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

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(a). Define 'Efficiency'. [1 mark]

Solution:

Concept:

- Efficiency concerns how economically a task is performed: resources include money, material, time and effort.
- An efficient manager seeks a favourable relationship between inputs used and output obtained, while avoiding unnecessary cost and wastage.

Step 1: Identify the resource aspect To judge efficiency, examine the resources consumed in doing the work. Completing an assignment with avoidable waste would not show efficiency merely because the assignment was completed.

Step 2: State the definition Efficiency means doing the task correctly and with minimum cost and optimum use of resources. It involves producing more output from the same resources, or using fewer resources to obtain the same output.

Step 3: Conclusion Efficiency is performing a task correctly with minimum cost and wastage and optimum utilisation of resources.

Quick Tip to Solve: Associate efficiency with the economical use of inputs; achieving the target itself describes effectiveness.

OR

1(b). State any two functions to be performed at supervisory level of management. [1 mark]

Solution:

Concept:

- Supervisory or operational management directly oversees the workforce and translates the instructions of higher management into day-to-day action.
- A supervisor connects workers with management through guidance, work allocation and communication.

Step 1: State the first supervisory function **Guide and instruct workers:** Supervisors explain how assigned jobs are to be performed, allocate work and guide workers while they carry it out. This helps workers understand what is expected and follow the required method.

Step 2: State the second supervisory function **Maintain communication with workers:** Supervisors convey management instructions to workers and communicate workers' problems and grievances to higher management. This two-way link helps resolve difficulties in daily operations.

Step 3: Conclusion Two functions are guiding and instructing workers in their jobs, and maintaining two-way communication between workers and higher management.

Quick Tip to Solve: Choose functions involving direct contact with workers; framing overall organisational policy belongs to top management.

2(a). Differentiate between 'Formal Organisation' and 'Informal Organisation' on the basis of 'Nature'. [1 mark]

Solution:

Concept:

- Formal organisation is the deliberately established structure of authority, responsibility and official relationships.
- Informal organisation develops through personal interactions and social relationships among people at work.

Step 1: Use the specified basis The question asks only for the basis of nature. Compare whether relationships arise from official work requirements or personal social interaction, rather than discussing an unrelated basis such as the route of communication.

Step 2: Present the comparison

Basis	Formal Organisation	Informal Organisation
Nature	It is impersonal: relationships are based on prescribed positions and official duties.	It is personal: relationships arise from friendship, social interaction and common interests.

Step 3: Conclusion On the basis of nature, formal organisation is impersonal, whereas informal organisation is personal.

Quick Tip to Solve: For nature, write impersonal versus personal; deliberate versus spontaneous describes origin.

OR

2(b). Differentiate between 'Single Use Plan' and 'Standing Plan' on the basis of 'Meaning' . [1 mark]

Solution:

Concept:

- Plans guide future action. Their suitability depends, among other things, on whether the situation is a one-time occurrence or recurs regularly.
- Single use plans serve specific non-recurring situations, while standing plans provide guidance for activities that recur.

Step 1: Define a single use plan A single use plan is developed for a one-time event or project. It serves the needs of that particular situation and is not intended for repeated application to recurring activities.

Step 2: Compare the meanings

Basis	Single Use Plan	Standing Plan
Meaning	A plan developed for a one-time event or project that is not likely to be repeated.	A plan developed for activities that occur regularly over a period of time and provide guidance for recurring situations.

Step 3: Conclusion A single use plan is meant for a specific one-time activity, while a standing plan guides recurring activities over a period of time.

Quick Tip to Solve: Ask whether the situation repeats: one-time project suggests a single use plan; recurring decisions suggest a standing plan.

3. How does an organisation satisfy 'Esteem Needs' of its employees ? State. [1 mark]

Solution:

Concept:

- Esteem needs include self-respect, recognition, status and a sense of achievement. They concern an employee's desire to feel valued and respected.
- An organisation can satisfy these needs through recognition, appropriate job titles and opportunities that acknowledge achievement and responsibility.

Step 1: Identify the need to be satisfied The employee seeks respect and recognition, rather than merely pay for basic necessities or protection against loss of employment. The organisational response should therefore acknowledge the employee's contribution.

Step 2: State the organisational response The organisation can satisfy esteem needs by recognising and appreciating good performance and giving suitable job titles or status. Entrusting responsible work and acknowledging achievement can also make employees feel respected and valued.

Step 3: Conclusion An organisation satisfies esteem needs by recognising and appreciating employees' achievements and providing suitable status, job titles and responsibility.

Quick Tip to Solve: Match esteem with recognition and status; job security addresses safety needs, while friendship addresses social needs.

4. People think that it is the 'Product' only that can be marketed. But something else can also be marketed, e.g. 'Visit Kerala for Health Tourism'. Identify what is being marketed here. [1 mark]

Solution:

Concept:

- Marketing can apply to goods, services, places, ideas, persons and other offerings; it is not limited to a physical product.
- Place marketing seeks to attract people to a geographical location by highlighting its attractions or benefits.

Step 1: Read the example The phrase "Visit Kerala for Health Tourism" invites people to travel to Kerala. The geographical destination is the central offering promoted by the message.

Step 2: Identify the offering Kerala is being promoted as a place that tourists can visit for health tourism. Although tourism involves services, the example specifically markets the destination by presenting a reason to visit it.

Step 3: Conclusion A place, namely Kerala as a health-tourism destination, is being marketed.

Quick Tip to Solve: In a message such as "Visit Kerala", identify the destination as the marketed place rather than restricting marketing to goods.

5(a). Give the meaning of 'Price' as an element of marketing mix. [1 mark]

Solution:

Concept:

- Price is the element of the marketing mix concerned with the amount a buyer must pay to acquire an offering.
- Unlike the other marketing-mix elements, which involve costs, price directly brings revenue to the seller.

Step 1: Identify what the buyer pays A buyer receives a product or service in exchange for a payment. In the marketing mix, price expresses that payment in monetary terms and is part of the exchange between buyer and seller.

Step 2: Give the meaning Price is the amount of money customers have to pay to obtain a product or service. It is the monetary value charged by the seller for the offering, rather than merely the seller's cost of producing it.

Step 3: Conclusion Price is the amount of money a customer has to pay to obtain a product or service.

Quick Tip to Solve: Define price from the buyer's payment perspective; cost is the seller's expenditure and is only one consideration in setting price.

OR

5(b). What is meant by 'Public Relations' ? [1 mark]

Solution:

Concept:

- Public relations is a promotional activity concerned with maintaining good relations between an organisation and its various publics.
- Its purpose is to create a favourable public image and goodwill for the organisation.

Step 1: Identify the relationship involved An organisation interacts with customers, employees, investors, government and the community. Public relations manages these relationships so that these groups understand and view the organisation favourably.

Step 2: State the meaning Public relations means a variety of programmes designed to promote or protect the image of a company and its individual products in the eyes of the public. It builds mutual understanding and goodwill through appropriate communication and activities.

Step 3: Conclusion Public relations consists of programmes undertaken to promote or protect the

image of a company and its products and to maintain favourable relations with its publics.

Quick Tip to Solve: For a definition of public relations, connect programmes and communication with goodwill and the company's public image.

6. As a part of its capital structure, 'Venus Ltd.' had ₹ 50 lakhs as Equity Share Capital and a loan of ₹ 20 lakhs from Neon Bank. On earning a good profit, 'Venus Ltd.' decided to give dividend to the equity shareholders but were surprised when the Neon Bank imposed restrictions on the payment of dividend.

Identify the factor affecting dividend decision that allows Neon Bank to impose restrictions on the payment of dividend by 'Venus Ltd.' [1 mark]

Solution:

Concept:

- A dividend decision determines the portion of profit distributed to shareholders and the portion retained in the business.
- Contractual constraints arise when a lender imposes conditions in the loan agreement restricting dividend payments.

Step 1: Find the restriction in the case The decisive words are 'Neon Bank imposed restrictions on the payment of dividend'. Venus Ltd. has borrowed from the bank, so a restriction connected with that borrowing affects its freedom to distribute profits.

Step 2: Name the dividend factor The factor is **contractual constraints**. While granting a loan, a lender may impose conditions concerning future dividends. The company must observe such conditions; earning a good profit alone does not remove the restrictions attached to its borrowing.

Step 3: Conclusion The factor affecting the dividend decision is **contractual constraints**, because restrictions associated with the loan from Neon Bank limit dividend payments.

Quick Tip to Solve: When a lender restricts dividend payments under a borrowing arrangement, identify contractual constraints.

7. Mark Nar, a Latin American, while closing a business deal with a businessman from Spain, used a word which was considered offensive in Spanish when translated. This made the Spanish businessman upset and he backed away.

State the semantic barrier to effective communication. [1 mark]

Solution:

Concept:

- Semantic barriers arise from problems in the meaning or interpretation of words, symbols and messages.
- Faulty translation occurs when translating a message into another language changes its intended meaning or conveys an inappropriate meaning.

Step 1: Locate the language problem The case says that the word was 'considered offensive in Spanish when translated'. Thus the difficulty arose in transferring the message between languages, and the receiver interpreted it in a way that offended him.

Step 2: State the semantic barrier The barrier is **faulty translations**. Words must be translated with attention to their meaning in the receiving language and context. A word acceptable in one language may communicate an unintended or offensive meaning in another and prevent effective communication.

Step 3: Conclusion The semantic barrier illustrated is **faulty translations**: the translated word conveyed an offensive meaning to the Spanish businessman.

Quick Tip to Solve: Use the cue "when translated to distinguish faulty translations from other semantic barriers such as technical jargon.

8. As a part of its comprehensive plan 'Neerja Ltd.' decided to combine a new line of activity with its existing footwear business.

Identify the type of plan. [1 mark]

Solution:

Concept:

- A strategy is a comprehensive plan for accomplishing organisational objectives.
- It provides a broad direction by determining long-term objectives, adopting courses of action and allocating resources needed to achieve them.

Step 1: Identify the scope of the decision The question calls it a 'comprehensive plan' and says that Neerja Ltd. will 'combine a new line of activity with its existing footwear business'. This is a broad business-direction decision rather than a routine operating instruction.

Step 2: Match the decision with the plan The type of plan is **strategy**. Adding a new line of activity determines the future course of the business and must be supported by suitable resources. A procedure would prescribe a sequence of routine steps, while a rule would specify an action that must or must not be taken.

Step 3: Conclusion The plan is a **strategy**, since it comprehensively determines the company's course of action by adding a new line of activity to its existing business.

Quick Tip to Solve: For plan-identification cases, link "comprehensive plan and a major change in business direction with strategy.

Section B (15 marks)

9(a). State any three features of directing function of management. [3 marks]

Solution:

Concept:

- Directing is the managerial process of instructing, guiding, motivating and leading people to achieve organisational objectives.
- It is concerned with putting plans into action through employees. Its features describe how and where this managerial function operates.

Step 1: State that directing initiates action **Directing initiates action:** Planning, organising and staffing prepare the framework for work, but directing sets the work in motion. Managers communicate instructions, guide employees and motivate them to perform the assigned activities. It translates managerial decisions into actual performance.

Step 2: Explain its presence at every level **Directing takes place at every level of management:** Every manager, from top management to the supervisor, performs directing in relation to subordinates. For example, a departmental manager guides the supervisors, and supervisors guide the workers. The scale and nature of the work differ, but directing is not confined to senior executives.

Step 3: Describe its continuing nature **Directing is a continuous process:** Employees need guidance, communication and motivation throughout the life of the organisation. Even after one assignment is completed, new tasks, changes and difficulties require further direction. Therefore, directing continues as long as organisational activities and superior-subordinate relationships exist.

Step 4: Conclusion Three features of directing are that it **initiates action**, **takes place at every level of management**, and **is a continuous process**.

Quick Tip to Solve: For features of directing, remember action, every level and continuity; explain each rather than listing the headings alone.

OR

9(b). State any three measures to improve communication effectiveness. [3 marks]

Solution:

Concept:

- Effective communication occurs when the receiver understands the message in the sense intended by the sender. Merely transmitting words does not ensure that the message has been understood.
- Communication barriers can be reduced by planning a clear message, expressing it according to the receiver's needs and obtaining feedback to check understanding.

Step 1: Clarify the idea before communicating **Clarify the ideas before communication:** The sender should first be clear about the purpose and content of the message. The matter should be analysed and arranged logically before it is communicated. A clear idea enables the sender to convey precisely

what is expected, avoiding vague or contradictory instructions that confuse the receiver.

Step 2: Adapt the message to the receiver **Communicate according to the needs of the receiver:** The sender should consider the receiver's level of education, understanding and experience. The language and manner of explanation should suit the receiver. Unfamiliar technical terms should be explained or replaced with familiar words so that the message is understood in its intended meaning.

Step 3: Obtain feedback on understanding **Ensure proper feedback:** The sender should encourage the receiver to respond, ask questions or explain what has been understood. This response allows the sender to check whether the message was interpreted correctly and to remove misunderstandings immediately. Communication thus becomes a two-way process rather than an unchecked instruction.

Step 4: Conclusion Three measures are to clarify ideas before communication, communicate according to the receiver's needs and ensure proper feedback. Together they improve both the clarity of the message and the accuracy of its understanding.

Quick Tip to Solve: Organise the measures as before sending, while expressing and after receiving: clarify the idea, adapt the language and check feedback.

10. Roasted Coffee Corporation is a coffeehouse chain operating in seven states of India. Through its effective organisational structure, it has grown despite pressure from competitors in the national market. The company has a Purchase and Production department, Supply chain management and logistics department, Brand management department and Sales department. This structure has facilitated operational efficiency, as employees became specialists within their own realm of expertise. They could be imparted specialised training as the focus was on limited range of skills.

Identify the organizational structure of Roasted Coffee Corporation. Also state the three advantages of this structure other than those discussed in the above paragraph. [3 marks]

Solution:

Concept:

- A functional structure groups jobs of a similar nature under major business functions, such as production, purchasing and sales. Each functional department handles its own area of work for the organisation.
- The basis of departmentalisation identifies the structure. The number of states served does not by itself indicate a divisional structure; divisions would instead be organised around products or other self-contained units.

Step 1: Identify the basis of grouping Roasted Coffee Corporation has a **functional organisational structure**. The case identifies a "Purchase and Production department", a "Supply chain management and logistics department", a "Brand management department" and a "Sales department". These departments group similar activities according to the functions performed. The reference to employees becoming specialists further supports this identification.

Step 2: State three additional advantages

- **Better control and coordination within a department:** Similar tasks are performed together under a functional head. This makes it easier to supervise activities, establish responsibility and

coordinate the work of employees within that function.

- **Minimum duplication of effort:** Each function is concentrated in its own department instead of being repeated in several separate units. Common facilities and resources can be used together, avoiding waste and resulting in economies of scale and lower costs.
- **Due attention to different functions:** Establishing separate functional departments ensures that each major activity receives focused attention. Purchasing, production, brand management and sales can each be developed under a responsible head, rather than one activity being neglected while another receives attention.

Step 3: Conclusion The structure is functional. Besides the specialisation, operational efficiency and specialised training already mentioned in the case, it facilitates control and coordination within departments, minimises duplication and costs, and gives due attention to different business functions.

Quick Tip to Solve: Identify structure from the basis of departments. When advantages must be additional, first exclude the benefits already stated in the case.

11(a). Explain any three factors affecting capital budgeting decision of a company. [3 marks]

Solution:

Concept:

- A capital budgeting decision is a long-term investment decision involving the commitment of funds to assets or projects that will yield benefits over several years, such as a new plant or expansion of capacity.
- Such decisions affect future profitability and involve substantial funds and risk. A company must therefore assess the expected cash flows, the return and the relevant investment criteria before committing its resources.

Step 1: Examine the project's cash flows **Cash flows of the project:** A proposed investment produces a series of cash outflows and inflows over its life. The company should carefully analyse both the amount and the timing of these expected cash flows before accepting a project. For example, the initial purchase of machinery is an outflow, while future operating cash receipts are inflows. The decision should be based on the expected additional cash generated by the investment.

Step 2: Assess the expected rate of return **Rate of return:** The expected return from each investment proposal is an important consideration. Its expected earnings and the risk involved should be assessed, and the return should be compared with the cost of capital. Other things being equal, a proposal offering a higher return is preferable; the company should not choose a project merely because its initial outlay is low.

Step 3: Apply suitable investment criteria **Investment criteria involved:** Projects should be evaluated through appropriate capital budgeting techniques. These techniques consider the amount of investment, the cash flows, the interest or discount rate and the life of the investment. Applying suitable criteria enables management to compare proposals systematically and decide whether each proposal meets the company's required standard of financial acceptability.

Step 4: Conclusion Three factors affecting capital budgeting decisions are the project's cash flows,

its expected rate of return and the investment criteria used to evaluate it. Together they help the company judge the financial worth of a long-term investment.

Quick Tip to Solve: Recall the three tests as cash, return and criteria: what money the project generates, what return it earns and how the proposal is evaluated.

OR

11(b). Explain the twin objectives of financial planning. [3 marks]

Solution:

Concept:

- Financial planning estimates a business's future financial requirements and identifies the sources from which those requirements will be met.
- Its twin objectives are to ensure that funds are available whenever required and to ensure that the business does not raise funds unnecessarily.

Step 1: Ensure availability of funds when required Financial planning forecasts the amount of funds needed for fixed assets and for day-to-day operations, together with the time at which each requirement will arise. It then arranges suitable sources of finance so that funds are available at the right time. This prevents a shortage of finance from interrupting production, delaying payments or stopping an investment. For example, a planned purchase of machinery must be supported by finance when payment becomes due; merely expecting profits later is insufficient.

Step 2: Avoid raising funds unnecessarily Financial planning also ensures that the enterprise does not raise more funds than it can use effectively. Excess funds left idle add to the cost of finance without producing a corresponding return. The plan therefore balances expected requirements against available funds. If a temporary surplus is anticipated, it can be put to suitable use; if there is no need for additional finance, unnecessary borrowing or issue of capital is avoided. This reduces wasteful financing costs and supports efficient utilisation of funds.

Step 3: Conclusion The twin objectives are timely availability of adequate funds and avoidance of unnecessary fund-raising. Together they protect the business against both a shortage of funds and the cost of idle surplus funds.

Quick Tip to Solve: Remember both sides of financial planning: arrange enough finance at the right time, but avoid raising finance that the business cannot use productively.

12. Differentiate between 'Delegation' and 'Decentralisation' on any three bases. [3 marks]

Solution:

Concept:

- Delegation is the entrustment of responsibility and authority by a superior to a subordinate for performing an assigned task. The superior remains accountable for the result.
- Decentralisation is the systematic delegation of decision-making authority throughout the organisation, especially to its lower levels. It is an extension of delegation.

Step 1: Establish the scope of the comparison Delegation concerns a superior-subordinate relationship: a manager gives a subordinate the authority needed to perform particular duties. Decentralisation concerns the organisation's overall distribution of decision-making power. Thus, delegation can exist even in a fairly centralised enterprise, while decentralisation requires delegation on a wider and systematic basis. Compare the two on the same basis in each row rather than treating them as unrelated concepts.

Step 2: Differentiate on three bases The differences are as follows.

Basis	Delegation	Decentralisation
Nature	It is a compulsory act because no individual manager can perform every task alone. Authority must be assigned for subordinates to work.	It is an optional policy decision of top management, which chooses how widely to distribute decision-making power.
Freedom of action	A subordinate has comparatively less freedom; the superior specifies the task and the limits of the authority delegated.	Lower-level managers have comparatively greater freedom to make decisions within their areas of responsibility.
Scope	Its scope is narrow: it concerns the assignment of authority by one superior to a subordinate.	Its scope is wide: it involves systematic distribution of authority across several levels of the organisation.

Step 3: Conclusion Delegation is a necessary, comparatively limited assignment of authority within a superior-subordinate relationship. Decentralisation is a broader policy that gives lower levels greater decision-making freedom through systematic delegation.

Quick Tip to Solve: Use one common Basis column and compare the same feature in both columns; delegation is a relationship, while decentralisation is an organisation-wide policy.

13. Steelone Enterprises is manufacturing high quality steel utensils. The demand for steel utensils is rising as people are getting aware that plastic is not good for health. This has led to increase in production of steel utensils. To encourage sales, Steelone Enterprises declared a liberal credit policy which allows three months credit to its wholesale buyers.

In the light of the above, identify the two factors affecting working capital requirements of Steelone Enterprises. State with reason, whether the factors as identified above, will result in high or low working capital requirement. [3 marks]

Solution:

Concept:

- Working capital finances current assets such as raw materials, work-in-progress, finished goods and trade receivables that support day-to-day operations.
- A rise in the scale of operations generally increases working capital needs. A liberal credit policy also increases them because sales proceeds remain tied up in receivables for longer.

Step 1: Identify the increase in scale of operations **Scale of operations:** The case states that rising demand "has led to increase in production of steel utensils." This indicates that Steelone Enterprises is operating on a larger scale. Increased production requires more raw materials and a larger investment in work-in-progress and finished goods; more funds are also needed to meet the operating expenses associated with that output. Therefore, this factor results in a **higher working capital requirement**. The relevant clue is the actual increase in production, rather than merely the fact that utensils are made from steel.

Step 2: Identify the liberal credit policy **Credit allowed:** The enterprise has declared a "liberal credit policy which allows three months credit to its wholesale buyers." Goods are sold before their cash payment is received, so funds remain invested in trade receivables during the credit period. Meanwhile, the business must continue paying for materials and other operating costs. Allowing this period of credit therefore increases the amount of finance needed to bridge the interval between sale and collection. Consequently, this factor also results in a **higher working capital requirement**.

Step 3: Conclusion The two factors are the larger scale of operations and the liberal credit policy towards wholesale buyers. Both increase working capital requirements: the former raises investment in operating current assets, while the latter keeps funds tied up in receivables for three months.

Quick Tip to Solve: Link "increase in production" to scale of operations and "three months credit" to receivables; then explain why each keeps more funds in the operating cycle.

Section C (24 marks)

14. Damini D'Souza took over the reins of 'Kinsa Retail' as its Managing Director in India. 'Kinsa Retail' with its headquarter at Japan has been in the retail business for the last 40 years. It has regional offices in many countries that take care of the shops in that region. As it is a large organisation, the regional officers have been given the powers to decide and spend funds sanctioned to them by the headquarter for the welfare of the customers of their region.

'Kinsa Retail' wants the highest possible standards of ethical conduct being followed, for which a code of conduct is in place for putting values into practice. All employees as well as Board members are required to act in accordance with the highest standards of personal and professional integrity when acting on behalf of the company. Non-compliance involves a heavy penalty including termination of employment.

Explain any two principles of general management being followed by 'Kinsa Retail'. [4 marks]

Solution:

Concept:

- Fayol's principles are general guidelines for managerial decisions. A case-based answer must connect the action described with the relevant principle and explain how that principle operates.
- Centralisation and decentralisation concern the distribution of decision-making authority, whereas discipline concerns obedience to organisational rules and agreed standards of conduct.

Step 1: Explain centralisation and decentralisation **Centralisation and decentralisation:** Centralisation means concentrating decision-making authority at the top level; decentralisation means dispersing it among lower levels. Fayol recommended an appropriate balance, depending on the organisation's circumstances. In a large organisation, allowing managers closer to local operations to make decisions can improve responsiveness while top management retains overall direction. The case states that "the regional officers have been given the powers to decide and spend funds sanctioned to them by the headquarter". This shows decentralisation within the broader principle of centralisation and decentralisation. Regional officers can decide how to use the sanctioned funds for customers in their own regions, while headquarters still sanctions the funds. Thus authority is shared in a manner suited to the organisation's size and geographical spread.

Step 2: Explain discipline **Discipline:** Discipline means obedience to organisational rules and the employment agreement. It requires clear and fair agreements, capable supervision and judicious application of penalties. It applies to managers as well as employees; a common standard of conduct helps everyone work towards organisational objectives. The case says that "a code of conduct is in place for putting values into practice" and that "All employees as well as Board members are required to act" with personal and professional integrity. These statements show clear rules applicable across the organisation. Further, "Non-compliance involves a heavy penalty including termination of employment" shows that breaches of the prescribed code attract penalties. Together these provisions demonstrate the principle of discipline.

Step 3: Conclusion Kinsa Retail follows the principle of centralisation and decentralisation by empowering regional officers within sanctioned limits, and the principle of discipline through a binding code of conduct and penalties for its breach.

Quick Tip to Solve: Link delegated decision powers to centralisation and decentralisation; link a code, obedience and penalties to discipline. Quote the evidence before explaining the principle.

15(a). Explain any four functions of 'Stock Exchange'. [4 marks]

Solution:

Concept:

- A stock exchange provides an organised market in which existing securities are bought and sold under prescribed rules. It facilitates trading between investors in the secondary market.
- Its functions include providing liquidity and marketability, determining prices, ensuring safety of transactions and contributing to economic growth. These functions make investment in securities more convenient and support the flow of savings towards productive uses.

Step 1: Explain liquidity and price determination **Providing liquidity and marketability to existing securities:** The stock exchange creates a continuous market where investors can buy and sell securities already issued. An investor who needs money can sell holdings instead of waiting for the issuing company to return the capital. This gives investors liquidity while the company's long-term capital remains available to it. A ready resale market also makes securities more attractive to potential investors.

Pricing of securities: Prices are determined through the forces of demand and supply as buyers and sellers trade on the exchange. These prices reflect available information about companies and market conditions. The resulting quotations help investors assess their investments and make buying and selling decisions. They also provide information to companies seeking to raise capital.

Step 2: Explain transaction safety and economic growth **Safety of transactions:** Stock-exchange membership is regulated and dealings take place within a legal framework. Companies admitted to trading and market participants must comply with prescribed rules and disclosures. This regulatory structure promotes fair dealing and protects investors against malpractices. It improves the safety of the trading process, although it does not guarantee a profit or eliminate the risk of changes in security prices.

Contributing to economic growth: Securities of different companies are bought and sold, causing savings to be channelled and reallocated among investment opportunities. Investors can shift funds towards enterprises expected to use them more productively. By supporting this process of disinvestment and reinvestment, and by giving investors confidence that securities can later be sold, the exchange facilitates capital formation and contributes to economic growth.

Step 3: Conclusion Four functions of a stock exchange are providing liquidity and marketability to existing securities, pricing securities through demand and supply, ensuring safety of transactions within a regulated framework, and contributing to economic growth through productive allocation of investment.

Quick Tip to Solve: Organise the answer around four separate headings: liquidity, pricing, safety and growth. Explain the mechanism under each heading rather than only listing the functions.

OR

15(b). Explain any four methods of floatation of new issues in the primary market. [4 marks]

Solution:

Concept:

- The primary market deals in new securities issued by companies to raise fresh capital. Floatation means bringing these new securities to investors for subscription.
- A company chooses a method according to the investors it wishes to approach and the cost and speed of raising funds. Unlike a secondary-market trade, a primary issue provides funds to the issuing company.

Step 1: Explain issues made to the public **1. Offer through prospectus:** The company invites the general public to subscribe to its securities by issuing a prospectus. This document gives investors the relevant information about the company and the issue so that they can decide whether to invest. Applications and subscription money are collected, and securities are allotted to successful applicants. The issue may be underwritten and supported by intermediaries such as brokers and banks.

2. Offer for sale: The company sells or allots the securities to an intermediary, such as an issuing house or a stockbroker, at an agreed price. That intermediary then offers the securities for sale to the investing public, generally at a higher price. Thus, the company raises funds through the intermediary rather than inviting public subscriptions directly itself.

Step 2: Explain issues made to selected or existing investors **3. Private placement:** The company allots securities to a selected group of investors, such as institutional investors or particular individuals, instead of making an invitation to the public at large. It can be quicker and less costly than a public issue because extensive public marketing and the associated expenses are avoided. It is useful when the company can obtain the required funds from a limited group of suitable investors.

4. Rights issue: The company offers new shares first to its existing equity shareholders, in proportion to their existing holdings. These shareholders receive a right to subscribe before the shares are offered to outsiders. This preferential offer gives them an opportunity to maintain their proportionate ownership in the company while enabling the company to raise additional share capital.

Step 3: Conclusion Four methods of floatation in the primary market are offer through prospectus, offer for sale, private placement and rights issue. They differ mainly in whether the company approaches the public directly, uses an intermediary, selects particular investors or offers shares first to its existing shareholders.

Quick Tip to Solve: Remember the investor route for each method: public directly, public through an intermediary, selected investors, and existing shareholders.

16. Tapas Sen, a manufacturer, redesigned his existing soup making machine into a small and portable machine. For selling the machine he entered into an agreement with his uncle who agreed to finance the project with a 50% share in the profits. To launch the machine they decided to start with direct channels of distribution. They named the venture as 'Cup-a-Soup'. In the first year their main objective was profit maximization. They appointed 30 trained salesmen for distribution of the machines across the country. They offered incentives and awards to salesmen for achieving their sales targets.

(a) Identify the marketing philosophy used by 'Cup-a-Soup'.

(b) Identify the tool of promotion used by 'Cup-a-Soup'.

(c) For hiring the salesmen, state any two qualities 'Cup-a-Soup' would have kept in mind. [4 marks]

Solution:

Concept:

- Under the selling concept, a firm seeks profit through a high volume of sales supported by persuasive selling and promotion. Its starting point is the existing product, which the firm tries to sell aggressively.
- Personal selling involves direct interaction between a salesperson and a prospective buyer for the purpose of making a sale. A salesperson needs both knowledge of the product and the ability to communicate with customers effectively.

Step 1: Identify the marketing philosophy in part (a) **(a) Selling concept:** Cup-a-Soup follows the selling philosophy. The case says that its main objective was "profit maximization" and that it appointed "30 trained salesmen" and offered "incentives and awards to salesmen for achieving their sales targets." These measures show an emphasis on increasing sales through a strong selling effort. The firm aims to earn profits by persuading customers to buy its existing machine.

Step 2: Identify the promotion tool in part (b) **(b) Personal selling:** The promotion tool is personal selling, shown by the appointment of "30 trained salesmen for distribution of the machines across the country." These salespeople can approach prospective customers directly, explain how the machine works, demonstrate its benefits and answer questions before securing an order.

Step 3: State two qualities for hiring salesmen in part (c) **(c)(i) Knowledge of the product:** A salesman should understand the machine's features, operation, uses and limitations. This enables him to demonstrate the portable soup-making machine accurately and give clear, truthful answers to customers' queries.

(c)(ii) Communication skills: A salesman should be able to speak clearly and convincingly, listen patiently and understand what a prospective customer needs. He should explain the machine's benefits in language the customer can follow and respond courteously to objections.

Step 4: Conclusion Cup-a-Soup uses the selling concept and the promotion tool of personal selling. Two suitable qualities to consider while hiring its salesmen are sound product knowledge and effective communication skills.

Quick Tip to Solve: Link sales targets and strong selling effort with the selling concept; link direct interaction by trained salespeople with personal selling.

17(a). What is meant by 'Branding' ? State any three advantages of branding to customers. [4 marks]

Solution:

Concept:

- Branding is the marketing decision of giving a product a distinctive name, sign, symbol, design, or a combination of these to identify it and distinguish it from competitors' products.
- The advantages to customers concern easier identification, confidence in quality and the status associated with using a recognised brand.

Step 1: Explain the meaning of branding **Branding:** Branding means giving a product a name or other distinctive identifying feature so that buyers can recognise the seller's product separately from competing products. For example, a buyer can ask for a particular brand of soap rather than describing an unidentified soap on every purchase. The brand creates a recognisable identity for the offering.

Step 2: State the three advantages to customers

- **Helps in product identification:** A brand helps customers identify the product they want. After a satisfactory experience, the customer can recognise and purchase the same brand again. This facilitates repeat purchase without having to examine every competing product afresh.
- **Ensures quality:** A recognised brand gives customers an assurance of a certain standard of quality. If the quality does not meet their expectations, they can identify the producer or marketer and seek redress. To protect its reputation, the firm has an incentive to maintain consistent quality.
- **Status symbol:** Some brands have prestige associated with them. Using such a brand can satisfy a customer's desire for recognition and provide psychological satisfaction. Thus, the brand may add a sense of status beyond the product's basic functional use.

Step 3: Conclusion Branding gives a product a distinctive identity. Its three advantages to customers are ease of product identification, assurance of quality and the status or psychological satisfaction associated with certain brands.

Quick Tip to Solve: For advantages to customers, remember identification, quality and status. Explain each from the buyer's viewpoint rather than listing benefits to the manufacturer.

OR

17(b). What is meant by 'Packaging' ? State any three functions of packaging. [4 marks]

Solution:

Concept:

- Packaging is the process of designing and producing the container or wrapper of a product. It is a marketing activity as well as a means of making goods suitable for handling and consumption.
- Packaging performs several functions, including product identification, product protection and facilitating the use of the product by the customer.

Step 1: Define packaging **Packaging:** Packaging refers to designing and producing the container or wrapper for a product. For example, a toothpaste tube is a package that contains the toothpaste and

enables the buyer to dispense it. Packaging covers the design and production of this container; the words or symbols printed on it form its labelling.

Step 2: Explain any three functions of packaging

- **Product identification:** A distinctive shape, colour or design of the package helps customers recognise a product and distinguish it from other products on the shelf. A familiar package therefore makes the desired offering easier to locate when buying.
- **Product protection:** Packaging protects the contents against deterioration, spoilage, leakage, breakage and damage during storage and transportation. The type of protection depends on the product; for instance, a suitable container can protect food from contamination and a strong outer package can protect fragile goods from physical damage.
- **Facilitating use of the product:** The size, shape and opening or dispensing arrangement of a package can make the product convenient to handle, store and use. For example, a toothpaste tube allows controlled dispensing, while a resealable container permits repeated use without exposing all of its contents each time.

Step 3: Conclusion Packaging means designing and producing a product's container or wrapper. Three of its functions are identifying the product, protecting its contents and making the product more convenient for customers to use.

Quick Tip to Solve: Link each packaging function to what the container does: recognition, protection or convenience. Explain packaging as designing the container, rather than merely printing a label.

18. Xeno Ltd. is a global information technology consulting company with 45,000 employees serving over 600 clients in 23 countries. Its Chief Executive Officer, Neil Suman, guided the company through two decades of diversification and growth to emerge as one of the leading Indian companies in the software industry. The company has set standards in ensuring the best training opportunities for its employees.

Its 'Project Guidance Program' is a 52-day structured training programme. This is offered to all recruits of varied backgrounds to be trained on essential behavioural and technical skills that prepares them to work in live customer projects. These recruits are hired from universities and management institutes for technical, professional as well as managerial jobs. The training programme helps the new employees in settling down quickly into the job by becoming familiar with the people, the surroundings, the job and the business.

(a) Identify the external sources of recruitment used by the company to hire new employees.

(b) Explain the method of training used by the company to train employees selected by the source of recruitment identified in part (a).

(c) State any two ways in which the 'Project Guidance Programme' can benefit Xeno Ltd. [4 marks]

Solution:

Concept:

- Campus recruitment is an external source of recruitment in which an organisation recruits suitable candidates from educational institutions for technical, professional and managerial positions.

- Induction training familiarises a new employee with the organisation, its people, surroundings and work. Training also develops employee capabilities and improves organisational performance.

Step 1: Identify the external recruitment source **(a) Campus recruitment:** Xeno Ltd. recruits employees from universities and management institutes. The decisive case statement is that recruits are "hired from universities and management institutes for technical, professional as well as managerial jobs." These institutions provide an external pool of suitably qualified candidates; hence the source is campus recruitment.

Step 2: Explain the method of training **(b) Induction training:** The case states that training helps new employees settle down by "becoming familiar with the people, the surroundings, the job and the business." This is induction or orientation training. It introduces recruits to their colleagues, workplace, organisational policies and the nature of their duties. Such familiarisation removes the uncertainty of joining a new organisation and helps them adjust quickly. The 52-day programme also equips recruits with essential behavioural and technical skills for customer projects, but its stated familiarisation purpose identifies induction training.

Step 3: State two benefits for Xeno Ltd. **(c) Increased productivity and profitability:** Training develops the technical and behavioural competence needed for "live customer projects." Better trained employees perform their work more efficiently, improving both the quantity and quality of output and contributing to organisational profitability.

Reduced wastage of effort and money: A systematic training programme teaches appropriate work methods from the beginning. Employees can learn in an organised way instead of relying on costly trial and error. Fewer mistakes and less duplication of effort prevent the waste of organisational resources.

Step 4: Conclusion Xeno Ltd. uses campus recruitment and induction training. Its Project Guidance Programme can improve productivity and profitability and reduce wastage of effort and money through systematic employee development.

Quick Tip to Solve: Link "universities and management institutes" to campus recruitment, and "familiar with people, surroundings, job and business" to induction training.

19. Aditya Khosla, the Managing Director of 'D.L.W. Ltd.' and Rajesh Puri, the Finance Manager were discussing about avenues of investing the idle funds of the company. Aditya Khosla was of the opinion that money should be invested in the capital market whereas Rajesh Puri, being more conservative, felt that it would be better if the investment was made in the money market. Since the economy was buoyant, the Managing Director convinced Rajesh that they should take advantage of it and invest in the capital market to get good returns. Ultimately it was decided to invest the idle funds in the capital market.

(a) What kind of instruments should the company buy ?

(b) Why is the capital market expected to give a better return in a buoyant economy ? State the reason.

(c) Why and how safe are the securities in this market as compared to the money market ? [4 marks]

Solution:

Concept:

- The capital market deals in medium-term and long-term funds through securities such as equity shares, preference shares, debentures and bonds. The money market deals in short-term funds through instruments generally having maturity up to one year.
- Return and safety differ between these markets. Capital-market investments can offer higher returns, especially during economic growth, but their prices and repayment prospects carry greater risk than money-market instruments.

Step 1: Name suitable capital-market instruments **(a) Shares, debentures and bonds:** Since the decision is to "invest the idle funds in the capital market," D.L.W. Ltd. can purchase equity shares, preference shares, debentures or bonds. These are capital-market instruments used to mobilise medium-term and long-term funds. Treasury bills and commercial paper belong to the money market and would not implement the final decision in the case.

Step 2: Explain the possibility of a better return **(b) Higher earnings and capital gains:** The case describes the economy as "buoyant." Expanding business activity can improve companies' sales and profits. Equity investors may consequently receive higher dividends, while rising demand for shares and improved business prospects can increase share prices and create capital gains. Thus the capital market offers the possibility of better returns in a growing economy. This is an expectation, rather than a guaranteed return on every security; fixed-interest securities do not automatically increase their coupon payments when the economy grows.

Step 3: Compare the safety of the two markets **(c) Capital-market securities are comparatively riskier:** Their returns and market values are exposed to changes in company performance and economic conditions over a longer period. Equity prices can fluctuate, and dividends are uncertain. Debt securities also expose investors to interest-rate and issuer-default risk.

Money-market instruments are relatively safer: Their shorter maturity reduces the period over which adverse changes can occur, and many are issued by the government or financially strong institutions. Consequently they generally carry lower default risk and offer lower returns. Relative safety does not mean that every money-market instrument is entirely free from risk.

Step 4: Conclusion The company may buy capital-market securities such as shares, debentures and bonds. A buoyant economy creates prospects of higher profits, dividends and capital gains, but

capital-market securities are comparatively less safe than money-market instruments.

Quick Tip to Solve: For this comparison, connect the capital market with long-term securities and possible capital gains, then connect its longer exposure and price fluctuations with greater risk.

Section D (15 marks)

20. Suman wanted to purchase a sandwich toaster. She checked about the various sandwich toasters available online and compared the prices so that an intelligent and wise choice could be made. Then she went to a nearby market to buy the sandwich toaster. Being an informed consumer, she looked for the correct standardisation mark. The shopkeeper showed her different toasters but was quoting a higher price than the price she had checked online. After negotiating with the shopkeeper, she was able to bring the price down. As a responsible consumer, she asked for a cash memo, against the amount paid for the product and took the toaster home. On opening the package, she found an instruction booklet, which she read carefully. Then she followed all instructions step-by-step and made nicely toasted paneer sandwiches for her family.

(a) State any two responsibilities, which have been discharged by Suman, besides asking for a cash memo.

(b) Explain the two rights being discussed in the above case. [5 marks]

Solution:

Concept:

- Consumer protection combines rights that protect a buyer's interests with responsibilities that require the buyer to act carefully and remain informed.
- The right to be informed provides access to relevant product information, while the right to choose provides access to a variety of products at competitive prices.

Step 1: State two responsibilities discharged by Suman **(a)(i) Buy standardised goods:** A responsible consumer should buy goods carrying an appropriate standardisation mark, since this gives assurance of conformity to prescribed quality standards. Suman discharged this responsibility when "she looked for the correct standardisation mark." For an electrical appliance such as a toaster, the relevant quality mark is the ISI mark.

(a)(ii) Follow the manufacturer's instructions: A consumer should learn about the risks associated with a product and follow the instructions for its safe and proper use. Suman "read carefully" the instruction booklet and "followed all instructions step-by-step." She therefore used the toaster as directed instead of operating it carelessly. These are two responsibilities other than obtaining a cash memo.

Step 2: Explain the two consumer rights reflected in the case **(b)(i) Right to be informed:** A consumer has the right to complete information about a product, including its quality, quantity, ingredients or contents where applicable, purity, standard and price. Such information enables an intelligent purchase and protects the buyer against misleading claims. The statement that Suman "checked about the various sandwich toasters available online and compared the prices" shows how product and price information helped her make an informed decision.

(b)(ii) Right to choose: A consumer has the right to choose from a variety of products at competitive prices. The seller should offer alternatives in quality, brand, size or price so that the consumer can select what suits her needs, rather than being compelled to accept a particular product. Here, "the shopkeeper showed her different toasters," and her price comparison and negotiation helped her obtain a competitive price. These details connect the availability of alternatives with an effective choice.

Step 3: Conclusion Suman fulfilled the responsibilities of buying standardised goods and following the product's instructions. The two rights illustrated are the right to be informed and the right to choose.

Quick Tip to Solve: Separate the buyer's duties from her rights: checking a quality mark and following instructions are responsibilities; product information and alternatives at competitive prices identify the rights.

21(a). Explain any five points which highlight the importance of management. [5 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through planning, organising, staffing, directing and controlling organisational resources.
- Its importance lies in coordinating group effort, using resources economically and reconciling organisational objectives with individual needs and social interests.

Step 1: Explain how management achieves goals and improves efficiency **1. Management helps in achieving group goals:** Individuals working in an organisation may have different interests and ways of working. Management gives them a common direction and integrates their efforts towards organisational objectives. By clarifying what each person must do and coordinating interdependent activities, it enables the group to achieve results that isolated individual efforts cannot achieve effectively.

2. Management increases efficiency: Management aims to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling. It ensures the optimum use of money, materials, equipment and human effort, and reduces waste and duplication. The organisation can consequently obtain better output from its available resources while achieving its desired results.

Step 2: Explain how management benefits people and society **3. Management creates a dynamic organisation:** Every organisation operates in an environment that keeps changing. Employees may resist changes because these disturb familiar routines or appear to threaten their interests. Management helps people understand and adapt to change so that the organisation remains competitive and can survive and grow in the changing environment.

4. Management helps in achieving personal objectives: Management motivates and leads employees so that they can achieve their personal goals while contributing to organisational success. Suitable incentives, recognition, development opportunities and teamwork help satisfy individual needs. Thus, individual interests are reconciled with group goals rather than being ignored in the pursuit of organisational targets.

5. Management helps in the development of society: An organisation affects society through its products, employment and use of resources. Effective management enables it to provide good-quality goods and services, create employment, adopt useful technology and contribute to economic growth. By meeting its commitments to different stakeholders, the organisation supports the wider community as well as its own development.

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

Quick Tip to Solve: Remember the five areas of management's importance: group goals, efficiency, adaptation to change, personal objectives and society. Explain the benefit under each heading instead of merely listing it.

OR

21(b). Explain any five features of 'Co-ordination'. [5 marks]

Solution:

Concept:

- Coordination is the process of integrating the efforts of different individuals and departments so that they work together towards common organisational objectives.
- Coordination is the essence of management: it binds planning, organising, staffing, directing and controlling into an effective, unified effort. Its features describe how this integration operates throughout an organisation.

Step 1: Explain the integration of group efforts **Coordination integrates group efforts.** Employees and departments perform different tasks and may have different individual interests. Coordination brings these efforts together into a purposeful group activity. For example, it links the work of purchasing, production and sales so that each department's contribution supports the organisation's overall objective rather than remaining an isolated effort.

Step 2: Explain unity of action **Coordination ensures unity of action.** It directs the activities of different departments towards a common purpose and acts as a binding force between them. Their activities are interdependent: a sales commitment must be supported by production and supplies. Coordination enables them to act in harmony, preventing conflicting actions even when each department is performing its own specialised function.

Step 3: Show that the process is continuous **Coordination is a continuous process.** It is required throughout the life of the organisation, rather than being a single activity completed at one point. It begins with planning and continues through organising, staffing, directing and controlling. When circumstances or plans change, the activities of the affected departments must again be brought into harmony to maintain the common direction.

Step 4: Explain its pervasive nature **Coordination is an all-pervasive function.** It is needed at every level of management and in all departments because their activities depend on one another. Top management coordinates overall policies, while departmental and supervisory managers coordinate

the activities within their areas. Thus it is necessary across functions such as finance, production and marketing, as well as through the management hierarchy.

Step 5: Identify every manager's responsibility **Coordination is the responsibility of all managers.** Every manager must synchronise the efforts of people under that manager's authority and relate them to the efforts of others. Top managers coordinate departments, middle managers coordinate departmental activities, and supervisors coordinate workers. It cannot be left entirely to one separate department, because managers at every level must integrate the work for which they are responsible.

Step 6: Conclusion The five features are integration of group efforts, unity of action, continuity, an all-pervasive nature and the responsibility of all managers. Together they explain how coordination harmonises specialised activities to achieve common organisational goals.

Quick Tip to Solve: Keep the headings distinct: integration brings efforts together, unity gives them one direction, continuity concerns time, pervasiveness concerns organisational coverage, and responsibility identifies who must coordinate.

22. Handsen is the CEO of 'Newcastle Enterprises', one of the world's most successful companies. His success stories have been well documented. He chooses highly motivated and capable managers who can perform their tasks creatively and adequately without his help. He allows the group members to work on their own tasks and resolve issues themselves.

He intervenes, but only when needed to correct an unfavorable situation. He does not use power unless it is absolutely essential. He even allows mistakes to happen for his people to learn from them. He supports them and supplies them the required information to complete the assigned task.

(a) Identify the leadership style adopted by Handsen.

(b) With the help of diagram, explain the other two leadership styles based on the use of authority.

[5 marks]

Solution:

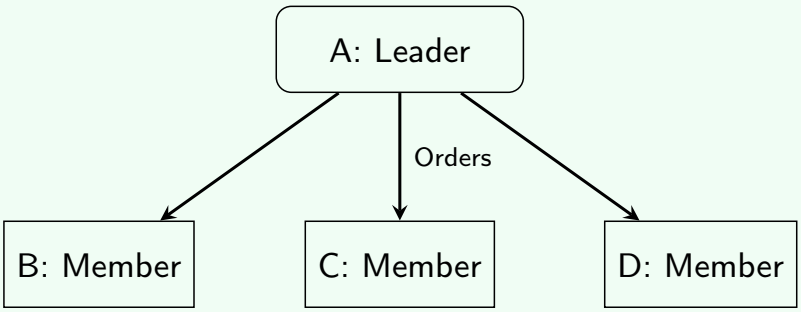
Concept:

- Leadership is the process of influencing the behaviour of people so that they willingly strive to achieve organisational goals. Styles based on the use of authority differ in how a leader takes decisions and involves subordinates.
- The three styles are autocratic or authoritarian, democratic or participative, and laissez-faire or free-rein leadership. The relevant distinction is the distribution of decision-making authority, rather than whether the leader is personally successful.

Step 1: Identify Handsen's leadership style from the case **(a) Laissez-faire or free-rein leadership:** Handsen gives his capable managers a high degree of independence in deciding how to perform their work. The case states that he allows members to "work on their own tasks and resolve issues themselves" and "does not use power unless it is absolutely essential". These statements show minimum direct use of authority and freedom for subordinates to make decisions. He is still available as a supporter: he "supplies them the required information to complete the assigned task" and intervenes when necessary. Free-rein leadership does not mean abandoning the group; the leader

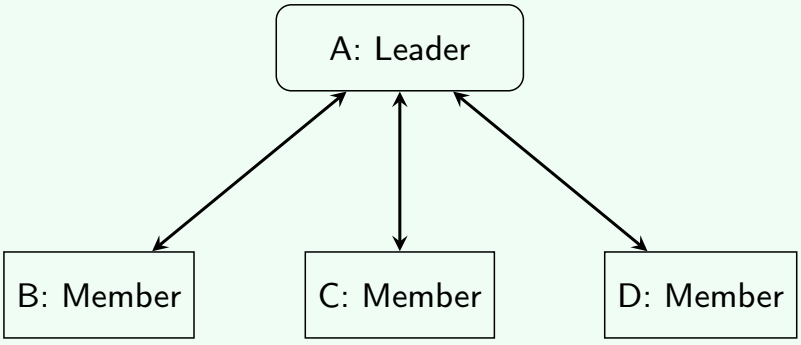
provides resources and assistance while members exercise substantial autonomy. Selecting highly motivated, capable managers makes this style suitable in the stated situation.

Step 2: Explain autocratic leadership and its authority pattern **(b) Autocratic or authoritarian leadership:** The leader centralises decision-making authority, makes decisions personally and gives orders that subordinates are expected to obey. He determines what is to be done and how it is to be done, without consulting the group in the decision-making process. Communication concerning work directions is predominantly from the leader to subordinates. In the diagram, A is the leader and B, C and D are subordinates. The one-way arrows from A show orders passing down to the members. This style can provide quick decisions and close direction, particularly when urgent action or inexperienced workers make firm guidance necessary. However, routine exclusion from decisions may reduce initiative and motivation. It differs from Handsen's approach because authority remains concentrated in the leader.



Autocratic leadership: A gives orders to subordinates B, C and D.

Step 3: Explain democratic leadership and its participation pattern **Democratic or participative leadership:** The leader develops action plans and makes decisions in consultation with subordinates. He encourages members to express their ideas and suggestions, discusses the available alternatives and respects their views while leading the group towards its goals. He uses participation and persuasion to gain willing cooperation. In the diagram, the two-way arrows between leader A and members B, C and D show consultation, suggestions and feedback alongside direction. Members therefore have an opportunity to influence decisions, which can improve commitment and morale. Consultation may take longer than a unilateral decision, but it draws on the group's knowledge. Unlike free-rein leadership, the democratic leader actively guides a collective decision-making process rather than leaving members largely to decide for themselves.



Democratic leadership: A consults members B, C and D through two-way communication.

Step 4: Conclusion Handsen follows **laissez-faire or free-rein leadership**. The other two authority-based styles are **autocratic leadership**, with centralised decisions and one-way orders, and **democratic leadership**, with consultation and two-way communication between leader and members.

Quick Tip to Solve: Link "decides and orders" to autocratic, "consults and guides" to democratic, and "allows capable members to decide" to free-rein. Show one-way arrows for orders and two-way arrows for consultation.

Section E (18 marks)

23. Saurabh Jain set up a telecom business in Nasik, named as 'Ketone', with an ambitious target of reaching out to 90% of the Indian population within one year. He chose this business on the belief that the demand for data services will increase 4 times within the next 2 – 3 years. To fulfil such an ambitious target, he had to either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition.

He assessed the proposals of different companies vis-a-vis earnings per share, tax liabilities, dividends paid, etc. and their future projections, knowing fully well that the projections may change if the country's economic policies get modified.

The above paragraph discusses some of the steps of one of the functions of management. By quoting the lines from the above paragraph, explain these steps in chronological order. [6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. Its process begins with objectives, develops the assumptions on which plans rest, and then identifies and evaluates alternative courses of action.
- An objective is a desired result, whereas a planning premise is an assumption about the future environment. Alternatives are possible ways of achieving the objective; evaluation compares their expected consequences.

Step 1: Identify the management function The function discussed is **planning**. Saurabh sets a future

target and considers different ways of achieving it before deciding how the business should proceed. The passage describes the following four planning steps in their chronological order.

Step 2: Explain setting objectives **Setting objectives:** The relevant words are "with an ambitious target of reaching out to 90% of the Indian population within one year."

Objectives specify what the organisation wants to achieve. They provide direction to departments and employees and give a basis for judging later performance. Saurabh's target states both the intended population coverage and the time available, so it gives a definite result towards which the telecom business must work. Planning begins with this desired result, before choosing the means to reach it.

Step 3: Explain developing premises **Developing premises:** The relevant words are "on the belief that the demand for data services will increase 4 times within the next 2 – 3 years."

Premises are assumptions about the future conditions in which a plan will operate. Forecasts concerning demand, competition, technology and government policy provide the foundation for planning. Here the forecast of a fourfold increase in data demand supports Saurabh's decision to enter the telecom business and informs the scale of his intended operations. It is an assumption underlying the plan, rather than the population-coverage objective itself.

Step 4: Explain identifying alternative courses of action **Identifying alternative courses of action:** The relevant words are "either acquire an existing telecom business or collaborate or go independent aggressively in the light of tough competition."

Once objectives and premises are established, managers identify the possible ways of achieving the objectives. More than one course may be available, and each must be recognised before a meaningful comparison can be made. Acquisition, collaboration and independent expansion are the three routes identified here. Listing them broadens the choice available to Saurabh; it does not yet establish which route he will select.

Step 5: Explain evaluating alternative courses of action **Evaluating alternative courses of action:** The relevant words are "He assessed the proposals of different companies vis-a-vis earnings per share, tax liabilities, dividends paid, etc. and their future projections."

In this step the positive and negative consequences of each alternative are examined in the light of the objective. Expected benefits, costs and risks are compared so that the alternatives can be judged on a common basis. Saurabh compares the financial implications and future prospects of the proposals. His awareness that "the projections may change if the country's economic policies get modified" also shows why evaluation must account for uncertainty in the premises. The passage does not state a final selection, implementation or follow-up, so those later steps cannot be claimed as completed.

Step 6: Conclusion The four steps shown, in chronological order, are **setting objectives, developing premises, identifying alternative courses of action, and evaluating alternative courses of action**. The coverage target, demand forecast, three possible expansion routes and financial comparison respectively establish these steps.

Quick Tip to Solve: Separate the desired result from the forecast: the target is the objective, the belief about demand is the premise, the possible routes are alternatives, and their comparison is evaluation.

24(a). Define 'Controlling'. Explain the relationship between planning and controlling functions of management. [6 marks]

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, analyses deviations and initiates corrective action so that organisational objectives are achieved.
- Planning establishes objectives and standards; controlling checks whether actual activities conform to them. The two functions are interdependent and together complete the management cycle.

Step 1: Define controlling **Controlling** is the process of ensuring that an organisation's activities are performed according to plans. It involves measuring actual performance, comparing it with predetermined standards, finding and analysing deviations, and taking corrective action where necessary. Its purpose is to guide performance towards organisational goals, rather than merely to identify mistakes after they occur.

Step 2: Explain how planning provides the basis for control **Planning is a prerequisite for controlling:** Plans lay down the objectives and standards against which actual performance is measured. Without these standards, managers cannot determine whether performance is satisfactory or whether a deviation needs correction. For example, a planned sales target provides the benchmark for comparing actual sales. Thus, controlling without planning has no defined basis for comparison.

Step 3: Explain how controlling gives effect to plans **Controlling makes planning meaningful:** Making a plan alone does not ensure that the desired results will be achieved. Control checks implementation, reveals departures from the plan and prompts corrective action. Without such checks, managers would not know whether their plans were being followed. Planning without controlling therefore becomes a merely intellectual exercise, while controlling helps translate planned intentions into actual performance.

Step 4: Explain their interdependence and feedback **The functions are inseparable and interdependent:** Planning initiates the management process by specifying what should be achieved; controlling completes the cycle by determining whether it has been achieved. Information obtained through control also feeds into later planning. If a deviation shows that a standard or assumption was unrealistic, managers can reconsider it while making the next plan. The relationship is therefore continuous rather than a one-time sequence ending with a comparison.

Step 5: Explain their forward-looking character **Both functions are forward-looking:** Planning looks ahead to future objectives and the actions required to attain them. Controlling also looks ahead because its corrective measures seek to improve subsequent performance and prevent a repetition of errors. Although control identifies deviations that have already occurred, the purpose of acting on them is to secure better results in the future.

Step 6: Explain their backward-looking character **Both functions also involve looking back:** Controlling examines actual performance already recorded and compares it with the standards established earlier. Planning too is guided by past experience and by the results and shortcomings of previous plans. It is therefore incomplete to treat planning as exclusively forward-looking and controlling as exclusively backward-looking: each uses past information while working towards future

improvement.

Step 7: Conclusion Controlling ensures conformity of actual performance with plans through measurement, comparison and corrective action. Planning supplies its standards, controlling checks their achievement, and feedback improves subsequent plans. The two functions are mutually dependent and have both forward-looking and backward-looking aspects.

Quick Tip to Solve: Link the answer as a cycle: plan and set standards, compare actual results, correct deviations, and use the feedback in the next plan. Explain both time perspectives rather than assigning just one to each function.

OR

24(b). Explain the various steps in the process of controlling. [6 marks]

Solution:

Concept:

- Controlling ensures that actual activities conform to the standards laid down in plans. It reveals deviations and enables managers to take corrective action to achieve organisational objectives.
- The process consists of setting standards, measuring actual performance, comparing it with standards, analysing deviations and taking corrective action. Information from control also helps improve future plans.

Step 1: Set performance standards **Setting performance standards:** Standards are the criteria against which actual performance will be measured. They should be clear, realistic and, wherever possible, expressed in measurable terms such as units produced, cost per unit or sales revenue. Qualitative standards, such as employee morale, may also be used when numerical measurement is difficult. For example, a production department may be expected to produce 1,000 units of a specified quality in a month.

Step 2: Measure actual performance **Measurement of actual performance:** After setting standards, managers measure what has actually been achieved using personal observation, sample checking, performance reports and other suitable techniques. Measurement should be objective and reliable, and should use the same units as the standards. It may be undertaken during the activity as well as after its completion so that problems can be detected promptly.

Step 3: Compare performance with the standards **Comparison of actual performance with standards:** The measured results are compared with the predetermined standards to establish whether performance is on target. The difference is called a deviation. For example, if actual output is 900 units against a standard of 1,000 units, there is a shortfall of 100 units. The comparison identifies the gap; further investigation is needed to establish its cause.

Step 4: Analyse significant deviations **Analysing deviations:** Managers determine which deviations require attention and why they have occurred. Critical point control concentrates on key result areas that are essential to organisational success. Management by exception brings only deviations beyond acceptable limits to managerial attention. Causes may include defective material, inadequate training, machinery breakdown or unrealistic standards. This analysis prevents managers from spending equal

effort on every small variation.

Step 5: Take suitable corrective action **Taking corrective action:** Where a significant deviation is found, managers remove its cause through an appropriate response, such as repairing machinery, improving material quality or training employees. If the standard itself is unrealistic, it should be revised after careful analysis. Where performance is within acceptable limits, no corrective action is necessary. The response should address the cause rather than merely report the shortfall, and its effectiveness should subsequently be checked.

Step 6: Conclusion Controlling is a systematic feedback process: establish standards, measure results, compare them, investigate significant deviations and correct their causes. These linked steps keep organisational performance directed towards the planned objectives.

Quick Tip to Solve: Remember the sequence as standard, measurement, comparison, analysis and action. Keep comparison (finding the gap) distinct from analysis (finding its significance and cause).

25. India's craft heritage is surviving because of its customs and traditions. Craft products made by craftsmen of Rajasthan, Gujarat, Assam, etc. are not only used in the country but are also exported to USA, Germany, UK, France and other countries of the world. The volume of exports of these products gives India an advantage in balance of payments and the much needed foreign exchange. The Prime Minister desires that the handicraft industry should be expanded by linking it with technology. Focus should be on changing the manufacturing process, ensuring durability and adopting innovations.

Quoting the lines from the above paragraph, explain any four dimensions of the business environment.

[6 marks]

Solution:

Concept:

- The business environment consists of external forces that influence business decisions and performance. Its dimensions include the social, economic, political, technological and legal environments.
- A case-based identification must link each dimension to the words that demonstrate it. The same industry may be influenced by several dimensions simultaneously; here four distinct influences are evident.

Step 1: Identify and explain the social environment **Social environment:** "India's craft heritage is surviving because of its customs and traditions." The social environment includes customs, traditions, values, beliefs, social trends and society's expectations. Customs and traditions have developed over time and influence people's preferences and consumption habits. In this case they preserve demand for traditional craft products and support the continued existence of the handicraft industry. The reference to cultural heritage therefore indicates the social dimension.

Step 2: Identify and explain the economic environment **Economic environment:** "The volume of exports of these products gives India an advantage in balance of payments and the much needed foreign exchange." The economic environment includes economic conditions, income, interest rates, inflation, exchange rates and other economic forces that affect business. Export receipts and foreign exchange influence the economy and the opportunities available to enterprises. Here the financial

benefits of craft exports and their contribution to the balance of payments indicate the economic dimension.

Step 3: Identify and explain the political environment **Political environment:** "The Prime Minister desires that the handicraft industry should be expanded by linking it with technology." The political environment includes political conditions and the attitudes of political leaders and government towards business. Such attitudes can shape the direction of policy and influence the opportunities and confidence of business enterprises. The Prime Minister's stated support for expanding handicrafts reflects a favourable attitude of the political leadership towards this industry. The sentence expresses a political preference; it does not state a law or regulation.

Step 4: Identify and explain the technological environment **Technological environment:** "Focus should be on changing the manufacturing process, ensuring durability and adopting innovations." This dimension includes scientific improvements and innovations that provide new methods of production, new products and improved ways of conducting business. Linking handicrafts with technology can improve manufacturing methods and product durability while retaining the craft's appeal. The explicit emphasis on process changes and innovations therefore identifies the technological dimension.

Step 5: Conclusion The four dimensions are social (customs and traditions), economic (exports, balance of payments and foreign exchange), political (the Prime Minister's favourable attitude) and technological (improved manufacturing processes and innovations). Each identification is supported by a line from the case.

Quick Tip to Solve: Match culture to social, money and exports to economic, leaders' attitudes to political, and production innovations to technological. Use a separate case quotation for each dimension.