operating through buyers and sellers determine the prices of securities. These market prices provide investors with a basis for valuing their investments and making investment decisions; their movements are reflected in stock indices.

Step 2: State the safety function **Safety of transactions:** Trading takes place within a well-defined legal and regulatory framework. The exchange admits eligible securities and regulates the dealings of its members, helping ensure fair transactions and protecting investors against malpractice. These safeguards make an organised exchange more dependable for trading securities.

Step 3: Conclusion Three functions of a stock exchange are providing liquidity and marketability to existing securities, pricing securities through demand and supply, and ensuring the safety of transactions.

Quick Tip to Solve: Link liquidity to selling an existing investment, pricing to demand and supply, and safety to regulated trading.

OR

10(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:

- The Securities and Exchange Board of India regulates the securities market to promote its orderly functioning and protect investors.
- Regulatory functions prescribe and enforce the conditions under which market institutions and intermediaries operate. They are distinct from SEBI's developmental and protective functions.

Step 1: State regulation of intermediaries and market institutions **Registration and regulation of intermediaries:** SEBI registers and regulates stockbrokers, sub-brokers and other intermediaries associated with the securities market. This brings those who facilitate securities transactions within a supervised framework of conduct and accountability.

Registration and regulation of collective investment schemes and mutual funds: SEBI registers and regulates these investment arrangements. By overseeing the institutions that pool investors' money and invest it in securities, it helps maintain orderly operations and compliance with the applicable rules.

Step 2: State regulation of stockbrokers through inspection **Calling for information, inspection and audit:** SEBI calls for information and conducts inspections, inquiries and audits of stock exchanges and intermediaries. Examination of their records and activities enables it to check whether they are complying with regulations and to detect irregularities requiring action. This supervision supports an orderly securities market.

Step 3: Conclusion Three regulatory functions of SEBI are registering and regulating securities-market intermediaries, registering and regulating collective investment schemes and mutual funds, and calling for information and conducting inspections, inquiries and audits.

Quick Tip to Solve: For regulatory functions, remember registration, regulation and inspection; do not substitute training or investor education.

11(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 its usefulness is subject to limitations.
- Plans are based on assumptions about future conditions. Fixed plans and centrally made decisions may restrict flexibility and initiative.

Step 1: Explain rigidity and environmental uncertainty **Planning leads to rigidity:** Once a detailed plan has been made, managers may be expected to follow it closely. This can reduce their freedom to respond to changed circumstances or to adopt a more suitable course of action. Adhering to an outdated plan may therefore become an obstacle rather than a guide.

Planning may not work in a dynamic environment: Business conditions change because of economic, political, technological and other developments. Plans rely on forecasts and assumptions, which may cease to hold when these conditions change. Managers cannot foresee every external change or control all the factors affecting their plans.

Step 2: Explain the restriction on creativity **Planning reduces creativity:** In many organisations, top management formulates the plans and other employees mainly implement them. If employees merely carry out predetermined instructions, they may neither be permitted nor encouraged to contribute new ideas. Their initiative and creative thinking can consequently be restricted.

Step 3: Conclusion Three limitations of planning are rigidity, reduced effectiveness in a dynamic environment and the possible reduction of employees' creativity.

Quick Tip to Solve: Use a separate cause for each limitation: fixed instructions, unpredictable external changes and restricted employee initiative.

OR

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

Solution:

Concept:

- Organising identifies and groups activities, assigns duties and establishes reporting relationships so that plans can be implemented.
- Its importance includes specialisation, clarity in working relationships and optimum utilisation of resources.

Step 1: State the benefits of dividing and clarifying work

- **Benefits of specialisation:** Organising systematically allocates specific jobs among employees. Repeated performance of a particular task develops skill and experience, reduces wasted effort and improves productivity.
- **Clarity in working relationships:** Organising defines authority and responsibility and specifies

who reports to whom. Each employee understands the work expected and the person from whom instructions are received. This removes confusion and helps coordination between jobs.

Step 2: State the benefit of using resources effectively

- **Optimum utilisation of resources:** Proper assignment of duties prevents duplication and overlapping of work. Jobs can be matched to employees' capabilities, while material and financial resources are directed towards the activities where they are needed. This minimises wastage and makes economical use of available resources.

Step 3: Conclusion The three points of importance are benefits of specialisation, clarity in working relationships and optimum utilisation of resources. Together they help convert a plan into coordinated action.

Quick Tip to Solve: For importance of organising, connect each heading with its effect: specific jobs build skill, reporting relationships remove confusion, and proper allocation reduces waste.

12. Explain 'Authority' 'Responsibility' and 'Accountability' as elements of delegation. [3 marks]

Solution:

Concept:

- Delegation transfers authority from a superior to a subordinate to carry out an assigned task; it involves authority, responsibility and accountability.
- Authority is the right to act, responsibility is the obligation to perform, and accountability is answerability for the outcome.

Step 1: Explain authority and responsibility

- **Authority:** It is the right of an individual to command subordinates and take decisions within the scope of the position. It includes the right to use resources and obtain compliance with instructions. Authority originates in the superior's position and flows downward through the hierarchy.
- **Responsibility:** It is the obligation of a subordinate to perform the duty properly as assigned by the superior. Once an assignment is accepted, the subordinate must carry it out. Responsibility arises from the superior–subordinate relationship and flows upward, since the subordinate owes performance to the superior.

Step 2: Explain accountability and the relationship between the elements **Accountability:** It is the obligation to answer for the final outcome of the assigned responsibility. The subordinate must explain performance and results to the superior. Accountability flows upward and cannot be delegated away: even after delegating work, the superior remains accountable to the superior's own boss. Authority must be commensurate with responsibility so that the person assigned a duty has sufficient power to perform it.

Step 3: Conclusion Authority provides the right to decide, responsibility imposes the duty to perform, and accountability requires answerability for results. Delegation does not remove the superior's ultimate accountability.

Quick Tip to Solve: Remember delegation through three questions: What may I decide (authority)? What must I do (responsibility)? To whom must I explain the result (accountability)?

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:

- A financing decision concerns the amount of finance to raise from different long-term sources, particularly owners' funds and borrowed funds.
- The selection of sources is influenced by factors such as cost, risk, cash flow position and the desire to retain control.

Step 1: Identify and explain the financing decision **(a) Financing decision:** The concept is the financing decision. It involves deciding how much finance should be raised from various long-term sources, including shareholders' funds and borrowed funds. The case states that "the sources to be used and the quantity to be collected from different sources had to be considered". This is the direct clue: Sunflag Iron Ltd. must choose the sources and amounts of funds for its expansion. The amounts required for the plant and the other start-up expenses establish the financing need; the quoted sentence concerns how that need will be financed.

Step 2: Explain two factors affecting the decision **(b) Two factors are:**

- **Cost:** The cost of raising funds differs across sources. Management compares the costs of the available alternatives and generally prefers the cheaper source, while considering its other consequences. For example, the effective cost of debt is influenced by the tax deductibility of interest. A source should therefore be evaluated on its relevant cost rather than merely on the amount it can provide.
- **Risk:** Borrowed funds carry a compulsory obligation to pay interest and repay principal, even when profits are low. Greater reliance on debt therefore increases financial risk. Owners' funds do not involve the same fixed repayment obligation. Sunflag must consider whether it can bear the fixed commitments associated with the financing mix before choosing the amounts to raise.

Step 3: Conclusion The concept is the financing decision: selecting the sources of long-term finance and the amount raised from each. Cost and risk are two factors affecting this choice.

Quick Tip to Solve: Look at the decision being made: choosing assets is investment, choosing sources and amounts of finance is financing, and deciding profit distribution is dividend policy.

Section C (24 marks)

14(a). Differentiate between 'Primary Market' and 'Secondary Market' on the basis of any four points.

[4 marks]

Solution:

Concept:

- Financial Markets: the primary market deals in new securities issued for the first time, whereas the secondary market deals in securities already issued.
- The primary market mobilises fresh funds for issuers. The secondary market gives existing investors liquidity and thereby supports investment in new issues.

Step 1: Identify the nature of the two markets A company issuing shares to raise fresh capital operates in the primary market, also called the new issues market. When an investor later sells those shares to another investor through a stock exchange, the transaction belongs to the secondary market. The distinction concerns the transaction, rather than two different types of company.

Step 2: Compare the markets on four bases

Basis	Primary market	Secondary market
Nature of securities	New securities are issued and sold for the first time.	Existing securities are bought and sold after their original issue.
Parties involved	Securities are sold by the issuing company to investors, directly or through intermediaries.	Investors buy from and sell to other investors; the issuing company is not the seller.
Flow of funds	The issuing company receives the proceeds, which provide fresh finance for its business.	The selling investor receives the proceeds; the issuing company receives no fresh capital from this trade.
Price determination	The issue price is determined by the company, through a fixed-price issue or the book-building process.	Prices change with demand and supply in the market.

Step 3: Conclusion Thus, the primary market creates and places new securities and channels funds to issuers, while the secondary market transfers existing securities between investors and provides liquidity. These four bases distinguish their roles clearly.

Quick Tip to Solve: Ask who receives the sale proceeds: the issuing company indicates a primary issue; an existing holder selling to another investor indicates a secondary trade.

OR

14(b). Differentiate between 'Capital Market' and 'Money Market' on the basis of any four points.

[4 marks]

Solution:

Concept:

- Financial Markets: the capital market supplies medium- and long-term finance, while the money market deals in short-term funds and monetary assets with maturity up to one year.
- The instruments, participants and investment outlay reflect these different financing needs. Both markets connect suppliers of funds with users of funds.

Step 1: Relate each market to its financing purpose A business requiring long-term capital for expansion can raise funds through shares or debentures in the capital market. A business meeting a temporary cash shortage can use money-market instruments such as commercial paper. This difference in financing horizon provides the first basis of comparison; it also explains why the instruments and usual participants differ.

Step 2: Present four points of distinction

Basis	Capital market	Money market
Duration	Deals in medium- and long-term funds, generally for more than one year. Shares have no fixed maturity.	Deals in short-term funds through instruments with maturity up to one year.
Instruments	Main instruments include equity shares, preference shares, debentures and bonds.	Main instruments include Treasury bills, commercial paper, call money, certificates of deposit and commercial bills.
Participants	Includes financial institutions, banks, corporate entities, foreign investors and ordinary retail investors.	Dominated by institutional participants such as the RBI, banks, financial institutions and corporate entities.
Investment outlay	Securities can be bought in relatively small amounts, allowing individuals with modest savings to participate.	Transactions generally require large sums, so the market mainly serves institutions and large borrowers or lenders.

Step 3: Conclusion The capital market meets longer-term financing and investment needs with instruments such as shares and bonds. The money market meets short-term funding needs through instruments such as Treasury bills and commercial paper. Duration, instruments, participants and investment outlay provide four distinct comparisons.

Quick Tip to Solve: Use the one-year maturity boundary first, then compare instruments, participants and investment size. Do not confuse the money market with a market for currency exchange.

15. '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 external forces that affect the working and performance of an enterprise. Its dimensions include technological, economic, social, political and legal environments.
- Technological environment includes improvements and innovations in methods and equipment that provide new ways of producing goods and services and conducting business.

Step 1: Identify and explain the technological dimension **(a) Technological environment:** Express Tours Ltd. is overlooking changes in technology. The decisive clue is that Shiva Tours and Travels provides tickets "within half-an-hour through internet", whereas Express Tours takes two days to obtain tickets from the airport reservation counter and deliver them. Internet-based reservation is a technological development that makes the same service quicker and more convenient. Changes in technology can make an existing method of doing business less competitive. By continuing with the slower reservation-counter method, Express Tours fails to respond to this development, and its customers shift to the agency using the faster technology. The case therefore concerns the method of providing the service, rather than a change in law or government policy.

Step 2: Explain another dimension of business environment **(b) Economic environment:** This consists of economic factors and conditions that influence business, such as interest rates, inflation, changes in disposable income, stock-market indices and the value of the rupee. These factors affect demand, costs and business decisions. For example, higher disposable income can increase consumers' ability to spend on travel, while higher interest rates can increase the cost of borrowing for an enterprise. A business must monitor such conditions when deciding its prices, investment and expansion plans. This is a dimension distinct from the technological change identified in part (a).

Step 3: Conclusion Express Tours is overlooking the **technological environment**, as shown by its failure to adopt faster internet-based ticket reservation. Another dimension is the **economic environment**, comprising economic conditions that affect demand, costs and business decisions.

Quick Tip to Solve: In a case about a faster method of delivering the same service, look for technological change; for another dimension, name it and explain its own external factors.

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 gives a consumer relief against unfair trade practices or exploitation, including appropriate relief when goods are defective or services are unsatisfactory.
- Under the consumer-redressal framework applicable to this 2019 paper, the District Forum hears complaints where the value of goods or services and compensation claimed does not exceed Rs 20 lakh. Appeals follow the prescribed hierarchy.

Step 1: Identify the consumer right violated **(a) Right to seek redressal:** Anchal received a food processing machine that was not working properly. The company failed to rectify the defect "despite many complaints". Thus she has been denied appropriate relief for a defective product, violating her right to seek redressal. This right enables her to seek a remedy such as removal of the defect, replacement of the defective machine, refund of its price or appropriate compensation. The relief ultimately granted depends on the facts established before the consumer forum.

Step 2: Select the appropriate original forum **(b) District Forum:** Anchal should file her complaint before the appropriate District Consumer Disputes Redressal Forum. The machine cost Rs 3,000, which falls within the District Forum's pecuniary jurisdiction under the framework tested in this paper, provided the total value together with the compensation claimed does not exceed Rs 20 lakh. The facts give no claim exceeding that limit. She should support her complaint with the purchase bill and records of her complaints about the defect.

Step 3: Explain the route of appeal **(c) No direct appeal to the Supreme Court:** If dissatisfied with the District Forum's order, Anchal must first appeal to the State Commission. An appeal against the State Commission's order lies to the National Commission in accordance with the prescribed procedure. The Supreme Court is not the immediate appellate forum for a District Forum order; the statutory appellate hierarchy must be followed. In the textbook framework, an appeal to the Supreme Court is provided against an order of the National Commission passed in its original jurisdiction. Therefore dissatisfaction with the District Forum's decision does not by itself entitle Anchal to appeal directly to the Supreme Court.

Step 4: Conclusion The violated right is the **right to seek redressal**. The appropriate forum is the **District Forum**. Anchal cannot appeal directly from its order to the Supreme Court; she must follow the prescribed consumer-redressal appellate hierarchy.

Quick Tip to Solve: Separate the remedy from the appeal: first identify the District Forum's original jurisdiction, then name the State Commission as the next appellate level.

17(a). Differentiate between 'Marketing' and 'Selling' on the following basis :

(a) Part of the process vs. wider term

(b) Profit through maximising sales vs customer satisfaction

(c) Difference in the emphasis

(d) Difference in the strategies [4 marks]

Solution:

Concept:

- Marketing is a social process through which individuals and groups obtain what they need and want by creating, offering and freely exchanging products and services of value.
- Selling is the transfer of ownership of goods from the seller to the buyer. It is a part of marketing, whereas marketing begins before production and continues after the sale.

Step 1: Compare the scope and route to profit The first two bases distinguish the extent of the activities and the way each approach seeks business returns.

Basis	Marketing	Selling
Part of the process versus wider term	Marketing is the wider process. It includes identifying customer needs, developing suitable products, pricing, promotion, distribution and after-sales service.	Selling is only one part of marketing, concerned primarily with persuading buyers and completing the sale.
Profit	It seeks profits through customer satisfaction. Meeting customer needs encourages repeat purchases and lasting customer relationships.	It seeks profits through maximising sales volume: the stress is on selling more of the existing output.

Step 2: Compare emphasis and strategies The remaining bases show what guides business decisions and which tools are used to achieve the objective.

Basis	Marketing	Selling
Emphasis	The emphasis is on developing products according to customers' needs and wants, so that customer satisfaction guides business activity.	The emphasis is on the product and on transferring its ownership and possession from the seller to the buyer.
Strategies	It uses integrated marketing efforts: coordinated decisions on product, price, promotion and physical distribution.	It mainly uses selling and promotional techniques, including persuasion and sales promotion, to induce customers to buy.

Step 3: Conclusion Marketing is a comprehensive customer-oriented process aiming at profit through satisfaction; selling is its narrower product-oriented activity aiming at increased sales volume.

Quick Tip to Solve: For this comparison, link marketing with customer needs and the full marketing mix; link selling with existing products, persuasion and sales volume.

OR

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

(a) Meaning

(b) Main focus

(c) Means

(d) Ends [4 marks]

Solution:

Concept:

- The production and product concepts are alternative marketing management philosophies. Both guide business decisions, but they make different assumptions about what buyers value.
- The production concept stresses availability and affordability through efficient large-scale output. The product concept stresses quality, performance and features through continuous improvement.

Step 1: Compare meaning and main focus Distinguish the assumption about consumer preference before identifying the operational focus of each philosophy.

Basis	Production concept	Product concept
Meaning	Consumers are assumed to favour products that are widely available and affordable. The firm therefore concentrates on increasing output and lowering costs.	Consumers are assumed to favour products offering the best quality, performance and innovative features. The firm therefore concentrates on improving its products.
Main focus	The focus is on the quantity produced and on efficient production and distribution, so that goods can reach many buyers at a low price.	The focus is on the quality and features of the product, so that the offering is superior in performance and design.

Step 2: Compare means and ends Both philosophies aim at profits, but the means used and the immediate route to those profits differ.

Basis	Production concept	Product concept
Means	Improving production efficiency and distribution efficiency; producing on a large scale helps reduce the cost per unit and expand availability.	Continuous product improvement, including improvements in quality, performance and features, is the principal means.
Ends	Earning profits through a large volume of production and sales made possible by low cost and wide availability.	Earning profits through improved product quality, which is expected to attract buyers who value a better product.

Thus, production efficiency must not be confused with product improvement: the former concerns how economically goods are made and distributed, while the latter concerns the attributes of the offering.

Step 3: Conclusion The production concept pursues profit through efficient, large-scale production and availability; the product concept pursues profit through better quality and continuous product improvement.

Quick Tip to Solve: Remember the keyword pair: production means quantity and efficiency; product means quality and improvement. State profit as the end for both, then distinguish the route.

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 people so that they willingly work towards organisational objectives. A leadership style describes how a leader uses authority and involves subordinates in decisions.
- The three commonly discussed leadership styles are autocratic, democratic and laissez-faire. The degree of participation and freedom allowed to subordinates distinguishes them.

Step 1: Identify the style from the consultation in the case **(a) Democratic or participative leadership:** The Managing Director "invited suggestions from all departmental heads" and proposed a plan "on the basis of the suggestions received". These statements show that subordinates participate in deciding how the company's objective will be achieved. Their participation, rather than merely their implementation of the plan, is the decisive clue. A democratic leader develops action plans and makes decisions in consultation with subordinates. The leader encourages their suggestions and supports their efforts towards the common objective. The Managing Director's consultation therefore exemplifies democratic leadership, even though he remains responsible for proposing the plan.

Step 2: Explain autocratic leadership **(b) Autocratic or authoritarian leadership:** The leader centralises decision-making authority and gives orders which subordinates are expected to obey. Policies and the method of work are decided by the leader, with little or no consultation with employees. Communication is mainly downward. For example, an autocratic manager would decide the expansion plan himself and instruct departmental heads to carry it out, instead of seeking their suggestions.

Step 3: Explain laissez-faire leadership **Laissez-faire or free-rein leadership:** The leader gives subordinates considerable freedom to set their own targets and decide how to accomplish their work within the organisation's overall objectives. The group largely makes its own decisions, while the leader provides information, resources and assistance when required. The leader does not constantly direct or control every activity. This style therefore involves much greater subordinate independence than the consultation seen in democratic leadership.

Step 4: Conclusion The Managing Director adopts democratic leadership by consulting departmental heads and incorporating their suggestions. The other two styles are autocratic leadership, based on centralised authority and obedience, and laissez-faire leadership, based on extensive freedom for subordinates.

Quick Tip to Solve: Look at who decides: the leader alone indicates autocratic leadership, consultation indicates democratic leadership, and substantial group freedom indicates laissez-faire 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 financial instruments having a maturity of up to one year, whereas the capital market provides medium-term and long-term finance.
- Commercial paper is an unsecured, negotiable promissory note issued by large, creditworthy companies to raise short-term funds. It can finance temporary needs such as the flotation expenses of a proposed securities issue.

Step 1: Identify the instrument for the immediate financing need **(a) Commercial paper:** MICO Automobiles Ltd. can issue commercial paper to meet its flotation costs. The case states that the company "enjoys good creditworthiness", which is important because commercial paper is unsecured and investors rely on the issuer's credit standing. Distinguish the two needs in the case. The plant and machinery require long-term funds, proposed to be raised through equity shares. The immediate flotation expenses are a short-term requirement pending that issue. Commercial paper can meet this temporary requirement; this use is called bridge financing. It does not replace the proposed long-term equity finance.

Step 2: Distinguish the two markets on three bases **(b) Money market and capital market:**

Basis	Money market	Capital market
Duration	Deals in short-term funds through instruments with maturity of up to one year.	Deals in medium-term and long-term funds, generally for periods exceeding one year.
Instruments	Instruments include treasury bills, commercial paper, call money, certificates of deposit and commercial bills.	Instruments include equity shares, preference shares, debentures and bonds.
Participants	Major participants include the Reserve Bank of India, commercial banks, financial institutions and corporate entities; dealings are predominantly institutional.	Participants include companies, financial institutions, banks, foreign investors and ordinary retail investors.

Thus, commercial paper belongs to the money market because it meets a short-term financing requirement, while the proposed equity-share issue belongs to the capital market because it supplies long-term ownership funds.

Step 3: Conclusion MICO Automobiles Ltd. can use commercial paper to bridge its flotation expenses. The money and capital markets differ in the duration of finance, instruments traded and principal participants, as shown above.

Quick Tip to Solve: Separate the permanent investment from the temporary expense: equity finances the plant, while commercial paper can bridge the expenses incurred before the equity issue raises funds.

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 make an immediate purchase. The incentive supplements the product's normal value.
- Techniques are identified by the benefit offered: a usable benefit, interest-free finance, additional quantity, a product combination or an opportunity to win a prize.

Step 1: Identify the holiday benefit and the payment facility **(a) Usable benefits:** A usable benefit is an additional benefit that a customer can actually use, offered on purchasing goods of a specified value. Here, the words "a free holiday package" identify the technique: a package worth Rs 5,000 is offered on buying goods worth Rs 20,000. The holiday is a benefit linked to the qualifying purchase; the customer is not simply given a reduction in the selling price of the goods.

(b) Full finance at zero per cent: This technique enables a buyer to pay through instalments without an additional interest charge, reducing the burden of an immediate lump-sum payment. Here, Rs 40,000 is paid immediately and twenty instalments of Rs 6,000 together amount to the remaining Rs 1,20,000. Thus, the total payment remains Rs 1,60,000, the bike's stated price, and no extra interest is charged.

Step 2: Identify the extra goods and the prize opportunity **(c) Quantity gift:** Extra quantity of the same product is supplied without an additional charge. The "30 grams extra soap" is added to a cake of bathing soap, so the buyer receives more of the product for the usual purchase. This differs from receiving a different product as a free gift.

(d) Product combination: Another product is offered free with the main product. The "4 GB memory card free" is combined with the purchase of the 'Popo' mobile phone. The phone and the memory card are different products, which distinguishes this technique from an extra-quantity offer.

(e) Lucky draw: A qualifying purchase gives the customer entry into a draw and an opportunity to win a prize. The coupon offered on purchasing Rs 2,500 of petrol enters the buyer into a draw for a car. Every eligible buyer gets the chance to win, rather than every buyer being assured a car; that chance is the promotional incentive.

Step 3: Conclusion The techniques are: (a) usable benefits, (b) full finance at zero per cent, (c) quantity gift, (d) product combination and (e) lucky draw. Each encourages purchase by adding a short-term incentive to the normal product offer.

Quick Tip to Solve: Ask what is added: a holiday is a usable benefit, more of the same product is a quantity gift, a different free product is a combination, and a prize decided by chance is a lucky draw.

21. 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 ensures that organisational activities conform to plans. It involves measuring actual performance, comparing it with standards and correcting significant deviations.
- The controlling process comprises setting performance standards, measuring actual performance, comparing actual performance with standards, analysing deviations and taking corrective action.

Step 1: Identify the managerial function in the case **(a) Controlling:** The managerial function is controlling. The phrase "should manufacture 10 tables per day" establishes a performance standard. The observation that some employees produced "between 4–6 tables per day" shows that actual performance has been measured and compared with that standard. Monitoring through CCTV is intended to help management observe activities and investigate the shortfall. The case therefore concerns ensuring that work conforms to the planned output.

Step 2: Explain how to establish and compare performance **(b)(i) Setting performance standards:** Standards provide the criteria against which actual performance is judged. They should be clear, measurable and achievable. Here, the quantitative output standard is 10 tables per employee per day, communicated through the terms of employment.

(ii) Measurement of actual performance: Actual results must be measured objectively and reliably, preferably in the same terms as the standards. Daily production records can establish each employee's table output. Personal observation, including monitoring work activities, can provide additional information; observation alone must still be related to actual results.

(iii) Comparing actual performance with standards: Management compares measured output with the predetermined target to identify deviations. Most employees meet the target, while those producing 4–6 tables fall short by 4–6 tables per day. This comparison identifies the employees whose output requires attention.

Step 3: Analyse the shortfall and take corrective action **(iv) Analysing deviations:** Management determines the extent, significance and causes of deviations. Critical-point control focuses on key areas, while management by exception draws attention to significant departures from acceptable limits. The shortfall here needs investigation: inadequate skill, machine problems, material shortages or poor work practices are possible causes to examine, not facts established by the case. CCTV may assist observation but does not by itself prove the reason for low output.

(v) Taking corrective action: Management removes the cause revealed by the analysis. For example, it may provide training where skill is inadequate, repair faulty machinery or improve supervision where necessary. If a standard itself is unrealistic, it may require revision after proper review. Management then checks subsequent output to ensure that the corrective action improves performance and brings it into line with the plan.

Step 4: Conclusion Bhoomika Ltd. is performing the controlling function. Its process moves from setting standards through measurement, comparison and analysis to suitable corrective action, so that actual work contributes to the planned output.

Quick Tip to Solve: Remember the sequence: standard, measurement, comparison, analysis, correction. In a case, distinguish evidence of low output from the cause of low output, which must first be investigated.

22(a). State any five characteristics of business environment. [5 marks]

Solution:

Concept:

- Business environment means the sum total of individuals, institutions and other forces outside a business enterprise that may affect its performance.
- Its characteristics describe the nature of these external forces. They must be distinguished from the benefits of studying the environment, such as identifying opportunities and threats.

Step 1: State the composition and connections of the environment

- **Totality of external forces:** Business environment is the aggregate of all things external to a business enterprise. It includes the various outside influences affecting its functioning, rather than any one force considered alone.
- **Specific and general forces:** Specific forces, such as customers, suppliers, competitors and investors, directly and immediately influence individual enterprises. General forces, such as economic, social, political, legal and technological conditions, influence enterprises more broadly.
- **Inter-relatedness:** The different elements of business environment are closely connected. For example, greater awareness of health can increase demand for health foods; the social change thereby influences the market and the business decisions of producers.

Step 2: State the characteristics arising from change

- **Dynamic nature:** Business environment keeps changing through changes in consumer preferences, technology, competition and government policies. A business therefore cannot regard present external conditions as permanent.
- **Uncertainty:** Future changes in the business environment are often difficult to predict accurately, particularly when change is rapid. An enterprise may anticipate a trend, but it cannot know with certainty the precise nature, timing or extent of every future change.

Step 3: Conclusion Five characteristics of business environment are totality of external forces, the presence of specific and general forces, inter-relatedness, dynamic nature and uncertainty.

Quick Tip to Solve: For a characteristics question, describe what the environment is like; do not replace these features with the advantages of environmental scanning.

OR

22(b). State any five characteristics of Co-ordination. [5 marks]

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments and individuals to bring unity of action in pursuit of organisational goals.
- Coordination is the essence of management because it binds the different managerial functions together. Its characteristics explain how this integration operates throughout an organisation.

Step 1: Explain how coordination unifies collective work

- **Integrates group efforts:** Coordination unifies the efforts of different individuals and departments. It reconciles their separate interests and gives a common focus to their activities so that the combined effort contributes to organisational objectives.
- **Ensures unity of action:** Coordination acts as a binding force between departments and ensures that all actions are directed towards the common goal. For example, production and sales activities must be brought into harmony so that the goods produced match the demand served by the sales department.

Step 2: Explain the continuity, scope and responsibility of coordination

- **Continuous process:** Coordination is not a one-time exercise. It begins with planning and continues through organising, staffing, directing and controlling, since activities and circumstances have to be harmonised throughout the functioning of the enterprise.
- **All-pervasive function:** Coordination is needed in every department and at every level of management. Interdependence exists both between departments and between people at different levels, so the need to align efforts is not confined to the top management.
- **Responsibility of all managers:** Managers at the top, middle and supervisory levels all perform coordination. Top managers align the overall plans, middle managers coordinate departments, and supervisors coordinate the work of their subordinates.

Step 3: Conclusion Five characteristics of coordination are integration of group efforts, unity of action, continuity, all-pervasiveness and the responsibility of all managers for achieving it.

Quick Tip to Solve: Link coordination to harmony of interdependent activities; cooperation alone means willingness to help and does not automatically synchronise work.

Section E (18 marks)

23. 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:

- Fayol's administrative principles explain the work of managers and guide the management of the organisation as a whole.
- Taylor's scientific management analyses work scientifically to improve efficiency at the shop-floor level. Their contributions complement one another, although their perspectives and methods differ.

Step 1: Identify the orientation of each contribution The case describes Taylor as finding 'one best way' through scientific analysis, time and motion studies and functional foremanship. These are concerned chiefly with efficient production work. In contrast, Fayol explained 'what amounts to a manager's work' and the principles for performing it. His approach concerns general administration. Thus, compare their contributions on each specified basis rather than treating either approach as a substitute for the other.

Step 2: Compare the six specified bases

Basis	Taylor	Fayol
(a) Perspective	Began at the shop-floor level and developed his approach upwards, concentrating on workers and production operations.	Began at the top management level and developed his approach downwards, concentrating on general administration.
(b) Unity of command	Did not regard unity of command as essential; functional foremanship allows a worker to receive specialised guidance from several functional supervisors.	Strongly supported unity of command: an employee should receive orders from, and be accountable to, one superior only.
(c) Focus	Focused on increasing productivity through scientific methods and improving the efficiency of workers and work processes.	Focused on improving overall administration and managerial efficiency through general principles of management.
(d) Expression	Expressed his contribution as scientific management.	Expressed his contribution as general theory of administration.
(e) Applicability	Applied principally to specialised situations, particularly production and shop-floor operations.	Principles have universal applicability to organisations of different types and their management.
(f) Basis of formation	Formulated conclusions through scientific observations and experiments involving work.	Formulated principles primarily from personal experience as a practising manager.

Step 3: Conclusion Taylor's contribution centres on scientific improvement of work, whereas Fayol's contribution provides principles for overall administration. The six distinctions show their different starting points, views on supervision, focus, expression, scope and bases of formulation.

Quick Tip to Solve: Associate Taylor with the shop floor and experiments, and Fayol with top administration and managerial experience; then compare them under the exact bases asked.

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 and keeping organisational positions filled with suitable personnel.
- Staffing follows organising: once jobs and positions are determined, competent people must be

recruited, selected, placed and developed to perform them.

Step 1: Identify and explain Mohan's function **(a) The function is staffing.** The clue is that 'after the structure and positions have been decided, people are required to work in these positions.' This describes filling the positions created through organising. Staffing means putting people to jobs: it involves obtaining suitable personnel, evaluating them and developing them so that they can perform their roles effectively. It includes estimating manpower requirements, recruitment, selection, placement and orientation, training and development, and related activities such as appraisal, promotion and compensation. It is a generic function because every manager must attend to the staffing needs of the area under his or her responsibility. Mohan's managerial role in staffing is therefore limited to the responsibilities relevant to his position, even though specialised human resource management has a wider scope.

Step 2: State five benefits of staffing to Ashoka Ltd. **(b) The five benefits are:**

- **Obtaining competent personnel:** Staffing helps the organisation discover and obtain capable people for different jobs. Suitable employees provide the skills and abilities needed to carry out organisational plans.
- **Higher performance:** By putting the right person on the right job, staffing improves individual performance. Matching a person's qualifications and abilities with the job's demands enables work to be done more effectively.
- **Continuous survival and growth:** Succession planning develops managers who can take over important positions when vacancies arise. This maintains continuity and prepares the organisation for future expansion and managerial responsibilities.
- **Optimum utilisation of human resources:** Assessing personnel requirements helps avoid both overstaffing and shortages. Proper placement and deployment reduce waste of human effort and make better use of employees' capacities.
- **Improved job satisfaction and morale:** Objective assessment and fair rewards recognise employees' contributions. Opportunities for development and advancement help employees feel valued, improving their satisfaction and morale.

Step 3: Conclusion Mohan performs staffing, the function of filling and maintaining organisational positions with suitable people. It benefits Ashoka Ltd. through competent personnel, higher performance, managerial succession, optimum use of human resources and improved job satisfaction and morale.

Quick Tip to Solve: The phrase 'people required to work in these positions' identifies staffing; remember its benefits as competence, performance, continuity, utilisation and morale.

25(a). Explain any four points of importance of planning. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do, how to do it, when to do it and who will do it. It bridges the gap between the present position and the desired future position of an organisation.

- Clear objectives and a chosen course of action guide managerial decisions. Planning is important because it gives direction, reduces uncertainty and waste, and supplies standards for control.

Step 1: Explain direction and the reduction of uncertainty

- **Planning provides directions:** A plan states in advance the objectives to be achieved and the action required to achieve them. Employees therefore know what they must do, how their work contributes to the organisational goal and where their efforts should be directed. Departments can coordinate their activities around the same objectives instead of pursuing unrelated targets. For example, a planned sales target guides production and purchasing decisions.
- **Planning reduces the risks of uncertainty:** Managers look ahead, anticipate changes in the business environment and consider their likely effects. They prepare suitable responses before difficulties arise, thereby reducing the impact of unexpected events. For example, forecasting a possible shortage allows a firm to arrange alternative suppliers. Planning cannot eliminate uncertainty, since the future cannot be predicted perfectly, but it improves preparedness.

Step 2: Explain efficiency and the basis for controlling

- **Planning reduces overlapping and wasteful activities:** Plans coordinate the activities and efforts of different divisions and individuals. They clarify responsibilities and the sequence in which work should be done, reducing duplication, confusion and unnecessary actions. If activities do not contribute to the objectives, managers can identify and remove them. Resources and time are consequently used more efficiently.
- **Planning establishes standards for controlling:** Planning lays down the objectives and expected results against which actual performance is measured. Controlling compares actual results with these planned standards, identifies deviations and enables corrective action. For example, a planned monthly production target provides a clear basis for checking actual output. Without a predetermined standard, managers would lack a meaningful benchmark for judging performance.

Step 3: Conclusion Thus, planning provides directions, reduces the risks of uncertainty, reduces overlapping and wasteful activities, and establishes standards for controlling. Together these benefits focus effort on objectives and make the use of organisational resources more purposeful.

Quick Tip to Solve: Link each importance point to its result: direction to common goals, forecasting to preparedness, coordination to less waste, and targets to performance checks.

OR

25(b). Differentiate between 'formal' and 'informal' organisation on any six basis. [6 marks]

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately designed by management to achieve organisational objectives. It specifies jobs, reporting relationships and official channels of communication.
- Informal organisation is the network of social relationships that arises spontaneously as employees

interact at work. Friendship, common interests and personal contacts connect its members, irrespective of their official positions.

Step 1: Compare origin, authority and behaviour The following bases distinguish the deliberately created structure from the social relationships that develop within it.

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by management through the organising process, including allocation of duties and establishment of reporting relationships.	It arises spontaneously from social interaction among employees and is not deliberately designed by management.
Authority	Authority comes from the position held in the management hierarchy. An official can issue instructions because of the authority attached to that post.	Influence comes from personal qualities, acceptance by members and social relationships. An informal leader may influence colleagues without holding a senior post.
Behaviour	Behaviour is directed by prescribed rules, procedures and official requirements. Employees are expected to perform their assigned duties in the specified manner.	Behaviour is guided by group norms, shared expectations and personal relationships. These norms need not be written or officially prescribed.

Step 2: Compare communication, nature and leadership

Basis	Formal organisation	Informal organisation
Flow of communication	Communication follows the scalar chain and prescribed official channels, linking positions according to the organisational structure.	Communication can flow in any direction through personal contacts, without following the scalar chain; this network is commonly called the grapevine.
Nature	The structure is relatively rigid because roles and relationships are clearly specified. Changes normally require a managerial decision.	The structure is flexible because relationships develop and change with interaction, interests and the preferences of the members.
Leadership	Managers are the designated leaders, exercising authority through their official positions in the hierarchy.	Leaders emerge from the group and are accepted because of their personal influence; they may or may not be managers.

These differences concern the source and operation of relationships. The same employee may belong to both structures: an official department and a friendship group across departments.

Step 3: Conclusion Formal and informal organisation differ in origin, authority, behaviour, flow of communication, nature and leadership. The formal structure supports official work through specified relationships, while the informal network connects employees through social interaction; both can coexist within the same enterprise.

Quick Tip to Solve: Use identical bases for both columns. Remember the pairs: deliberate/spontaneous, position/personal influence, and scalar chain/free flow.