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

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-level management links top management with operational management and implements the policies framed at the top.
- Departmental managers also cooperate with other departments so that organisational activities support common objectives.

Step 1: Identify the management level Rajat, Vinay and Adit are departmental managers. The words 'understand and interpret the policies made by Das' place them at the middle level of management.

Step 2: State an additional function They can **cooperate with other departments for the smooth functioning of the organisation**. The case already mentions interpreting policies, staffing departments, assigning duties and motivating employees; interdepartmental cooperation is an additional function.

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

Quick Tip to Solve: For an additional middle-management function, choose one absent from the case, such as cooperation across departments.

2(a). Differentiate between Formal and Informal organisation on the basis of 'flow of communication'. [1 mark]

Solution:

Concept:

- Formal organisation establishes official authority relationships and prescribed communication channels.
- Informal organisation develops through social interaction, so its communication is independent of the official chain of command.

Step 1: Identify the comparison basis The question asks only about flow of communication, so compare the route through which messages travel in the two organisations.

Step 2: Present the distinction

Basis	Formal organisation	Informal organisation
Flow of communication	Communication follows the prescribed official channels and the scalar chain.	Communication has no fixed prescribed route and may flow in any direction through social relationships.

Step 3: Conclusion Formal communication follows official channels; informal communication may flow in any direction.

Quick Tip to Solve: When the basis is communication, contrast prescribed official channels with unrestricted social channels.

OR

2(b). Differentiate between 'Delegation' and 'Decentralisation' on the basis of 'freedom of action'.

[1 mark]

Solution:

Concept:

- Delegation transfers authority from a superior to a subordinate for performing assigned duties.
- Decentralisation systematically disperses decision-making authority to lower management levels.

Step 1: Identify the meaning of freedom Freedom of action concerns how independently the subordinate can use authority and take decisions. Both processes give authority, but the degree of independence differs.

Step 2: Present the distinction

Basis	Delegation	Decentralisation
Freedom of action	Subordinates have less freedom because the superior exercises greater control over delegated work.	Subordinates have greater freedom to take decisions and act within their assigned areas of authority.

Step 3: Conclusion Delegation gives comparatively less freedom of action, whereas decentralisation gives greater freedom.

Quick Tip to Solve: On freedom of action, write the relative degree of independence: less under delegation and greater under decentralisation.

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

Solution:

Concept:

- An organisational structure specifies how activities are grouped and how authority relationships are established.
- A functional structure groups similar jobs and activities according to major business functions.

Step 1: Identify the basis of grouping In a functional structure, activities are grouped by the function performed. Production activities belong together, as do marketing, finance and personnel activities.

Step 2: State the definition **Functional structure** is an organisational structure in which similar activities are grouped into separate departments on the basis of specialised functions. Each functional department concentrates on its own area of work, allowing people with similar skills to work together.

Step 3: Conclusion Functional structure means grouping similar activities into specialised functional departments, such as production, marketing and finance.

Quick Tip to Solve: The defining word is function: grouping by product would describe a divisional structure instead.

OR

3(b). What is meant by 'accountability' ? [1 mark]

Solution:

Concept:

- Delegation involves authority, responsibility and accountability.
- Accountability is the obligation to explain and justify the outcome of assigned work to the superior.

Step 1: Identify the reporting obligation When a superior assigns a duty, the subordinate is expected to perform it and report the outcome. This obligation to answer for the final result is accountability.

Step 2: State the meaning precisely **Accountability means being answerable for the final outcome of an assigned task.** It flows upward from the subordinate to the superior. A manager may delegate authority, but cannot escape accountability for the result merely by assigning the work to another person.

Step 3: Conclusion Accountability is the answerability of a person to the superior for the final outcome of the assigned task.

Quick Tip to Solve: Remember accountability as answering for results; responsibility is the duty to perform the task.

4. '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 immediate purchase.
- Discount is a sales promotion technique in which a product is offered at a price lower than its usual price.

Step 1: Locate the incentive in the case The decisive words are 'at a discount of Rs 15,000 for a period of one month'. The buyer pays less than the usual price of the television during the stated period.

Step 2: Identify the technique **Discount** is the sales promotion activity used. The limited-period reduction in price encourages customers to buy the television now. It is not a free gift or a quantity deal, because the incentive is a reduction in the selling price itself.

Step 3: Conclusion Ultra Televisions Ltd. is using the sales promotion technique of discount.

Quick Tip to Solve: A stated reduction in the usual selling price signals discount; a stated reduced clearance price to clear stock signals rebate.

5. 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:

- Marketing includes services that make purchasing and using a product convenient for customers.
- Customer support services include credit facilities, maintenance and other assistance that improves satisfaction and repeat purchases.

Step 1: Identify the evidence The manager refers to 'credit facilities, maintenance services' and explains that they bring 'repeat sales' and develop 'brand loyalty'. These services support the customer beyond merely supplying the car.

Step 2: Name the marketing function **Customer support services** is the function being discussed. Credit facilities help customers finance the purchase, while maintenance services support satisfactory use of the car. Such assistance helps retain customers and strengthens their relationship with the company.

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

Quick Tip to Solve: Credit, maintenance and other help that builds repeat sales point to customer support services, rather than advertising.

6. 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:

- Semantic barriers arise when the sender and receiver attach different meanings to the words or symbols used in a message.
- Effective communication requires the receiver to understand the message in the sense intended by its sender.

Step 1: Identify the difference in meaning Kamal says that Ashok's work "could be improved", intending a suggestion for improvement. Ashok understands this as meaning that "his work was not good". The same comment therefore conveys a different meaning to its receiver.

Step 2: Name the barrier This is a **semantic barrier**, specifically **symbols or words with different meanings**. The problem lies in interpreting the message rather than in the formal channel used.

Step 3: Conclusion The barrier is a **semantic barrier: words or symbols with different meanings**.

Quick Tip to Solve: When the same words carry different meanings for the sender and receiver, identify a semantic barrier.

7. 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 transactions between them.
- One of its functions is reducing the cost of transactions by saving the resources otherwise spent searching for a counterparty.

Step 1: Name the market The market is the **financial market**. It provides a common platform linking those wishing to buy financial assets with those wishing to sell them.

Step 2: Connect the words to the function The statement that it helps to "save time, effort and money" refers to **reducing the cost of transactions**. Buyers and sellers avoid having to search separately for suitable counterparties.

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

Quick Tip to Solve: Link savings in search time, effort and money to transaction costs, rather than to price discovery.

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

Solution:

Concept:

- Directing means instructing, guiding, motivating and leading people to achieve organisational objectives.
- Its characteristics describe how and where managers guide employees into action.

Step 1: State its presence throughout the organisation **Directing takes place at every level of management:** Every manager, from top management to a supervisor, directs the subordinates working under them. It is therefore not confined to senior managers.

Step 2: State its continuity **Directing is a continuous process:** Managers must guide, supervise and motivate employees throughout organisational life. It continues as work is performed and new circumstances arise; it is not completed by issuing an initial instruction.

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

Quick Tip to Solve: For two characteristics, state two different features clearly: every managerial level and continuous guidance.

OR

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

Solution:

Concept:

- Management by exception is a principle of managerial control that directs attention to significant deviations from established standards.
- By separating exceptional deviations from routine variations, it allows managers to concentrate on matters needing their intervention.

Step 1: Identify which deviations deserve attention Management should focus on deviations that go beyond an acceptable or permissible range. A minor variation within that range does not require the same attention as a substantial departure from the standard.

Step 2: Explain the meaning **Management by exception** means bringing only significant deviations to the attention of management for corrective action, while routine matters are handled at the appropriate lower level. This avoids burdening managers with every small departure.

Step 3: Conclusion Management by exception means focusing managerial attention on **significant deviations beyond permissible limits** from the standards.

Quick Tip to Solve: The key word is significant: management intervenes for exceptions beyond permissible limits, not every small deviation.

Section B (15 marks)

9. Explain 'Organisational Climate' and 'Job Enrichment' as non-financial incentives. [3 marks]

Solution:

Concept:

- Non-financial incentives motivate employees by satisfying psychological, social and esteem needs rather than by directly increasing monetary rewards.
- Organisational climate concerns the work environment, whereas job enrichment concerns the meaningfulness and content of the job itself.

Step 1: Explain organisational climate **Organisational climate:** It is the collection of characteristics that describe an organisation and distinguish it from others. Features such as individual autonomy, reward orientation, consideration for employees, risk-taking and organisational structure influence employee behaviour. A supportive climate, in which employees receive recognition, freedom and consideration, makes them feel valued and motivates them to perform better. Thus motivation comes from the environment in which employees work.

Step 2: Explain job enrichment **Job enrichment:** It means designing jobs to include a greater variety of work content, a higher level of knowledge and skill, more autonomy and responsibility, opportunities for personal growth and a meaningful work experience. Giving employees responsibility for planning and evaluating their own work, for instance, makes their contribution more challenging and satisfying. Enrichment increases the depth and responsibility of a job; it is not merely adding more repetitive tasks. It motivates through achievement, growth and recognition.

Step 3: Conclusion **Organisational climate** motivates through a supportive organisational environment; **job enrichment** motivates through challenging, meaningful work with greater autonomy and responsibility.

Quick Tip to Solve: Distinguish the setting from the job: climate changes the work environment; enrichment adds depth, autonomy and responsibility to the work.

10. 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, promotes the development of the securities market and regulates its working. Its functions are grouped as protective, developmental and regulatory functions.
- Protective functions prevent unfair practices and safeguard investors against misleading or manipulative conduct in the securities market.

Step 1: Identify the category from the stated purpose The function belongs to SEBI's **protective functions**. The words 'Promotion of fair practices and code of conduct in securities market' concern

fairness in dealings and protection of investors. They therefore point to the protective category, rather than the development of market institutions or the registration and regulation of intermediaries.

Step 2: State two other protective functions

- **Prohibition of fraudulent and unfair trade practices:** SEBI prohibits practices such as misleading statements and market manipulation, including artificial price changes. This protects investors from being induced to trade on deceptive information.
- **Control of insider trading:** SEBI prohibits trading based on unpublished price-sensitive information by insiders such as directors or employees. Such persons must not obtain an unfair advantage over investors who do not possess that information.

Step 3: Conclusion Promotion of fair practices is a **protective function**. Two other protective functions are prohibiting fraudulent and unfair trade practices and controlling insider trading.

Quick Tip to Solve: Link protection with prevention of unfair conduct: fraud, market manipulation and insider trading are the clearest examples.

11(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 created by management to achieve organisational objectives.
- Informal organisation is the network of social relationships that arises spontaneously as people interact at work. Its influence rests on personal acceptance rather than an officially assigned post.

Step 1: Compare the source of the two organisations The distinction should use the three specified bases. Formal relationships are prescribed to coordinate work, whereas informal relationships grow out of personal interaction. This difference in their origin also explains why their authority and leadership operate differently.

Step 2: Present the differences on the specified bases

Basis	Formal organisation	Informal organisation
Origin	It is deliberately created by top management through defined jobs, duties and reporting relationships.	It arises spontaneously from social interaction, friendship and common interests among employees.
Authority	Authority arises from the official position occupied in the organisational hierarchy. It is attached to the post.	Authority arises from personal qualities and acceptance by group members, rather than an official position.
Leadership	Managers occupying designated positions are the leaders; leadership is prescribed through the formal hierarchy.	Leaders emerge from within the group and are chosen or accepted by its members because of their influence.

Step 3: Conclusion Formal organisation is deliberately established, derives authority from position

and has designated managers as leaders. Informal organisation develops spontaneously, derives authority from personal acceptance and has leaders who emerge within the group.

Quick Tip to Solve: For these three bases, remember: created versus spontaneous; post versus person; appointed versus emerging leader.

OR

11(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 activities by specialised functions such as production, marketing and finance. Each department focuses on its own functional expertise.
- A divisional structure groups activities around products or product lines. Each division contains the functions it needs and is headed by a manager responsible for its overall results.

Step 1: Relate the differences to the basis of grouping In a functional structure, specialists manage one function for the organisation. In a divisional structure, a product division brings different functions together. This affects coordination, the breadth of experience gained by managers and the extent to which facilities are duplicated.

Step 2: Compare the structures on all three bases

Basis	Functional structure	Divisional structure
Coordination	Coordination across different functional departments is more difficult for a multi-product organisation because departments may give priority to their own functional goals.	Coordination within each product division is easier because all the functions required for that product are integrated in one division.
Managerial development	Managers gain expertise in a particular function. Their narrower experience makes development into general managers more difficult.	A divisional head gains experience across several functions and is responsible for product results, facilitating development as a general manager.
Cost	It is relatively economical because common functional facilities and expertise are used by the organisation without duplicating them for each product.	It is relatively costly because personnel, facilities and functions may be duplicated across product divisions.

Step 3: Conclusion Functional structure provides functional specialisation at a lower cost but makes cross-functional coordination and general managerial development harder. Divisional structure eases coordination within a product and develops general managers, but duplication raises costs.

Quick Tip to Solve: Compare coordination within a product division with coordination across functional departments; duplication of functions explains divisional cost.

12(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 the course of action for achieving them.
- The importance of planning lies in directing activities towards objectives, anticipating future conditions and making efficient use of organisational resources.

Step 1: Explain how planning guides action **Planning provides direction:** Planning clearly states the objectives to be achieved and the activities necessary to achieve them. Employees know what the organisation expects from them and how their work contributes to its goals. This gives a common direction to the efforts of different departments and helps them work in a coordinated manner rather than pursue unrelated activities.

Step 2: Explain how planning prepares the organisation for change **Planning reduces the risks of uncertainty:** Managers look ahead, forecast likely changes and consider the possible consequences of alternative actions. They prepare suitable courses of action for the anticipated conditions. Planning cannot remove uncertainty or guarantee accurate forecasts, but it reduces its impact by preparing managers to respond instead of reacting without preparation.

Step 3: Explain how planning improves the use of resources **Planning reduces overlapping and wasteful activities:** Plans specify the activities to be performed and link the work of individuals and departments. This makes responsibilities clearer and avoids unnecessary duplication of effort. By comparing activities with the planned objectives, managers can identify redundant work and reduce waste of time, money and other resources.

Step 4: Conclusion Planning provides direction, reduces the risks of uncertainty and reduces overlapping and wasteful activities. Together these benefits help the organisation pursue its objectives systematically.

Quick Tip to Solve: For each importance of planning, name the NCERT point and explain how deciding in advance improves organisational work.

OR

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

Solution:

Concept:

- Planning is the process of deciding objectives and selecting courses of action in advance. Its usefulness depends on realistic assumptions and suitable implementation.
- Planning has limitations because a predetermined course of action may restrict flexibility, while future environmental conditions cannot be fully predicted or controlled.

Step 1: Explain the restriction caused by fixed plans **Planning leads to rigidity:** A well-defined plan

lays down the course of action to be followed. Managers and employees may continue to follow it even when circumstances require a different response, because they are expected to comply with the predetermined programme. Such inflexibility can make it difficult to respond promptly to an unexpected situation. Plans therefore need review rather than blind adherence.

Step 2: Explain the problem of environmental change **Planning may not work in a dynamic environment:** The business environment includes changing economic conditions, government policies, technology and competitors' actions. Plans are based on assumptions about these future conditions. If the assumptions cease to hold, the chosen course may become unsuitable. Managers cannot predict every change accurately, so even a carefully prepared plan may not achieve its intended outcome.

Step 3: Explain the effect on initiative **Planning reduces creativity:** In many organisations, top management prepares the plans and lower levels are required to implement them. Employees may have little opportunity to suggest fresh ideas or devise different ways of performing the work. When they merely follow instructions rather than participate in planning, their initiative and creative contribution can be restricted.

Step 4: Conclusion Three limitations of planning are rigidity, difficulty in coping with a dynamic environment and reduced creativity among employees who only implement predetermined plans.

Quick Tip to Solve: Keep rigidity separate from a dynamic environment: the first concerns inflexible action, while the second concerns changing assumptions.

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 how the funds of an enterprise are invested in different assets. Investment in a long-term fixed asset is a capital budgeting decision.
- Capital budgeting evaluates the expected cash flows, the rate of return and the investment criteria of alternative projects before committing funds for a long period.

Step 1: Identify the financial decision from the case **(a) Long-term investment decision (capital budgeting):** Ashish Jain decides to purchase a new automatic machine, a fixed asset that will serve the company over a long period. The evidence is that he "compared various machines and decided to invest in the machine which would yield the maximum returns to its investors". Thus the decision being evaluated is the investment of funds in a machine. The separate statement about long-term

sources refers to financing that investment.

Step 2: Explain the three factors governing the decision **(b) Cash flows of the project:** Investment in a machine involves an initial cash outflow followed by expected cash inflows over its useful life. The amount and timing of these cash flows must be estimated carefully so that alternative machines can be evaluated on their ability to generate future cash benefits.

Rate of return: The expected return from each investment proposal is assessed along with its risk. Other things being equal, a proposal offering a higher return is preferred. This relates directly to Ashish Jain's decision to choose the machine giving the "maximum returns to its investors".

Investment criteria involved: The alternatives must be evaluated through appropriate capital budgeting techniques. These criteria consider such elements as the amount invested, expected return, interest rate and cash flows in order to compare proposals and select the most suitable machine. A purchase should follow systematic evaluation rather than a comparison of purchase prices alone.

Step 3: Conclusion Ashish Jain takes a capital budgeting, or long-term investment, decision. The three factors affecting it are the project's cash flows, its rate of return and the investment criteria used to evaluate competing proposals.

Quick Tip to Solve: Identify the asset-selection decision separately from its financing: buying a long-term machine is capital budgeting; choosing funds is financing.

Section C (24 marks)

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

Solution:

Concept:

- Business environment includes the external individuals, institutions and forces that influence an enterprise's performance. These forces can create favourable opportunities as well as threats.
- Understanding the environment helps managers respond in time, obtain resources and adjust business decisions. Its importance can be explained through the following four points.

Step 1: Explain how awareness reveals opportunities and threats

- **Identifying opportunities and gaining the first-mover advantage:** Environmental awareness helps a firm recognise favourable changes before its competitors. It can develop a suitable product or enter a new market early and benefit from being the first to respond. For example, recognising rising demand for healthier food can help a business introduce suitable products promptly.
- **Identifying threats and early warning signals:** Understanding the environment alerts a firm to adverse changes, such as a new competitor or a change in customers' preferences. Early warning gives management time to improve its product, control costs or take other protective action before the threat seriously affects performance.

Step 2: Explain how awareness supports resources and adaptation

- **Tapping useful resources:** An enterprise obtains inputs such as finance, materials, labour and technology from its environment and supplies goods and services to it. Understanding the expecta-

tions of suppliers, investors and customers helps the enterprise secure the resources it needs and provide outputs that the environment will accept.

- **Coping with rapid changes:** Markets, technology and competition change rapidly. Continuous environmental scanning helps managers understand these changes and develop suitable courses of action. The firm can adapt its production methods, products and policies instead of continuing with practices that no longer meet market requirements.

Step 3: Conclusion Thus, understanding the business environment enables an enterprise to identify opportunities, detect threats, tap resources and cope with rapid changes. These benefits help managers make timely and relevant decisions.

Quick Tip to Solve: For each importance point, name the benefit and explain the management action it enables; do not merely list external forces.

OR

14(b). Explain any four points of impact of government policy changes on business and industry.

[4 marks]

Solution:

Concept:

- The economic reforms introduced liberalisation, privatisation and globalisation. They reduced many restrictions on business and increased the role of private enterprise and international competition.
- Changes in government policy altered the conditions in which Indian businesses operate. Enterprises had to change their strategies, technology and approach to customers to remain competitive.

Step 1: Explain the changes in competition and customer expectations

- **Increasing competition:** Industrial delicensing made it easier for private firms to enter many industries, while the entry of foreign firms increased the number of competitors. Indian enterprises therefore faced stronger competition from domestic and international businesses and had to improve quality, efficiency and cost competitiveness.
- **More demanding customers:** Greater competition and the availability of a wider variety of goods and services gave customers more choice. Better informed customers began to expect higher quality, reliable service and reasonable prices. Businesses could no longer rely on limited availability to sell their products; they had to satisfy these rising expectations.

Step 2: Explain the changes in technology and market orientation

- **Rapidly changing technological environment:** Increased competition encouraged firms to adopt improved technology and production processes. New technology could increase productivity and improve product quality, but also required investment and made older methods obsolete. Businesses had to keep updating their technological capabilities to survive and grow.
- **Market orientation:** Before the reforms, many firms could sell whatever they produced because supply was limited. With greater choice and competition, firms had to study the market and understand customer needs first. They increasingly planned production, product features and

marketing activities around what customers wanted, rather than expecting customers to accept whatever was offered.

Step 3: Conclusion Government policy changes increased competition, made customers more demanding, accelerated technological change and encouraged market orientation. Businesses therefore had to become more responsive, efficient and customer focused.

Quick Tip to Solve: Link each impact to a business response: competition to efficiency, customer choice to quality, technology to upgrading and market orientation to customer needs.

15(a). State any eight responsibilities that a consumer should discharge while purchasing, using and consuming goods and services. [4 marks]

Solution:

Concept:

- Consumer protection is effective when consumers know their rights and also discharge their responsibilities while buying and using goods and services.
- A responsible consumer makes informed choices, uses products safely and keeps evidence of transactions so that a genuine grievance can be redressed.

Step 1: Exercise care while purchasing The following responsibilities should be discharged at the time of purchase:

- **Be aware of available goods and services:** Obtain information about the alternatives available in the market so that an intelligent and informed choice can be made.
- **Buy standardised goods:** Prefer goods carrying appropriate quality certification marks, such as ISI for electrical appliances and AGMARK for agricultural products, to obtain an assurance of quality.
- **Read labels carefully:** Check the price, net weight, manufacturing and expiry dates, ingredients and other relevant product information before deciding to buy.
- **Insist on a cash memo:** Obtain and preserve the bill or cash memo for the purchase. It is evidence of the transaction and is useful when making a complaint.

Step 2: Act responsibly during use and redressal The consumer should also discharge these responsibilities:

- **Follow product instructions:** Learn about the risks associated with the product and follow the manufacturer's instructions for its installation, operation and safe use.
- **Deal honestly:** Be honest in dealings and choose only legal goods and services. Do not encourage black marketing, hoarding or other unfair practices.
- **Assert consumer rights:** File a complaint in an appropriate consumer forum when a genuine shortcoming in quality or service occurs, instead of ignoring the grievance.
- **Respect the environment:** Use products responsibly, avoid waste and pollution, and dispose of consumption waste in a manner that protects the environment.

Step 3: Conclusion An informed purchase, quality checks, careful label reading, a cash memo, safe use, honest dealings, assertion of rights and environmental responsibility are eight responsibilities of

a consumer.

Quick Tip to Solve: Organise the answer into responsibilities before purchase, during use and after a grievance; state eight distinct actions rather than repeating a consumer right.

OR

15(b). What is meant by 'Consumer Protection' ? State any five points of importance of consumer protection from the point of view of business. [4 marks]

Solution:

Concept:

- Consumer protection means protecting consumers against unfair trade practices and exploitation by business, and safeguarding their rights and interests.
- It includes educating consumers about their rights and responsibilities and providing means for the redressal of their grievances. It is in the interest of business as well as consumers.

Step 1: Define consumer protection **Meaning:** Consumer protection refers to protecting the interests of consumers against exploitation and unfair practices, such as adulteration, misleading advertisements, defective products or deficient services. It involves creating awareness of consumer rights and providing effective grievance redressal. The aim is to ensure that a consumer receives fair treatment and the value and quality promised by the seller.

Step 2: Explain its importance from the business viewpoint The importance of consumer protection to business is as follows:

- **Long-term interest of business:** Satisfied customers bring repeat purchases and communicate their favourable experience to others. Protecting consumers builds goodwill and a loyal customer base, supporting the firm's long-term survival and growth.
- **Use of society's resources:** Business uses resources supplied by society. It therefore has a responsibility to supply goods and services that serve society's interests and do not exploit consumers.
- **Social responsibility:** A business has responsibilities towards different interest groups. Since customers provide the revenue on which its existence depends, protecting their interests is an important part of its social responsibility.
- **Moral justification:** It is the moral duty of business to protect consumer interests. Practices such as selling unsafe goods, adulteration or false advertising are unethical and should be avoided even if they appear profitable.
- **Avoidance of government intervention:** A business that voluntarily treats consumers fairly can avoid restrictive government intervention prompted by exploitation. Consumer protection through self-regulation reduces the need for such intervention and preserves freedom in business decisions.

Step 3: Conclusion Consumer protection safeguards consumers against exploitation. For business, it supports long-term interests, fulfils obligations arising from society's resources and social responsibility, meets moral duties and helps avoid government intervention.

Quick Tip to Solve: Recall the five business reasons as long-term interest, society's resources, social responsibility, morality and avoidance of government intervention; explain each separately.

16. 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 a hierarchy of human needs, from basic physiological needs to self-actualisation.
- The case already states that behaviour depends on needs and that managers can influence behaviour by satisfying those needs. Promotion can satisfy esteem and self-actualisation needs, depending on the benefit experienced.

Step 1: State the remaining assumptions for part (a)

- **Hierarchical order:** People's needs are arranged in a hierarchy, beginning with basic needs and moving towards higher-level needs. The manager must recognise the level relevant to an employee.
- **Satisfied needs cease to motivate:** A need that has already been satisfied no longer acts as a motivator. Continuing to offer only that satisfaction will not provide the same incentive.
- **Progression to higher needs:** A person moves to a higher-level need only when the lower-level need is satisfied. Thus, satisfaction at one level makes the next level significant for motivation.

Step 2: Identify Kunal's needs for part (b)

- **Esteem needs:** His promotion to Deputy Production Manager gave him "status and prestige" and he was "well-respected by all in the company". These expressions show recognition, respect and status, which satisfy esteem needs.
- **Self-actualisation needs:** On becoming General Manager, Kunal felt that he "had become what he was capable of becoming". This expresses the fulfilment of his potential and personal growth, which satisfy self-actualisation needs.

Step 3: Conclusion The three remaining assumptions concern the hierarchy of needs, the loss of motivating power after satisfaction, and movement to a higher need after satisfying a lower one. The promotions satisfy Kunal's esteem and self-actualisation needs.

Quick Tip to Solve: Link status and recognition to esteem; link becoming one's fullest potential to self-actualisation. Do not repeat the assumption already supplied in the case.

17. '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 an unsecured, negotiable short-term instrument issued in the form of a promissory note by large and creditworthy companies.
- The money market deals in short-term funds and financial assets with maturity of up to one year. Its instruments generally have low risk, high liquidity and short maturity.

Step 1: Explain the appropriate instrument for part (a) **Commercial paper:** Foods India Ltd. may issue commercial paper to meet its floatation cost. The case says that the company wants to "meet its floatation cost" for issuing debentures. This is a short-term financing requirement associated with raising the long-term finance, rather than the permanent finance needed for the machinery itself.

Commercial paper is an unsecured promissory note that is negotiable and transferable by endorsement and delivery. It is issued by large, creditworthy companies, usually with maturities ranging from 15 days to one year, and is sold at a discount and redeemed at par. Companies can use it for **bridge financing**: short-term finance for expenses such as issue-related costs until funds from the long-term securities issue become available.

Step 2: Identify the market and explain safety for part (b)

- **Money market:** Commercial paper is traded in the money market because it is a short-term instrument. The proposed debentures finance the machinery, whereas commercial paper meets the temporary floatation-cost requirement.
- **Safety of instruments:** Money-market instruments are generally considered comparatively safe and carry low risk. Their short maturities reduce exposure to uncertainty, and major borrowers and issuers include the government, banks and highly creditworthy companies. However, low risk does not mean that every instrument is risk-free: commercial paper is unsecured, so its safety depends particularly on the issuer's creditworthiness and ability to repay.

Step 3: Conclusion Foods India Ltd. may issue commercial paper as bridge finance for its floatation cost. Commercial paper belongs to the money market, whose instruments generally carry low risk because of short maturity and the creditworthiness of major issuers.

Quick Tip to Solve: Separate the long-term purpose from the temporary expense: machinery is financed by debentures here, while commercial paper bridges the floatation-cost requirement.

18. '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 means using fixed-interest debt to increase the earnings available per equity share. It is favourable when the return earned on total investment exceeds the interest rate on debt.
- Earnings per share (EPS) are profit after interest and tax divided by the number of equity shares. Interest is deducted before computing tax; equity shareholders receive the residual profit.

Step 1: Calculate earnings available to equity shareholders (a) The company raises the same total capital, Rs 40,00,000, in all alternatives. Its EBIT is Rs 8,00,000. Interest equals 9% of the debt, and tax equals 30% of profit after interest. Thus, profit after tax is 70% of profit before tax. Shares are issued at the stated face value of Rs 100 each.

Particulars	I	II	III
EBIT (Rs)	8,00,000	8,00,000	8,00,000
Less: Interest (Rs)	0	90,000	2,70,000
Profit before tax (Rs)	8,00,000	7,10,000	5,30,000
Less: Tax (Rs)	2,40,000	2,13,000	1,59,000
Profit after tax (Rs)	5,60,000	4,97,000	3,71,000
Equity shares (number)	40,000	30,000	10,000
EPS (Rs)	14.00	16.57	37.10

Although total profit after tax falls with more interest, the number of equity shares falls more sharply, so EPS increases here.

Step 2: Identify favourable trading on equity and its condition Both debt-using alternatives II and III benefit from favourable trading on equity compared with the all-equity alternative I. Alternative III provides the greatest benefit because its EPS of Rs 37.10 is the highest. The return on investment, Rs 8,00,000 divided by Rs 40,00,000, is 20%, which exceeds the debt interest rate of 9%.

(b) EPS does not always rise as debt increases. The fixed interest must be paid even when operating earnings decline. If the return on investment falls below the interest rate, debt reduces earnings per

equity share; this is unfavourable trading on equity. Increased debt also raises financial risk through compulsory interest and repayment obligations. Therefore, the favourable result in this case depends on the return earned, rather than on debt alone.

Step 3: Conclusion Alternative III gives the maximum advantage of trading on equity, with EPS of Rs 37.10, compared with Rs 16.57 under II and Rs 14.00 under I. Both II and III improve EPS here, but increasing debt does not always increase EPS: the return on investment must exceed the cost of debt for favourable leverage.

Quick Tip to Solve: Deduct interest before tax, then divide the remaining profit by equity shares. Compare EPS, rather than total profit, to judge trading on equity.

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

Solution:

Concept:

- Price is the amount a buyer pays to obtain a product. Price determination must balance the firm's costs and objectives with customer demand and competing offers.
- Marketing Management identifies several influences on pricing. Four important factors are product cost, utility and demand, the extent of competition, and the firm's pricing objectives.

Step 1: Explain the cost and customer considerations

- **Product cost:** The cost of producing, distributing and selling the product is a major influence on price. Fixed costs remain unchanged with output in the short run, while variable costs change with output. In the long run, the price must cover total costs and provide a reasonable profit for the business to survive. Cost therefore establishes the minimum price that a firm can normally sustain over time.
- **Utility and demand:** The value or utility customers perceive in a product affects the maximum price they are willing to pay. Demand must also be considered: if demand is elastic, a small price rise can cause a substantial fall in quantity demanded, so the firm must be cautious in increasing price. A product offering high perceived utility and relatively inelastic demand may command a higher price.

Step 2: Explain the competitive and organisational considerations

- **Extent of competition in the market:** The prices, quality and features of competing products influence the price a firm can charge. Where close substitutes and many rivals exist, customers can switch easily, limiting the firm's pricing freedom. Where the product is differentiated or competition is limited, the firm has greater freedom, although it must still consider customers' willingness to pay.
- **Pricing objectives:** The firm's purpose in setting a price affects the chosen level. An objective of gaining market-share leadership may require a lower price to attract more buyers. Product-quality leadership can justify a higher price to recover expenditure on quality and development. In difficult conditions, survival may lead the firm to accept a price covering variable costs and some fixed costs. Thus, the price must be consistent with the particular objective being pursued.

Step 3: Conclusion Four factors affecting price fixation are product cost, utility and demand, the extent of competition, and pricing objectives. Cost gives the normal long-run lower limit, perceived utility and demand shape customer acceptance, competition restricts pricing freedom, and objectives guide the firm's final choice.

Quick Tip to Solve: Organise a pricing answer around cost, customer, competition and company objectives; explain how each changes the price the firm can charge.

Section D (15 marks)

20(a). Explain any five points of importance of management. [5 marks]

Solution:

Concept:

- Management is the process of getting things done effectively and efficiently through people. Effectiveness concerns achieving the intended goals; efficiency concerns achieving them with minimum cost and waste.
- Its importance extends beyond the enterprise: coordinated work benefits employees, enables adaptation and contributes to society's development.

Step 1: Explain its contribution to organisational performance

- **Achieving group goals:** Management gives a common direction to individual efforts. By coordinating the activities of different people and departments, it turns their separate contributions into the achievement of the organisation's overall objectives.
- **Increasing efficiency:** Management reduces costs and raises productivity through better planning, organising, directing and controlling. It secures the best possible use of scarce resources such as labour, money and materials, reducing duplication and wastage.

Step 2: Explain its contribution to people and change

- **Creating a dynamic organisation:** An organisation operates in an environment that keeps changing. Management helps people adapt to changes in technology, markets and working methods, overcoming resistance so that the enterprise can remain competitive.
- **Achieving personal objectives:** Through motivation and leadership, management helps employees attain their personal goals while contributing to organisational success. Suitable rewards, opportunities for development and a cooperative work environment help reconcile individual needs with enterprise objectives.

Step 3: Explain its contribution to society

- **Development of society:** Efficient management helps organisations provide good-quality goods and services, generate employment and adopt useful technology. By fulfilling responsibilities towards different groups and using resources responsibly, organisations contribute to the welfare and development of society.

Step 4: Conclusion Management is important because it achieves group goals, increases efficiency, creates a dynamic organisation, helps attain personal objectives and contributes to society's development.

Quick Tip to Solve: Remember the five links: group goals, efficient resources, adaptation, personal goals and society; explain how management produces each benefit.

OR

20(b). Explain any five characteristics of principles of management. [5 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They guide a manager's judgement rather than prescribe a single mechanical response to every situation.
- Their application takes account of people, organisational requirements and the particular circumstances. Their nature therefore differs from rigid rules or exact laws of physical science.

Step 1: Explain their scope and guiding nature

- **Universal applicability:** Management principles can be applied in all types of organisations, whether business or non-business, small or large, and at different levels of management. The extent of their application varies with the organisation's nature, size and circumstances.
- **General guidelines:** These principles provide broad guidance for solving managerial problems. They do not supply ready-made solutions to every difficulty, because real business situations are complex and involve several changing factors; managers must exercise judgement in using them.

Step 2: Explain how principles develop and adapt

- **Formed by practice and experimentation:** Principles emerge from managers' experience, observation and repeated experiments. For example, practical experience of dividing work helps establish the benefits of specialisation. They are developed from tested managerial practice rather than arbitrary opinion.
- **Flexible:** Principles are not rigid prescriptions. A manager can modify their application to meet the needs of a particular situation. Thus, the degree of centralisation or decentralisation should be adjusted to the organisation's requirements instead of being fixed identically everywhere.

Step 3: Explain their focus on human behaviour

- **Mainly behavioural:** Management principles are primarily directed towards influencing human behaviour so that people contribute to organisational goals. Since people differ in needs, attitudes and reactions, the results of applying a principle cannot always be predicted as precisely as in the physical sciences.

Step 4: Conclusion Five characteristics are universal applicability, provision of general guidelines, development through practice and experimentation, flexibility and a mainly behavioural nature.

Quick Tip to Solve: For characteristics, describe what principles are like; keep these separate from their benefits, such as scientific decisions or better resource use.

21. '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 is the process of giving a product a name, term, sign, symbol or design, or a combination of these, to identify the seller's products and distinguish them from competitors' products.
- A brand creates a recognisable identity for the product. Benefits accrue both to the marketer, through differentiation and promotion, and to customers, through identification and assurance of quality.

Step 1: Identify the product decision from the case Pushpanjali Ltd. should take the decision of **branding its products**. The survey states that 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 lines show the absence of a recognisable product identity. A suitable brand name and brand mark would enable buyers to recognise the company's chocolates, biscuits and cakes when buying again.

Step 2: Explain the benefits to Pushpanjali Ltd.

- **Product differentiation:** A brand distinguishes the company's products from competing products and helps it secure a separate identity in the market.
- **Advertising and display:** The brand name provides an identity around which advertising and other promotional efforts can be organised. Customers can connect the advertisement with the product available in shops.
- **Differential pricing:** A brand that gains customer preference and loyalty may command a price different from that of competing products. This depends on the value and confidence the brand develops.
- **Ease in introducing new products:** An established brand name can make the introduction of new products easier because buyers already recognise and trust the marketer.

Step 3: Explain the benefits to customers

- **Easy product identification:** Customers can identify and repurchase the products they liked without confusing them with competing goods. This directly addresses the survey's finding that buyers wanted the products "again and again because of its good quality".
- **Assurance of quality:** A brand signals a consistent standard of quality. If the standard is not maintained, customers can identify the responsible brand and shift their preference, giving the

producer an incentive to maintain quality.

- **Status symbol:** Some well-regarded brands become symbols of status and give customers psychological satisfaction from owning or using them.

Step 4: Conclusion Pushpanjali Ltd. should brand its products. Branding will give the company a distinct market identity and make promotion and future product introductions easier, while helping customers recognise their preferred products and obtain an assurance of consistent quality.

Quick Tip to Solve: When customers like a product but cannot recognise it among competitors, identify branding; separate its benefits to the marketer from those to the buyer.

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22. 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 comparing actual performance with established standards, finding deviations, analysing their causes and taking corrective action to achieve organisational objectives.
- Besides ensuring order and discipline, controlling helps in accomplishing goals, judging the accuracy of standards, using resources efficiently and improving employee motivation.

Step 1: Identify the management function in the case **(a) The function is controlling.** Vikas "started keeping a close check on the progress of activities" and appointed an expert who "monitored the company's processes". The investigation identified the cause of declining revenue: the operator was deleting entries and pocketing revenues. Action was then taken against the operator. Monitoring performance, identifying the cause of a deviation and taking corrective action are features of controlling. The case already illustrates ensuring order and discipline by minimising dishonest behaviour.

Step 2: Explain how controlling supports goals and standards **(b) Four other ways in which controlling helps an organisation are:**

- **Accomplishing organisational goals:** Controlling measures progress towards planned goals and

brings deviations to management's attention. Corrective action keeps activities on the intended course so that the organisation can achieve its objectives. Timely completion of orders alone is insufficient if the expected business results are not being realised.

- **Judging the accuracy of standards:** A sound control system helps management verify whether the standards set earlier are accurate and objective. Performance information enables it to review and revise standards in the light of changes in the organisation and its environment, so that future comparisons remain meaningful.

Step 3: Explain how controlling supports resources and employees

- **Making efficient use of resources:** Control compares work with predetermined standards and encourages each activity to be performed accordingly. This reduces wastage and spoilage and helps the organisation use human, physical and financial resources effectively and economically.
- **Improving employee motivation:** A good control system makes employees aware of what they are expected to do and the standards against which they will be assessed. Clear expectations and a fair basis for evaluating performance encourage employees to work towards better results and improve their motivation.

Step 4: Conclusion The function is **controlling**. Apart from the order and discipline shown in the case, it helps accomplish organisational goals, judge the accuracy of standards, make efficient use of resources and improve employee motivation.

Quick Tip to Solve: In an importance-of-controlling case, first identify the benefit already illustrated, then select four different NCERT benefits when the question asks for other ways.

Section E (18 marks)

23(a). Explain the following principles of General management :

(a) Unity of Command;

(b) Subordination of Individual Interest to General Interest; and

(c) Stability of Personnel. [6 marks]

Solution:

Concept:

- Fayol's principles of general management guide managers in coordinating people and activities for organisational goals. They are flexible guidelines applied according to the situation.
- Unity of command concerns reporting relationships; subordination of individual interest concerns priority of goals; stability of personnel concerns continuity of employment.

Step 1: Explain unity of command **Meaning:** Each employee should receive orders from, and be accountable to, only one superior. There must be a clear reporting relationship for the work assigned to that employee.

Importance: If two superiors issue conflicting instructions, the employee may be unable to satisfy either. This creates confusion, divided responsibility and weakened discipline. A single superior's authority makes responsibility clear and prevents such conflict. For example, a worker should

receive production instructions through the designated supervisor rather than two managers giving contradictory orders.

Step 2: Explain subordination of individual interest to general interest **Meaning:** The interests of the organisation as a whole must take priority over the interests of an individual employee or a particular group whenever the two conflict. Managers should reconcile personal goals with organisational objectives wherever possible.

Application: A manager should take a decision that benefits the organisation rather than one that merely secures a personal advantage. Management must set an example through fair conduct and ensure that employees do not pursue private gain at the cost of collective results. This does not mean ignoring legitimate employee interests; it means preventing personal interests from overriding the common objective.

Step 3: Explain stability of personnel **Meaning:** Employees should be selected through a rigorous procedure and, once selected, given reasonable security of tenure. They should not be moved or replaced too frequently.

Importance: An employee needs time to learn the job, understand colleagues and become efficient. Frequent turnover disrupts teamwork and increases recruitment and training costs. Giving personnel sufficient time in their positions develops experience, confidence and commitment, while allowing the organisation to obtain the benefits of its investment in training.

Step 4: Conclusion Unity of command establishes one superior for an employee, subordination of individual interest gives priority to organisational goals, and stability of personnel provides the continuity needed for efficient performance.

Quick Tip to Solve: Link the three principles to one boss, common goals and secure tenure; then explain the organisational benefit of each.

OR

23(b). Explain the following techniques of Scientific management :

(a) Method Study;

(b) Fatigue Study; and

(c) Differential Piece-Wage System. [6 marks]

Solution:

Concept:

- Taylor's scientific management replaces rule-of-thumb methods with systematic study of work. Its techniques seek greater efficiency and a fair, scientifically determined basis for performance.
- Method study selects the best way of working, fatigue study determines suitable rest intervals, and the differential piece-wage system links the wage rate to achievement of a standard output.

Step 1: Explain method study **Meaning:** Method study identifies the best possible method of performing a job. Management examines the available ways of doing the work instead of allowing each worker to rely on a personal rule of thumb.

Purpose and application: It studies the entire production process, from obtaining raw materials to delivering the finished product, including the sequence of operations and arrangement of equipment. The method that minimises production cost and maximises quality and customer satisfaction is selected. For example, a carefully planned plant layout can reduce unnecessary movement of materials and improve the flow of work. The best method is then standardised for workers to follow.

Step 2: Explain fatigue study **Meaning:** Fatigue study determines the amount and frequency of rest intervals needed while completing a task. Continuous work causes physical or mental tiredness and reduces a worker's efficiency.

Purpose and application: The study examines the nature and demands of the job and the causes of fatigue, such as long working hours, unsuitable posture or poor working conditions. Suitable rest pauses allow workers to recover and resume work with greater energy. Properly timed breaks improve productivity rather than merely reducing working time; they also help avoid mistakes and accidents caused by exhaustion.

Step 3: Explain the differential piece-wage system **Meaning:** This system distinguishes between efficient and inefficient workers by paying different wage rates per unit of output. A standard level of performance is established scientifically, using work-study techniques.

Operation and purpose: Workers who attain or exceed the prescribed standard receive a higher piece rate, while those who fail to attain it receive a lower piece rate. The difference in earnings provides a financial incentive to improve performance and rewards efficiency. It is the rate per piece, and not merely the number of pieces produced, that differs between the two categories. Thus the system encourages workers to achieve the scientifically determined standard.

Step 4: Conclusion Method study establishes the best method, fatigue study fixes appropriate rest intervals, and differential piece wages reward workers who meet the standard with a higher rate per unit. Together they encourage efficient working on a scientific basis.

Quick Tip to Solve: Remember the distinct questions: method study asks how to work, fatigue study asks when to rest, and differential wages ask how to reward efficiency.

24. '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, developing and retaining suitable people for organisational positions. Its steps extend beyond merely inviting applications.
- Nisha has estimated manpower requirements through the analysis of the "number, type and qualification necessary" and completed recruitment by publishing the "Situations vacant" advertisement. The "flood of response" provides the pool from which suitable employees must now be selected.

Step 1: Select and introduce suitable employees

- **Selection:** Choose the best candidates from the applicants by comparing their qualifications and abilities with the job requirements. Screening, appropriate employment tests and interviews help assess suitability; references and medical fitness may also be checked before an appointment is offered. This converts the large applicant pool into employees suited to the positions.
- **Placement and orientation:** Assign each selected person to the job for which he or she has been selected. Then introduce the employee to colleagues, superiors, workplace rules and organisational policies. Explaining the duties and the organisation's cultural objectives helps the newcomer adjust and begin work confidently.

Step 2: Develop employees and assess their work

- **Training and development:** Arrange learning opportunities to improve employees' knowledge and skills for their present jobs. Development also prepares them for future responsibilities and overall growth. For an events organisation, relevant training can help personnel perform their assigned programme-related duties efficiently.
- **Performance appraisal:** Evaluate employees' actual work against predetermined standards. Communicate the assessment and provide feedback so that they understand their strengths and areas needing improvement. Such appraisal supplies a basis for decisions about further training, rewards and advancement.

Step 3: Plan advancement and determine remuneration

- **Promotion and career planning:** Provide opportunities for employees to move to positions carrying greater responsibility, status and authority. Plan career progression with their abilities and aspirations in mind so that capable employees can grow within the company and remain

motivated.

- **Compensation:** Determine fair remuneration for employees' services, including wages or salaries, incentives and benefits. Relate remuneration to job demands and employee contribution while maintaining equity. Appropriate compensation helps attract and retain competent people and encourages effective performance.

Step 4: Conclusion The process is staffing. After estimating manpower requirements and recruitment, Nisha must undertake selection, placement and orientation, training and development, performance appraisal, promotion and career planning, and compensation to complete it.

Quick Tip to Solve: Locate the last completed staffing step in the case: an advertisement attracting applicants is recruitment, so begin the remaining sequence with selection.

25. '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 delegation of authority throughout the organisation, to the levels where decisions are taken and work is performed. It reflects a policy of sharing decision-making power beyond top management.
- Its importance includes initiative among subordinates, managerial development, quick decisions, relief to top management and the facilitation of growth. Decision-making authority must be accompanied by accountability.

Step 1: Identify decentralisation from the case **(a) The concept is decentralisation.** The management recognised that decision-makers at different levels "need to be given more autonomy" and decided that there would be "less control of superiors over subordinates". Consequently, subordinates could take "numerous as well as important decisions". These statements show a systematic policy of distributing decision-making authority. The divisional structure is the company's present structural arrangement; decentralisation is the concept that enabled employees at different levels to exercise authority and

supported expansion.

Step 2: Explain how decentralisation develops people and decisions **(b) Five points of importance are:**

- **Develops initiative among subordinates:** Freedom to decide gives subordinates an opportunity to use their own judgement and methods. It builds self-reliance and confidence instead of making them depend on instructions for every action. In the case, management's "faith in the abilities of the employees" encouraged such independence.
- **Develops managerial talent for the future:** Managers at lower levels gain experience by taking decisions, accepting responsibility and learning from results. These opportunities help identify and prepare capable people for more demanding positions as the organisation expands.
- **Quick decision-making:** Decisions can be made near the point of action without repeatedly referring matters up a long chain of authority. Local managers understand the situation and can respond promptly, which is especially valuable for a company operating throughout the country and abroad.

Step 3: Explain how decentralisation supports management and expansion

- **Relief to top management:** Sharing authority frees senior managers from many routine operating decisions. They can concentrate on major policy matters, strategy and coordination while subordinates handle decisions within their assigned authority. Overall responsibility and necessary oversight still remain with management.
- **Facilitates growth:** Greater autonomy allows different units to function effectively while developing the managers needed to lead them. This makes it easier to manage additional products, divisions and locations. The case links the greater role of subordinates to diversification into "many areas" and expansion to "seven branches overseas".

Step 4: Conclusion E-Solutions Ltd. adopted decentralisation. By encouraging initiative, developing managerial talent, speeding up decisions, relieving top management and facilitating growth, it supported the company's diversification and expansion in India and overseas.

Quick Tip to Solve: A policy granting autonomy at several organisational levels indicates decentralisation; use the divisional structure as context, rather than as the identified concept.