CBSE Class 12 Business Studies Question Paper 2022 with Solution PDF-Set 66/2/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 2 hours **Maximum Marks: 40**

General Instructions

(i) This question paper contains **12** questions.

(ii) Questions Number **1 – 4** are of **2** marks. These are Short Answer Type Questions and are to be answered in 30 – 50 words.

(iii) Questions Number **5 – 8** are of **3** marks. These are Short Answer Type Questions and are to be answered in 50 – 80 words.

(iv) Questions Number **9 – 12** are of **5** marks. These are Long Answer Type Questions and are to be answered in 80 – 120 words.

(v) There is no overall choice in the question paper. However, internal choice has been given in **1** question of **3** marks and **2** questions of **5** marks.

(vi) This question paper contains Case/Source Based questions.

1. How does 'Controlling' function of management motivate the employees and help them in giving better performance ? State. [2 marks]

Solution:

Concept:

- Controlling means comparing actual performance with predetermined standards and taking corrective action where needed.
- Improving employee motivation is an importance of controlling: clear standards tell employees the performance expected of them and the basis of appraisal.

Step 1: Explain how standards motivate employees **Clear expectations:** Controlling makes employees aware, well in advance, of what they are expected to do and the standards against which their work will be appraised. They can direct their efforts towards these definite targets rather than work without a clear performance goal.

Step 2: Link fair appraisal with better performance **Objective appraisal and improvement:** Employees know that their performance will be judged against the established standards. This provides a clear basis for assessment and motivates them to give better performance. Comparing results with targets also identifies shortcomings, so timely corrective action helps employees improve their work and achieve organisational objectives.

Step 3: Conclusion Controlling motivates employees by making expected performance and appraisal standards clear in advance; this encourages focused effort and better performance.

Quick Tip to Solve: Connect motivation to knowing the target and the appraisal standard in advance; then link that clarity to improved effort.

2. 'Conducting research and publishing information useful to all the market participants is a function performed by Securities and Exchange Board of India.'

State the two other functions of the same category. [2 marks]

Solution:

Concept:

- SEBI protects investors and promotes the development and regulation of the securities market through protective, developmental and regulatory functions.
- Conducting research and publishing information useful to market participants belongs to SEBI's regulatory functions. The answer must name two other functions from this same category.

Step 1: Identify the category from the statement The case states that SEBI conducts research and publishes "information useful to all the market participants". This is a **regulatory function**. Hence, the two additional functions should also relate to regulating securities-market intermediaries or activities, rather than to investor education or training.

Step 2: State two other regulatory functions

- **Registration of intermediaries:** SEBI registers brokers, sub-brokers and other players in the securities market, bringing their activities within its regulatory framework.

- **Registration of investment schemes:** SEBI registers collective investment schemes and mutual funds. This enables it to regulate these schemes as participants in the securities market.

Step 3: Conclusion The category is regulatory functions. Two other functions are registration of brokers, sub-brokers and other market players, and registration of collective investment schemes and mutual funds.

Quick Tip to Solve: After identifying SEBI's category, select both examples from that category; registration of intermediaries and schemes are regulatory functions.

3. 'Staffing ensures optimum utilisation of human resources.' Justify the statement by giving any two points. [2 marks]

Solution:

Concept:

- Staffing is finding the right people for the right jobs through manpower planning, recruitment, selection, placement and development.
- Optimum utilisation of human resources requires an appropriate number of employees with suitable abilities, so that neither surplus staffing nor shortages waste resources or disrupt work.

Step 1: Explain how staffing prevents overmanning **Avoids overmanning:** Staffing systematically assesses the number and type of personnel required for the organisation's work. By comparing requirements with available employees, it prevents appointing more people than needed. This avoids unnecessary labour costs and idle employees, ensuring productive use of the available human resources.

Step 2: Explain how staffing prevents shortages **Avoids disruption due to understaffing:** Staffing identifies shortages of personnel well in advance. The organisation can then recruit, select and place suitable employees in time. Work is not interrupted for want of people, and existing employees are not forced to carry an excessive workload because necessary posts remain vacant.

Step 3: Conclusion Staffing ensures optimum utilisation of human resources by preventing overmanning and by identifying personnel shortages in advance to avoid disruption of work.

Quick Tip to Solve: Use the two opposite staffing risks as your points: surplus employees waste resources, while shortages interrupt work.

4. 'Promotion stops infusion of new blood in the organisation.' However, it is still being used as a good source of filling the vacancies internally. State any two reasons for the same. [2 marks]

Solution:

Concept:

- Promotion is an internal source of recruitment in which an existing employee moves to a higher position carrying greater responsibility, status and usually higher pay.

- Although promotion restricts the entry of fresh talent, it can motivate existing employees and make the filling of higher vacancies simpler.

Step 1: State the motivational benefit **Motivation and improved performance:** The prospect of promotion encourages employees to work harder and improve their performance. They can see that good work and ability may lead to advancement within the organisation. This also increases their commitment to the organisation, because they have an opportunity to fulfil their career aspirations without leaving it.

Step 2: Explain why selection becomes simpler **Simpler and more reliable selection:** The organisation already knows the capabilities, experience and work record of its existing employees. It can therefore assess their suitability for the higher position more easily than that of an unknown external applicant. This makes filling the vacancy easier and reduces the uncertainty involved in selecting a person from outside.

Step 3: Conclusion Promotion remains useful because it motivates employees to perform better and enables simpler, more reliable selection from employees whose abilities are already known.

Quick Tip to Solve: For an internal-recruitment question, link promotion to employee motivation and to the employer's knowledge of existing staff.

5. Name and give the meaning of the process which is career-oriented and designed to help the employees in the progress towards maturity and actualisation of their potential capabilities. [3 marks]

Solution:

Concept:

- Development is the process of learning and growth through which employees progress towards maturity and the actualisation of their potential capabilities.
- Development has a broad, career-oriented perspective. It prepares an employee for greater responsibilities and future opportunities rather than concentrating only on the requirements of the present job.

Step 1: Identify the process from the clues **The process is development.** The expressions 'career-oriented' and 'progress towards maturity and actualisation of their potential capabilities' show that the question concerns the overall growth of an employee. Its focus extends beyond acquiring a particular skill for an immediate task to helping the person realise and use a wider range of abilities over a career.

Step 2: Give its meaning and explain its scope **Meaning:** Development is a learning process designed to help employees grow in knowledge, understanding, attitudes and capabilities so that they move towards maturity and realise their potential. It seeks the all-round growth of the individual and equips the employee to handle wider responsibilities in future.

Career orientation: Development considers the employee's continuing progress and future roles in the organisation. For example, broadening a manager's ability to make decisions and understand the organisation as a whole helps prepare that person for higher responsibilities.

Distinguish it from training: Training mainly increases the knowledge and skills needed to perform

a specific job. Development is broader and concerns overall personal and professional growth; the reference to long-term potential in the question therefore identifies development.

Step 3: Conclusion The process is **development**: a broad, career-oriented process of learning and growth that helps employees progress towards maturity and realise their potential capabilities.

Quick Tip to Solve: Use the clue 'specific present job' for training and 'career, maturity and potential' for development.

6. Explain 'Private Placement' and 'e-IPOs' as methods of floatation of new issues in the primary market. [3 marks]

Solution:

Concept:

- The primary market deals in new securities issued by companies to raise capital. Methods of floatation describe how these new securities are offered and subscribed for.
- Private placement raises funds from selected investors, whereas an electronic Initial Public Offer (e-IPO) uses the stock exchange's online system to issue capital to the public.

Step 1: Explain private placement **Private placement:** A company allots securities to institutional investors and selected individuals instead of offering them to the general public. Thus, the company approaches a limited, identified group of investors for its new issue. This method can raise capital more quickly than a public issue and avoids some of the expenses of such an issue, including the cost of a prospectus and flotation expenses. It is particularly useful when a company cannot afford the heavy cost of a public issue. These are newly allotted securities, so the transaction belongs to the primary market.

Step 2: Explain the electronic public issue **e-IPOs:** Under an electronic Initial Public Offer, a company proposing to issue capital to the public enters into an agreement with a stock exchange. The exchange's online system is used for the issue. A SEBI-registered broker is appointed to accept applications and place orders with the company, and the issuer appoints a compliance officer to monitor compliance with the laws and regulations concerned. Investors therefore apply through the electronic system for newly issued securities; this is not the purchase of existing shares from another investor in the secondary market.

Step 3: Conclusion Private placement is the allotment of a new issue to selected investors, while an e-IPO is a public issue made through the stock exchange's online system. Both help a company raise fresh capital in the primary market.

Quick Tip to Solve: Remember the distinction by asking who subscribes and how: selected investors indicate private placement; a public issue through an exchange's online system indicates an e-IPO.

7(a). What is meant by 'Leadership' ? State any two leadership styles. [3 marks]

Solution:

Concept:

- Leadership is an element of directing. It involves influencing people's behaviour so that they willingly work towards the achievement of organisational objectives.
- A leadership style is the leader's approach to exercising authority, making decisions and dealing with subordinates. Autocratic, democratic and laissez-faire are the main styles; any two may be stated here.

Step 1: Define leadership **Meaning:** Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards the achievement of organisational goals. A leader guides and inspires subordinates and helps direct their efforts towards a common objective. The essential idea is willing cooperation: leadership involves influencing and motivating people, rather than merely issuing an order because of a formal position.

Step 2: State two leadership styles

- **Autocratic or authoritarian leadership:** The leader gives orders and expects subordinates to obey them. Decision-making authority is concentrated with the leader, who generally makes decisions without consulting subordinates. Communication is primarily from the leader to the followers.
- **Democratic or participative leadership:** The leader consults subordinates and encourages them to participate in decision making. Their suggestions and opinions are considered before decisions are made. Communication takes place in both directions, helping employees contribute ideas and cooperate in carrying out decisions.

Step 3: Conclusion Leadership means influencing people to work voluntarily towards organisational goals. Two leadership styles are autocratic (authoritarian) leadership and democratic (participative) leadership.

Quick Tip to Solve: Link autocratic leadership with orders decided by the leader, and democratic leadership with consultation and participation by subordinates.

OR

7(b). State the last two steps in the process of 'Controlling' function of management. [3 marks]

Solution:

Concept:

- Controlling means ensuring that organisational activities conform to planned standards. After setting performance standards, measuring actual performance and comparing it with standards, management must investigate deviations and respond to them.
- The last two steps are **analysing deviations** and **taking corrective action**. Finding a difference alone does not complete control; its significance and cause must guide the response.

Step 1: State analysing deviations **Analysing deviations:** Management examines the differences

between actual performance and the standards to identify their causes and determine which need attention. Every small deviation need not be investigated equally. Under **critical point control**, attention is directed towards key result areas that are crucial to the organisation's success. Under **management by exception**, deviations beyond the permissible range receive priority. This analysis helps management distinguish significant problems from minor variations and locate the reason for unsatisfactory performance.

Step 2: State taking corrective action **Taking corrective action:** When a significant deviation is identified, management takes suitable action to remove its cause and bring actual performance into conformity with the standards. The response depends on the cause established in the preceding step: for example, inadequate skills may require training, while defective equipment may require repair. No corrective action is required for deviations within the acceptable range. If the standards themselves are unrealistic, they may need revision rather than an attempt to enforce an unattainable target.

Step 3: Conclusion The last two steps in the controlling process are **analysing deviations**, to identify their significance and causes, and **taking corrective action**, to remedy significant deviations and restore conformity with plans.

Quick Tip to Solve: Remember the ending as "analyse, then act": first establish why a significant gap occurred, then choose a remedy that addresses that cause.

8. Tanushree is working in a multinational company. Her performance is appreciated by everyone in the company. As an incentive, the company offered her to buy the shares of the company at a price that is less than the market price.

(a) Name and give the meaning of the incentive offered to Tanushree.

(b) State any two more incentives of the same type. [3 marks]

Solution:

Concept:

- Financial incentives motivate employees through benefits that can be measured in money. They include pay and allowances, bonus, profit sharing, co-partnership or stock options, and retirement benefits.
- Co-partnership or stock options give employees an opportunity to acquire ownership in the organisation. An offer to buy company shares below their market price is a financial incentive because it provides a measurable financial benefit.

Step 1: Identify and explain the incentive offered **(a) Co-partnership or stock option:** The incentive offered to Tanushree is **co-partnership/stock option**. Under this incentive, employees are offered the company's shares at a price lower than the prevailing market price. The case states that the company "offered her to buy the shares of the company at a price that is less than the market price", which directly identifies this incentive. It gives the employee a stake in the company's ownership and may strengthen her commitment to its performance. Appreciation of her performance supplies the context, but the specific benefit asked about is the discounted share offer.

Step 2: State two other financial incentives **(b) Two more incentives of the same type are:**

- **Pay and allowances:** These comprise basic pay, dearness allowance and other allowances. Regular increases in pay and allowances provide employees with monetary rewards for their services and can motivate them to improve performance.
- **Bonus:** This is an incentive paid over and above an employee's regular wages or salary. It provides an additional monetary reward and may be linked to performance, thereby encouraging employees to contribute towards organisational goals.

Both are financial incentives because their benefits can be expressed in monetary terms, just like the stock option offered in the case.

Step 3: Conclusion Tanushree has been offered **co-partnership or stock option**, meaning the opportunity to purchase company shares below the market price. Two other **financial incentives** are **pay and allowances** and **bonus**.

Quick Tip to Solve: In a case, "shares below market price" points to co-partnership or stock options. For "same type", name other financial incentives rather than recognition or job enrichment.

9(a). State any five responsibilities of a consumer provided under The Consumer Protection Act, 2019. [5 marks]

Solution:

Concept:

- Consumer Protection deals with protecting consumers against unfair trade practices and exploitation. Along with exercising their rights, consumers should act responsibly when buying and using goods and services.
- A responsible consumer makes an informed purchase, checks quality and safety, follows product instructions and preserves proof of purchase. These actions help prevent harm and make it easier to seek redressal if a genuine grievance arises.

Step 1: Be aware of the goods and services available **Be an informed consumer:** A consumer should know about the various goods and services available in the market before making a purchase. Compare their features, prices and suitability instead of buying blindly or relying only on an advertisement. Such awareness helps the consumer make an intelligent choice according to their needs and budget.

Step 2: Check standardised quality marks **Buy standardised goods:** A consumer should look for the appropriate quality certification mark on the product. For example, look for the ISI mark on electrical goods, the Hallmark on jewellery and the Agmark on agricultural products. Checking the relevant mark helps the consumer obtain quality goods and reduces the risk of purchasing substandard products.

Step 3: Learn the risks and follow instructions **Use goods safely:** A consumer should learn about the risks associated with the product or service, follow the manufacturer's instructions and use it safely. For example, electrical appliances should be operated according to the precautions stated in their instructions. Careless use can cause injury or damage even when the product itself is of satisfactory quality.

Step 4: Read the product label carefully **Examine the information on the label:** Before buying,

read details such as the price, contents, net weight, date of manufacture, expiry date and directions for use, wherever applicable. This helps the consumer check whether the product is suitable and safe for use and avoid expired goods or payment above the stated maximum retail price.

Step 5: Obtain and preserve proof of purchase **Ask for a cash memo:** A consumer should obtain a cash memo or bill for the goods or services purchased and keep it safely. It provides evidence of the purchase, including the seller, date, product and amount paid. Such proof is useful when requesting replacement or refund, making a complaint or seeking redressal for a defective product or deficient service.

Step 6: Conclusion Five responsibilities of a consumer are to be informed about market offerings, buy standardised goods, learn product risks and follow safety instructions, read labels carefully, and ask for and preserve a cash memo. These habits support an informed purchase and help the consumer exercise their rights effectively.

Quick Tip to Solve: Recall the purchase sequence: compare the available products, check the quality mark, read the label, follow safety instructions and keep the bill.

OR

9(b). Explain the following rights of a consumer provided under The Consumer Protection Act, 2019 :

(i) Right to Safety

(ii) Right to Consumer Education [5 marks]

Solution:

Concept:

- Consumer protection gives buyers rights against unfair practices and helps them safeguard their interests when purchasing and using goods and services.
- The right to safety concerns protection from products and services hazardous to life and health; the right to consumer education concerns the knowledge and skills needed to act as an informed consumer.

Step 1: Explain the right to safety **Protection against hazardous goods and services:** A consumer has the right to be protected against the marketing of goods and services that are hazardous to life and health. A product should not expose its user to an avoidable danger when used for its intended purpose. For example, an unsafe electrical appliance can cause an electric shock or fire, so safety is a basic consumer concern.

Assurance of prescribed quality and safety standards: Consumers should seek products that meet the prescribed standards and carry the appropriate quality certification. For example, an ISI mark on an electrical appliance helps the buyer identify conformity with the relevant Indian standard. Consumers should also read and follow the manufacturer's safety instructions and precautions.

Step 2: Explain the right to consumer education **Acquire knowledge and skills:** A consumer has the right to acquire the knowledge and skills necessary to be an informed consumer throughout life. Consumer education helps a buyer understand what to examine before purchasing and how to use a

product responsibly.

Know rights and available remedies: Consumers should know their rights, the responsibilities connected with their purchases and the reliefs available when their interests are harmed. They should understand, for example, why bills and guarantees must be retained and how to seek redressal for defective goods or deficient services.

Use sources of consumer awareness: Educational institutions, consumer organisations, government awareness programmes and the media can educate consumers. Such education enables buyers to make informed choices, recognise misleading claims and take appropriate action instead of accepting exploitation through ignorance.

Step 3: Conclusion The right to safety protects consumers against hazards to life and health, while the right to consumer education equips them with the knowledge and skills to make informed decisions and exercise their rights effectively.

Quick Tip to Solve: Link safety with protection from hazards and prescribed standards; link consumer education with lifelong awareness of rights, responsibilities and remedies.

10. Distinguish between 'Capital Market' and 'Money Market' on any five basis. [5 marks]

Solution:

Concept:

- A financial market channels savings from those with surplus funds to those who need funds. The capital market and the money market serve different financing needs.
- The capital market deals in medium- and long-term funds, whereas the money market deals in short-term funds with a maturity of up to one year.

Step 1: Identify the purpose of each market Use the period and nature of finance to separate the two markets. Businesses use the capital market for longer-term financing, such as expansion, while the money market helps meet temporary cash requirements. Compare the same feature of both markets in each row rather than describing the two independently.

Step 2: Compare the markets on five bases

Basis	Capital market	Money market
Participants	Its participants include financial institutions, banks, companies, foreign investors and individual retail investors. Individuals can invest their savings in securities.	Its main participants include the Reserve Bank of India, commercial banks, financial institutions and companies. It is dominated by institutional participants.
Instruments	The instruments traded include equity shares, preference shares, debentures and bonds, which provide ownership capital or longer-term borrowing.	Instruments include Treasury bills, commercial paper, certificates of deposit, call money and commercial bills, which provide short-term finance.
Duration	It deals in medium- and long-term funds, generally for more than one year. Equity shares have no fixed maturity or compulsory redemption date.	It deals in short-term funds for a period of up to one year; call money may be borrowed for a very short period.
Investment outlay	Securities can be bought in relatively small amounts, so individuals with small savings can participate alongside large investors.	Transactions normally require large sums of money. The large transaction size makes the market more suitable for institutional investors.
Safety	Investment generally involves greater risk because returns and security prices may fluctuate considerably. The longer period increases exposure to business and market changes.	Instruments are generally safer because their duration is short and many issuers have high creditworthiness. This is a relative comparison: money-market instruments are not all entirely risk-free.

Step 3: Conclusion The five bases of distinction are participants, instruments, duration, investment outlay and safety. The capital market provides medium- and long-term finance and accommodates retail investment; the money market provides short-term finance and is largely institutional.

Quick Tip to Solve: For a distinction answer, draw a Basis column and compare the same feature across each row. Remember the one-year dividing line and name instruments belonging to each market.

11(a). Sahil is the Finance Manager of 'Knitwear Ltd'. The company is engaged in the manufacturing of woolen clothes. The demand of the company's products is seasonal, whereas the production continues throughout the year. Due to the quality of its products, the company's business is spreading across the country. The company is operating at a large scale having its regional offices in Northern, Southern, Eastern and Western India. The performance of its each division is of very high level. For uninterrupted availability of raw materials, the company requires high stock levels. Not only this, to face the competition and to meet the urgent orders of the customers, the company also needs enough stock of finished goods.

Considering the above discussion, state five factors affecting working capital requirements of 'Knitwear Ltd'. [5 marks]

Solution:

Concept:

- Working capital is the finance needed for day-to-day operations, including investment in inventories, debtors and cash. Its requirement depends on the conditions under which a business operates.
- Financial Management identifies seasonal factors, scale of operations, operating efficiency, availability of raw materials and level of competition among the factors determining working capital needs.

Step 1: Relate demand and size to working capital

- **Seasonal factors:** The case states that "the demand of the company's products is seasonal, whereas the production continues throughout the year." Knitwear Ltd must hold output produced before the selling season as inventory. More funds are tied up in stocks, and working capital needs rise as the peak selling season approaches.
- **Scale of operations:** The company is "operating at a large scale having its regional offices in Northern, Southern, Eastern and Western India." A large volume of business requires larger inventories, receivables and operating cash than a small business. Thus, its large scale increases the amount of working capital required.

Step 2: Identify efficiency, supply and competition factors

- **Operating efficiency:** "The performance of its each division is of very high level." Efficient operations reduce wastage and unnecessary delays and improve the use of current assets. Other things remaining equal, greater operating efficiency reduces the funds tied up in day-to-day operations and therefore reduces working capital needs.
- **Availability of raw materials:** "For uninterrupted availability of raw materials, the company requires high stock levels." Maintaining a large raw-material reserve ties up more funds in inventory. Therefore, its need to ensure continuity of supplies increases working capital requirements; readily available supplies would permit smaller stocks.
- **Level of competition:** The company needs enough finished goods "to face the competition and to meet the urgent orders of the customers." Competitive pressure makes it necessary to hold sufficient finished stock so that orders can be supplied promptly. This additional inventory increases the working capital requirement.

Step 3: Conclusion Five factors affecting Knitwear Ltd's working capital requirements are seasonal factors, scale of operations, operating efficiency, availability of raw materials and level of competition.

The need to hold large stocks and serve a large market increases its requirement, while efficient operations help economise on working capital.

Quick Tip to Solve: Underline each case clue, name its NCERT factor, and explain whether that clue raises or lowers funds tied up in current assets.

OR

11(b). 'Abhishek Engineering Ltd.', a leading manufacturer of steel rods wants to enter into the business of manufacturing trucks. For this, the Finance Manager has to ensure the availability of funds whenever required and its possible sources. He has to see that the company does not raise funds unnecessarily. In this way he has to match the funds requirement and their availability.

(i) Identify and give the meaning of the concept discussed in the above para which will help the Finance Manager to achieve his objectives.

(ii) Also, state any three points of importance of the concept identified in (i) above. [5 marks]

Solution:

Concept:

- Financial planning is the process of estimating a business's financial requirements and specifying the sources of finance to meet those requirements.
- Its twin objectives are to ensure that funds are available when needed and to avoid raising finance unnecessarily. It links the amount and timing of requirements with the amount and timing of available funds.

Step 1: Identify and explain the concept in part (i) The concept is **financial planning**. Abhishek Engineering Ltd. plans to diversify from steel rods into truck manufacturing. The Finance Manager must estimate the money this activity will require and decide how it can be obtained. The words 'ensure the availability of funds whenever required and its possible sources' show the need to plan both requirements and sources. The statement that the company 'does not raise funds unnecessarily' shows the objective of avoiding excess finance and its associated cost. Thus, matching 'the funds requirement and their availability' is financial planning.

Step 2: State three points of importance for part (ii)

- **Helps in forecasting future situations:** Financial planning requires the firm to forecast its future financial needs and anticipate the circumstances in which funds will be required. This helps the business prepare for future situations and deal with eventualities more effectively. For the proposed truck business, the plan makes the likely funding needs visible before commitments are made.
- **Helps avoid business shocks and surprises:** By preparing financial requirements and possible sources in advance, financial planning reduces the danger of an unexpected shortage of funds. It provides a basis for arranging suitable finance in time, so financial difficulties are less likely to disrupt the firm's activities.
- **Provides a link between investment and financing decisions:** Decisions about investing in assets create a need for finance. Financial planning coordinates these decisions by relating the funds required for proposed investments to suitable sources. The truck-manufacturing proposal

can therefore be considered together with the finance necessary to carry it out, rather than making these decisions independently.

Step 3: Conclusion The concept is **financial planning**: estimating financial requirements and specifying their sources. It helps the company forecast future situations, avoid business shocks and surprises, and link investment decisions with financing decisions.

Quick Tip to Solve: When a case mentions both funds needed and their sources, together with avoiding unnecessary finance, identify financial planning and explain its twin objectives before listing its importance.

12. Rahul has just completed his B.Tech. and joined a leading company manufacturing inverters. To capture 70% of the market share, the company is planning to enter into the manufacturing of solar inverters. To achieve this target it requires trained workforce. The Human Resource Manager asked Rahul to give any five benefits to the organisation, with reasons, for training the workforce. State the five points of benefits of trained workforce to the organisation that might have been sent by Rahul in his reply to the Human Resource Manager. [5 marks]

Solution:

Concept:

- Training is the systematic process of increasing employees' knowledge and skills for a particular job. In Staffing, it helps the organisation prepare a workforce capable of carrying out its plans effectively.
- The company is "planning to enter into the manufacturing of solar inverters" and wants "to capture 70% of the market share". Training should therefore be linked to the skills needed for this expansion; it supports the target without guaranteeing a particular market share.

Step 1: Explain systematic learning and reduced wastage **Systematic learning:** Training provides organised instruction in the correct methods of work. It is better than employees learning only through trial and error, which can waste materials, effort and money. For the proposed solar-inverter operations, a planned programme can teach workers the required manufacturing procedures before they perform the work independently, reducing avoidable mistakes and waste.

Step 2: Show the improvement in productivity **Higher productivity:** Training improves employees' proficiency, enabling them to produce more output and improve its quality. Better use of working time, equipment and materials can reduce production costs and contribute to higher profits. A skilled workforce would help the inverter company manufacture quality products efficiently as it expands into solar inverters.

Step 3: Describe preparation for future responsibilities **Equipping future managers:** Training and development prepare employees to take up additional responsibilities when required, including during an emergency. By developing suitable employees in advance, the company gains people who can handle greater duties as its activities expand. It can therefore meet future managerial and supervisory requirements more effectively.

Step 4: Explain the effect on employee morale **Higher morale and lower absenteeism and turnover:**

Employees who understand their jobs and feel competent in performing them gain confidence and satisfaction. This improves morale and reduces absenteeism and employee turnover. The company benefits from a more stable workforce, less disruption of production and a reduced need to repeatedly recruit and induct replacements.

Step 5: Relate training to adaptation to change **Effective response to a changing environment:** Training helps employees learn new knowledge and methods, enabling an effective response to fast-changing technological and economic conditions. This is especially relevant because the company is moving into solar-inverter manufacturing. Employees must be prepared for the skills and procedures required by the new activity rather than relying entirely on their existing experience.

Step 6: Conclusion Rahul could recommend training because it provides systematic learning with less wastage, raises productivity, equips future managers, improves morale while reducing absenteeism and turnover, and enables an effective response to technological and economic change. These benefits would help the company develop the trained workforce needed for its solar-inverter expansion.

Quick Tip to Solve: For benefits to the organisation, link each heading to a business result: less waste, higher productivity, future managers, a stable workforce and adaptability. Do not substitute personal benefits to employees.