CBSE Class 12 Business Studies Question Paper 2019 with Solution PDF-Set 66/2/1

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) Section A contains questions **1 to 8** carrying **one mark** each. 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. Das is the Managing Director of 'Gamut Ltd.', manufacturing different varieties of cheese. He has an efficient team working under him consisting of Rajat – the Production manager, Vinay – the Marketing manager and Adit – the Finance manager. They understand and interpret the policies made by Das, ensure that their departments have adequate manpower, assign them the necessary duties and motivate them to achieve the desired objectives.

State one more function other than those mentioned above, that this team may perform at the level they are working. [1 mark]

Solution:

Concept:

- Middle management translates top management policies into departmental action. Functional heads such as production, marketing and finance managers belong to this level.
- Middle managers also cooperate with other departments so that the organisation functions smoothly.

Step 1: Identify the level Rajat, Vinay and Adit are departmental managers. Their interpretation of policies made by the Managing Director establishes that they work at the middle level of management.

Step 2: State an additional function **Cooperate with other departments:** They should coordinate their departmental activities with those of the other departments for smooth functioning of the organisation. For example, the production and marketing departments must work together to meet demand; this illustrates the function rather than adding a fact to the case.

Step 3: Conclusion The team may cooperate with other departments to ensure the smooth functioning of Gamut Ltd.

Quick Tip to Solve: For a departmental-manager case, choose an additional middle-management function rather than repeating a function already stated.

2(a). Differentiate between 'Authority' and 'Responsibility' on the basis of 'flow'. [1 mark]

Solution:

Concept:

- Authority is the right to command and take decisions in an official position.
- Responsibility is the obligation to perform the duty assigned; its flow is upward towards the superior.

Step 1: Identify the direction The superior delegates authority to a subordinate so that the subordinate can carry out the assigned work. Thus, authority flows from a higher level to a lower level.

Step 2: Present the distinction

Basis	Authority	Responsibility
Flow	Downward, from superior to subordinate.	Upward, from subordinate to superior.

Step 3: Conclusion Authority flows downward, whereas responsibility flows upward.

Quick Tip to Solve: On the basis of flow, write the direction and the superior-subordinate relationship for both terms.

OR

2(b). Distinguish between 'Responsibility' and 'Accountability' on the basis of 'meaning'. [1 mark]

Solution:

Concept:

- Responsibility is the obligation of a subordinate to perform an assigned duty properly.
- Accountability is answerability for the final outcome of the assigned work.

Step 1: Separate duty from answerability Responsibility concerns the work that a person is obliged to perform. Accountability concerns explaining and justifying the results to the superior; delegation does not remove the superior's own accountability.

Step 2: Present the distinction

Basis	Responsibility	Accountability
Meaning	Obligation to perform an assigned task or duty properly.	Answerability for the final outcome of the assigned task.

Step 3: Conclusion Responsibility means the obligation to perform an assigned duty; accountability means answerability for its final outcome.

Quick Tip to Solve: Use the keywords obligation for responsibility and answerability for accountability when distinguishing their meanings.

3(a). What is meant by 'Rule' ? [1 mark]

Solution:

Concept:

- A rule is a specific statement that informs people what must or must not be done in a given situation.
- Rules permit no discretion in their application; they are prescribed guides to behaviour.

Step 1: Identify the nature of the plan A rule states a definite requirement or prohibition. It tells employees precisely what action is required, rather than leaving them to choose among alternatives.

Step 2: State the defining feature There is no flexibility or discretion in applying a rule. For example, a rule prohibiting smoking in an office specifies conduct that employees must follow; it is not merely a broad guideline.

Step 3: Conclusion A rule is a specific statement stating what is or is not to be done, allowing no discretion in its application.

Quick Tip to Solve: For a rule, include both the prescribed action or prohibition and the absence of discretion.

OR

3(b). Define 'Organising'. [1 mark]

Solution:

Concept:

- Organising is the management process of putting people and work into an effective structure.
- It identifies and groups work, assigns duties and establishes authority and reporting relationships to achieve objectives.

Step 1: Connect organising with plans After objectives and plans are determined, the work needed to achieve them must be identified and grouped. Organising converts the plan into an arrangement through which people can act.

Step 2: Define the process Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them. It includes assigning duties to people and arranging the resources required to carry them out.

Step 3: Conclusion Organising means identifying and grouping activities, assigning duties and establishing authority relationships so that organisational objectives can be achieved.

Quick Tip to Solve: A complete definition links activities, duties and authority relationships to the achievement of objectives.

4(a). State any two characteristics of 'Directing'. [1 mark]

Solution:

Concept:

- Directing means instructing, guiding, inspiring and leading people to achieve organisational objectives.
- It is performed wherever managers guide subordinates and continues throughout the life of an organisation.

Step 1: State the first characteristic **Directing takes place at every level:** Every manager, from top management to the supervisory level, directs subordinates. It is therefore not confined to senior executives.

Step 2: State the second characteristic **Directing is a continuous process:** Managers continually guide, motivate and communicate with employees as work proceeds. The need for direction remains even when employees or particular tasks change.

Step 3: Conclusion Two characteristics are that directing takes place at every level of management and is a continuous process.

Quick Tip to Solve: When asked for any two characteristics, give two separate textbook characteristics rather than two elements such as motivation and leadership.

OR

4(b). Give the meaning of 'Management by Exception'. [1 mark]

Solution:

Concept:

- Management by exception is a control principle that concentrates managerial attention on significant deviations from standards.
- Routine deviations within acceptable limits can be handled at lower levels; exceptional departures require managerial attention.

Step 1: Identify what requires attention Actual performance is compared with standards. Management need not personally examine every small difference; it should determine acceptable limits and identify deviations that go beyond them.

Step 2: Explain the principle Only significant deviations that exceed the permissible range should be brought to management's attention for analysis and corrective action. This concentrates limited managerial time on important exceptions and avoids unnecessary intervention in routine matters.

Step 3: Conclusion Management by exception means bringing only significant deviations beyond acceptable limits to the notice of management for corrective action.

Quick Tip to Solve: Link exception to a significant deviation beyond an acceptable limit, rather than to every small departure from a standard.

5. Kamal is working as a gang boss in the assembly unit of 'Sokia Ltd.', a laptop manufacturing company. He supervises the work of ten trained workers who perform the various activities related to the assembly of the laptops. One day when he was supervising the work of his workers, he told Ashok, a worker that his work could be improved. Ashok interpreted the comments of Kamal as that his work was not good.

Identify the type of barrier to effective communication in this case. [1 mark]

Solution:

Concept:

- Communication is effective when the receiver understands the message in the same sense as the sender intended.
- Semantic barriers arise from problems in expressing or interpreting the meaning of words and messages.

Step 1: Identify the difference in meaning Kamal said that Ashok's work 'could be improved'. This conveyed scope for better performance. Ashok understood it as a statement that his work 'was not good', giving the message a different meaning.

Step 2: Name the barrier This is a semantic barrier to effective communication. The intended meaning has not been conveyed and understood clearly; the wording has been interpreted differently by the receiver.

Step 3: Conclusion The barrier is a **semantic barrier**, associated with a badly expressed or differently interpreted message.

Quick Tip to Solve: Compare the meaning intended by the sender with the meaning understood by the receiver; a mismatch in meaning points to a semantic barrier.

6. This market helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other.

Name the market and identify the function being referred to. [1 mark]

Solution:

Concept:

- A financial market brings together buyers and sellers of financial assets and facilitates their transactions.
- One function of financial markets is reducing the cost of transactions, including the search effort needed to find a trading partner.

Step 1: Identify the market The reference is to the financial market because the assets being bought and sold are financial assets. The question does not specify a particular security or maturity period, so a narrower classification is unnecessary.

Step 2: Link the saving to its function The phrase 'save time, effort and money' describes the reduction in transaction costs. By providing a common mechanism for trading, the market reduces the resources buyers and sellers would otherwise spend finding one another.

Step 3: Conclusion The market is the **financial market**; the function is **reducing the cost of transactions**.

Quick Tip to Solve: Search costs are transaction costs: saving the effort of finding buyers or sellers identifies this financial-market function.

7. Kumar wanted to purchase a fuel efficient car having the latest standards regarding minimisation of pollution. He saw an advertisement offering such a car and visited the showroom of the company wherein the car was displayed. In his discussion, the Marketing manager told him that the company is providing credit facilities, maintenance services and many other effective services which are helping in bringing repeat sales and developing brand loyalty.

Identify the marketing function which the Marketing manager was discussing with Kumar. [1 mark]

Solution:

Concept:

- Customer support services are marketing services that help customers obtain and use a product satisfactorily.
- These services include credit, maintenance, after-sales service and other assistance that can encourage repeat purchases and brand loyalty.

Step 1: Identify the services in the case The manager refers to 'credit facilities' and 'maintenance services'. These support the customer during purchase and product use rather than merely publicising the car.

Step 2: Name the marketing function The function is customer support services. Such assistance raises customer satisfaction and helps create continuing relationships, explaining the case's references to repeat sales and brand loyalty.

Step 3: Conclusion The marketing function is **customer support services**.

Quick Tip to Solve: Credit facilities, maintenance and after-sales assistance are clues to customer support services; an advertisement alone would indicate promotion.

8. 'Ultra Televisions Ltd.' is offering its 90" TV sets at a discount of ₹ 15,000 for a period of one month starting from 1st March, 2019.

Identify the sales promotion activity used by 'Ultra Televisions Ltd.'. [1 mark]

Solution:

Concept:

- Sales promotion uses short-term incentives to encourage customers to buy a product.
- A discount offers a product at a price below its listed price; the reduction makes the purchase more attractive for a limited period.

Step 1: Locate the incentive Ultra Televisions Ltd. offers its TV sets at a discount of Rs 15,000 for one month. The incentive is a direct reduction in the price paid for the TV set, not an additional free product or a prize.

Step 2: Identify the promotion activity The activity is discount. Its short duration reinforces that it is a sales promotion intended to stimulate purchases during the stated period.

Step 3: Conclusion The sales promotion activity is **discount**, namely a reduction of Rs 15,000 in the price of each TV set.

Quick Tip to Solve: A stated reduction from the listed selling price identifies discount; do not confuse it with a free gift or a prize draw.

Section B (15 marks)

9(a). Explain any three points of importance of planning function of management. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done, how it is to be done, when it is to be done and who is to do it.
- It establishes objectives and courses of action, giving management a basis for directing and

reviewing organisational effort.

Step 1: Explain direction and uncertainty **Planning provides directions:** By stating objectives and the actions required to achieve them, planning tells employees what the organisation seeks to accomplish. Departments and individuals can align their activities with these objectives rather than work without a common purpose.

Planning reduces the risks of uncertainty: Planning looks ahead and anticipates future events and conditions. Managers examine likely changes and prepare appropriate responses, reducing avoidable surprises. It reduces risk through preparedness, although it cannot eliminate uncertainty.

Step 2: Explain the basis for control **Planning establishes standards for controlling:** A plan states the results expected within a given period. These expected results become standards against which actual performance can be measured. Deviations can then be identified and corrective action taken. Without planned standards, managers would lack a clear basis for judging whether performance is satisfactory.

Step 3: Conclusion Planning provides directions, reduces the risks of uncertainty and establishes standards for controlling. These are three points of its importance to management.

Quick Tip to Solve: For an importance question, link each heading to its benefit: common direction, preparation for change, and a standard for comparing actual results.

OR

9(b). Explain any three limitations of planning function of management. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. Although it provides direction, it cannot remove every difficulty that management faces.
- NCERT explains that plans may create rigidity, may fail in a dynamic environment and may reduce creativity. These are limitations of planning, rather than reasons to abandon it.

Step 1: Explain the constraint imposed by fixed plans **Planning leads to rigidity:** Plans lay down a specific course of action for a future period. Managers and employees are expected to follow that course. If circumstances change, strict adherence to the original plan can restrict their initiative and prevent timely changes. A plan that was suitable when prepared may become an obstacle if it is treated as unalterable.

Step 2: Explain the effects of change and centralised thinking **Planning may not work in a dynamic environment:** The business environment changes through economic, political, technological and other developments. A plan rests on assumptions about future conditions, but these changes may make the assumptions inaccurate. Managers cannot predict every such change, so planning cannot completely protect the organisation from uncertainty.

Planning reduces creativity: Planning is often undertaken by top management, while others are required to implement the plans already decided. Employees may have little opportunity to contribute

new ideas or develop alternative ways of doing the work. Merely following predetermined instructions can therefore discourage original thinking and initiative.

Step 3: Conclusion Three limitations of planning are rigidity, difficulty in coping with a dynamic environment and reduced creativity. Managers should recognise these limits while preparing and implementing their plans.

Quick Tip to Solve: State the NCERT limitation and explain how it restricts action; do not confuse a benefit such as providing direction with a limitation.

10(a). Distinguish between Formal and Informal organisation on the basis of the following :

(a) Origin;

(b) Authority; and

(c) Leadership. [3 marks]

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately designed by management to achieve organisational objectives.
- Informal organisation is a network of social relationships that arises spontaneously through interaction among people at work. Its influence rests on acceptance by members.

Step 1: Identify what each basis compares Origin concerns how the organisation comes into existence. Authority concerns where the right or influence to guide others comes from. Leadership concerns who leads the members. Compare the two organisations on these same bases rather than listing unrelated advantages or disadvantages.

Step 2: Present the three distinctions

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by management through the organising process to define jobs and official relationships.	It arises spontaneously from social interaction, friendship and shared interests among employees.
Authority	Authority arises from the position occupied in the management hierarchy and follows officially defined superior–subordinate relationships.	Influence arises from personal qualities and acceptance by the group, rather than an officially assigned position.
Leadership	Managers appointed to positions in the formal structure act as leaders of their assigned subordinates.	Leaders emerge from within the group and are accepted by its members; they need not be formally appointed managers.

Step 3: Conclusion Formal organisation is consciously designed and relies on positional authority and appointed leadership. Informal organisation emerges naturally and relies on personal influence and leadership accepted by the group.

Quick Tip to Solve: Remember the pairing: formal means created, positional and appointed; informal means spontaneous, personal and emergent.

OR

10(b). Distinguish between Functional and Divisional structure on the basis of the following points :

(a) Coordination;

(b) Managerial Development; and

(c) Cost. [3 marks]

Solution:

Concept:

- A functional structure groups similar activities into departments such as production, finance and marketing. Managers specialise in a particular function.
- A divisional structure groups activities around products or product lines. Each division brings together the functions needed for its own product, with a divisional head responsible for its performance.

Step 1: Relate each structure to its grouping principle Functional departments concentrate on specialised tasks, so a product's work must be coordinated across several departments. A product division combines the necessary functions under one head. This difference also affects the range of experience managers obtain and the duplication of facilities and personnel.

Step 2: Compare the structures on the prescribed bases

Basis	Functional structure	Divisional structure
Coordination	Coordination between different functional departments is relatively difficult, particularly as the number and variety of products increase.	Coordination for a product is relatively easier because the functions connected with it are integrated within one division.
Managerial development	Managers gain expertise mainly in their own function; their limited exposure to other functions restricts development as general managers.	Divisional managers handle several functions for a product, gaining broad experience that prepares them for higher general management responsibilities.
Cost	It is relatively economical because common functional facilities and specialists can serve the organisation, avoiding unnecessary duplication.	It is relatively costly because each division may maintain its own functional departments, personnel and facilities, causing duplication of resources.

Step 3: Conclusion A functional structure promotes specialised, economical use of resources, but makes interdepartmental coordination and broad managerial development harder. A divisional structure facilitates product coordination and managerial development at a higher cost from duplication.

Quick Tip to Solve: Link all three comparisons to grouping: one shared function saves cost, while a self-contained product division gives its manager wider responsibility.

11. Explain 'Vestibule Training' and 'Apprenticeship Programme' as methods of training. [3 marks]

Solution:

Concept:

- Training is the systematic improvement of an employee's knowledge and skills for performing a particular job. The method selected should match the skills and equipment involved.
- Vestibule training reproduces the workplace away from actual production, whereas apprenticeship combines learning with supervised practical work over a prescribed period.

Step 1: Explain vestibule training **Vestibule training:** Employees learn to operate the equipment they will use on their jobs in a separate training area. The actual work environment is duplicated, including the machines, materials and equipment used at the workplace. Employees therefore practise under conditions resembling their future jobs, without interfering with regular production. This method is particularly suitable when employees must handle sophisticated machinery and equipment and need practice before working on the production floor.

Step 2: Explain the apprenticeship programme **Apprenticeship programme:** A trainee is placed under the guidance of an experienced master worker to acquire a high level of skill in a trade. The learner works with the expert for a prescribed period and receives practical instruction while gaining experience. The duration depends on the complexity of the trade. Electricians, plumbers and iron workers commonly undergo such programmes because proficiency requires sustained, supervised practice rather than a brief demonstration.

Step 3: Conclusion Vestibule training teaches the job in a duplicated work setting away from production; apprenticeship develops trade skills through prolonged practical learning under an experienced worker.

Quick Tip to Solve: Associate vestibule with a simulated workplace and apprenticeship with learning a skilled trade under a master worker.

12. One of the functions of Securities and Exchange Board of India is 'Promotion of fair practices and code of conduct in securities market'. State the category to which this function belongs and state any two other functions of this category. [3 marks]

Solution:

Concept:

- SEBI protects investors and promotes the orderly development and regulation of the securities market. Its functions are classified as protective, developmental and regulatory.
- Protective functions safeguard investors against unfair dealings and abuses in securities trading, so that the market operates fairly and investors can make informed decisions.

Step 1: Identify the category of the stated function Promotion of fair practices and a code of conduct in the securities market is a **protective function** of SEBI. The decisive words are 'fair practices and code of conduct': they concern ethical conduct and investor protection. They do not describe the training of intermediaries, which is developmental, or their registration, which is regulatory.

Step 2: State two other protective functions

- **Prohibiting fraudulent and unfair trade practices:** SEBI checks practices such as price rigging, in which prices are manipulated to mislead investors. Preventing such conduct protects investors from artificial prices and deceptive transactions.
- **Controlling insider trading:** SEBI prevents people possessing unpublished price-sensitive information about a company from using it for unfair gains in securities dealings. This protects ordinary investors who do not have access to that privileged information.

Step 3: Conclusion The stated function belongs to SEBI's protective functions. Two other functions in this category are prohibiting fraudulent and unfair trade practices and controlling insider trading.

Quick Tip to Solve: Link investor protection with unfair practices, price rigging and insider trading; these clues identify SEBI's protective category.

13. 'G. Motors' is the manufacturer of sophisticated cranes. The Production manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors.

(a) Identify the financial decision taken by Ashish Jain.

(b) Explain any three factors affecting the decision identified in (a) above. [3 marks]

Solution:

Concept:

- An investment decision concerns the allocation of a firm's funds to assets. Investment in long-term assets, such as a new machine, is a capital budgeting decision.
- Capital budgeting compares the future cash flows, expected returns and investment criteria of alternative projects, since substantial funds are committed for a long period.

Step 1: Identify the financial decision in the case Ashish Jain takes a **long-term investment decision, or capital budgeting decision**. He compares alternative machines and selects a machine expected to yield 'the maximum returns to its investors'. Purchasing the automatic machine commits funds to a fixed asset for long-term use. Although the case also mentions long-term sources of finance, the selection of the machine in which funds will be invested identifies the investment decision.

Step 2: Explain three factors affecting this decision

- **Cash flows of the project:** The amounts and timing of cash receipts and payments over the machine's life must be assessed. G. Motors should compare the cash outflow required to acquire each machine with the future cash inflows expected from using it; the decision cannot rest on the purchase price alone.
- **Rate of return:** Expected returns from the alternative machines must be compared, together with the risk involved. Other things being equal, the investment offering the higher return is preferred.

This directly relates to Ashish Jain's aim of obtaining maximum returns for investors.

- **Investment criteria involved:** Each proposal is evaluated using appropriate capital budgeting techniques. These consider the investment amount, cash flows, interest rate and expected returns, helping the company accept a financially worthwhile machine rather than selecting it merely because it uses the latest technology.

Step 3: Conclusion The decision is capital budgeting, a long-term investment decision. Its three key considerations are the project's cash flows, its rate of return and the investment criteria used to evaluate it.

Quick Tip to Solve: Ask whether the manager is choosing an asset or a source of funds: selecting the machine is investment; choosing debt or equity is financing.

Section C (24 marks)

14(a). Explain any four features of business environment. [4 marks]

Solution:

Concept:

- Business environment means the sum total of external individuals, institutions and other forces that affect a business enterprise's performance but lie outside its control.
- Its features explain the nature of these external forces. The following four features are totality of external forces, specific and general forces, interrelatedness, and dynamic nature.

Step 1: Explain the scope of environmental forces

- **Totality of external forces:** Business environment consists of all forces external to a business firm. It is the aggregate of outside influences, rather than a single isolated influence. Customers, competitors, government, social attitudes and technological developments together form the environment within which the enterprise operates.
- **Specific and general forces:** Specific forces, such as customers, suppliers, competitors and investors, affect individual enterprises directly and immediately in their day-to-day working. General forces, such as social, political, legal and technological conditions, influence enterprises indirectly and affect business more broadly. For example, a supplier's delivery decision directly affects one firm, whereas a change in economic policy affects many enterprises.

Step 2: Explain the connections and changes among forces

- **Interrelatedness:** Different elements of the business environment are closely related. A change in one can bring changes in others. For example, increased health awareness is a social change that increases demand for healthier food products, creating new business opportunities and influencing firms' product decisions.
- **Dynamic nature:** The business environment keeps changing because of shifts in consumer preferences, improvements in technology and new competitors entering the market. Businesses therefore need to monitor these changes and adapt their products and methods instead of assuming that existing conditions will remain constant.

Step 3: Conclusion Thus, business environment is the totality of external forces, includes both specific and general forces, has interrelated elements and is dynamic in nature.

Quick Tip to Solve: For each feature, give its textbook name and explain what it means; use an example to distinguish interrelatedness from dynamic nature.

OR

14(b). Explain any four features of 'demonetization'. [4 marks]

Solution:

Concept:

- Demonetisation is the withdrawal of the legal-tender status of a currency denomination. In India, the announcement of 8 November 2016 withdrew the legal-tender status of the then existing Rs 500 and Rs 1,000 notes, subject to the notified arrangements.
- The NCERT discussion identifies demonetisation as a tax administration measure, a signal against tax evasion, a means of bringing savings into the formal financial system, and a move towards a less-cash economy.

Step 1: Explain its tax administration features

- **Tax administration measure:** People holding unaccounted cash had to bring it into the formal system, such as by depositing it in banks, and account for its source. Those declaring previously concealed wealth could become liable for tax and penalties. In this sense, demonetisation brought unaccounted cash within the scrutiny of the tax authorities.
- **Signal against tax evasion:** It indicated that tax evasion would no longer be tolerated or accepted. Holding wealth in undisclosed cash became riskier because the government demonstrated that it could invalidate existing currency. The measure therefore sought to discourage concealment of income and encourage compliance with tax laws.

Step 2: Explain its formalisation and payment features

- **Channelising savings into the formal financial system:** Depositing cash in banks brought financial savings into formal institutions. Funds that had previously remained outside the banking system could be used by banks for productive lending. More deposits could also provide a basis for lower lending rates, although that outcome depended on other banking and economic conditions.
- **Creating a less-cash economy:** Demonetisation encouraged the use of digital and other non-cash payment methods. Payments made through banking channels leave a record, making transactions more traceable. This could improve tax compliance and reduce opportunities to hide transactions or evade taxes; it did not mean that all cash transactions disappeared.

Step 3: Conclusion The four features are its role in tax administration, its signal against tax evasion, its channelising of savings into the formal financial system, and its encouragement of a less-cash economy.

Quick Tip to Solve: Organise the four features as tax scrutiny, compliance signal, bank deposits and digital payments; explain each separately rather than listing only the note denominations.

15. Kunal joined as a shop level manager in the Production department of a textile company in the year 2005. Because of his good work, he became the Deputy Production Manager of the company in the year 2010. He had status and prestige and was well-respected by all in the company. On 1st March, 2019, he was promoted as the General Manager of the company. Kunal was very happy on his promotion as now he had become what he was capable of becoming. As a good manager, Kunal decided to motivate his subordinates, after understanding the Need Hierarchy theory which is based on various assumptions. He realised that people's behaviour is based on their needs and the manager can influence the behaviour of his employees by satisfying their needs.

(a) One of the assumptions of Need Hierarchy theory is stated in the above paragraph. State the other three assumptions of this theory.

(b) State the needs of Kunal which are being satisfied through promotion. [4 marks]

Solution:

Concept:

- Maslow's Need Hierarchy Theory explains motivation through an ordered series of human needs: basic physiological, safety, affiliation or belongingness, esteem and self-actualisation needs.
- Esteem needs concern self-respect, recognition and prestige, whereas self-actualisation concerns realising one's potential and becoming what one is capable of becoming.

Step 1: State the three remaining assumptions The paragraph already gives the assumption that people's behaviour is based on their needs and that satisfying these needs can influence their behaviour. The other three assumptions are:

- **Needs follow a hierarchy:** People's needs are arranged in an order of importance, starting with basic needs and extending to higher-level needs. Thus, the different categories are not treated as equally pressing at every stage.
- **A satisfied need ceases to motivate:** Once a particular need is satisfied, it no longer acts as the principal motivating force. Attention shifts towards a need that remains unsatisfied.
- **Movement to the next level follows satisfaction of the lower level:** A person moves to the next higher level of the hierarchy only when the lower-level need has been satisfied. The theory therefore explains motivation as a progression through the hierarchy.

Step 2: Identify the needs satisfied by Kunal's promotions

- **Esteem needs:** His promotion to Deputy Production Manager brought him "status and prestige" and he was "well-respected by all". These expressions indicate recognition and respect, which satisfy esteem needs.
- **Self-actualisation needs:** On becoming General Manager, he felt that he had "become what he was capable of becoming". This directly indicates the fulfilment of his potential, which is self-actualisation, the highest level in Maslow's hierarchy.

Step 3: Conclusion The three other assumptions are hierarchical ordering of needs, loss of motivating power after satisfaction, and movement upwards after satisfaction of lower-level needs. Kunal's promotions satisfy esteem needs through status and respect, and self-actualisation needs through the realisation of his capabilities.

Quick Tip to Solve: In a Maslow case, link "status, prestige and respect" to esteem, and "becoming what one is capable of becoming" to self-actualisation. Do not repeat the assumption already supplied when asked for the other assumptions.

16. 'Foods India Ltd.' is a company engaged in the production of packaged juice since 2010. Over this period, a large number of competitors have entered the market and are putting a tough challenge to 'Foods India Ltd.'. To face this challenge and to increase its market share, the company has decided to replace the old machinery with an estimated cost of ₹ 100 crores. To raise the finance, the company decided to issue 9% debentures. The Finance department of the company has estimated that the cost of issuing the 9% debentures will be ₹ 10,00,000. The company wants to meet its floatation cost.

(a) Explain the instrument that the company may issue for this purpose.

(b) In which type of financial market, is the instrument explained in (a) above traded ? Also explain how safe the instruments are in this market. [4 marks]

Solution:

Concept:

- Commercial paper is a short-term money-market instrument used by large, creditworthy companies to raise funds, including bridge finance for the flotation expenses of a long-term securities issue.
- The money market deals in short-term funds through instruments with a maturity of up to one year. Its instruments generally carry low default risk because issuers are financially sound.

Step 1: Explain the instrument for meeting flotation costs **(a) Commercial paper:** Foods India Ltd. may issue commercial paper to meet the Rs 10,00,000 flotation cost of its proposed debenture issue. Commercial paper is an unsecured promissory note, issued by a firm to raise funds for a short period, normally from 15 days to one year. It is negotiable and freely transferable by endorsement and delivery.

Large and creditworthy companies issue commercial paper to obtain short-term finance, usually at a lower cost than borrowing from commercial banks. Its original purpose was to provide short-term working capital, but it is also used for **bridge financing**: money is raised temporarily to meet flotation costs while the firm prepares and completes its long-term securities issue.

Here, the company is already planning to raise the machinery finance by issuing 9% debentures. The immediate requirement in this part is the *cost of issuing* those debentures, not the entire Rs 100 crores machinery investment. Commercial paper meets that short-term requirement.

Step 2: Identify the market and explain its safety **(b) Money market:** Commercial paper is traded in the money market, since it represents short-term finance with maturity of up to one year.

Low risk of default: Money-market instruments are generally much safer than capital-market instruments because their issuers are financially sound. The main issuers include the government, banks and highly rated companies. Their financial standing makes repayment more dependable, while the short maturity also limits the period of exposure.

Commercial paper is nevertheless *unsecured*: no specific asset is pledged as security. Its safety rests on the creditworthiness of the issuing company. Therefore, describe money-market instruments as generally low-risk rather than claiming that every instrument is absolutely risk-free or government-guaranteed.

Step 3: Conclusion Foods India Ltd. can issue commercial paper as short-term bridge finance for its flotation costs. Commercial paper belongs to the money market, whose instruments generally have low default risk because they are issued by financially sound entities.

Quick Tip to Solve: When a company needs temporary funds for the flotation costs of a long-term issue, identify commercial paper and bridge financing. Classify it by its short maturity, even though the main debenture issue is long-term finance.

17(a). Define a 'Consumer' according to the provisions of the Consumer Protection Act, 1986.

[4 marks]

Solution:

Concept:

- Under the Consumer Protection Act, 1986, a consumer may be a buyer of goods or a person who hires or avails of services for consideration.
- Consideration means payment for the goods or services. It may be paid immediately, promised, partly paid and partly promised, or payable under a deferred-payment system.

Step 1: Define a consumer in relation to goods A consumer is any person who buys any goods for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. The definition includes any user of such goods, other than the buyer, when the goods are used with the buyer's approval. Thus, protection is not restricted to the person who physically makes the payment: an approved user is also covered.

Step 2: Define a consumer in relation to services A consumer is any person who hires or avails of any services for a consideration which has been paid or promised, or partly paid and partly promised, or under any system of deferred payment. It includes a beneficiary of those services, other than the person hiring or availing of them, when the services are availed of with that person's approval. Services obtained entirely free of charge are therefore outside this consideration-based definition.

Step 3: State the exclusions and the self-employment exception A person obtaining goods for resale or for a commercial purpose is not a consumer. Similarly, a person availing of services for a commercial purpose is excluded. However, commercial purpose does not include goods bought and used, or services availed of, exclusively for earning one's livelihood by means of self-employment. For example, a person who personally uses a sewing machine bought to earn a livelihood falls within this exception; buying machines for resale does not.

Step 4: Conclusion The Act protects a person buying goods or hiring or availing of services for consideration, together with approved users or beneficiaries. Purchases for resale and commercial use are excluded, subject to the livelihood-by-self-employment exception.

Quick Tip to Solve: Organise the definition into goods, services, payment terms and exclusions. Remember to include approved users and beneficiaries, not just the purchaser.

OR

17(b). State any eight reliefs available to the consumer, if the court is satisfied about the genuineness of the complaint. [4 marks]

Solution:

Concept:

- The Consumer Protection Act, 1986 provides redressal when a consumer's complaint is found genuine. The appropriate consumer forum may order relief suited to the defect, deficiency, loss or harmful practice proved.
- Relief may restore the value of a purchase, compensate the consumer, stop an objectionable practice or protect consumers from hazardous goods.

Step 1: State reliefs concerning the defective goods

- **Removal of defects:** The forum may order removal of the defect in the goods. This requires the seller or manufacturer to rectify the fault established in the complaint.
- **Replacement of goods:** It may order replacement of defective goods with new goods of similar description that are free from any defect.
- **Refund of price or charges:** It may direct the opposite party to return the price paid for the goods or the charges paid for the services, as applicable.

Step 2: State reliefs addressing loss and unfair practices

- **Compensation:** The forum may order payment of a reasonable amount as compensation for loss or injury suffered by the consumer due to the negligence of the opposite party.
- **Discontinuance of unfair or restrictive trade practices:** It may direct the business to stop the unfair or restrictive trade practice and not repeat it. This prevents the same objectionable conduct from continuing.

Step 3: State protective reliefs and litigation costs

- **Restriction on hazardous goods:** It may order that hazardous goods should not be offered for sale. This protects consumers before such goods reach them.
- **Withdrawal of hazardous goods:** It may direct withdrawal of hazardous goods already offered for sale from the market, thereby removing the existing source of danger.
- **Adequate costs:** It may order payment of adequate costs to the aggrieved consumer. This provides relief towards the expenses of pursuing the complaint.

Step 4: Conclusion Eight available reliefs are removal of defects, replacement, refund, compensation, stopping unfair or restrictive trade practices, preventing sale of hazardous goods, withdrawing hazardous goods from the market, and payment of adequate costs.

Quick Tip to Solve: Recall three product remedies, compensation, stopping unfair practices, two hazardous-goods remedies and litigation costs to obtain eight distinct reliefs.

18. Explain any four factors which affect the fixation of price of a product. [4 marks]

Solution:

Concept:

- Price is the amount a buyer pays for a product. Price determination must reconcile recovery of the firm's costs and desired profit with the value that customers perceive in the product.
- NCERT identifies product cost, utility and demand, competition, and government and legal regulations among the factors influencing price. Any four such factors may be explained.

Step 1: Explain the influence of cost and demand

- **Product cost:** The cost of producing, distributing and selling a product sets the minimum price that the firm can normally sustain in the long run. It includes fixed costs, variable costs and semi-variable costs. The price should recover total costs and provide a reasonable profit, although a firm may temporarily price below total cost in special circumstances.
- **Utility and demand:** The utility perceived by buyers and the intensity of their demand influence the maximum price they will be willing to pay. When demand is elastic, a small increase in price can substantially reduce sales, limiting the firm's freedom to charge more. Relatively inelastic demand permits greater pricing flexibility, subject to the other market conditions.

Step 2: Explain competition and government regulation

- **Extent of competition:** The firm examines competitors' prices and the quality and features of competing products. A market with many close substitutes limits its ability to charge a high price because buyers can switch suppliers. A differentiated product with few close substitutes gives the seller more discretion.
- **Government and legal regulations:** Government may control or regulate the price of essential products to protect consumers against unfair practices and excessive prices. A firm must comply with applicable legal restrictions and cannot set its price solely according to its own profit objective when such controls apply.

Step 3: Conclusion Four factors affecting price fixation are product cost, utility and demand, extent of competition, and government and legal regulations. Together, these explain the cost floor, customers' willingness to pay, competitive pressure and the legal limits within which a price is set.

Quick Tip to Solve: Organise pricing factors around four questions: What does it cost, what will buyers pay, what do rivals charge, and what does the law permit?

19. 'Smart Stationery Ltd.' wants to raise funds of Rs 40,00,000 for its new project. The management is considering the following mix of debt and equity to raise this amount:

Capital Structure	Alternative		
	I (Rs)	II (Rs)	III (Rs)
Equity	40,00,000	30,00,000	10,00,000
Debt	0	10,00,000	30,00,000

Other details are as follows:

Interest Rate on Debt	9%
Face Value of Equity Shares	Rs 100 each
Tax Rate	30%
Earning Before Interest and Tax (EBIT)	Rs 8,00,000

(a) Under which of the three alternatives will the company be able to take advantage of Trading on Equity?

(b) Does Earning Per Share always rise with increase in debt? [4 marks]

Solution:

Concept:

- Trading on equity is the increase in the earnings available per equity share through the use of fixed-charge funds such as debt, when the return earned on total investment exceeds the cost of those funds.
- Interest is deducted from EBIT before tax. Earnings after tax belong to equity shareholders, so comparing earnings per share requires dividing those earnings by the number of equity shares under each alternative.

Step 1: Compare the return with the cost of debt The project earns EBIT of Rs 8,00,000 on total funds of Rs 40,00,000. Its return on investment is therefore 20%, which exceeds the 9% interest rate on debt. This favourable difference allows borrowed funds to raise the return available to equity shareholders. To identify the best alternative, compare earnings per share after allowing for interest and the 30% tax rate.

Step 2: Calculate earnings per share under each alternative Each equity share has a face value of Rs 100. The number of shares is therefore 40,000 in Alternative I, 30,000 in Alternative II and 10,000 in Alternative III.

Particulars	I	II	III
EBIT (Rs)	8,00,000	8,00,000	8,00,000
Interest at 9% (Rs)	Nil	90,000	2,70,000
Profit before tax (Rs)	8,00,000	7,10,000	5,30,000
Tax at 30% (Rs)	2,40,000	2,13,000	1,59,000
Earnings after tax (Rs)	5,60,000	4,97,000	3,71,000
Number of equity shares	40,000	30,000	10,000
Earnings per share (Rs)	14.00	16.57	37.10

For example, Alternative III leaves Rs 3,71,000 after interest and tax for 10,000 equity shares, giving Rs 37.10 per share. Although its total earnings after tax are lower, they are shared among far fewer

equity shares.

Step 3: Answer both parts using the comparison **(a) Choose Alternative III.** It provides the greatest advantage of trading on equity because its EPS of Rs 37.10 is the highest. Alternative II also improves EPS over the all-equity Alternative I, but to a smaller extent. Alternative I uses no debt and therefore gains no financial leverage from borrowing.

(b) Reject an unconditional increase in EPS. EPS does not always rise when debt increases. The favourable effect depends on the return on investment being higher than the cost of debt. If the return falls below the borrowing cost, fixed interest absorbs earnings and additional debt can reduce EPS. Debt also creates a compulsory interest obligation and increases financial risk even when the present EPS comparison is favourable.

Step 4: Conclusion Alternative III gives the maximum trading-on-equity benefit, with EPS of Rs 37.10 compared with Rs 16.57 and Rs 14.00 under II and I respectively. Increasing debt does not always increase EPS; the result depends on the relationship between the investment return and borrowing cost.

Quick Tip to Solve: Compare EPS rather than total profit when equity capital changes. Deduct interest before tax, then divide after-tax earnings by each alternative's own number of shares.

Section D (15 marks)

20(a). Explain any five characteristics of 'Co-ordination'. [5 marks]

Solution:

Concept:

- Co-ordination is the process of synchronising the activities of different departments and individuals so that their efforts lead to the achievement of organisational goals.
- It binds the functions of management together and creates unity of action. It is therefore regarded as the essence of management rather than a separate activity performed only after other functions.

Step 1: Explain integration of group efforts and unity of action

- **Integrates group efforts:** Co-ordination brings together the separate efforts of individuals and departments. Each may have its own interests and way of working; co-ordination reconciles these differences and channels their efforts towards a common organisational purpose. Thus, the group works as an integrated whole.
- **Ensures unity of action:** Co-ordination links the activities of different departments and provides a common direction to them. For example, production and sales must agree on the quantity and timing of output so that the goods produced can actually meet customer demand. Their actions then contribute to the same goal rather than conflicting with one another.

Step 2: Explain continuity, pervasiveness and managerial responsibility

- **A continuous process:** Co-ordination is required throughout organisational activity. It starts with planning and continues through organising, staffing, directing and controlling. Managers must repeatedly adjust interdependent activities as circumstances and performance change; one initial

arrangement is insufficient.

- **A pervasive function:** Co-ordination is needed at every level of management and in every department. Top managers align the organisation's overall activities, middle managers link departmental work, and supervisory managers harmonise the work of employees. It is required wherever activities depend on one another.
- **The responsibility of all managers:** Every manager must co-ordinate the work of subordinates and relate it to the work of others. Co-ordination cannot be left solely to a special department or to the chief executive. Each manager contributes to it within the area for which that manager is responsible.

Step 3: Conclusion The five characteristics are integration of group efforts, unity of action, continuity, pervasiveness and the responsibility of all managers. Together, they ensure that the separate parts of an organisation work in harmony towards common objectives.

Quick Tip to Solve: Remember the five headings as group efforts, common direction, continuous process, every level and every manager; explain how each creates harmony rather than merely listing it.

OR

20(b). Explain any five characteristics of 'Management'. [5 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through people to achieve organisational objectives. Effectiveness concerns achieving the intended result; efficiency concerns doing so with minimum cost and wastage of resources.
- Its characteristics describe how management operates across organisations. The same basic process of planning, organising, staffing, directing and controlling is needed even when the organisation's particular purpose differs.

Step 1: Explain the goal-oriented, pervasive and multidimensional nature

- **A goal-oriented process:** Every organisation has objectives that give direction to its activities. Management unites the efforts of individuals towards achieving these objectives. For example, a business may aim to earn profit by satisfying customers, while a school aims to provide education; management directs resources towards the respective goal.
- **All pervasive:** Management is required in all types of organisations, whether economic, social or political, and at every level within them. A business enterprise, hospital and school all need management. Its practices may vary with their needs and environment, but the need for management is universal.
- **Multidimensional:** Management involves management of work, people and operations. It translates the work required into goals and methods, deals with employees both as individuals and as a group, and coordinates the production or service process. These dimensions must work together for organisational success.

Step 2: Explain continuity and collective effort

- **A continuous process:** Management consists of a series of ongoing, composite functions: planning, organising, staffing, directing and controlling. Managers perform these functions continually and often simultaneously. A plan leads to action, performance is reviewed, and fresh decisions are made, so management does not end with one decision or one task.
- **A group activity:** An organisation consists of people with different needs, abilities and interests who work together. Management enables them to cooperate, work as a team and direct their individual efforts towards a common objective. Organisational results therefore arise from coordinated group effort rather than isolated individual performance alone.

Step 3: Conclusion Management is goal-oriented, all pervasive, multidimensional, continuous and a group activity. These five characteristics show how it combines work, people and operations to achieve the objectives of an organisation efficiently and effectively.

Quick Tip to Solve: Use one distinct heading for each characteristic, followed by its meaning. For multidimensional management, explicitly name work, people and operations instead of describing only employees.

21. Vikas was the Chief Operating Officer of 'Yalet Ltd.', a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Vikas was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vikas appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of the employees.

(a) Identify the function of management highlighted in the above paragraph.

(b) Explain any four other ways in which this function of management may help the organisation.

[5 marks]

Solution:

Concept:

- Controlling is the management function of measuring actual performance against planned standards, identifying deviations and taking corrective action to achieve organisational objectives.
- Its importance includes accomplishing organisational goals, judging the accuracy of standards, making efficient use of resources, improving employee motivation, ensuring order and discipline, and facilitating coordination.

Step 1: Identify the management function from the case The function is **controlling**. Vikas started "keeping a close check on the progress of activities" because revenues were decreasing despite timely execution of orders. Monitoring exposed the computer operator who was "deleting the entries from

the computers and pocketing the revenues". Detection of the deviation and corrective action against the operator illustrate controlling. The atmosphere of order and discipline is the benefit already highlighted in the case; four other benefits are explained below.

Step 2: Explain four other benefits of controlling

- **Accomplishing organisational goals:** Controlling measures progress towards planned goals and brings deviations to light. Corrective action keeps activities on the desired course, so resources and effort contribute to the results the organisation seeks.
- **Judging accuracy of standards:** An effective control system helps management check whether performance standards remain accurate and realistic. Changes in the organisation or its environment may require standards to be reviewed and revised rather than followed mechanically.
- **Making efficient use of resources:** When operations are performed according to predetermined standards, employees are guided towards economical resource use. Control identifies wastage and inefficiency so management can reduce them and obtain better results from available resources.
- **Improving employee motivation:** Clear performance standards tell employees what they are expected to do and how their work will be assessed. When appraisal and rewards are linked to performance, employees are encouraged to improve and work towards organisational objectives.

Step 3: Conclusion Vikas performed the controlling function. Besides ensuring order and discipline, controlling helps accomplish goals, judge the accuracy of standards, use resources efficiently and improve employee motivation.

Quick Tip to Solve: Link monitoring, deviations and corrective action to controlling. When asked for "other" benefits, exclude the benefit already explained in the case.

22. 'Pushpanjali Ltd.', is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The findings of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its good quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits. Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd.' had forgotten to take one of the most important decisions related to the product.

What decision should 'Pushpanjali Ltd.' take so that its customers are able to identify its products in the market ? Explain the benefits that may result to 'Pushpanjali Ltd.' and its customers if the above decision is taken. [5 marks]

Solution:

Concept:

- Branding means giving a product a name, term, sign, symbol or design, or a combination of these, to identify it and distinguish it from competitors' products.
- A brand provides a recognisable identity to the product. It benefits marketers through differentiation

and promotion, and benefits consumers through easy identification and assurance of quality.

Step 1: Identify the product decision required Pushpanjali Ltd. should take the **branding decision**: select a suitable brand name and, where appropriate, a distinctive brand mark for its products. The survey says customers "were not able to distinguish the products of the company from its competitors" and "were not able to identify its products in the market". These clues show that the missing decision is branding. A recognisable brand will enable satisfied buyers to request the same company's products again.

Step 2: Explain the benefits to Pushpanjali Ltd.

- **Enables product differentiation:** A distinctive brand identifies the company's chocolates, biscuits and cakes separately from competing products. Customers can connect the quality they experienced with the correct producer.
- **Helps in advertising and display programmes:** A brand name gives the company's advertising and displays a definite product identity. Buyers who see the promotion can recognise the advertised products when purchasing them.
- **Supports differential pricing:** If buyers value the quality associated with the brand, they may accept a different price from that charged for competing products. This depends on customer preference; branding alone does not guarantee higher profits.
- **Makes introduction of new products easier:** A new product launched under an established brand can benefit from the goodwill of that brand, helping consumers accept it more readily.

Step 3: Explain the benefits to customers

- **Helps in product identification:** Customers can recognise and repurchase Pushpanjali's products without having to investigate the producer on every purchase. This directly addresses the difficulty stated in the case.
- **Ensures quality:** A brand stands for a particular level of quality. It gives buyers confidence about what to expect and an identifiable product against which they can complain if quality is not maintained.
- **Provides a status symbol:** Certain well-regarded brands can give consumers prestige or satisfaction from using them. This is a general consumer benefit of branding, though the case does not establish that Pushpanjali already enjoys such status.

Step 4: Conclusion Pushpanjali Ltd. should brand its products. Branding will distinguish them, support promotion and repeat purchases, and give consumers a recognisable identity and quality assurance; an established brand can also support pricing and future product introductions.

Quick Tip to Solve: A case about customers failing to recognise a good product points to branding. Organise its advantages separately for the marketer and for consumers.

Section E (18 marks)

23(a). Explain the following techniques of scientific management :

(a) Time Study;

(b) Motion Study; and

(c) Functional Foremanship. [6 marks]

Solution:

Concept:

- Scientific management, developed by F.W. Taylor, replaces arbitrary methods with a systematic study of work to improve efficiency and productivity.
- Time study determines a standard duration, motion study improves the movements used, and functional foremanship applies specialisation to supervision.

Step 1: Explain time study and its purpose **(a) Time Study:** Time study determines the standard time required to perform a well-defined job. The job is observed repeatedly with time-measuring devices, and the time taken for its elements is recorded. Measurements are made for a worker of reasonable skill working under standard conditions; suitable allowances are considered while setting the standard.

The resulting standard helps management determine how many workers are needed, plan production, calculate labour costs and devise suitable incentive schemes. It gives a scientific basis for a fair day's work rather than relying on an arbitrary estimate of how quickly a task should be completed.

Step 2: Explain motion study and its purpose **(b) Motion Study:** Motion study examines the movements involved in performing a job, such as lifting, placing objects, sitting and changing position. The movements are identified and analysed to distinguish necessary actions from unnecessary or unproductive actions.

Its objective is to eliminate unnecessary movements and arrange the remaining movements in the most efficient sequence. Better placement of tools and materials can reduce needless reaching or walking. The task can then be completed in less time, with less fatigue and without wasting the worker's effort. Unlike time study, its immediate focus is the method and movements of work, rather than merely fixing its standard duration.

Step 3: Explain functional foremanship and its specialist roles **(c) Functional Foremanship:** Taylor divided supervision into specialised functions because one foreman may not possess all the qualities needed to supervise every aspect of production. Planning and execution are separated, with four specialists under the planning incharge and four under the production incharge.

Under planning, the **instruction card clerk** prepares instructions, the **route clerk** specifies the sequence of operations, the **time and cost clerk** prepares time and cost information, and the **disciplinarian** maintains discipline.

Under production, the **speed boss** ensures timely and accurate completion at the proper speed, the **gang boss** keeps machines and tools ready for work, the **repair boss** maintains machines and equipment, and the **inspector** checks the quality of the output. A worker receives specialist guidance from the relevant foreman instead of depending on one general supervisor for every problem.

Step 4: Conclusion Time study establishes the standard time for a job; motion study removes wasteful movements; and functional foremanship provides specialised supervision through eight functional experts. Together, they make the organisation of work more scientific and efficient.

Quick Tip to Solve: Remember the three distinct questions: time study asks "how long?", motion study asks "which movements?", and functional foremanship asks "which specialist supervises?"

OR

23(b). Explain the following principles of general management :

(a) Division of Work;

(b) Authority and Responsibility; and

(c) Discipline. [6 marks]

Solution:

Concept:

- Henri Fayol's principles of general management provide broad guidelines for managerial decisions and behaviour. They are applied with judgement according to the circumstances.
- Division of work promotes specialisation, authority must be balanced with responsibility, and discipline secures observance of organisational rules and agreements.

Step 1: Explain division of work **(a) Division of Work:** Work should be divided into specialised tasks and assigned to trained and competent people. Instead of requiring everyone to perform every activity, employees concentrate on the work for which they are best suited. Repeated performance develops skill, dexterity and experience in that activity.

Specialisation reduces the loss of time involved in changing between unrelated tasks and enables employees to produce more and better work with the same effort. For example, assigning production, sales and finance activities to people with the corresponding skills improves efficiency. Fayol considered this principle applicable to managerial work as well as technical work; it is not confined to factory operations.

Step 2: Explain authority and responsibility **(b) Authority and Responsibility:** Authority is the right to give orders and obtain obedience, whereas responsibility is the obligation to perform the assigned duty satisfactorily. A manager entrusted with a task must receive sufficient authority to carry it out, and the exercise of authority must carry a corresponding responsibility for its results.

There should be a balance between the two. Excessive authority without matching responsibility may encourage misuse of power, while responsibility without adequate authority prevents an employee from taking the decisions needed to complete the task. For example, a production manager responsible for a production target needs appropriate authority to allocate work and use the resources placed under the manager's control. The manager remains answerable for how that authority is used.

Step 3: Explain discipline **(c) Discipline:** Discipline means obedience to organisational rules and the employment agreement necessary for the working of the organisation. It includes respecting agreed procedures, maintaining orderly conduct and fulfilling commitments made by both employees and

management.

Fayol emphasised good supervisors at all levels, clear and fair agreements, and judicious application of penalties as essential conditions for discipline. It cannot be maintained merely by imposing punishment on workers. Management must also honour its promises and apply rules fairly. For example, when workers agree to greater effort in return for a promised reward, they should fulfil that commitment and management should provide the agreed reward. Such mutual observance creates orderly cooperation.

Step 4: Conclusion Division of work increases efficiency through specialisation; authority and responsibility should remain balanced so duties can be performed accountably; and discipline requires both management and employees to respect fair rules and agreements. These principles guide effective organisational management.

Quick Tip to Solve: For each principle, state its meaning and then explain its managerial implication: specialisation, balanced powers and duties, or mutual observance of rules and agreements.

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24. 'E-Solutions Ltd.' started its operations in the year 2000. At the time of its inception, the company had only ten employees with two departments, a Production department and an Administration department. The products supplied and the services provided by the company started gaining popularity over the years. The management had faith in the abilities of the employees and thus they allowed them freedom of action. The management recognised that the decision-makers at different levels of the organisation need to be given more autonomy. They took a policy decision that there will be less control of superiors over subordinates. This increased the role of the subordinates in the organisation and now they were in a position to take numerous as well as important decisions. As a result, its business has diversified into many areas. Presently, it has its operations throughout the country with seven branches overseas. Its organisational structure has now changed into divisional structure and ten thousand people are working with the company.

(a) Identify the concept of management which helped the company to diversify into many areas and branches abroad.

(b) Explain five points of importance of the concept identified in (a) above. [6 marks]

Solution:

Concept:

- Decentralisation means the systematic dispersal of decision-making authority to lower levels of management. It extends delegation throughout the organisation and gives managers meaningful autonomy within prescribed limits.
- The importance of decentralisation includes developing initiative and managerial talent, relieving top management, enabling quick decisions and facilitating organisational growth.

Step 1: Identify the concept from the case **(a) The concept is decentralisation.** The management recognised that decision-makers at different levels needed "more autonomy" and decided that there would be "less control of superiors over subordinates". Subordinates could then take "numerous as well as important decisions". These statements show a deliberate policy of distributing authority throughout the organisation, rather than merely assigning a single task to an employee.

Step 2: Explain five points of importance **(b) Developing initiative among subordinates:** Freedom to make decisions encourages employees to depend on their own judgement and develop solutions to work problems. They gain confidence, accept responsibility and become more self-reliant instead of referring every matter to a superior.

Developing managerial talent for the future: Managers at lower levels obtain practical experience in making decisions and assessing their results. This provides training for positions involving greater responsibility and creates a pool of capable managers to handle the company's growing operations.

Relief to top management: By giving lower-level managers authority over routine operational matters, senior managers reduce their own workload. They can concentrate on major policy decisions, long-term planning and coordination of the company's different businesses.

Quick decision-making: Decisions can be taken close to the point where action is required. Managers directly dealing with a problem need not repeatedly send it through several levels for approval, reducing delay and allowing a timely response to local needs.

Facilitating growth: Greater autonomy allows individual departments or divisions to operate effectively and compete for improved performance. Capable managers can manage additional activities and locations, making diversification and expansion easier. This explains how E-Solutions could develop operations across the country and seven overseas branches.

Step 3: Conclusion Decentralisation helped E-Solutions Ltd. diversify and expand by distributing decision-making authority. Its five benefits explained above are initiative, managerial development, relief to top management, faster decisions and growth.

Quick Tip to Solve: When a case mentions autonomy at several levels and reduced superior control, identify decentralisation; then link each benefit to how lower-level decision-making improves the organisation.

25. 'Entertainment India Ltd.' has been incorporated with the objective of entertaining people by organising festivals, programmes and other similar events depicting the rich cultural heritage of the country. The company management has renowned personalities from the field of art, literature and culture. They decided to give a platform to young budding musicians, poets and artists. The company decided its organisational structure by grouping similar jobs together. Thereafter, the heads of different departments were also appointed. Nisha, one of the heads, did an analysis of the number, type and qualification necessary for people to be appointed. The information generated in the process of writing the job description and the candidate profile was used to develop 'Situations vacant' advertisement. This was published in print media and flashed in electronic media. This brought in a flood of response.

Explain the other steps which Nisha has to perform to complete the process being discussed above.

[6 marks]

Solution:

Concept:

- Staffing is the managerial function of obtaining and maintaining competent people for organisational positions. Its process begins with estimating manpower requirements and recruitment, followed by appointing, developing and rewarding employees.

- Recruitment attracts applicants, whereas selection chooses suitable persons from that pool. The remaining staffing steps continue after appointment so that employees can perform well and develop in the organisation.

Step 1: Locate the stage already completed Nisha's analysis of the "number, type and qualification necessary" represents estimating manpower requirements. The "Situations vacant" advertisement and the resulting "flood of response" represent recruitment. Applicants have been attracted, but the case does not say that suitable candidates have yet been selected. The other steps of the staffing process are therefore the following six.

Step 2: Choose and introduce suitable employees **Selection:** Nisha must identify and choose the most suitable candidates from the applications received. She should assess applicants against the job requirements using the appropriate screening, tests, interviews and other selection procedures. Selection helps secure people whose abilities fit the work to be performed.

Placement and orientation: Each selected employee must be placed in the position for which he or she has been selected. Orientation introduces the employee to the organisation, its rules and policies, the work unit, superiors and colleagues. This helps the new employee understand the job and settle into the working environment.

Step 3: Develop, assess and reward the employees **Training and development:** The company must provide opportunities to acquire the knowledge and skills needed for present duties and future responsibilities. Training improves job proficiency, while development prepares employees for wider roles and helps them adapt to changing requirements.

Performance appraisal: Employees' work must be evaluated against predetermined performance standards. Appraisal identifies strengths and shortcomings and provides feedback, allowing the organisation to recognise good work and determine where improvement or further training is necessary.

Promotion and career planning: Management should provide opportunities for advancement to positions carrying greater responsibility and status. Career planning helps employees see their prospects within the company and aligns their development with the organisation's future requirements.

Compensation: The company must determine fair remuneration for employees. Compensation includes direct financial payments, such as wages, salaries and incentives, as well as indirect benefits. A suitable compensation system attracts and retains competent people and rewards their contribution.

Step 4: Conclusion After manpower estimation and recruitment, Nisha must complete selection, placement and orientation, training and development, performance appraisal, promotion and career planning, and compensation to complete the staffing process.

Quick Tip to Solve: Identify the last completed staffing stage from the case: an advertisement that attracts applications is recruitment, so begin the remaining steps with selection, not recruitment again.