CBSE Class 12 Business Studies Question Paper 2019 with Solution PDF-Set 66/5/1

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. Various input resources are required by management to complete a task effectively and efficiently. Name any two. [1 mark]

Solution:

Concept:

- Management coordinates human, physical and financial resources to achieve organisational objectives effectively and efficiently.
- Input resources are the people and other means used to perform work; they are distinct from the finished output.

Step 1: Identify the human input People are an input resource. Employees supply the knowledge, skill and effort needed to carry out the activities of the organisation.

Step 2: Identify a financial input Money is another input resource. It finances wages, materials, equipment and other requirements of the task. These two examples directly name resources used by management.

Step 3: Conclusion Any two input resources are **people (human resources)** and **money (financial resources)**.

Quick Tip to Solve: Name the inputs used to do the work, such as people and money, rather than outcomes such as sales and profit.

2(a). Define 'Organising'. [1 mark]

Solution:

Concept:

- Organising is the management function that puts plans into action by arranging work and resources.
- It identifies and groups activities, assigns duties and establishes authority and reporting relationships.

Step 1: Start with the work to be done A plan specifies objectives and activities. Organising determines the tasks needed to carry out that plan and groups related tasks into manageable units.

Step 2: Connect people, duties and authority Duties are assigned to people, resources are arranged and reporting relationships are established. This creates a framework in which employees know what they must do and to whom they are accountable.

Step 3: Conclusion **Organising** is the process of identifying and grouping activities, assigning duties and establishing authority relationships among people so that they work effectively together to achieve organisational objectives.

Quick Tip to Solve: For the definition, link activities and duties with authority relationships; merely saying "arranging resources" is incomplete.

OR

2(b). What is meant by 'Delegation' ? [1 mark]

Solution:

Concept:

- Delegation is the transfer of authority from a superior to a subordinate for carrying out assigned work.
- It involves assigning responsibility, granting the necessary authority and creating accountability; the superior retains ultimate accountability.

Step 1: Assign a task to a subordinate A superior entrusts a specified duty to a subordinate. The subordinate becomes responsible for performing that duty and is expected to report its completion.

Step 2: Grant authority to perform the task The superior gives the subordinate sufficient decision-making authority to discharge the assigned responsibility. This enables work to be done at a lower level without the superior personally taking every decision.

Step 3: Conclusion **Delegation** means the transfer of authority from a superior to a subordinate to perform assigned duties. The superior remains ultimately accountable for the result.

Quick Tip to Solve: Remember: authority is delegated for a duty, but the superior cannot delegate away ultimate accountability.

3. All business firms would like to increase their sales and earn profits to be successful. All managers dream of these. To turn their dreams into reality, managers need to work hard in thinking about the future, in making business predictions and achieving targets.

The above lines describe one of the functions of management. Identify and define this function.

[1 mark]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it to achieve organisational objectives.
- It is a forward-looking function involving setting objectives and developing appropriate courses of action.

Step 1: Identify the clues in the case The phrases 'thinking about the future', 'making business predictions' and 'achieving targets' describe deciding future action in relation to desired objectives. These are clues to planning.

Step 2: Define the identified function Planning sets objectives for a given period and develops alternative courses of action to achieve them. Managers evaluate the alternatives and select a suitable course, turning a desired future result into an intended programme of action.

Step 3: Conclusion The function is **planning**: deciding in advance what is to be done and how it is to be done, by setting objectives and developing suitable courses of action to achieve them.

Quick Tip to Solve: In a case, future thinking plus targets points to planning; quote these clues before giving its definition.

4(a). Differentiate between 'Democratic' and 'Laissez-faire' style of leadership. [1 mark]

Solution:

Concept:

- A leadership style describes how a leader influences subordinates and allows them to participate in decisions.
- A democratic leader consults subordinates; a laissez-faire leader gives them a high degree of freedom to decide and act.

Step 1: Choose a common basis Compare both styles on the same basis: the role of the leader and employees in decision-making. This shows the distinction directly rather than giving unrelated descriptions.

Step 2: State the difference The difference on this basis is as follows.

Basis	Democratic	Laissez-faire
Decision-making	The leader consults subordinates and encourages participation, while guiding the group.	Subordinates take decisions and act with substantial freedom; the leader intervenes minimally.

Step 3: Conclusion **Democratic leadership** involves consultation and participative decisions, whereas **laissez-faire leadership** gives subordinates freedom to make decisions with minimal direction.

Quick Tip to Solve: Distinguish consultation under a guiding leader from freedom with minimal leader intervention.

OR

4(b). Differentiate between 'Formal Communication' and 'Informal Communication' on the basis of 'Meaning'. [1 mark]

Solution:

Concept:

- Communication is the exchange of information and understanding between people.
- Formal communication follows official channels; informal communication arises through personal and social interaction.

Step 1: Use the requested basis The question asks for meaning, so the comparison must define each type. Speed, accuracy or secrecy would be different bases and are not required here.

Step 2: Compare the meanings The difference on this basis is as follows.

Basis	Formal communication	Informal communication
Meaning	Communication that passes through the official channels established by the organisation.	Communication that takes place through social relationships and personal contacts, without following prescribed official channels.

Step 3: Conclusion Formal communication follows the organisation's **prescribed official channels**; informal communication follows **personal and social relationships** rather than those prescribed

channels.

Quick Tip to Solve: For meaning, focus on the channel: prescribed organisational route versus personal or social contact.

5(a). How does 'Cost of Debt' affect the capital structure of an enterprise ? [1 mark]

Solution:

Concept:

- Capital structure refers to the proportion of debt and equity used in the long-term financing of a business.
- Cost of debt is the interest cost of borrowed funds; it influences the attractiveness of debt relative to other sources of finance.

Step 1: Consider a lower borrowing cost When an enterprise can raise debt at a lower cost, debt financing becomes relatively more attractive. Other factors remaining the same, it can use a higher proportion of debt in its capital structure.

Step 2: Consider a higher borrowing cost A higher cost of debt increases the interest burden and makes debt relatively less attractive. The enterprise would therefore tend to use less debt and rely more on equity, keeping its ability to meet fixed interest obligations in view.

Step 3: Conclusion Other things remaining the same, a **lower cost of debt encourages a higher proportion of debt**, while a **higher cost of debt discourages debt financing** in the capital structure.

Quick Tip to Solve: State the direction clearly: cheaper borrowing favours debt; dearer borrowing reduces its relative appeal.

OR

5(b). How does 'Cost of Equity' affect the capital structure of an enterprise ? [1 mark]

Solution:

Concept:

- Capital structure is the mix of debt and equity used to finance an enterprise. Cost of equity is the return expected by equity shareholders for bearing their investment risk.
- Debt creates fixed interest commitments. Increasing debt increases financial risk for equity shareholders, who consequently expect a higher return.

Step 1: Relate borrowing to shareholders' risk As the proportion of debt rises, fixed interest must be paid before equity shareholders receive their residual earnings. Greater variability in the earnings left for them increases the risk they bear.

Step 2: Explain the effect on financing The increased risk raises shareholders' required return and hence the cost of equity. Debt should therefore be used only up to a suitable level, beyond which the rise in the cost of equity may outweigh the benefit of cheaper debt.

Step 3: Conclusion Increasing debt beyond a suitable level raises the cost of equity. An enterprise must balance this increase against the benefit of debt when selecting its capital structure.

Quick Tip to Solve: Link the answer in this order: more debt, greater financial risk for shareholders, higher expected return and a higher cost of equity.

6. 'XY Ltd.' is registered with an authorised capital of ₹ 10 crore. The paid-up capital of the company is ₹ 6 crore. The company was facing shortage of funds. The management of the company decided to raise funds by issue of 1,00,000 equity shares of ₹ 100 each. The issue was fully subscribed. After this it was realised that the funds raised were in excess of the actual requirement.

Identify and define the concept which was not considered by the company before deciding the amount of funds to be raised. [1 mark]

Solution:

Concept:

- Financial planning involves estimating the funds required and determining their sources. It prepares a financial blueprint for the future operations of the enterprise.
- Its purpose is to ensure that adequate funds are available at the right time while avoiding both shortages and unnecessary surplus funds.

Step 1: Identify the omission from the case The company raised funds without properly estimating its actual need: the case states that the funds were "in excess of the actual requirement. The concept overlooked was financial planning, rather than simply the legal limit of authorised capital.

Step 2: Define the concept Financial planning is the process of estimating an enterprise's financial requirements and determining how those requirements will be financed. Proper planning would match the proposed equity issue to the company's actual funding requirement.

Step 3: Conclusion The company failed to consider financial planning: estimating its financial requirements and determining the sources of finance so that the right amount of funds is available when needed.

Quick Tip to Solve: When a case describes either a shortage or an avoidable surplus of funds, check whether the business estimated its financial requirements through financial planning.

7. Vivek purchased a bike from Sarnath Automobiles with a written guarantee to repair or replace, if necessary, within six months or 5,000 kms of distance travelled whichever is earlier. After covering the distance of 400 kms in two months, the gears of the bike started giving problems. Vivek took the bike to the dealer who refused to listen to his complaint. He was confused about what he should do. Suggest the rights that Vivek may exercise in the above case. [1 mark]

Solution:

Concept:

- The right to be heard entitles a consumer to have a complaint considered and consumer interests represented at an appropriate forum.
- The right to seek redressal entitles a consumer to seek relief against defective goods or deficient service, including suitable repair, replacement or compensation.

Step 1: Exercise the right to be heard The dealer "refused to listen to his complaint. Vivek can exercise his right to be heard by submitting his grievance to the appropriate consumer forum, directly or with help from a consumer organisation.

Step 2: Seek relief for the defective bike Vivek can also exercise his right to seek redressal. The gears failed after "400 kms in two months, within both guarantee limits. He may seek the promised repair or replacement, or other appropriate relief for the defective bike and failure to honour the guarantee.

Step 3: Conclusion Vivek should exercise the right to be heard and the right to seek redressal to have his complaint considered and obtain appropriate relief.

Quick Tip to Solve: Separate the two rights: refusing to hear a complaint points to being heard; obtaining repair, replacement or compensation points to redressal.

8. 'Nayan Medicare Equipment Ltd.' manufactures equipment for surgeons having a unique laser technique. The equipment can be used by the surgeons only after proper training. Even their maintenance requires guidance of specialised engineers. Because of this, the equipment is used in a limited number of hospitals. The company wants to increase the sale of the equipment.
Suggest the promotion tool to be used by the company giving reason in support of your answer.

[1 mark]

Solution:

Concept:

- Personal selling is personal communication between a salesperson and a prospective buyer, aimed at explaining the product, answering questions and persuading the buyer.
- It is especially suitable for expensive or technically complex industrial products sold to a limited number of identifiable buyers.

Step 1: Select the promotion tool Nayan Medicare Equipment Ltd. should use personal selling. The case describes equipment with a "unique laser technique that can be used "only after proper training, making an individual explanation and demonstration valuable.

Step 2: Connect the tool to the buyers' needs A trained salesperson can demonstrate the equipment,

resolve surgeons' doubts and explain training and specialised maintenance support. Since the equipment is used in a "limited number of hospitals, the company can contact these potential institutional buyers directly and tailor its presentation to each hospital.

Step 3: Conclusion Personal selling is suitable because the equipment is technically complex, needs demonstration and specialised guidance, and has a limited number of prospective hospital buyers.

Quick Tip to Solve: For complex equipment sold to a few institutional buyers, connect personal selling with demonstration, tailored explanation and immediate clarification of doubts.

Section B (15 marks)

9(a). Explain any three limitations of 'Planning' function of management. [3 marks]

Solution:

Concept:

- Planning is deciding in advance what to do and how to do it. It provides direction, but it operates under practical limitations.
- NCERT limitations include rigidity, difficulty in a dynamic environment and the inability of planning alone to guarantee success.

Step 1: Explain rigidity and environmental change

- **Planning leads to rigidity:** Once a detailed plan specifies objectives, methods and schedules, managers may follow it strictly even when circumstances demand a different approach. Such inflexibility can restrict initiative and make it difficult to alter an established course of action.
- **Planning may not work in a dynamic environment:** Plans rely on assumptions about future economic conditions, technology, competition and government policy. These external factors can change unexpectedly and are largely beyond the organisation's control. Consequently, a plan based on earlier assumptions may become unsuitable and need revision.

Step 2: Explain why a plan cannot ensure results

- **Planning does not guarantee success:** A well-prepared plan must be translated into effective action. Success also depends on implementation and other management functions. Merely repeating a plan that succeeded earlier may fail under changed circumstances, so planning cannot by itself ensure the achievement of objectives.

These limitations show why managers must keep plans under review and combine them with effective execution.

Step 3: Conclusion Three limitations are that planning leads to rigidity, may not work in a dynamic environment and does not guarantee success. Managers must remain flexible and implement plans effectively.

Quick Tip to Solve: For each limitation, name the NCERT heading and explain its cause: fixed plans restrict flexibility, changing conditions upset assumptions, and plans still need effective implementation.

OR

9(b). Explain any three points of importance of 'Planning'. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It sets objectives and selects the course of action through which they are to be achieved.
- Its importance lies in giving direction to activities, preparing the organisation for uncertainty and avoiding wasteful use of resources.

Step 1: Explain how planning guides action **Planning provides directions:** By stating in advance the objectives and the actions to be taken, planning makes clear what employees are expected to achieve. Departments and individuals can direct their efforts towards the same organisational goals. This brings unity of action and prevents activities from becoming aimless. For example, a stated sales objective guides production, purchasing and marketing decisions.

Step 2: Explain how planning prepares for change **Planning reduces the risks of uncertainty:** Planning requires managers to look ahead, anticipate changes and consider their likely effects. They can prepare suitable responses to possible difficulties and opportunities. Although planning cannot eliminate uncertainty or predict every future event, it reduces the risk of being completely unprepared when conditions change.

Step 3: Explain how planning avoids waste **Planning reduces overlapping and wasteful activities:** Plans coordinate the work of different departments and individuals. They clarify activities and responsibilities, reducing unnecessary duplication and confusion. When the intended course of action is clearly laid down, managers can identify inefficient or redundant operations and take corrective measures, making better use of time and resources.

Step 4: Conclusion Three points of importance are that planning provides directions, reduces the risks of uncertainty, and reduces overlapping and wasteful activities. Each helps organise present action around the objectives to be achieved.

Quick Tip to Solve: For each importance point, write the NCERT heading and then explain the specific benefit it brings to managerial action; avoid merely listing headings.

10(a). Explain 'critical point control' and 'management by exception'. [3 marks]

Solution:

Concept:

- Analysing deviations is a step in controlling. Managers compare actual performance with standards and examine the deviations that require attention.
- Since checking every activity and every small difference is costly, critical point control and management by exception help managers use their attention selectively.

Step 1: Explain critical point control **Critical point control:** Control should focus on the key result

areas that are critical to the success of an organisation. It is neither economical nor practical to check every activity with equal intensity. Managers therefore identify the points at which a deviation would have a serious effect on results and give these special attention. For example, if material cost is a major component of production cost, a rise in it deserves closer investigation than a similar percentage rise in a relatively minor expense.

Step 2: Explain management by exception **Management by exception:** Only significant deviations that go beyond a permissible limit should be brought to the notice of management. Small differences within the accepted range can be handled at the appropriate lower level. For example, if a manager allows a five per cent variation in production cost, a variation of two per cent need not be reported to that manager, whereas a variation of eight per cent requires attention and investigation.

Step 3: Relate the two approaches **Selective managerial attention:** Critical point control selects the important areas to monitor; management by exception identifies the size of deviation that warrants managerial intervention. Together they save time and effort, allowing managers to concentrate on matters that materially affect the organisation's objectives.

Step 4: Conclusion Critical point control concentrates on key result areas, while management by exception concentrates on deviations beyond acceptable limits. Both make the analysis of deviations more effective and economical.

Quick Tip to Solve: Remember the distinction as area versus limit: critical point control asks where to focus, and management by exception asks which deviations are large enough to report.

OR

10(b). Explain 'setting performance standards' and 'measurement of actual performance' as steps of 'controlling process'. [3 marks]

Solution:

Concept:

- The controlling process checks whether organisational activities are proceeding according to plans and enables managers to take corrective action when necessary.
- Performance standards provide the benchmarks for comparison. Measurement establishes the actual results, which can then be compared with those benchmarks.

Step 1: Explain the setting of performance standards **Setting performance standards:** Standards are the criteria against which actual performance is measured. They should be clearly stated, achievable and, wherever possible, expressed in measurable terms. Quantitative standards may specify cost, revenue, output or time, such as a target quantity to be produced in a month. Qualitative standards, such as improved employee motivation, should also be defined in terms that make assessment meaningful. Standards should be flexible enough to be revised when business conditions change.

Step 2: Explain measurement of actual performance **Measurement of actual performance:** After setting standards, managers ascertain the actual work done or results achieved. Performance should be measured objectively and reliably, using the same units as the standards so that a valid comparison

is possible. Suitable methods include personal observation, sample checking and performance reports. For instance, actual monthly output can be recorded in units and compared with the monthly production target expressed in units.

Step 3: State the timing and purpose of measurement Performance is generally measured after a task is completed, but, wherever feasible, it should also be assessed while the work is in progress. This helps managers identify developing problems before they become serious. Reliable measurement supplies the factual basis for the next step: comparison of actual performance with the predetermined standards.

Step 4: Conclusion Setting standards establishes the expected level of performance, and measuring actual performance determines what has really been achieved. Clear benchmarks and comparable measurements make subsequent control decisions meaningful.

Quick Tip to Solve: Keep the order clear: set the target first and then measure the result in matching units; comparison and corrective action are later steps.

11. Shiv has recently joined an industrial unit manufacturing low cost LED bulbs. He has five workers working under him. He gives them instructions to ensure optimum utilization of resources and achievement of work targets. He provides good on-the-job training to the workers to build an efficient team. He also analyses the work performed by them and gives feedback.

The work performed by Shiv may be described as an important element of directing. Name the element and state two other functions which may be performed by Shiv in addition to those highlighted above. [3 marks]

Solution:

Concept:

- Supervision is the element of directing concerned with overseeing employees' work and guiding their efforts towards organisational objectives. It involves direct, day-to-day contact between a supervisor and workers.
- Besides ensuring performance, providing training and giving feedback, a supervisor links workers with management and helps maintain unity among workers.

Step 1: Identify the element from Shiv's work The element is **supervision**. The words "five workers working under him" show his direct responsibility for a group of workers. He "gives them instructions", provides "on-the-job training" and "analyses the work performed by them and gives feedback". These activities show that he guides and oversees their work at the operating level.

Step 2: State two additional functions

- **Link between workers and management:** Shiv can communicate management's plans, policies and decisions to the workers in a way they understand. He can also convey workers' problems, suggestions and grievances to management. This two-way link reduces misunderstanding and helps both sides understand each other's expectations.
- **Maintain group unity:** Shiv can identify and resolve differences among the five workers and encourage them to cooperate. By maintaining harmonious relations and discouraging disruptive

disputes, he can keep the group working together towards its common objectives.

These functions add communication and harmonious group relations to the training, performance guidance and feedback already described in the case.

Step 3: Conclusion Shiv performs **supervision**. Two other functions he can perform are acting as a link between workers and management and maintaining group unity among workers.

Quick Tip to Solve: In a supervision case, first identify the activities already given; then choose additional functions, such as the management-worker link and group unity, rather than repeating training or feedback.

12. 'Financial markets are classified on the basis of the maturity of financial instruments traded in them.' Name the market in which the instruments with more than one year maturity are traded. Also state any two features of this market. [3 marks]

Solution:

Concept:

- Financial markets are classified by the maturity of the financial instruments traded. The money market deals in short-term funds, whereas the capital market deals in medium- and long-term funds.
- The capital market channels savings into investment through instruments such as equity shares, preference shares, debentures and bonds. It includes the primary market for new issues and the secondary market for existing securities.

Step 1: Identify the market from the maturity period The required market is the **capital market**. Financial instruments with a maturity exceeding one year fall within its medium- and long-term financing sphere. The reference to "more than one year maturity" distinguishes it from the money market, which meets short-term financial requirements. Equity shares, although they have no fixed maturity, are also capital-market instruments.

Step 2: Explain two features of this market

- **Participants:** The capital market brings together financial institutions, banks, corporate entities, foreign investors and ordinary retail investors. Thus, investment is not confined to a small circle of large financial institutions; individuals can also invest their savings in securities.
- **Instruments:** Its main instruments include equity shares, preference shares, debentures and bonds. Shares represent an ownership interest in a company, while debentures and bonds represent borrowed funds. These securities enable organisations to raise finance for investment and growth and offer investors different combinations of risk and return.

Step 3: Conclusion The market is the **capital market**. Two features are its wide range of institutional and individual participants and its trading in instruments such as shares, debentures and bonds.

Quick Tip to Solve: Use maturity to name the market first: more than one year points to the capital market. For additional features, use distinct headings such as participants and instruments.

13. Gopal, Mohan and Shyam are three friends having their separate small manufacturing units in an industrial estate. They are hard-working and honest and undertake their respective production activities following the good practices of business. They use good quality raw materials and adopt standardised process. They fix the prices of their products with a reasonable profit margin. But all of them are worried about the malpractices like manufacturing sub-standard, duplicate, and defective goods by the fellow manufacturers. Therefore, they decided to form an organisation with a constitution of its own which is free from government interference. This organisation would encourage consumers to strongly protest and take action against unscrupulous, exploitative and unfair trade practices of sellers.

State three other functions which may be performed by this organisation in addition to those mentioned above. [3 marks]

Solution:

Concept:

- Consumer organisations and non-governmental organisations protect and promote consumers' interests through education, information, testing and assistance in seeking redressal.
- A voluntary organisation with a constitution of its own and freedom from government interference can work independently to make consumers aware of their rights and help them exercise those rights.

Step 1: Relate the organisation to the case The proposed body is a **consumer organisation or non-governmental organisation**. The case says that it will have "a constitution of its own" and be "free from government interference". Encouraging consumers to protest against unfair practices is already mentioned, so the answer must state other functions rather than repeat that activity.

Step 2: State three other functions

- **Educate consumers:** It can arrange training programmes, seminars and workshops to teach consumers about their rights and responsibilities. Such education helps buyers recognise unfair practices and make informed purchasing decisions instead of relying blindly on sellers.
- **Publish useful information:** It can publish periodicals and other material about consumer problems, legal developments, available relief and matters affecting consumers' interests. Reliable information helps consumers understand the remedies available when their interests are harmed.
- **Test consumer products:** It can undertake comparative testing of products in accredited laboratories to assess their relative quality. Publishing the findings provides evidence about product performance and helps consumers distinguish dependable goods from inferior ones.

Step 3: Conclusion In addition to encouraging protest against unfair practices, the organisation can educate consumers, publish information on consumer issues and legal developments, and undertake comparative product testing in accredited laboratories.

Quick Tip to Solve: When asked for other functions of a consumer organisation, exclude the function already quoted in the case and explain three separate activities under clear headings.

Section C (24 marks)

14(a). Define 'Management'. Explain how management is a multidimensional activity. [4 marks]

Solution:

Concept:

- Management is the process of getting things done with the aim of achieving organisational goals effectively and efficiently. Effectiveness means completing the intended task and attaining the goal; efficiency means doing so with minimum cost and wastage of resources.
- Management is multidimensional because it simultaneously manages work, people and operations. These dimensions are interrelated aspects of managing an organisation, rather than three separate managerial levels.

Step 1: State the meaning of management Management coordinates human, physical and financial resources through planning, organising, staffing, directing and controlling. Its purpose is to get work accomplished in a way that achieves the organisation's objectives while making economical use of resources. Thus, merely completing a task at an unnecessarily high cost does not fully satisfy the definition.

Step 2: Explain the three dimensions

- **Management of work:** Every organisation exists to perform some work: a factory manufactures goods, a hospital treats patients and a school educates students. Management translates this work into goals and assigns the means of achieving them. It identifies what must be done, makes decisions and ensures that the required tasks are completed.
- **Management of people:** People perform the organisation's work. Management deals with employees both as individuals, with different needs and abilities, and as members of a group. It makes their strengths effective, addresses their needs and brings individual effort into line with organisational objectives through motivation, leadership and coordination.
- **Management of operations:** Organisations have an operating process that transforms inputs into desired outputs. Management ensures that the production or service process, the flow of inputs and the technology used work together to deliver the required product or service. This dimension links the management of work with the management of people.

Step 3: Conclusion Management is therefore a goal-oriented process of achieving results effectively and efficiently. It is multidimensional because successful performance requires simultaneous management of the work to be done, the people who do it and the operations that convert inputs into outputs.

Quick Tip to Solve: Organise this answer under work, people and operations; do not confuse these dimensions with the top, middle and supervisory levels of management.

OR

14(b). Give the meaning of 'Business Environment'. Explain any three features of Business Environment.

[4 marks]

Solution:

Concept:

- Business environment means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but may affect its performance. These external influences include customers, competitors, government and social, economic and technological conditions.
- The environment has several features, including specific and general forces, interrelatedness and a dynamic nature. Explaining a feature requires showing how that characteristic affects the external setting in which a business operates.

Step 1: Define business environment A business does not function in isolation. External individuals, institutions and forces influence its opportunities, constraints and results, although the enterprise cannot normally control them. The totality of these external influences constitutes its business environment. For example, changes in customers' preferences or government policy can affect a firm's sales and decisions.

Step 2: Explain three features of business environment

- **Specific and general forces:** The environment includes both kinds of forces. Specific forces, such as customers, suppliers, investors and competitors, affect an individual enterprise directly and immediately in its day-to-day working. General forces, such as social, political, legal, technological and economic conditions, affect enterprises more broadly and influence the specific forces as well.
- **Interrelatedness:** Different elements of the environment are closely connected. A change in one can bring changes in others. For instance, greater health awareness in society can increase demand for health-related products and encourage businesses to introduce suitable products. A business must therefore consider environmental influences together, rather than as completely isolated factors.
- **Dynamic nature:** The business environment keeps changing because of shifts in consumer preferences, improvements in technology, changes in government policy and competitive developments. An enterprise must monitor these changes and adapt its plans and operations. A product or method that meets present conditions may require revision when those conditions change.

Step 3: Conclusion Business environment is the totality of external individuals, institutions and forces affecting an enterprise's performance. Its specific and general forces, their interrelatedness and their continually changing nature explain why managers must observe the environment and respond to it.

Quick Tip to Solve: Begin with the external-forces definition, then give three distinct feature headings with an explanation or illustration for each; examples alone do not explain a feature.

15. One of the questions that needs to be answered in the organizing function is 'At what level are decisions made' ? Decision making authority in an organization can be pushed down to the lower levels or it may lie with the top management. However it is not an 'either or' concept.

When an organization grows in size or complexity, there is a tendency towards sharing decision making authority with the lower levels. This is because in large organizations, employees who are closely involved with certain operations tend to have more knowledge about them than the top management.

An important concept of organizing function is discussed above. Identify the concept and state any three points of its importance. [4 marks]

Solution:

Concept:

- Decentralisation means the systematic delegation of authority throughout the organisation, down to the levels where the work is performed. It extends the freedom to take decisions beyond top management.
- Centralisation and decentralisation are relative concepts. Management retains some decisions at the top while distributing others, depending on the needs of the organisation.

Step 1: Identify the organising concept from the case The concept is **decentralisation**. The statement that there is a tendency towards "sharing decision making authority with the lower levels" directly indicates the dispersal of authority. The case also says that employees closely involved with operations have more knowledge about them than top management, explaining why lower levels are empowered to decide. This is organisation-wide sharing of decision-making authority, rather than merely assigning one task to a subordinate.

Step 2: State three points of its importance

- **Develops initiative among subordinates:** Freedom to take decisions gives subordinates opportunities to exercise independent judgement. They gain confidence, take responsibility for results and learn to rely on their own abilities instead of referring every matter to a superior.
- **Develops managerial talent for the future:** Taking decisions at lower levels gives employees practical experience in handling managerial problems. This experience develops their abilities and prepares them to occupy more responsible positions as the organisation grows.
- **Ensures quick decision-making:** Decisions can be taken close to the point of action by employees familiar with the actual operation. Information need not repeatedly travel up and down the hierarchy for approval, so delays are reduced and local problems can be addressed promptly.

Step 3: Conclusion The concept is decentralisation. Its importance includes developing initiative among subordinates, developing managerial talent for the future and ensuring quick decision-making.

Quick Tip to Solve: Look for authority being shared with lower levels to identify decentralisation; then state each benefit with its effect on employees or decisions.

16(a). State any four points of importance of staffing function of management. [4 marks]

Solution:

Concept:

- Staffing is the management function concerned with obtaining, utilising and maintaining a competent and satisfied workforce. It includes activities such as recruitment, selection, training, development and performance appraisal.
- Human resources put other organisational resources to use. The importance of staffing therefore lies in placing suitable people in jobs, improving their performance and developing them for future responsibilities.

Step 1: Explain how staffing secures suitable people and performance

- **Helps in discovering and obtaining competent personnel:** Staffing identifies the organisation's manpower requirements and searches for suitable candidates. Recruitment attracts applicants and selection chooses those with the required knowledge, skills and abilities for the available positions.
- **Ensures higher performance:** By putting the right person in the right job, staffing matches an employee's abilities with the demands of the post. Employees can perform work suited to their competence, improving the quality and efficiency of organisational performance.

Step 2: Explain its contribution to continuity and use of resources

- **Ensures continuous survival and growth of the enterprise:** Training, development and career planning prepare employees for greater responsibilities. A continuing supply of capable managers and other personnel enables the organisation to fill future vacancies and undertake expansion without depending entirely on outside recruitment.
- **Helps to ensure optimum utilisation of human resources:** A proper assessment of staffing needs avoids both overstaffing and understaffing. Employees are deployed according to their abilities and the work required, reducing avoidable personnel costs and ensuring that available talent is productively used.

Step 3: Conclusion Staffing helps obtain competent personnel, ensures higher performance through suitable placement, supports the enterprise's survival and growth, and enables optimum utilisation of human resources.

Quick Tip to Solve: For staffing importance, link each heading to a distinct result: competent people, better performance, future continuity and optimum use of talent.

OR

16(b). State any four benefits of training to employees. [4 marks]

Solution:

Concept:

- Training is the systematic process of increasing an employee's knowledge and skills for doing a particular job. Its benefits to employees concern their competence, earnings, safety and confidence.

- The employee's personal benefits must be distinguished from benefits to the organisation, such as reduced supervision or lower wastage. The question asks specifically about employees.

Step 1: State the benefits for career and earnings **Improved skills and knowledge:** Training improves an employee's job-related knowledge and practical skills. Better competence enables the employee to undertake greater responsibilities and improves career prospects, including opportunities for promotion.

Increased performance and earnings: Training enables employees to perform their work more efficiently and accurately. Improved individual performance can help them earn more, particularly where rewards or incentives are linked to performance. Thus, training provides a basis for better earning opportunities.

Step 2: State the benefits for safety and confidence **Reduced accidents:** Training teaches employees the correct methods of operating equipment, handling materials and following safety procedures. They become more efficient in handling machines and are less prone to accidents at work, protecting their health and safety.

Higher satisfaction and morale: Employees who know how to perform their tasks feel more capable and confident. Training reduces uncertainty about work and helps them meet job demands successfully. This increases their job satisfaction and improves morale.

Step 3: Conclusion Four benefits of training to employees are improved skills and career prospects, better performance and earning opportunities, reduced risk of accidents, and increased job satisfaction and morale.

Quick Tip to Solve: Organise employee benefits under four headings: career, earnings, safety and morale. Explain each from the employee's point of view.

17. Ganesh was concerned about the sedentary lifestyle people are leading nowadays. Their dependency on outside food is also increasing because corporate work culture demands working till late night at offices. So, he decided to start a restaurant, 'Healthy Eating Point' to provide healthy food options to customers. After completing planning and organising functions, he identified the various job positions that are required to be filled i.e. a General Manager, an Accountant, two Chefs, two boys for serving the food in the restaurant and three boys for home delivery of food. He decided that his father, Karan, would be the General Manager of the restaurant. He would be paid ₹ 50,000 per month for his services. His father requested him to appoint his friend's son, Prem, as an accountant who is well qualified for this post. Ganesh agreed to this proposal. Earlier, Prem had a business of providing unskilled workers to different organisations from remote areas of the country. Prem took permission from Ganesh to continue with the old business. Ganesh happily agreed and asked him to provide five boys for serving and delivering the food. For the appointment of the two Chefs, Ganesh approached a renowned Hotel Management Institute and was satisfied with the Chefs provided by the institute.

(a) Quoting the lines from the above paragraph, explain the two sources of recruitment being used by Ganesh for filling up the various job positions.

(b) Also, give the meaning of the function of management discussed in the above case. [4 marks]

Solution:

Concept:

- Recruitment means searching for prospective employees and stimulating them to apply for jobs. Labour contractors and campus recruitment are external sources because they bring candidates from outside the organisation.
- Staffing is the management function of obtaining, developing and retaining suitable people for organisational positions. Recruitment is one activity within this broader function.

Step 1: Identify and explain the two recruitment sources **Labour contractors:** The relevant lines are: "Earlier, Prem had a business of providing unskilled workers to different organisations from remote areas of the country" and "Ganesh happily agreed and asked him to provide five boys for serving and delivering the food." Labour contractors maintain contacts with workers and supply them to organisations as required. Prem acts as the intermediary who supplies the workers needed for serving and home delivery.

Campus recruitment: The relevant line is: "For the appointment of the two Chefs, Ganesh approached a renowned Hotel Management Institute and was satisfied with the Chefs provided by the institute." Campus recruitment involves recruiting candidates through educational and training institutions. Such institutions provide a source of professionally or technically qualified candidates; here, the hotel management institute supplies the two chefs.

Step 2: Give the meaning of the management function **Staffing:** Staffing means finding the right people for the right jobs. It involves filling and keeping filled the positions in the organisation structure by identifying workforce requirements and recruiting, selecting, placing, training and developing employees.

The case points to this function through the words "he identified the various job positions that are required to be filled." Ganesh identifies the positions and obtains people to perform them after completing planning and organising. These activities concern human resources and therefore illustrate staffing.

Step 3: Conclusion The two external recruitment sources illustrated by the supply of workers and chefs are labour contractors and campus recruitment respectively. The management function is staffing, which fills and keeps filled organisational positions with suitable people.

Quick Tip to Solve: Match the intermediary to the source: a person supplying workers indicates a labour contractor; an institute supplying trained candidates indicates campus recruitment.

18. Nayar is working as a P.G.T. Commerce in a CBSE affiliated school of Kerala. One day he was teaching about capital market in the class. He informed the class that during 1980's the capital market in India witnessed a tremendous growth because of increasing participation of the public.

This ever increasing investors' population and market capitalisation led to a variety of malpractices on the part of the companies, brokers, merchant bankers, investment consultants and others involved in the securities market. These malpractices and unfair trading practices eroded investors' confidence and multiplied investors' grievances. The Government of India and the stock exchanges were helpless in redressing the investors' problems because of lack of proper penalty provisions in the existing legislation. In view of this the Government of India decided to set up a regulatory body.

(a) Name the regulatory body which the Government of India decided to set up.

(b) Also state any three objectives of the regulatory body identified in part (a) above. [4 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) is the regulatory body established to protect investors and regulate the securities market.
- Its objectives concern fair market functioning and the interests of investors and market participants. Objectives state the results sought; they differ from individual regulatory or protective activities.

Step 1: Identify the regulatory body from the case **(a) Securities and Exchange Board of India (SEBI).** The case describes securities-market malpractices that "eroded investors' confidence" and increased their grievances. The need to regulate companies and intermediaries and restore confidence identifies SEBI, rather than a commercial bank or an individual stock exchange.

Step 2: State three objectives of SEBI **(b) The following are three objectives:**

- **Regulate stock exchanges and the securities industry:** SEBI seeks orderly functioning of stock exchanges and the securities industry so that their activities support a healthy securities market. This addresses the case's reference to malpractices among companies, brokers and other intermediaries.
- **Protect investors' rights and interests:** SEBI aims to safeguard investors, particularly individual investors, guide and educate them and make their interests central to market operations. This responds to the case's "investors' grievances" and loss of confidence.
- **Prevent trading malpractices:** SEBI seeks to prevent unfair trading practices and achieve a balance between statutory regulation and self-regulation. This directly addresses the "malpractices and unfair trading practices" described in the passage and helps establish fair dealings in securities.

Step 3: Conclusion The regulatory body is SEBI. Its objectives include regulating the securities industry, protecting investors and preventing unfair trading practices so that the market functions fairly and investors can participate with confidence.

Quick Tip to Solve: Link each SEBI objective to the case: disordered market dealings call for regulation, investor grievances for protection, and unfair trading for prevention of malpractices.

19. Jay is working as the Chief Executive Officer of a soft drinks company. The company is doing its business in collaboration with a soft drinks company of France. Jay's friend, Swami, a teacher of Business Studies in a reputed college was discussing the 'Marketing' chapter with his students. He wanted clarity from Jay about the factors which affect the marketing decisions. Jay explained that there were a large number of factors affecting marketing decisions which may be divided into two categories : (i) controllable factors, and (ii) non-controllable factors.

Jay further explained that controllable factors became marketing tools that can be constantly shaped and reshaped by marketing managers, to achieve marketing success.

Identify and explain the set of marketing tools that can be constantly shaped and reshaped by marketing managers. [4 marks]

Solution:

Concept:

- Marketing mix is the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.
- The four main elements of the marketing mix are Product, Price, Place and Promotion, commonly called the four Ps. Managers combine these controllable variables to satisfy customers and achieve marketing objectives.

Step 1: Identify the set of controllable tools The set of tools is the **marketing mix**. Jay says that controllable factors can be "constantly shaped and reshaped by marketing managers". This means that managers can modify their product offering, price, distribution and promotional effort to suit the target market and business objectives. The case asks for this combination of controllable tools, rather than uncontrollable external influences.

Step 2: Explain the four elements of the marketing mix

- **Product:** Product means the goods or services offered to satisfy customer needs. Product decisions concern quality, features, design, branding, packaging, labelling and customer support. For a soft drinks company, the flavour, quality, brand and pack size are product decisions.
- **Price:** Price is the amount customers must pay to obtain the product. Decisions include the basic price, discounts, credit terms and other terms of payment. The company must consider customer value, costs, competition and its objectives while deciding what to charge.
- **Place:** Place concerns making the product available to customers at the right time and location. It includes selecting distribution channels and decisions on transport, warehousing and inventory. A soft drink must reach suitable retail outlets in the quantities customers require.
- **Promotion:** Promotion communicates the product's availability, features and benefits and persuades customers to buy it. It includes advertising, personal selling, sales promotion and public relations. A company selects an appropriate combination of these methods to inform and influence its target customers.

Step 3: Conclusion Jay is referring to the marketing mix: Product, Price, Place and Promotion. These four controllable tools must be coordinated, because customers judge the total offering, including what is sold, its cost, its availability and how it is communicated.

Quick Tip to Solve: Recall the four Ps through four questions: What is offered? What does it cost? Where is it available? How do customers learn about it?

Section D (15 marks)

20. 'Scientific Management means knowing exactly what you want men to do and seeing that they do it in the best and the cheapest way.' Taylor developed various techniques for application of Scientific Management principles and was able to achieve a three-fold increase in productivity in Bethlehem Steel Company, where he worked. One of the techniques helps to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs. Another technique recognises those workers who are able to accomplish/exceed the fair day's work and is based on the premise that efficiency is the result of the joint efforts of the managers and the workers.

Quoting the lines from the above paragraph, identify and explain the two techniques of Scientific Management. [5 marks]

Solution:

Concept:

- Scientific management applies scientific methods to work instead of relying on rule of thumb. Taylor's techniques establish performance standards and encourage workers to achieve them.
- Time study fixes the standard time for a well-defined task, while the differential piece wage system rewards workers according to whether they attain the prescribed output standard.

Step 1: Identify time study from the first clue **Time study:** The relevant words are "helps to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs." These are the stated purposes of time study, because each decision depends on knowing the time reasonably required to complete a job.

Step 2: Explain how time study establishes a standard A standard time is determined for a well-defined job performed by a worker of average skill and efficiency under standard working conditions. Time-measuring devices are used to observe the different elements of the task over repeated cycles. Suitable allowances are included to arrive at the standard time. This standard enables management to work out how many workers are needed for a given volume of work, estimate labour costs and design incentives. It measures the time required; it is not motion study, which eliminates unnecessary movements.

Step 3: Identify the differential piece wage system **Differential piece wage system:** The clue is "recognises those workers who are able to accomplish/exceed the fair day's work". The passage also states that "efficiency is the result of the joint efforts of the managers and the workers." Taylor linked remuneration to achievement of a scientifically established output standard so that efficient workers would receive greater rewards.

Step 4: Explain the two piece rates Under this system, workers producing at or above the standard are paid a higher wage rate per piece, whereas workers producing below the standard receive a lower rate per piece. The distinction recognises efficient performance and motivates workers to improve their output and reach the fair day's work. Management must establish the standard scientifically and provide suitable methods and conditions; workers then have a monetary incentive to meet it. Thus, time study sets the performance basis and differential piece wages encourage its achievement.

Step 5: Conclusion The two techniques are **time study**, which determines standard task time for manpower, incentive and labour-cost decisions, and the **differential piece wage system**, which pays

a higher piece rate to workers meeting or exceeding the output standard.

Quick Tip to Solve: Link manpower and labour-cost estimation to time study; link different piece rates for attaining the output standard to the differential piece wage system.

21. Matta Auto Ltd. is manufacturing different types of commercial vehicles. Their sales were rupees two hundred crores in the previous year. The company decided to increase sales by 20% during the current year. It conducted internal as well as external audits for the same. Through internal audit, they analysed the strengths and weaknesses of the business across all departments. External audit focused on the opportunities and the threats in the constantly changing business environment. Thus, a comprehensive plan was prepared taking into consideration the business environment and the necessary resources were allocated to achieve the target. The company directed its offices throughout the country to follow the plan. The company's commitment to develop effective plans to achieve a consistent increase in sales has ensured its continual growth over the past one decade.

Identify and explain the two types of plans discussed above. [5 marks]

Solution:

Concept:

- An objective states the desired result towards which organisational activities are directed. It tells the organisation what it seeks to achieve.
- A strategy is a comprehensive plan for accomplishing organisational objectives. It takes account of the business environment and links long-term objectives with a course of action and allocation of resources.

Step 1: Identify the objective in the sales target **Objective:** The case states, "The company decided to increase sales by 20% during the current year." This specifies the result the company intends to achieve and the period within which it seeks that result. It is therefore an objective, rather than a rule describing prohibited behaviour or a procedure setting out a sequence of activities.

Step 2: Explain how the objective directs planning Objectives are the ends that management seeks through its operations. They are normally set by top management and serve as the starting point for preparing plans and coordinating departments. An objective should be expressed clearly, preferably in measurable terms within a stated period. Here the percentage increase and the current-year deadline make the target specific. It guides sales-related decisions and provides a standard against which actual sales performance can be compared.

Step 3: Identify the strategy from the comprehensive plan **Strategy:** The relevant line is "a comprehensive plan was prepared taking into consideration the business environment and the necessary resources were allocated to achieve the target." The internal audit of "the strengths and weaknesses" and the external audit of "the opportunities and the threats" show that the plan was developed after examining both the organisation and its environment.

Step 4: Explain the elements of the strategy A strategy provides a broad framework for decisions and action to achieve the organisation's objectives. Its main elements are determining long-term objectives, adopting an appropriate course of action and allocating the resources needed to carry

it out. Environmental analysis helps management choose a course suited to the firm's capabilities and changing conditions. In this case, the company examined its departments and the external environment, prepared the comprehensive plan, allocated resources and directed offices throughout the country to follow it. These connected decisions explain how the business intends to attain its sales objective and support continued growth.

Step 5: Conclusion The two types of plans are **objective**, represented by the current-year sales increase of 20%, and **strategy**, represented by the comprehensive, environment-based plan and resource allocation for achieving that target.

Quick Tip to Solve: Separate the desired result from the route to it: a quantified sales target is an objective; an environment-based comprehensive course of action is a strategy.

22(a). Explain any five points of importance of 'directing' function of management. [5 marks]

Solution:

Concept:

- Directing is the managerial process of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives. It puts managerial plans into action through people.
- Its importance extends beyond issuing orders: it integrates effort, develops employees' potential and helps an organisation adapt while maintaining coordinated working.

Step 1: Explain how directing initiates action **Initiates action:** Planning decides what is to be done, organising allocates work and staffing provides people. Directing makes these preparations operational by telling employees what to do and guiding them in performing their assigned tasks. Thus, actual work towards the objectives begins through instructions, supervision and leadership.

Step 2: Show how individual efforts are integrated **Integrates employees' efforts:** Different employees and departments perform different activities. Through guidance, communication and leadership, directing links their efforts so that everyone works towards common organisational goals. It helps prevent conflicting action and ensures that one person's work supports, rather than obstructs, the work of others.

Step 3: Explain the development of employee potential **Realises employees' potential:** Effective motivation and leadership help employees recognise their abilities and contribute their best. A manager guides a subordinate, encourages initiative and provides suitable incentives. This enables the employee to use previously underutilised capabilities and improves both individual performance and the achievement of organisational objectives.

Step 4: Connect directing with the introduction of change **Facilitates introduction of change:** Employees may resist new methods because they fear uncertainty or loss of benefits. A manager explains why a change is necessary, communicates its benefits and motivates employees to cooperate. Effective directing therefore reduces resistance and helps employees accept changes in technology, methods or the work environment.

Step 5: Explain stability and balance in the organisation **Brings stability and balance:** Good directing promotes cooperation and commitment and helps managers handle differences between individuals

and groups. Through effective communication, motivation and leadership, it builds a harmonious work environment. Employees can then work together consistently, supporting the organisation's stability and balancing their interests with its goals.

Step 6: Conclusion Directing is important because it initiates action, integrates individual efforts, realises employees' potential, facilitates change and brings stability and balance. These five contributions turn organisational plans into coordinated performance.

Quick Tip to Solve: Recall the sequence: start work, unite efforts, develop potential, accept change and maintain harmony. Explain the mechanism behind each point rather than listing headings alone.

OR

22(b). Explain any five non-financial incentives. [5 marks]

Solution:

Concept:

- Non-financial incentives motivate employees primarily by satisfying psychological, social and emotional needs, such as esteem, belongingness, responsibility and personal growth.
- Their main motivational value is not a direct cash reward. Managers select them according to employees' needs; the same incentive need not motivate every person equally.

Step 1: Explain status as an incentive **Status:** Status refers to the ranking of positions in an organisation. The authority, responsibility, recognition and prestige associated with a position give it status. An appropriate designation, greater authority or a respected role can satisfy an employee's need for esteem and encourage better performance. Its motivational effect comes from the position's standing and recognition.

Step 2: Describe a favourable organisational climate **Organisational climate:** This is the set of characteristics that describes an organisation and distinguishes it from others. Features such as individual autonomy, a supportive attitude of management, recognition of achievement and encouragement of initiative influence employees' behaviour. A positive climate makes employees feel trusted and supported, encouraging them to contribute willingly.

Step 3: Explain career advancement opportunities **Career advancement opportunity:** Employees are motivated when they can see opportunities to grow to higher positions. Managers should provide opportunities for employees to improve their skills and an appropriate promotion policy so that they can advance in their careers. The prospect of greater responsibility and professional growth encourages employees to improve their performance and capabilities.

Step 4: Explain job enrichment **Job enrichment:** Job enrichment means designing jobs with a greater variety of work content, requiring a higher level of knowledge and skill. It also gives employees more autonomy and responsibility, opportunities for personal growth and a meaningful work experience. Challenging and significant work can satisfy employees' needs for achievement and self-fulfilment, increasing their interest in the job.

Step 5: Describe employee recognition programmes **Employee recognition programmes:** Recogni-

tion means acknowledging and appreciating good performance. A manager may praise an employee in front of colleagues, display a record of achievement, give a certificate or offer special appreciation for a useful suggestion. Such recognition satisfies esteem needs and encourages the employee to maintain the desired behaviour; it also shows others which contributions are valued.

Step 6: Conclusion Five non-financial incentives are status, a favourable organisational climate, career advancement opportunities, job enrichment and employee recognition programmes. They encourage performance by meeting needs for respect, support, growth, meaningful work and appreciation.

Quick Tip to Solve: Link every incentive to the need it satisfies: status and recognition build esteem, career advancement offers growth, and job enrichment adds challenge and responsibility.

Section E (18 marks)

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

Solution:

Concept:

- Coordination is the process by which a manager synchronises the activities of different departments and individuals so that their efforts contribute to organisational goals.
- It provides the orderly arrangement of group efforts and unity of action in pursuit of a common purpose. It is the essence of management because it is required throughout the managerial functions.

Step 1: Explain how coordination combines efforts and gives common direction **1. Coordination integrates group efforts:** An organisation consists of individuals and departments performing different tasks. Coordination brings these diverse interests and activities together into purposeful work relationships. It unifies otherwise unrelated or potentially conflicting activities into a meaningful whole. For example, a production department's output plans must be brought into line with the sales department's demand estimates and the purchasing department's supply arrangements. Their separate contributions then support the organisation's common objective.

2. Coordination ensures unity of action: Coordination acts as the binding force between departments and ensures that their actions move in the same direction. It secures unity of action in the pursuit of a common purpose rather than allowing each department to follow only its own narrow target. For example, sales promises and production schedules must agree on the quantity and delivery date of an order. Departments retain their specialised duties, but perform them in a manner consistent with the overall plan.

Step 2: Explain why coordination continues across time and levels **3. Coordination is a continuous process:** Coordination is not a one-time exercise completed when an initial plan is made. It begins at the planning stage and continues through organising, staffing, directing and controlling. As circumstances change, managers must repeatedly adjust the timing and performance of interdependent activities. A delay in material supply, for example, requires production and sales plans to be synchronised again. Thus, coordinated effort must be maintained throughout the organisation's operations.

4. Coordination is an all-pervasive function: Coordination is necessary at every level of management and in every department because activities are interdependent. Top management coordinates departmental plans with organisational objectives; middle management coordinates the work of different units; and supervisory management coordinates workers' day-to-day activities. Similarly, production, finance, marketing and other departments all require it. Its need is therefore not confined to one department or to senior managers alone.

Step 3: Conclusion The four characteristics are integration of group efforts, unity of action, continuity and pervasiveness. Together, they show how coordination converts specialised individual and departmental activities into consistent effort towards organisational goals.

Quick Tip to Solve: Remember "combine, direct, continue, everywhere": integrate efforts, ensure unity of action, coordinate continuously, and cover every level and department. Explain each characteristic separately.

OR

23(b). Explain any four points highlighting the nature of principles of management. [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They help managers organise and direct human effort towards organisational objectives.
- These principles deal with people and changing business situations. Their use therefore requires understanding, judgement and adaptation rather than mechanical application like an exact scientific law.

Step 1: Explain the scope and guidance provided by management principles **1. Universal applicability:** Management principles can be applied to all types of organisations, whether business or non-business, small or large, and to different levels of management. For instance, division of work can improve specialisation in a factory as well as in a hospital. However, their precise application and the extent to which they are used depend on the organisation's nature, size and circumstances. Universality therefore means wide relevance, not an identical procedure in every organisation.

2. General guidelines: Principles of management provide broad guidance for dealing with managerial problems rather than ready-made solutions to every difficulty. Actual business situations are complex and arise from many interacting factors. A manager must examine the problem and use the relevant principle with judgement. For example, fair remuneration guides a manager in deciding pay, but does not by itself prescribe one exact salary for every employee and organisation. The details must be decided in the light of the actual conditions.

Step 2: Explain how management principles develop and adapt **3. Formed by practice and experimentation:** Management principles have developed from managers' experience, observation and repeated practice, as well as from experiments under different conditions. A successful practice is studied to identify the relationship between managerial action and its results. For example, scientific management techniques emerged from systematic study and experimentation with work methods. Thus, management principles have a practical and experimental basis; they are not merely arbitrary

statements made without examining organisational experience.

4. Flexibility: Management principles are flexible rather than rigid prescriptions. Managers have discretion to modify their application according to the requirements of a particular situation. For instance, centralisation and decentralisation must be balanced according to the organisation's needs and the capabilities of subordinates. The degree of authority delegated may change as circumstances change. Such adaptation makes a principle useful in real business conditions without treating it as an inflexible rule that must always be followed in exactly the same way.

Step 3: Conclusion Four points highlighting the nature of management principles are universal applicability, their role as general guidelines, their development through practice and experimentation, and flexibility. They guide managers while leaving room for decisions suited to the actual situation.

Quick Tip to Solve: Link each heading to its distinct meaning: universal means wide relevance, guideline means broad direction, experimentation explains origin, and flexibility means adaptable application.

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24. Chintamani is the Production Manager of 'Global India Ltd.' manufacturing and exporting steel. During the year 2017 – 18, the company could not meet its production targets. The Chief Executive Officer of the company constituted a committee of experts to find out the reasons and give its recommendation so that the production target could be met in the future. The company analysed the production related records and found out that there were problems due to communication. 'Global India Ltd.' had rigid rules and would insist on communication through prescribed channels, which led to delays. The company also had a number of managerial levels causing further delay and distorted communication.

Moreover, the Production Manager, Chintamani, was using a tone that quite often offended the sentiments of the workers. Also, Chintamani and the workers did not believe in each other and so could not understand each other's messages in the original sense.

(a) Identify and give the meaning of the types of communication barriers discussed above.

(b) Quoting lines from the above, state two communication barriers under each of the types identified in part (a) because of which 'Global India Ltd.' could not meet its production targets.

(c) State any two recommendations that might have been given by the committee to improve communication effectiveness. [6 marks]

Solution:

Concept:

- Communication is effective when the receiver understands the message in the sense intended by the sender. Organisational barriers arise from an organisation's policies, rules, structure and authority relationships.
- Psychological barriers arise from the emotional or mental state and attitudes of the sender and receiver. Hurt feelings and distrust can prevent an otherwise understandable message from being received objectively.

Step 1: Identify the two types of barriers in part (a) **Organisational barriers:** These are obstacles created by organisational arrangements, including prescribed procedures and the chain of command.

Global India Ltd.'s formal channels and numerous managerial levels delay or distort messages.

Psychological barriers: These are obstacles arising from people's feelings, mental state or attitudes towards each other. Here, the workers' offended sentiments and the mutual absence of trust interfere with understanding.

Step 2: Quote the two organisational barriers for part (b) **Rules and regulations:** The company "had rigid rules and would insist on communication through prescribed channels, which led to delays." Strict insistence on the prescribed route prevents a message from reaching the concerned person promptly, even when quick direct communication is needed.

Complexity in organisation structure: It had "a number of managerial levels causing further delay and distorted communication." A message passing through many successive levels takes longer to reach its destination and may be filtered or altered along the way.

Step 3: Quote the two psychological barriers for part (b) **Emotional barrier:** Chintamani was "using a tone that quite often offended the sentiments of the workers." The hurt or resentment generated by that tone makes workers less receptive to the substance of his communication.

Distrust: "Chintamani and the workers did not believe in each other and so could not understand each other's messages in the original sense." When sender and receiver lack mutual trust, they suspect the intention behind a message and may interpret it differently from what was intended.

Step 4: Recommend two measures for part (c) **Be aware of the language, tone and content of the message:** Chintamani should use courteous, clear language and a respectful tone that does not hurt workers' sentiments. Matching the manner of delivery to the intended meaning reduces resentment and helps workers concentrate on the production instructions.

Ensure proper feedback: The sender should ask the receiver to explain the instructions in their own words and invite questions. Chintamani should listen to workers' responses, clarify doubts and check that the instructions have been understood. This two-way exchange detects distortion before it affects production and encourages mutual confidence.

Step 5: Conclusion The two types are organisational and psychological barriers. Rigid rules and regulations and structural complexity belong to the first; an adverse emotional reaction to the manager's tone and distrust belong to the second. Careful use of language and tone, together with proper feedback, can improve communication effectiveness.

Quick Tip to Solve: Link every barrier to a quoted case line: prescribed channels and many levels describe the organisation, while hurt sentiments and disbelief describe the people's mental state.

25. 'Monisha Consumer Goods' is a leading consumer goods chain with a network of 46 stores primarily across Mumbai, Delhi and Pune. It was started by Monisha Gupta in 1987. It has a large market share in Mumbai, Delhi and Pune. Looking for an opportunity to expand, it has decided to open a new branch in Kerala. It has to decide on what new resources it will invest in so that it is able to earn the highest possible return for its investors. Once the company believes that it will be able to generate higher revenues and profits, it also has to decide on how this project will get funded. The finance manager, Atul was told to have an optimal capital structure by striking a balance between various sources of getting the project funded so as to increase shareholders' wealth. Atul, after assessing the cash flow position of the company, evaluated the cost of different sources of finance and compared the risk associated with each source as well as the cost of raising funds.

(a) State the two financial decisions discussed in the above situation.

(b) Explain any two factors affecting each of the decisions that still have to be considered by the finance manager. [6 marks]

Solution:

Concept:

- An investment decision concerns the assets in which a business should invest its funds. A long-term investment decision, or capital budgeting decision, commits resources to projects whose benefits extend over several years.
- A financing decision concerns the sources from which funds should be raised and their relative proportions. The mix of debt and owners' funds should support the objective of maximising shareholders' wealth.

Step 1: Identify the investment decision in part (a) **Long-term investment decision or capital budgeting decision:** Opening the new Kerala branch involves choosing the assets and resources in which the chain will commit funds. The decisive line is that it must decide "what new resources it will invest in so that it is able to earn the highest possible return for its investors." This concerns the use of funds for expansion, with returns expected over a period of years.

Step 2: Identify the financing decision in part (a) **Financing decision:** The business must choose how to raise the money for the project. The case says it has to decide "how this project will get funded" and achieve an "optimal capital structure by striking a balance between various sources". Atul must therefore decide the appropriate proportions of debt and owners' funds, considering their effect on shareholders' wealth.

Step 3: Explain two remaining factors affecting the investment decision **Cash flows of the project:** Atul should estimate the series of cash receipts and cash payments arising from the Kerala branch over its life. Both their amount and their timing matter because the business must commit funds now and recover them through future cash inflows. Higher expected accounting revenues or profits alone do not establish when cash will actually be available. The project's expected cash flows should be assessed carefully before committing funds.

Investment criteria involved: The proposed branch must be evaluated using appropriate capital budgeting techniques. These criteria consider the investment required, the expected returns and cash flows, and relevant financing requirements in deciding whether to accept the project or choose a better alternative. Atul should apply the chosen appraisal criteria consistently so that the project

selected contributes to shareholders' wealth.

Step 4: Explain two remaining factors affecting the financing decision **Control considerations:** Issuing additional equity shares may dilute the voting power of existing shareholders. Borrowed funds generally do not confer ownership voting rights on lenders. If retaining the existing owners' control is a major concern, this may favour debt, subject to the company's ability to meet its financial obligations. Atul must assess this ownership consequence before choosing the financing mix.

State of the capital market: Conditions in the securities market influence the choice of finance. In a rising market, investors are more willing to invest in equity, so an equity issue may be easier to place. During a depressed market, raising equity may be difficult and the company may rely more on debt. Atul should consider the prevailing market conditions when deciding the source and timing of the funds to be raised.

Step 5: Conclusion The situation discusses a long-term investment decision and a financing decision. For the investment decision, project cash flows and investment appraisal criteria still need attention. For the financing decision, control considerations and the state of the capital market are two further factors, in addition to the cash flow position, costs and risks already assessed in the case.

Quick Tip to Solve: Separate the use of funds from their sources. When asked for factors still to be considered, choose factors beyond those the case explicitly says the manager has already evaluated.