CBSE Class 12 Business Studies Question Paper 2019 with Solution PDF-Set 66/5/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

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

(ii) Section A contains **questions 1 to 8** carrying **one mark** each. Answers to these questions may be given in **one word** or a sentence.

(iii) Section B contains **questions 9 to 13** carrying **three marks** each. Answers to these questions may be given in **50 – 75 words**.

(iv) Section C contains **questions 14 to 19** carrying **four marks** each. Answers to these questions may be given in **about 120 words**.

(v) Section D contains **questions 20 to 22** carrying **five marks** each. Answers to these questions may be given in **about 150 words**.

(vi) Section E contains **questions 23 to 25** carrying **six marks** each. Answers to these questions may be given in **about 200 words**.

(vii) There is no over-all-choice in the question paper, however an internal choice has been provided in **3** questions of one mark, **2** questions of three marks, **2** questions of four marks, **1** question of five marks and **1** question of six marks. You have to attempt only one of the choices in such questions.

Section A (8 marks)

1. '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 estimates the funds a business will require and specifies the sources from which those funds will be raised.
- Its aim is to make funds available when required while avoiding both a shortage and an unnecessary surplus of funds.

Step 1: Identify the neglected concept The neglected concept is **financial planning**. The decisive clue is that the company raised funds which were 'in excess of the actual requirement'. It should have estimated its requirement before determining the amount of the share issue.

Step 2: Define financial planning Financial planning is the process of estimating the fund requirements of a business and specifying the sources of funds. An estimate of the actual requirement would have helped XY Ltd. match the amount raised to its needs. The authorised capital only sets the permitted capital limit; it does not establish how much finance the company actually needs.

Step 3: Conclusion The company failed to consider financial planning: estimating its fund requirements and specifying the sources from which the funds would be obtained.

Quick Tip to Solve: When a case links an excessive or inadequate fund issue to failure to estimate requirements, identify financial planning before discussing sources of finance.

2. '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 oral communication with prospective buyers to persuade them to purchase a product.
- Technically complex industrial products often require individual demonstrations, explanations and answers to buyer queries.

Step 1: Choose the promotion tool The company should use **personal selling**. Its equipment uses a 'unique laser technique', and surgeons need 'proper training'. A salesperson with technical knowledge can meet hospital decision-makers and demonstrate the equipment.

Step 2: Connect the tool to the buying situation The buyers are a limited number of hospitals, so individual contact is practical. Personal interaction enables the seller to explain operation, answer technical questions and arrange the guidance needed for maintenance. Mass advertising alone cannot provide this individual explanation of a specialised product.

Step 3: Conclusion Personal selling is suitable because the complex equipment and its limited institutional market require technical explanation, demonstration and direct interaction with prospective buyers.

Quick Tip to Solve: For a technically complex product sold to a few institutional buyers, connect personal selling to demonstration and direct clarification of doubts.

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3. 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 ensures that a consumer can voice a complaint and that the consumer's interests receive due consideration.
- The right to seek redressal allows a consumer to seek relief against defective goods, deficient service or unfair trade practices.

Step 1: Identify the right linked to the ignored complaint Vivek may exercise his **right to be heard**. The dealer 'refused to listen to his complaint'. Vivek can place his grievance before the appropriate consumer forum so that it receives consideration.

Step 2: Identify the right linked to relief He may also exercise his **right to seek redressal**. The bike developed gear problems after only two months and 400 kms, within both stated guarantee limits. He can seek appropriate relief, such as repair or replacement under the guarantee, rather than accept the dealer's refusal to act.

Step 3: Conclusion Vivek may exercise the right to be heard and the right to seek redressal for the defective bike and the ignored complaint.

Quick Tip to Solve: Link a refused complaint to the right to be heard, and a demand for repair, replacement or compensation to the right to seek redressal.

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

Solution:

Concept:

- Management combines and coordinates different resources to accomplish organisational goals.
- Effectiveness means achieving the intended result; efficiency means achieving it with economical use of resources.

Step 1: Name the human input **Human resources:** Managers need people, including employees and their knowledge, skills and effort, to carry out the activities required for a task. People operate equipment, make decisions and coordinate work.

Step 2: Name the financial input **Financial resources:** Money is needed to acquire materials, pay wages and meet other operating expenses. Management allocates these funds to the activities that help achieve its objectives. Human resources and financial resources are two distinct inputs; effectiveness and efficiency describe their use rather than naming resources.

Step 3: Conclusion Two input resources are human resources and financial resources.

Quick Tip to Solve: For a question asking for input resources, name what management uses, such as people and money, rather than its functions or desired results.

5. 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 involves setting objectives and deciding in advance the appropriate course of action for achieving them.
- It is a mental exercise in which managers consider the future and decide what is to be done and how it is to be done.

Step 1: Identify the management function The function is **planning**. The case refers to 'thinking about the future', 'making business predictions' and 'achieving targets'. These clues show that managers are deciding future objectives and the actions needed to attain them.

Step 2: Define planning Planning means setting objectives and developing an appropriate course of action to achieve those objectives. It bridges the gap between where the organisation is and where it wants to be. Merely wishing for higher sales is not enough: managers must determine a target and select the actions through which it can be achieved.

Step 3: Conclusion The function is planning: setting objectives and developing an appropriate course of action to achieve them.

Quick Tip to Solve: Future thinking and deciding a course of action indicate planning; the target states what is wanted, and the plan states how to reach it.

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

Solution:

Concept:

- Formal organisation is the structure of authority and responsibility deliberately designed by management.
- It specifies official working relationships so that individual efforts contribute towards organisational objectives.

Step 1: State the meaning **Formal organisation** refers to the organisation structure deliberately created by management to accomplish a particular task. It defines who is responsible for each activity and who reports to whom.

Step 2: Explain the official relationship In this structure, duties, authority and responsibility are specified through official positions. Employees coordinate their work using these prescribed relationships. The defining feature is deliberate managerial design for organisational objectives, rather than friendship or social relationships that develop spontaneously among employees.

Step 3: Conclusion Formal organisation is the structure deliberately designed by management, specifying authority, responsibility and official relationships for achieving organisational objectives.

Quick Tip to Solve: Remember formal organisation through deliberate design, official positions and prescribed reporting relationships.

OR

6(b). What is meant by 'Informal Organisation' ? [1 mark]

Solution:

Concept:

- Informal organisation is the network of social relationships that develops spontaneously among people working together.
- It arises from interaction, friendship and common interests, rather than from an officially prescribed authority structure.

Step 1: State the meaning **Informal organisation** refers to the network of social relationships which emerges spontaneously among employees as they interact within the formal organisation. Management does not deliberately create these relationships through an organisation chart.

Step 2: Explain how it develops People who work together may form friendships or groups based on shared interests and personal contact. These relationships create channels of communication and influence beyond the prescribed reporting lines. The organisation is informal because its relationships arise naturally, even though its members also hold positions in the formal organisation.

Step 3: Conclusion Informal organisation is the network of social relationships that arises spontaneously through interaction among people within the formal organisation.

Quick Tip to Solve: Use spontaneous social relationships as the defining phrase for informal organisation; official authority relationships belong to formal organisation.

7(a). Differentiate between an 'Aptitude Test' and a 'Personality Test'. [1 mark]

Solution:

Concept:

- Selection tests assess whether an applicant has the abilities and personal qualities needed for a job.
- An aptitude test measures potential to learn; a personality test measures relatively enduring personal characteristics.

Step 1: Identify the basis of distinction The two tests differ in what they assess. Aptitude concerns a candidate's capacity to acquire a skill through training, whereas personality concerns the candidate's behavioural characteristics.

Step 2: Compare their purposes

Basis	Aptitude test	Personality test
What it measures	Potential to learn new skills and develop abilities required for a job.	Personal characteristics such as emotional reactions, maturity and value system.

Step 3: Conclusion An aptitude test assesses the potential to learn new skills, while a personality test assesses personal characteristics and behavioural tendencies.

Quick Tip to Solve: Link aptitude with future learning potential and personality with personal traits; do not confuse aptitude with existing job proficiency.

OR

7(b). Differentiate between 'Recruitment' and 'Selection'. [1 mark]

Solution:

Concept:

- Recruitment and selection are successive activities in staffing: recruitment creates a pool of applicants, and selection chooses suitable people from that pool.
- The key distinction is attracting applicants versus identifying the best-suited candidate.

Step 1: State the purpose of each activity Recruitment searches for prospective employees and stimulates them to apply for jobs. Selection examines the applicants and chooses those who are most suitable for the vacant positions.

Step 2: Present the distinction

Basis	Recruitment	Selection
Nature	A positive process that attracts more candidates to apply.	A negative process that rejects unsuitable applicants and chooses suitable ones.

Step 3: Conclusion Recruitment attracts prospective candidates to apply, whereas selection chooses suitable employees from the applicants by eliminating those who do not meet job requirements.

Quick Tip to Solve: Remember the sequence: attract a pool through recruitment, then choose from that pool through selection.

8(a). How does 'Interest Coverage Ratio' affect the capital structure of an enterprise ? [1 mark]

Solution:

Concept:

- The interest coverage ratio indicates how many times earnings before interest and tax can cover the interest obligation.
- Debt entails a fixed interest commitment; the capacity to meet it affects the amount of debt a firm can safely use.

Step 1: Interpret a high ratio A higher interest coverage ratio means that earnings provide a larger cushion for paying interest. Even if operating earnings fall, the firm is better placed to honour its fixed interest commitment.

Step 2: Connect coverage with the financing choice Therefore, a higher ratio generally permits the enterprise to use more debt in its capital structure. A lower ratio restricts the use of debt because interest payments are already using a larger share of earnings. The ratio indicates debt-servicing capacity rather than making borrowing compulsory.

Step 3: Conclusion A higher interest coverage ratio permits greater use of debt in the capital structure; a lower ratio calls for less debt because the risk of failing to pay interest is greater.

Quick Tip to Solve: Read a coverage ratio as a safety cushion: stronger interest cover supports more debt, while weak cover limits borrowing.

OR

8(b). How does 'Debt Service Coverage Ratio' affect the capital structure of an enterprise ? [1 mark]

Solution:

Concept:

- The debt service coverage ratio compares cash available for servicing debt with the cash needed for interest and repayment of principal.
- It gives a broader measure of debt-servicing ability than interest coverage because principal repayment is considered as well.

Step 1: Interpret the ratio A higher debt service coverage ratio indicates a greater cash cushion for meeting both interest and principal commitments. A lower ratio indicates that the enterprise has less cash available relative to these scheduled payments.

Step 2: Relate repayment ability to capital structure When the ratio is higher, the enterprise is better able to honour debt obligations and can generally include a larger proportion of debt in its capital structure. A low ratio limits further borrowing because additional debt would add fixed payment commitments and increase the risk of default.

Step 3: Conclusion A higher debt service coverage ratio supports greater use of debt; a lower ratio restricts debt financing because the capacity to pay interest and repay principal is weaker.

Quick Tip to Solve: For debt service coverage, remember both interest and principal: a larger repayment cushion allows greater reliance on debt.

Section B (15 marks)

9. 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 consumer interests independently of direct government control.
- The case already states the function of encouraging consumers to protest against unfair trade practices; the answer must give three other functions.

Step 1: Identify the organisation and its role The friends propose a consumer organisation or NGO. The description that it has a "constitution of its own and is "free from government interference supports this identification. Their concern about sub-standard and duplicate goods explains why consumer protection is needed. The function of encouraging protest has already been given, so it should not be repeated as one of the additional functions.

Step 2: State three additional functions **1. Educating consumers:** It can organise training programmes, seminars and workshops to make consumers aware of their rights, responsibilities and available remedies. Informed consumers can recognise unfair practices and make better purchase decisions.

2. Conducting comparative product tests: It can test competing consumer products in accredited laboratories to compare their quality and publish the results for consumers. This helps buyers distinguish reliable products from sub-standard goods and make informed choices.

3. Providing legal assistance: It can advise consumers who have suffered loss, guide them in preparing complaints and provide legal assistance in seeking redressal. Such help enables consumers to pursue remedies for defective goods or deficient services.

Step 3: Conclusion Three additional functions are educating consumers about their rights, conducting and publishing comparative product tests, and providing legal assistance to consumers seeking redressal.

Quick Tip to Solve: When asked for other functions, exclude the function already stated in the case; use distinct roles such as education, testing and legal help.

10. 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 that involves overseeing the work of subordinates and guiding their efforts towards organisational objectives.
- A supervisor works in direct contact with workers. Besides guiding, training and providing feedback, the supervisor links workers with management and helps maintain group unity.

Step 1: Identify the element from Shiv's activities The element is **supervision**. Shiv has five workers under him and gives them instructions to secure optimum utilisation of resources and achievement of work targets. His provision of on-the-job training and his analysis of their work followed by feedback show direct oversight and guidance of subordinates. These activities identify him as a supervisor.

Step 2: State two additional functions **Link between workers and management:** Shiv can communicate management's plans, policies and decisions to the workers and explain their meaning. In the other direction, he can convey workers' problems, suggestions and grievances to management. This two-way link helps each side understand the other and reduces misunderstandings. It is distinct from the training and performance feedback already mentioned in the case.

Maintenance of group unity: Shiv can help workers cooperate as a team and settle differences among them. By encouraging harmonious relations and dealing with internal disputes, he can prevent conflict from obstructing their joint work. This promotes unity within the group and supports coordinated effort towards the unit's targets.

Step 3: Conclusion Shiv performs supervision. Two further functions he can perform are acting as a link between workers and management, and maintaining group unity by promoting cooperation and resolving differences.

Quick Tip to Solve: When asked for additional supervisory functions, first exclude those already stated in the case; here use the linking role and group unity.

11. '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 may be classified by the maturity of the 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 shares, debentures and bonds. It includes both the primary market and the secondary market.

Step 1: Identify the market by the maturity period The market is the **capital market**. The question specifies instruments with a maturity of more than one year, which belong to the market for medium- and long-term finance. It is therefore different from the money market, where instruments have a maturity of up to one year. Capital-market funds help finance investment needs such as expansion and the acquisition of long-term assets.

Step 2: State two features of the capital market **Range of participants:** Its participants include financial institutions, banks, corporate entities, foreign investors and ordinary retail investors. Thus, individuals as well as institutional investors can channel their savings into securities through this market. Participation is not confined to large financial institutions.

Nature of instruments: The main instruments traded include equity shares, preference shares, debentures and bonds. These instruments enable enterprises to raise ownership funds or long-term borrowed funds. Shares represent ownership and generally have no fixed maturity, while debt instruments can provide funds for periods exceeding one year. The market consequently supplies finance suited to longer-term investment requirements.

Step 3: Conclusion Instruments with a maturity of more than one year are traded in the capital market. Two features are its broad range of institutional and individual participants, and its trading in instruments such as shares, debentures and bonds.

Quick Tip to Solve: Use the one-year boundary to identify the market, then state two separate features such as its participants and its main instruments.

12(a). Explain the first three steps in the process of 'organising'. [3 marks]

Solution:

Concept:

- Organising gives effect to plans by identifying work, grouping related activities and assigning duties to people. It establishes an orderly arrangement of tasks and resources.
- The first three steps are identification and division of work, departmentalisation, and assignment of duties. Establishing reporting relationships follows these steps.

Step 1: Identify and divide the work **Identification and division of work:** First identify all activities required to carry out the predetermined plans. Divide the total work into manageable tasks so that

each task can be performed systematically. This prevents important activities from being overlooked and avoids duplication. Division also allows a person to concentrate on a limited part of the work, making specialisation possible. For example, a manufacturing enterprise identifies activities relating to production, purchasing and sales before allocating them.

Step 2: Group related activities into departments **Departmentalisation:** After dividing the work, group activities that are similar or related into departments. This brings connected tasks under a common unit and facilitates coordination. Departments may be created on a suitable basis, such as functions or products. For example, activities concerned with selling can be grouped in the sales department, while manufacturing activities are grouped in production. The grouping should suit the organisation's needs.

Step 3: Assign duties to individuals **Assignment of duties:** Allocate the work of each department to its members according to their knowledge, skills, experience and abilities. Define each person's duties clearly so that everyone knows what work must be completed. Matching the task to the person helps obtain effective performance and makes responsibility for its completion clear. Work should be assigned to people best suited to perform it.

Step 4: Conclusion The first three steps of organising are identification and division of work, departmentalisation, and assignment of duties. They move from deciding the tasks to grouping them and allocating them to suitable people.

Quick Tip to Solve: Remember the sequence as identify and divide, group, then assign; reporting relationships are the next step and are outside the first three requested.

OR

12(b). Explain any three points of importance of 'organising' function of management. [3 marks]

Solution:

Concept:

- Organising translates plans into action by identifying activities, grouping them, assigning duties and establishing reporting relationships.
- Its importance lies in creating a clear division of work and a coordinated structure. Three benefits are specialisation, clarity in working relationships and optimum utilisation of resources.

Step 1: Explain benefits of specialisation **Benefits of specialisation:** Organising divides the total work into smaller jobs and assigns particular jobs to particular employees. Repeated performance of a specific job allows an employee to gain skill and experience in it. This reduces unnecessary changes between different tasks and improves efficiency and the quality of work.

Step 2: Explain clarity in working relationships **Clarity in working relationships:** Organising specifies each employee's duties, authority and responsibility. It makes clear who reports to whom, who can give instructions and who is accountable for a task. This removes ambiguity, avoids confusion and establishes communication channels through which employees can coordinate their work.

Step 3: Explain optimum utilisation of resources **Optimum utilisation of resources:** Work is

allocated according to employees' abilities, while material and financial resources are assigned to the activities requiring them. Clear allocation prevents overlapping duties and duplication of work. Better coordination and avoidance of waste help the organisation obtain the best possible use of its available resources.

Step 4: Conclusion Organising improves performance through specialisation, clear working relationships and optimum utilisation of resources. Together, these benefits enable employees to carry out planned activities efficiently.

Quick Tip to Solve: For each importance point, state the benefit and then explain how the division of work or reporting structure produces it.

13(a). Explain the following points of importance of 'controlling' :
(i) Accomplishing organisational goals;
(ii) Judging accuracy of standards; and
(iii) Making efficient use of resources. [3 marks]

Solution:

Concept:

- Controlling ensures that actual activities conform to plans. It compares performance with predetermined standards, identifies deviations and initiates corrective action.
- Control is valuable both for achieving the current plan and for improving future plans. It helps managers assess standards and use organisational resources efficiently.

Step 1: Explain accomplishment of organisational goals **Accomplishing organisational goals:** Controlling measures progress towards the organisation's objectives and brings deviations from planned performance to management's attention. Managers can then correct the causes of deviations before they prevent achievement of the objectives. In this way, controlling guides activities and keeps the organisation on the right track.

Step 2: Explain how standards are checked **Judging accuracy of standards:** Comparing actual results with standards helps management judge whether those standards are accurate and realistic. A good control system also checks changes in the organisation and its environment. Standards that have become inappropriate can therefore be reviewed and revised. This makes future standards more useful as a basis for evaluating performance.

Step 3: Explain efficient use of resources **Making efficient use of resources:** Under a control system, employees know that their performance is measured against predetermined standards. They therefore work in accordance with these standards and exercise care in using resources. Control detects wastage, inefficiency and misuse, allowing management to take corrective action and achieve more effective use of human, material and financial resources.

Step 4: Conclusion Controlling supports organisational goals by correcting deviations, tests the suitability of performance standards and helps prevent wasteful use of resources.

Quick Tip to Solve: Link goals with correcting deviations, standards with reviewing realism, and resources with preventing wastage and misuse.

OR

13(b). Explain the steps in the controlling process after 'measurement of actual performance'.

[3 marks]

Solution:

Concept:

- The controlling process begins with setting performance standards and measuring actual performance. The question asks for the stages that follow measurement.
- Those stages are comparing actual performance with standards, analysing deviations and taking corrective action. They convert performance information into managerial action.

Step 1: Compare actual performance with standards **Comparing actual performance with standards:** The measured results are compared with the predetermined standards to identify the extent of any deviation. This comparison is easier when both are expressed in the same quantitative terms, such as actual units produced against the production target. It reveals whether performance is equal to, above or below the expected level.

Step 2: Analyse the deviations **Analysing deviations:** Managers determine which deviations require attention and investigate their causes. Critical point control focuses on key result areas that are crucial to organisational success. Management by exception directs attention to deviations exceeding acceptable limits, since every minor variation need not be investigated. Causes may include inadequate resources, defective equipment, poor training or unrealistic standards.

Step 3: Take corrective action **Taking corrective action:** Where a deviation exceeds the permissible limit, management acts to remove its cause. For example, a production shortfall due to inadequate skill calls for employee training, while faulty machinery calls for repair. If investigation shows that the standard itself was unrealistic, it may be revised. When performance is within acceptable limits, no corrective action is required.

Step 4: Conclusion After measuring actual performance, management compares it with standards, analyses significant deviations and takes suitable corrective action to bring activities back in line with plans.

Quick Tip to Solve: Begin after measurement: compare, analyse, act. Explain the purpose of each stage rather than repeating earlier steps of control.

Section C (24 marks)

14. 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:

- Staffing is the managerial function of finding the right people for the right jobs. It involves filling and keeping filled the positions in the organisation structure.
- Recruitment searches for prospective employees and stimulates them to apply. Labour contractors and campus recruitment are external sources because candidates are obtained from outside the organisation.

Step 1: Identify recruitment through a labour contractor **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." Prem acts as a labour contractor: he maintains contacts with workers and supplies the required labour to the employer. Such contractors are useful for obtaining unskilled workers at short notice, particularly when the workers come from distant areas. Here, the five serving and home-delivery workers are obtained through Prem's existing labour-supply business.

Step 2: Identify recruitment through an educational institution **Campus recruitment:** The supporting 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 means approaching educational or professional institutions to obtain candidates with the qualifications and skills needed for particular jobs. Institutions provide a pool of trained candidates from which the employer can recruit. The hotel management institute supplies candidates trained for work as chefs, so this is campus recruitment.

Step 3: Explain the management function in the case **Staffing:** This is the process of filling and keeping filled positions in the organisation structure by obtaining suitable people and developing

them for their work. It includes estimating manpower requirements, recruitment, selection, placement and orientation, training and development, and related personnel activities. Ganesh has already planned and organised the restaurant and now seeks people for the identified posts; this is the staffing function.

Step 4: Conclusion The two sources are **labour contractors**, used through Prem for the serving and delivery workers, and **campus recruitment**, used through the Hotel Management Institute for the chefs. The management function is **staffing**, which fills and keeps filled the organisation's positions with suitable people.

Quick Tip to Solve: Link each source to its supplier: a person supplying unskilled workers indicates a labour contractor; a professional institute supplying trained candidates indicates campus recruitment.

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15. 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:

- The marketing mix is the set of marketing tools a firm uses to pursue its marketing objectives in a target market. Its four main elements are product, price, place and promotion, commonly called the four Ps.
- These tools are controllable decisions. A marketing manager combines and adjusts them to satisfy customer needs and achieve the firm's objectives in the prevailing business environment.

Step 1: Identify the set of tools from the case Jay refers to the **marketing mix**. The clue is that the controllable factors are "marketing tools that can be constantly shaped and reshaped by marketing managers, to achieve marketing success." The manager chooses an appropriate combination of these tools for the target customers; the four elements must support one another.

Step 2: Explain product and price decisions **Product:** A product is the goods, services or other offering provided to satisfy a customer's needs. Product decisions include quality, features, design, branding, packaging, labelling and after-sales services. For a soft drinks business, decisions about flavours, bottle sizes and packaging form part of this element. The offering should provide the benefits the target customer seeks.

Price: Price is the amount of money the customer pays to obtain the product. Price decisions include the basic price, discounts, allowances and credit terms. Managers consider costs, demand, competition

and customer perceptions when deciding it. The chosen price should be acceptable to buyers while helping the business meet its objectives.

Step 3: Explain place and promotion decisions **Place or physical distribution:** This element makes the product available at the right place and time. It includes selecting channels of distribution and decisions about transportation, warehousing, inventory and order processing. For example, a soft drinks firm must decide how its products will reach retailers and remain available to customers.

Promotion: Promotion communicates the product's availability and benefits to target customers and persuades them to purchase it. Its main tools include advertising, personal selling, sales promotion and public relations. Managers choose a suitable combination so that customers learn about the offering and are encouraged to buy it.

Step 4: Conclusion The set is the **marketing mix**: **product, price, place and promotion**. Jay's company can reshape these controllable elements and coordinate them to serve its target market and achieve marketing success.

Quick Tip to Solve: Remember the four Ps by asking: what is offered, what the buyer pays, where it is available, and how buyers are informed and persuaded.

16. 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 for the securities market in India. Its objectives concern investor protection and the fair, efficient functioning of that market.
- The case connects the growth of the capital market with malpractices and investors' grievances. These clues identify securities-market regulation, rather than the regulation of commercial banking.

Step 1: Identify the regulatory body The body is the **Securities and Exchange Board of India (SEBI)**. The references to companies, brokers, merchant bankers and investment consultants all concern the securities market. The case states that unfair practices had "eroded investors' confidence" and that existing provisions were inadequate to redress their problems. SEBI was established to address these concerns and regulate the market.

Step 2: State three objectives of SEBI

- **Regulate stock exchanges and the securities industry:** SEBI seeks to promote their orderly functioning so that securities transactions take place within a properly regulated framework. This is relevant to the case's rapid growth in public participation and market capitalisation.
- **Protect the rights and interests of investors:** SEBI aims to safeguard investors, particularly individual investors, and guide and educate them. This objective directly addresses the loss of confidence and multiplication of investors' grievances described in the passage.
- **Prevent trading malpractices and balance regulation with self-regulation:** SEBI seeks to prevent unfair practices in the securities market while encouraging appropriate self-regulation by its participants. This responds to the case's malpractices by brokers, companies and other intermediaries and helps maintain a fair market.

Step 3: Conclusion (a) The regulatory body is **SEBI**. (b) Its objectives include regulating stock exchanges and the securities industry, protecting investors' rights and interests, and preventing trading malpractices while balancing regulation with self-regulation.

Quick Tip to Solve: Connect the three case clues to three objectives: market growth needs regulation, investor grievances need protection, and unfair trading needs prevention.

17. 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 decision-making authority throughout the organisation, down to lower levels, while retaining appropriate authority at the top.
- Centralisation and decentralisation are relative concepts: an organisation normally combines them in suitable proportions. The degree of decentralisation determines how far decision-making authority is dispersed.

Step 1: Identify the organising concept from the case The concept is **decentralisation**. The decisive clue is the tendency towards "sharing decision making authority with the lower levels" as the organisation grows. The passage also recognises that employees closely involved with operations may understand them better than top management. Decentralisation enables such employees to make suitable decisions within the authority given to them; it does not require top management to surrender every decision.

Step 2: Explain three points of its importance

- **Develops initiative among subordinates:** When employees have authority to decide matters within their area, they gain confidence and learn to rely on their own judgement. They take greater initiative and responsibility instead of referring every problem upwards. This allows the operational knowledge mentioned in the case to be used actively.
- **Develops managerial talent for the future:** Lower-level managers gain practical experience in making decisions and assessing their consequences. This experience develops their abilities and prepares them for positions involving greater responsibility. The organisation consequently builds a pool of managers to support its growth.
- **Facilitates quick decision-making:** Decisions can be taken near the point of action by the people who know the operational situation. Information need not pass through a long chain to top management for every decision. This reduces delay and enables a large or complex organisation to respond promptly to local problems.

Step 3: Conclusion The concept is **decentralisation**. Three points of its importance are developing initiative among subordinates, developing managerial talent for the future, and facilitating quick decision-making.

Quick Tip to Solve: For decentralisation, look for authority moving down the hierarchy. Explain its benefits through what lower-level managers can now do: initiate, learn and decide promptly.

18(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 required task and achieving the desired result; efficiency means doing it with minimum cost and wastage of resources.
- Management is multidimensional because managers simultaneously manage work, people and operations. These dimensions are closely connected rather than three separate kinds of organisation.

Step 1: Explain management of work **Management of work:** Every organisation exists to perform some work. For example, a factory manufactures goods, a hospital treats patients and a school educates students. Management translates that work into specific goals and arranges the means to achieve them. It identifies the tasks, makes decisions, solves problems and assigns responsibilities so that the organisation's basic purpose is fulfilled.

Step 2: Explain management of people **Management of people:** People perform the work and are an organisation's greatest resource. Management deals with employees both as individuals, with different needs, abilities and behaviour, and as members of groups. Managers motivate them, provide direction and coordinate their efforts. They help employees use their strengths while working towards a common organisational goal, instead of allowing separate individual efforts to pull in different directions.

Step 3: Explain management of operations **Management of operations:** Organisations require a process that transforms inputs, such as materials, technology and human effort, into outputs for

consumption. Management organises and controls this transformation so that the required goods or services are delivered efficiently. This dimension links the management of work with the management of people: the process needs both a clear task and people who can carry it out.

Step 4: Conclusion Thus, management achieves goals effectively and efficiently by integrating the management of work, people and operations. Its scope extends beyond merely supervising employees or handling production, which explains why it is called a multidimensional activity.

Quick Tip to Solve: Remember the three dimensions as work, people and operations; explain each using its role rather than listing planning, organising and the other functions.

OR

18(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 include customers, suppliers, competitors, government and economic, social and technological conditions.
- The environment affects business decisions even though an enterprise cannot directly control it. Its features describe the nature of these external forces; they should be distinguished from the benefits of studying the environment.

Step 1: Explain the totality of external forces **Totality of external forces:** The business environment consists of everything outside a business enterprise that can influence it. It is the aggregate of all such external forces, rather than a single influence considered in isolation. For example, changes in customers' preferences, competitors' actions, government policies and available technology together form the surroundings within which a firm operates. The word totality emphasises their collective impact on business performance.

Step 2: Explain specific and general forces **Specific and general forces:** The environment includes both kinds of forces. Specific forces, such as customers, investors, competitors and suppliers, directly and immediately affect individual enterprises in their day-to-day working. General forces, such as social, political, legal and technological conditions, affect all enterprises and thus may affect an individual firm indirectly. For instance, a supplier's delayed delivery is a specific influence, whereas a broad technological change is a general influence.

Step 3: Explain the dynamic nature of the environment **Dynamic nature:** The business environment keeps changing. Changes may occur through improvements in technology, shifts in consumer preferences or the entry of new competitors. Consequently, the conditions under which a business operates today may differ from those it faced earlier. A firm needs to watch these developments and adapt its decisions, products and methods instead of treating its external surroundings as fixed.

Step 4: Conclusion Business environment is the total of external influences that may affect an enterprise's performance. Three of its features are the totality of external forces, the presence of specific and general forces, and its dynamic nature.

Quick Tip to Solve: For a features question, name and explain the nature of the environment; avoid replacing features with advantages such as spotting opportunities or improving performance.

19(a). State any four benefits of training to the organisation. [4 marks]

Solution:

Concept:

- Training is the systematic process of improving an employee's knowledge and skills for performing a particular job. It is an investment in human resources rather than merely an expense.
- Benefits to the organisation are improvements in its efficiency, output, management capacity and workforce stability. These should be distinguished from personal benefits to employees, such as promotion prospects.

Step 1: State the benefits relating to learning and output

- **Systematic learning and reduced wastage:** Training gives employees an organised opportunity to learn the correct methods of doing a job. It is better than learning only by trial and error, which can waste time, effort and material. Thus, it helps the organisation avoid unnecessary costs and makes better use of its resources.
- **Higher productivity:** Training improves employees' proficiency in their jobs. Better skills increase both the quantity and the quality of output, so employees can perform work more efficiently. Improved productivity, in turn, supports higher profits for the organisation.

Step 2: State the benefits relating to management and morale

- **Preparation of future managers:** Training equips employees with the skills needed for greater responsibilities. It helps the organisation develop future managers who can take charge when the need arises, including in an emergency, instead of leaving important positions without capable people.
- **Higher morale and lower employee turnover:** Training builds employees' confidence in their ability to perform their work. This improves their satisfaction and morale, helping to reduce absenteeism and employee turnover. The organisation consequently benefits from a more stable and committed workforce.

Step 3: Conclusion Four benefits of training to the organisation are systematic learning with reduced wastage, higher productivity, preparation of future managers, and improved morale that reduces absenteeism and employee turnover.

Quick Tip to Solve: For organisational benefits, connect each point to a business result: lower waste, better output, management continuity or workforce stability.

OR

19(b). State any eight specialised activities and duties performed by Human Resource Manager.

[4 marks]

Solution:

Concept:

- Human resource management is the specialised management of people at work. The human resource manager carries out activities concerned with obtaining, developing, compensating and maintaining the organisation's employees.
- These duties extend beyond recruitment: they also include employee relations, welfare and the legal aspects of employment. Eight distinct activities are stated below.

Step 1: State the duties concerning jobs and employee development

- **Recruiting employees:** The human resource manager searches for qualified people and attracts them to apply for positions in the organisation, thereby creating a pool of prospective employees.
- **Analysing jobs:** The manager collects information about the duties and responsibilities of jobs and prepares job descriptions. This identifies the work that employees are expected to perform.
- **Developing compensation and incentive plans:** The manager develops suitable wage, salary and incentive arrangements so that employees are appropriately rewarded for their services and encouraged to perform well.
- **Training and development:** The manager arranges opportunities to improve employees' job skills and knowledge and to develop their capacity to handle future responsibilities and career growth.

Step 2: State the duties concerning employee relations and protection

- **Maintaining labour relations:** The manager maintains relations between management and employees, including relations with trade unions, to promote cooperation and orderly working.
- **Handling grievances and complaints:** The manager deals with employee grievances and complaints, hears their concerns and assists in resolving employment-related problems.
- **Providing social security and welfare:** The manager makes arrangements for employees' social security and welfare facilities, supporting their well-being and employment security.
- **Defending the company in legal matters:** The manager helps defend the organisation in lawsuits and avoids legal complications connected with employment by attending to relevant legal requirements.

Step 3: Conclusion The eight specialised activities are recruitment, job analysis, compensation and incentive planning, training and development, labour relations, grievance handling, social security and welfare, and dealing with employment-related lawsuits and legal complications.

Quick Tip to Solve: Remember the HR role through the employee's working life: recruit, define the job, reward, develop, maintain relations, resolve complaints, provide welfare and ensure legal protection.

Section D (15 marks)

20. 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:

- Planning specifies the ends to be achieved and decides the courses of action for achieving them. Different types of plans therefore answer different managerial questions.
- An objective is a desired future position or result. A strategy is a comprehensive plan for achieving organisational objectives after considering the business environment and available resources.

Step 1: Identify the desired result as an objective **Objective:** The relevant line is: "The company decided to increase sales by 20% during the current year." This identifies a specific result that Matta Auto Ltd. wants to achieve within a stated period. Objectives are the end points towards which managerial activities are directed; they express what the organisation seeks to accomplish rather than describing the detailed method of doing it.

Here, the previous year's sales provide a base, and the planned percentage increase provides a measurable target. Managers can use this objective to guide departmental plans, coordinate sales-related efforts and subsequently compare actual sales with the desired result. Objectives should be stated clearly, preferably in measurable terms, so that employees understand the expected outcome.

Step 2: Identify the comprehensive course of action as a strategy **Strategy:** The decisive line is: "Thus, a comprehensive plan was prepared taking into consideration the business environment and the necessary resources were allocated to achieve the target." A strategy provides a broad outline of how the organisation will achieve its objectives. It brings together three elements: determining long-term objectives, adopting a course of action and allocating the resources required to achieve them.

The case supports this identification through its internal and external audits. The internal audit assesses strengths and weaknesses across departments, while the external audit examines opportunities and threats in the changing environment. Matta Auto Ltd. uses these findings to choose its overall approach and commit resources. Directing offices throughout the country to follow the plan helps align their actions with this common approach. Thus, the strategy links the sales objective with the company's capabilities and environmental conditions; it is broader than an individual routine instruction.

Step 3: Conclusion The two types of plans are **objectives**, represented by the targeted 20% sales increase during the current year, and **strategy**, represented by the comprehensive environment-based

plan and allocation of resources for achieving that target.

Quick Tip to Solve: In a planning case, first separate the measurable end result from the broad means: a sales target signals an objective, while environmental analysis plus resource allocation signals strategy.

21. '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:

- Taylor's scientific management replaces arbitrary work methods with scientifically determined standards and suitable incentives. A standard task must be established before workers' performance can be compared fairly.
- Time study determines the standard time for a well-defined job. The differential piece wage system rewards workers who meet or exceed the standard with a higher piece rate.

Step 1: Identify and explain time study **Identification and evidence:** The technique is **time study**. The supporting line is: "One of the techniques helps to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs."

Meaning and method: Time study determines the standard time taken to perform a well-defined job. Time-measuring devices are used to observe the elements of a task. Several observations are taken, and the standard time is fixed for the work under the specified conditions. The standard gives management a scientific basis for deciding how much output can reasonably be expected in a given working period.

Uses: Once the time needed for a task is known, management can estimate the workers required to complete a planned quantity of production. The same information supports the calculation of labour cost and the design of incentive schemes. Thus, the three uses mentioned in the case point specifically to time study.

Step 2: Identify and explain the differential piece wage system **Identification and evidence:** The second technique is **differential piece wage system**. The relevant line is: "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."

Meaning and operation: Taylor advocated differentiating efficient and less efficient workers through two piece rates. A worker who achieves or exceeds the prescribed standard output receives the higher rate per unit. A worker whose output falls below the standard receives the lower rate per unit. The

distinction therefore affects the rate paid for the output, rather than merely paying the same piece rate for different quantities.

Purpose: The higher rate recognises efficient performance and encourages workers to attain the scientifically fixed standard. Management must provide appropriate methods, training and working conditions, while workers apply those methods and effort. The reference to their joint contribution is consistent with rewarding improved efficiency through this system.

Step 3: Conclusion The first technique is **time study**, which fixes standard time and supports manpower, incentive and labour-cost decisions. The second is **differential piece wage system**, which pays a higher piece rate to workers meeting or exceeding the standard and a lower rate to those below it.

Quick Tip to Solve: Match the clue to the technique: standard time and labour-cost estimation indicate time study; two piece rates linked to achieving a fair day's output indicate differential piece wages.

22(a). Explain the steps in the selection process after 'Employment Interview'. [5 marks]

Solution:

Concept:

- Selection is the process of choosing, from the applicants, the person best suited to a job. An employment interview is followed by checks, approval and formal appointment; an interview alone does not complete selection.
- The stages after the employment interview are reference and background checks, the selection decision, medical examination, job offer and contract of employment. Their sequence safeguards both the organisation and the selected employee.

Step 1: Conduct reference and background checks **Reference and background checks:** The employer requests names, addresses and telephone numbers of referees to obtain additional information about the applicant. Previous employers, teachers or other responsible persons may be contacted to verify qualifications, experience, character and earlier performance. These checks help confirm the claims made in the application and interview before the appointment is finalised.

Step 2: Take the selection decision **Selection decision:** The organisation makes its final choice from candidates who have cleared the tests, interviews and reference checks. The manager responsible for the new employee's performance should be involved in this decision. The candidate must therefore be acceptable to the concerned line manager as well as to those administering the selection procedure.

Step 3: Arrange a medical examination **Medical examination:** After the selection decision and before the job offer, the candidate undergoes a medical fitness test. The employer checks that the person's health and physical fitness meet the requirements of the particular job. The examination establishes suitability for the duties to be performed rather than replacing the assessment of knowledge and skills.

Step 4: Make the job offer **Job offer:** The successful candidate receives an offer through a letter of appointment. The letter states the date by which the candidate must report for duty. The organisation allows reasonable time for joining, especially when the person must give notice to an existing employer. The candidate's acceptance enables the parties to proceed to the formal employment agreement.

Step 5: Settle the contract of employment **Contract of employment:** After acceptance of the offer, the employer and employee exchange the required documents and settle the terms of employment. The contract specifies matters such as the job title and duties, date of joining, working hours, pay and allowances, leave, disciplinary procedures and termination provisions. Clear written terms establish the rights and responsibilities of both parties and reduce later misunderstandings.

Step 6: Conclusion After the employment interview, selection proceeds through reference and background checks, the selection decision, medical examination, job offer and contract of employment. These stages verify suitability and convert the choice of a candidate into a formal employment relationship.

Quick Tip to Solve: Remember the order as checks, decision, fitness, offer and contract. Stop at the employment contract: induction and training belong to the wider staffing process.

OR

22(b). Explain the steps in the staffing process after 'Selection'. [5 marks]

Solution:

Concept:

- Staffing is the managerial function of filling and keeping filled the positions in the organisation structure. It continues after a suitable candidate has been selected, because employees must be introduced, developed, assessed and rewarded.
- The stages after selection are placement and orientation, training and development, performance appraisal, promotion and career planning, and compensation. These stages help employees contribute effectively and remain motivated over time.

Step 1: Place and orient the employee **Placement and orientation:** Placement means assigning the selected employee to the post for which the person has been selected. Orientation introduces the employee to the organisation, its policies and rules, the workplace and colleagues. The employee learns what is expected and whom to approach for help. This introduction reduces uncertainty and helps the person begin work smoothly.

Step 2: Provide training and development **Training and development:** Training improves the knowledge and skills needed for the employee's present job. Development prepares the employee for future responsibilities and overall growth. By arranging suitable learning opportunities, the organisation helps employees work efficiently, adapt to changing technology and accept more demanding assignments.

Step 3: Appraise performance **Performance appraisal:** The organisation evaluates the employee's performance against predetermined standards and discusses the results with the employee. This systematic assessment identifies achievements, shortcomings and areas needing improvement. Feedback guides corrective action and further training; it also provides useful information for decisions about rewards and advancement.

Step 4: Plan promotion and career progression **Promotion and career planning:** Managers provide

opportunities for employees to move to positions involving greater responsibility, authority and status. Career planning identifies suitable paths of growth and helps employees prepare for future roles. An organisation that recognises good performance and supports advancement gives employees an incentive to improve.

Step 5: Determine compensation **Compensation:** The organisation determines the remuneration and benefits payable for the employee's services. Compensation includes direct financial payments such as wages, salaries, incentives, commissions and bonuses, as well as indirect payments such as employer-paid insurance and vacations. A fair compensation system helps attract, motivate and retain competent employees.

Step 6: Conclusion Following selection, staffing continues with placement and orientation, training and development, performance appraisal, promotion and career planning, and compensation. Together these activities support effective performance, employee growth and the continuing availability of capable people in the organisation.

Quick Tip to Solve: Follow the employee's journey: join the post, learn the work, receive feedback, progress in a career and receive rewards. Do not repeat recruitment or selection when asked for stages after selection.

Section E (18 marks)

23. '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:

- Financial management aims at maximising shareholders' wealth through decisions about investing funds and obtaining funds at an appropriate cost and risk.
- An investment decision determines how funds are committed to assets and projects. A financing decision determines the relative use of debt and owners' funds in financing those assets.

Step 1: Identify the two financial decisions from the case **Investment decision:** The company must decide "what new resources it will invest in" to earn the highest possible return. Opening a new Kerala branch requires a long-term commitment of resources and therefore involves a capital-budgeting

decision. The issue is which investment will create value, rather than simply which source supplies the money.

Financing decision: The statement that the company must decide "how this project will get funded" identifies the financing decision. Atul must choose an appropriate combination of debt and equity so that the capital structure balances cost and financial risk and increases shareholders' wealth.

Step 2: Explain two factors affecting the investment decision **Cash flows of the project:** Atul should estimate the expected cash receipts and payments over the new branch's life. He must consider both their amount and their timing, since an investment involves cash outflows now and inflows in later periods. The existing company's cash-flow position is different from the projected cash flows generated by the proposed Kerala branch; the latter are essential for evaluating the investment itself.

Rate of return: The expected return from the proposed investment must be assessed and compared with alternative projects, taking their risk into account. A statement that the branch will increase revenues or profits does not establish that its return is adequate. Management should compare the anticipated return with the return required on the funds committed before selecting the project.

Step 3: Explain two financing factors still to be considered **Control considerations:** A further issue is the effect of the proposed source on the existing shareholders' control. Raising funds through additional equity may dilute their voting power, whereas debt normally does not give lenders voting rights. If maintaining control is important, this must influence the debt-equity mix, subject to the company's ability to service debt.

Fixed operating costs: Atul should consider existing fixed operating commitments, such as rent and salaries. A business with high fixed operating costs should generally avoid adding excessive fixed interest obligations through borrowing. When fixed operating costs are low, it has greater capacity to bear financial commitments. This is distinct from merely comparing the cost of different financing sources, which Atul has already done.

Step 4: Conclusion The decisions are the investment decision and the financing decision. Project cash flows and the expected rate of return are two investment factors; control considerations and fixed operating costs are two further financing factors that Atul should examine.

Quick Tip to Solve: Separate "where to invest" from "where to obtain funds". When asked for factors still to be considered, select factors beyond those the case expressly says the manager has already assessed.

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 the exchange of ideas and information with mutual understanding. Barriers can prevent a message from being transmitted promptly or understood in its intended sense.
- Organisational barriers arise from organisational policies, rules, structure and relationships. Psychological barriers arise from the mental or emotional condition of the sender and receiver.

Step 1: Identify and define the two types of barriers **Organisational barriers:** These are obstacles caused by the organisation's rules, policies, authority relationships and structure. In Global India Ltd., rigid prescribed routes and several managerial levels obstruct timely, accurate communication.

Psychological barriers: These are obstacles caused by the state of mind or emotional condition of the people communicating. Offended workers and mutual distrust between Chintamani and the workers prevent messages from being received with an open mind and understood as intended.

Step 2: Match two organisational barriers with the quoted evidence **Rules and regulations:** The company "had rigid rules and would insist on communication through prescribed channels, which led to delays". Compulsory adherence to a rigid chain can obstruct a message that needs to reach the concerned person quickly. The case therefore indicates restrictive rules and regulations rather than an absence of communication channels.

Complexity in organisational structure: It had "a number of managerial levels causing further delay and distorted communication". A message passing through several levels takes longer and may be modified, shortened or misinterpreted on its way. This explains the structural complexity barrier.

Step 3: Match two psychological barriers with the quoted evidence **Emotional state:** Chintamani was "using a tone that quite often offended the sentiments of the workers". Hurt feelings and resentment can affect how workers interpret his messages and how willing they are to listen. Communication is impaired by the emotional state created by his tone, even when the words themselves can be heard.

Distrust: Chintamani and the workers "did not believe in each other and so could not understand

each other's messages in the original sense". Where the sender and receiver lack confidence in each other, a message is viewed with suspicion rather than accepted in its intended meaning. Mutual distrust thus obstructs understanding.

Step 4: Recommend two ways to improve communication **Be aware of language, tone and content:** Chintamani should use courteous language and a respectful tone suited to the workers' understanding. He should avoid expressions that hurt their sentiments. This directly addresses the emotional obstacle caused by his manner of speaking.

Ensure proper feedback: Management should give workers opportunities to ask questions and restate instructions in their own words, and should listen to their responses. Feedback allows the sender to check whether the message was understood correctly and to correct misunderstandings promptly. It also encourages two-way communication rather than merely issuing orders through the hierarchy.

Step 5: Conclusion The two types are organisational barriers and psychological barriers. The specific barriers are rules and regulations, complexity of organisational structure, emotional state and distrust. Attention to language and tone, together with proper feedback, can improve the effectiveness of communication.

Quick Tip to Solve: Classify the cause first: rules and levels belong to the organisation; hurt feelings and distrust belong to people's state of mind. Quote the particular sentence supporting each named barrier.

25(a). Explain any four points that highlight the significance of principles of management. [6 marks]

Solution:

Concept:

- Principles of management are broad and general guidelines for managerial decision-making and behaviour. They arise from experience and experimentation and help managers understand how people and resources can be coordinated.
- These principles are flexible guides, not rigid rules. Their appropriate application depends on the circumstances of the organisation. Their significance lies in improving managerial understanding, decisions and the use of resources.

Step 1: Explain how principles provide useful insights into reality **Providing managers with useful insights into reality:** Principles make managers aware of recurring managerial situations and the relationships between causes and effects. They add to a manager's knowledge, ability and understanding, so that the manager need not learn everything through personal trial and error. For example, unity of command helps a manager understand why receiving orders from two superiors may confuse an employee and create conflict. Such insights guide sensible action in actual workplace situations.

Step 2: Explain their contribution to efficient resource use **Optimum utilisation of resources and effective administration:** An organisation has limited human and material resources. Management principles help managers coordinate these resources, reduce wasteful activities and obtain the greatest possible benefit at minimum cost. Clear authority, responsibility and orderly procedures also make

administration more effective. For instance, division of work encourages specialisation and improves efficiency, while proper discipline and coordination prevent avoidable delays and duplication of effort.

Step 3: Explain how principles support scientific decisions **Scientific decisions:** Principles encourage decisions based on facts, logic and an objective assessment of a situation rather than personal prejudice, intuition or blind guesswork. Since the principles have developed through repeated observation and experimentation, they provide a reasoned basis for comparing alternatives. A manager can examine the relevant evidence, consider the likely consequences and choose a suitable course of action. This makes decisions more balanced, timely and defensible, while still allowing adjustment to the particular circumstances.

Step 4: Explain their use in responding to change **Meeting changing environmental requirements:** The business environment continually changes through developments in technology, competition and social expectations. Management principles are general and flexible, so managers can modify their application to suit these new requirements. For example, specialisation may remain useful even when changing technology alters the tasks allocated to employees. Principles therefore offer continuity in managerial thinking without preventing adaptation, helping the organisation respond effectively to changing conditions.

Step 5: Conclusion Four points highlighting the significance of principles of management are useful insights into reality, optimum utilisation of resources and effective administration, scientific decisions, and the ability to meet changing environmental requirements. Each improves the quality of managerial action when applied with judgement.

Quick Tip to Solve: Keep the focus on why management principles are useful: write each textbook heading, then explain how that guideline improves a manager's decisions or actions.

OR

25(b). Explain any four points that highlight the significance of management. [6 marks]

Solution:

Concept:

- Management is the process of getting work done effectively and efficiently through people to achieve organisational goals. Effectiveness means completing the intended task, while efficiency means doing it with minimum wastage of resources.
- Its significance includes achieving common goals, improving efficiency, adapting to change and helping employees fulfil personal objectives.

Step 1: Explain the achievement of group goals **Management helps in achieving group goals:** An organisation brings together people with different needs, abilities and ways of working. Management provides a common direction and integrates their individual efforts towards the organisation's objectives. Through planning, organising and directing, managers clarify what is to be achieved, assign work and coordinate interdependent activities. As a result, employees work as a group instead of pursuing disconnected individual activities. For example, production and sales departments coordinate their efforts to fulfil customer orders on time.

Step 2: Explain improvements in efficiency **Management increases efficiency:** Managers seek to reduce costs and increase productivity through better planning, organising, directing and controlling. They arrange the best possible use of available labour, materials, machines, money and time. Clear allocation of work prevents duplication, and monitoring helps detect and correct waste or delays. Thus, the organisation can produce a greater output from a given amount of resources, or achieve the required output with fewer resources, while maintaining the desired standard of performance.

Step 3: Explain the creation of a dynamic organisation **Management creates a dynamic organisation:** Organisations operate in an environment that changes continuously. Employees may resist changes because familiar methods feel more secure. Management helps people understand the need for change and adapt their work to new conditions. By explaining the benefits, providing support and coordinating the transition, managers help employees accept developments such as a new production technology or customer-service method. This enables the organisation to remain competitive and respond to changing business requirements.

Step 4: Explain the achievement of personal objectives **Management helps in achieving personal objectives:** While contributing to organisational goals, employees also seek income, recognition, growth and a sense of belonging. Management uses motivation and leadership to relate these individual needs to the work of the organisation. Fair rewards, development opportunities and a supportive working environment encourage employees to perform well and cooperate with their team. By helping people develop their abilities and satisfy legitimate personal aspirations, management builds commitment and enables personal progress alongside organisational achievement.

Step 5: Conclusion Management helps achieve group goals, increases efficiency, creates a dynamic organisation and helps employees achieve personal objectives. These are four ways in which it improves organisational performance.

Quick Tip to Solve: For the importance of management, connect each heading to an outcome: common goals, less waste, adaptation to change, or employee satisfaction and growth.