CBSE Class 12 Business Studies Question Paper 2022 with Solution PDF-Set 66/5/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

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

General Instructions

(i) This paper contains 12 questions.

(ii) Question number 1-4 are of 2 marks. These are short-answer type questions and are to be answered in 30-50 words.

(iii) Question number 5-8 are of 3 marks. These are short-answer type questions and are to be answered in 50-80 words.

(iv) Question 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 each.

(vi) This question paper contains case/source based questions.

1. 'External sources of recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.'

Give two situations when external sources may be used without dissatisfying the existing employees.

[2 marks]

Solution:

Concept:

- External recruitment means seeking candidates from outside the organisation. It can bring fresh talent and specialised knowledge into the business.
- Existing employees are less likely to resent outside recruitment when it does not take away a promotion for which they are suitable.

Step 1: Consider recruitment at the entry level **Filling entry-level vacancies:** External sources can be used for the lowest-level positions in the organisation. These vacancies are ordinarily filled by new entrants rather than by promoting existing employees. Thus, bringing in outsiders for these posts does not reduce employees' normal opportunities to move to higher positions.

Step 2: Consider vacancies needing unavailable skills **Hiring specialised personnel:** External recruitment can be used when a job requires qualifications, expertise or experience that no suitable existing employee possesses. Since an internal employee is not presently qualified for that vacancy, selecting a competent outsider need not deny a deserving employee a promotion.

Step 3: Conclusion Two suitable situations are recruitment for entry-level posts and recruitment for specialised posts for which suitable personnel are unavailable within the organisation.

Quick Tip to Solve: Choose situations in which an outside appointment does not displace an eligible employee's promotion.

2. 'Estimating manpower requirements is not merely knowing how many persons we need.' What else is needed while estimating manpower requirements ? State any two points. [2 marks]

Solution:

Concept:

- Estimating manpower requirements includes both the number of employees and the kind of people required to carry out organisational work.
- Workload analysis identifies human-resource requirements, while workforce analysis assesses the human resources already available in the organisation.

Step 1: Determine the kind of personnel required **Workload analysis:** Besides counting employees, management must identify the types of personnel required for different jobs. It examines the work to be performed and the qualifications, skills and experience needed. For example, a vacancy requiring technical knowledge cannot be filled merely by increasing the total number of employees.

Step 2: Assess the existing workforce **Workforce analysis:** Management must also determine the number and type of employees already available. Comparing their skills and availability with the requirements reveals whether there is a shortage, surplus or mismatch of personnel. This comparison

guides recruitment, training or redeployment rather than unnecessary hiring.

Step 3: Conclusion The estimate must identify the type and qualifications of personnel needed through workload analysis and assess the number and type already available through workforce analysis.

Quick Tip to Solve: Link workload analysis with people required and workforce analysis with people already available.

3. 'Due to various malpractices and multiplied investors grievances the Govt. of India decided to set-up a separate regulatory body to protect the interest of investors and to regulate the securities market.'

(a) Identify the regulatory body set-up by Govt. of India for the above stated purpose.

(b) State any one objective of the regulatory body identified in (a) above. [2 marks]

Solution:

Concept:

- The Securities and Exchange Board of India (SEBI) is the regulatory body concerned with the securities market in India.
- Its objectives include protecting investors, promoting the development of the securities market and regulating its functioning.

Step 1: Identify the regulatory body **(a) Securities and Exchange Board of India (SEBI):** The clues are the need to address "malpractices" and "investors grievances" and to regulate the "securities market". These functions identify SEBI, which supervises securities-market activities and seeks fair dealings for investors.

Step 2: State one objective **(b) Protect the interests of investors:** One objective of SEBI is to safeguard investors against unfair practices in the securities market. It seeks to prevent malpractices such as price manipulation and misleading conduct so that investors can participate with greater confidence. This objective directly addresses the grievances described in the question.

Step 3: Conclusion (a) The body is the Securities and Exchange Board of India (SEBI). (b) One of its objectives is to protect the interests of investors in the securities market.

Quick Tip to Solve: Associate regulation of securities and protection of securities investors with SEBI.

4. 'Analysing deviations' is an important step in the process of controlling. It is therefore important to focus on key result areas which are critical to the success of an organisation.

Identify and give the meaning of the concept discussed above. [2 marks]

Solution:

Concept:

- Controlling involves comparing actual performance with standards and analysing deviations so that corrective action can be taken where necessary.
- Critical point control focuses managerial attention on key result areas that are essential to the organisation's success; every activity cannot be controlled with equal intensity.

Step 1: Identify the concept from the clue The concept is **critical point control**. The decisive words are "focus on key result areas which are critical to the success of an organisation." These indicate that the importance of the area, rather than simply the size of a deviation, determines where control efforts should be concentrated.

Step 2: Explain its meaning **Meaning:** Critical point control means concentrating control on key result areas whose performance is crucial to organisational success. Since checking every activity with the same care is costly and time-consuming, managers identify these critical points and examine deviations there on a priority basis. For example, in a manufacturing business, an increase in material costs may deserve close attention because it can significantly reduce profit, even while less important expenses remain within limits.

Step 3: Conclusion The concept is **critical point control**: giving priority to control of those key result areas that have a decisive effect on the organisation's success.

Quick Tip to Solve: Link "key result areas" to critical point control; link attention only to significant deviations beyond limits to management by exception.

5. Explain 'Private Placement' and 'Rights Issue' as methods of floatation of new issues in the primary market. [3 marks]

Solution:

Concept:

- The primary market deals with the issue of new securities. It enables a company to raise fresh capital directly from investors through different methods of floatation.
- Private placement selects particular investors for a new issue, whereas a rights issue gives the company's existing equity shareholders a preferential opportunity to subscribe.

Step 1: Explain private placement **Private placement:** It is the allotment of securities by a company to institutional investors and some selected individuals, instead of offering them to the general public. The company approaches these identified investors directly to raise capital. Since a public issue can be expensive and involve several formalities, private placement can provide a quicker and less costly way of obtaining funds. For example, a company may place a new issue of securities with an insurance company or a mutual fund. The defining feature is the selected group of subscribers.

Step 2: Explain a rights issue **Rights issue:** It is a privilege given to existing equity shareholders to subscribe to a new issue of shares in proportion to the shares they already hold. The company first offers these shares to its existing shareholders, giving them a preferential right to buy them before an offer to outsiders. For instance, an offer of one new share for every four shares held links the entitlement directly to the shareholder's present holding. By subscribing, shareholders can maintain their proportionate ownership in the expanded equity capital. Thus, the offer arises from existing share ownership, rather than selection as an institutional investor.

Step 3: Conclusion Private placement raises new capital from selected investors, while a rights issue offers new shares preferentially to existing equity shareholders in proportion to their current holdings. Both are methods of floatation in the primary market.

Quick Tip to Solve: Remember the recipient of the offer: selected investors indicate private placement; existing shareholders with a proportionate entitlement indicate a rights issue.

6. Name and give the meaning of the concepts that are highlighted in the following statements :

(a) It improves the performance of employees on the current job or prepares them for any intended job.

(b) It not only improves the job performance of the employees but also brings about growth of the personality. [3 marks]

Solution:

Concept:

- Staffing includes training and development, through which employees improve their abilities and become better prepared to perform organisational work.
- Training has a specific job-related focus, whereas development is broader and concerns the growth of the employee as a person as well as a worker.

Step 1: Identify and explain training in statement (a) **(a) Training:** Training is the process of increasing an employee's knowledge, skills and abilities for doing a specific job. The clue is that it "improves the performance of employees on the current job or prepares them for any intended job." Thus, the emphasis is on learning the methods and skills needed for particular work, so that it can be performed more efficiently and effectively. It can improve present performance or prepare the employee to undertake an identified job.

Step 2: Identify and explain development in statement (b) **(b) Development:** Development refers to the overall growth of employees. It is the learning process that improves not only their job performance but also their knowledge, attitudes, understanding and personality. The decisive words are "also brings about growth of the personality." Its scope therefore extends beyond the requirements of a single task and helps employees acquire a broader outlook and the ability to shoulder greater responsibilities in future.

Step 3: Conclusion Statement (a) describes **training**, which builds abilities for a specific job. Statement (b) describes **development**, which promotes overall employee growth, including growth of personality.

Quick Tip to Solve: Look for the scope of improvement: a specific job points to training; overall personality and broader growth point to development.

7. Agrima, Arunima and Avika are pursuing MBA from a reputed institution. Now it is the time of their placement.

Agrima wants to work in a company which would provide her more authority for fulfilling her duties and will give recognition, rewards, perquisites and prestige of job.

Arunima wants to work in an organisation in which behaviour of individuals is influenced by its characteristics like autonomy, reward orientation, consideration to employees, risk taking etc.

Avika wants to join the organisation which has appropriate skill development programmes and sound promotion policy that encourages employees to exhibit improved performance.

Identify and state the incentives about which Agrima, Arunima and Avika are talking about. [3 marks]

Solution:

Concept:

- Non-financial incentives satisfy employees' psychological, social and esteem needs. They can motivate employees through status, a supportive organisational environment and opportunities to advance.
- A case is identified by matching its specific clues to the NCERT incentive, rather than by treating every reward mentioned as a separate incentive.

Step 1: Identify Agrima's incentive **Agrima — Status:** Status means the ranking of positions in an organisation. The authority, responsibility, rewards, recognition, perquisites and prestige attached to a managerial position are indicators of its status. Agrima seeks "more authority" along with "recognition, rewards, perquisites and prestige of job." These features identify status as the non-financial incentive she values; an appropriate position can satisfy her need for esteem and recognition.

Step 2: Identify Arunima's incentive **Arunima — Organisational climate:** Organisational climate refers to the characteristics that describe an organisation and distinguish it from others. Such characteristics influence the behaviour of its members. The case specifically mentions "autonomy, reward orientation, consideration to employees, risk taking etc." These describe the working environment Arunima desires and therefore point to organisational climate.

Step 3: Identify Avika's incentive **Avika — Career advancement opportunity:** Employees are motivated when an organisation offers opportunities for growth in their careers. Appropriate skill-development programmes and a sound promotion policy enable them to improve their capabilities and move to higher positions. Avika's preference for "skill development programmes and sound promotion policy" directly identifies this incentive, which encourages better performance in pursuit of advancement.

Step 4: Conclusion The incentives are **status** for Agrima, **organisational climate** for Arunima, and **career advancement opportunity** for Avika.

Quick Tip to Solve: Match prestige and authority with status, workplace characteristics with organisational climate, and skill development plus promotion with career advancement.

8(a). State any three points of importance of 'Controlling' function of management. [3 marks]

Solution:

Concept:

- Controlling is the management function of comparing actual performance with predetermined standards, analysing deviations and taking corrective action.
- Its importance lies in keeping organisational activities directed towards planned goals and improving the way resources and employees contribute to them.

Step 1: State how controlling helps achieve goals **Accomplishing organisational goals:** Controlling measures progress towards the organisation's goals and brings deviations to light. Managers compare actual results with the standards set during planning. If performance falls short, they identify the cause and take suitable corrective action. Thus, activities remain on the right track and the organisation is better able to attain its planned objectives.

Step 2: Explain two further points of importance **Making efficient use of resources:** Controlling requires activities to be performed according to predetermined standards. This helps reduce wastage and spoilage of resources. By identifying inefficient operations and correcting them, management secures more effective use of the organisation's human and physical resources.

Improving employee motivation: Clear performance standards tell employees what they are expected to do and the basis on which their work will be appraised. When employees know the expected level of performance, they can direct their effort towards it. This clarity encourages them to work better and helps improve motivation.

Step 3: Conclusion Three points of importance of controlling are accomplishing organisational goals, making efficient use of resources and improving employee motivation.

Quick Tip to Solve: Link each importance to a different result: achieving goals, preventing resource wastage and clarifying employees' performance expectations.

OR

8(b). State any three points of importance of 'Directing' function of management. [3 marks]

Solution:

Concept:

- Directing means instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.
- It is the function that moves employees from plans and assigned responsibilities to actual performance, while aligning their efforts with organisational goals.

Step 1: Explain how directing starts work **Initiates action:** Directing helps initiate action by people in the organisation towards attainment of desired objectives. Planning, organising and staffing prepare the conditions for work, but employees must be guided about what to do and how to do it. Through instructions, communication and supervision, directing enables them to carry out their duties and

turns plans into action.

Step 2: State two further points of importance **Integrates employees' efforts:** Employees perform different tasks and may have different individual interests. Directing coordinates their activities so that the work of each individual contributes to the organisation's objectives. Guidance and leadership ensure that employees work together rather than pursue separate courses of action that conflict with one another.

Helps realise employees' potential: Through motivation and effective leadership, directing encourages employees to use their abilities fully. A manager guides people, recognises their needs and inspires them to improve their performance. Employees therefore contribute their best effort instead of merely completing the minimum required work, helping both their own development and organisational performance.

Step 3: Conclusion Three points of importance of directing are that it initiates action, integrates employees' efforts and helps employees realise their potential.

Quick Tip to Solve: Remember directing through three effects on people: it starts their work, unites their efforts and encourages their best performance.

9(a). Explain the following rights of a consumer as per the provisions of Consumer Protection Act, 2019 :

(i) Right to Safety

(ii) Right to be Heard [5 marks]

Solution:

Concept:

- Consumer protection gives consumers rights against unsafe goods, deficient services and unfair treatment in the market. These rights enable them to protect their interests when dealing with sellers and service providers.
- The Right to Safety concerns protection from danger to life and health, while the Right to be Heard concerns having consumer interests represented and complaints considered at appropriate forums.

Step 1: Explain the Right to Safety **Protection against hazardous goods and services:** A consumer has the right to be protected against goods and services that are hazardous to life and health. Products and services should meet the prescribed safety and quality standards so that their normal use does not expose the consumer to avoidable danger.

Choose goods with appropriate safety assurance: Consumers should purchase quality products that conform to recognised standards. For example, an electrical appliance bearing the appropriate ISI mark provides an assurance that it conforms to the relevant standard. This is significant because an unsafe appliance can cause an electric shock or fire. Consumers should also follow the instructions and safety precautions supplied with the product.

Thus, safety involves protection from the physical risks associated with consumption; it is more than merely receiving a product at a reasonable price.

Step 2: Explain the Right to be Heard **Have complaints and interests considered:** A consumer

has the right to be heard and to be assured that consumer interests receive due consideration at appropriate forums. If dissatisfied with a product or service, the consumer must have an opportunity to put forward a complaint and explain the problem.

Use channels for representation: Business firms should provide arrangements, such as customer service or grievance cells, to attend to consumer complaints. Consumers may also approach consumer organisations, which can represent their interests and assist them in taking complaints to the appropriate consumer commission.

The essential point is that the consumer's voice must receive attention in decisions and proceedings affecting consumer welfare. This right gives the consumer an opportunity to present a grievance; the relief granted depends on the merits of the complaint.

Step 3: Conclusion The **Right to Safety** protects consumers against goods and services hazardous to life and health. The **Right to be Heard** ensures that consumer complaints can be presented and consumer interests receive due consideration at appropriate forums.

Quick Tip to Solve: Remember the distinction as "safe use" and "consumer voice": explain protection from danger for Safety, and consideration of complaints and representation for being Heard.

OR

9(b). State any five reliefs available to the consumers under Consumer Protection Act, 2019. [5 marks]

Solution:

Concept:

- Consumer protection provides a redressal mechanism through which a consumer can seek an appropriate remedy against defective goods, deficient services or unfair treatment.
- Under the Consumer Protection Act, 2019, the competent Consumer Disputes Redressal Commission may order relief according to the facts proved in the complaint. The remedy should correct the defect or restore the consumer's position and, where appropriate, compensate the loss suffered.

Step 1: State the remedies relating to the defective goods The following three reliefs directly address the goods supplied to the consumer:

1. Removal of defects: The Commission may order the opposite party to remove the defects in the goods pointed out by the appropriate laboratory. The consumer thus receives goods from which the established defect has been rectified.

2. Replacement of goods: It may direct that the defective goods be replaced with new goods of a similar description that are free from any defect. This gives the consumer a satisfactory product in place of the defective one originally supplied.

3. Refund of the price: It may order the return of the price paid by the consumer for the goods, or the charges paid for the services, together with such interest as may be decided. This restores the amount spent where retaining or replacing the goods, or continuing the service, is not an appropriate remedy.

Step 2: State the remedies for loss and deficient service Two further reliefs available to consumers

are:

4. Payment of compensation: The opposite party may be ordered to pay an amount as compensation for loss or injury suffered by the consumer due to its negligence. Compensation addresses the harm caused to the consumer, rather than merely correcting the product or returning its price.

5. Removal of deficiency in service: The Commission may direct the opposite party to remove the deficiencies in the services in question. This requires the service provider to rectify the shortcomings in the service supplied to the consumer.

Step 3: Conclusion Any five reliefs are removal of defects in goods, replacement with defect-free goods, refund of the price or service charges, compensation for loss or injury, and removal of deficiencies in services. The Commission grants the appropriate relief in light of the complaint and the facts established.

Quick Tip to Solve: Keep removal of a product defect separate from removal of a service deficiency. Then add replacement, refund and compensation to recall five distinct reliefs.

10. State any five points of difference between 'Primary Market' and 'Secondary Market'. [5 marks]

Solution:

Concept:

- The capital market deals in medium- and long-term funds. Its primary market raises fresh funds through new securities, while its secondary market provides a market for securities already issued.
- The primary market is also called the new issue market. The secondary market, which includes stock exchanges, gives investors liquidity by allowing them to transfer their existing investments.

Step 1: Identify the stage at which securities are traded A security enters the primary market when it is offered as a new issue. For example, when a company issues new shares to subscribers, it raises funds for its business. After issue, an investor may sell those shares to another investor in the secondary market. Such a resale changes their ownership; it does not constitute another issue by the company. This distinction explains the differences below.

Step 2: Compare the two markets on five bases

Basis	Primary market	Secondary market
1. Nature of securities	It deals in new securities being issued for the first time to raise funds. It is therefore called the new issue market.	It deals in the purchase and sale of existing securities that have already been issued.
2. Parties to the sale	Securities are sold by the issuing company to investors, either directly or through intermediaries such as underwriters.	Securities are traded between investors. The issuing company is generally not a party to the resale transaction.
3. Recipient of funds	The funds subscribed by investors flow to the issuing company and become available to finance its activities.	The sale proceeds go to the investor selling the securities. The company receives no fresh funds from that resale.
4. Capital formation	It directly promotes capital formation by transferring savings into fresh investment through new issues.	It indirectly promotes capital formation by providing liquidity and making investment in new issues more attractive.
5. Buying and selling	Investors can buy newly issued securities from the issuer; they cannot sell their existing holdings back through this market.	Investors can both buy and sell existing securities, allowing them to enter or exit an investment.

Step 3: Conclusion Thus, the primary market channels fresh funds from investors to issuers, whereas the secondary market transfers existing securities between investors and provides liquidity. They perform different but complementary roles in the capital market.

Quick Tip to Solve: Ask who receives the money: a new issue brings funds to the company; a resale brings funds to the selling investor. Use this to distinguish fund flow and capital formation.

11(a). Ananta Ltd. is a company dealing in ready-made garments from last many years. Recently the profit of the company have started increasing. The finance manager decided to retain the profit instead of distributing it among shareholders.

(i) Identify and state the financial decision taken by finance manager in the above case.

(ii) State any three factors affecting the decision identified in (i) above. [5 marks]

Solution:

Concept:

- Dividend decision concerns the appropriation of a company's earnings between dividend payable to shareholders and retained earnings kept in the business for future requirements.
- Retained earnings are an internal source of finance. The decision balances shareholders' expectation of current income with the company's need to finance growth and maintain adequate cash.

Step 1: Identify and state the decision The financial decision taken by Ananta Ltd.'s finance manager is the **dividend decision**. It determines how much of the profit earned by the company is to be distributed to shareholders as dividend and how much is to be retained in the business. The words "retain the profit instead of distributing it among shareholders" directly identify this decision. In this

case the manager has chosen retention of profits. It is not the financing decision about choosing between debt and equity, nor the investment decision about selecting assets.

Step 2: State three factors affecting the dividend decision **1. Amount of earnings:** Dividends are paid out of current and past earnings. Therefore, the amount of earnings available is an important determinant of dividend. Other things remaining the same, a company with higher earnings has greater capacity to declare dividends than one with lower earnings. Ananta Ltd.'s increasing profit improves this capacity, although it does not by itself require all profit to be distributed.

2. Growth opportunities: A company with good growth opportunities generally retains a larger part of its earnings to finance the investment needed for expansion. It consequently declares a lower dividend than a company with fewer such opportunities. Retaining earnings provides funds internally and reduces dependence on external finance. This explains why increasing earnings can coexist with a decision to retain profits; the case does not, however, state that Ananta has a particular expansion project.

3. Cash flow position: Payment of dividend involves an outflow of cash. A company must therefore have sufficient cash available when dividend is to be paid. A strong cash flow position supports a higher dividend, while an inadequate cash position may restrict dividend even if accounting profits are high. Profit and cash available for payment are different, so higher profit alone does not establish that cash can safely be distributed.

Step 3: Conclusion The decision is the **dividend decision**: choosing between distributing earnings to shareholders and retaining them in the business. Three factors affecting it are the amount of earnings, growth opportunities and cash flow position.

Quick Tip to Solve: Link "distribute or retain profits" to dividend decision. For each factor, state how it affects the capacity or willingness to pay a dividend.

OR

11(b). Ravi has joined as a finance manager in MTA Ltd. He had to arrange funds of rupees one crore for the company. The Chief Executive Officer of the company wants to arrange the funds by a public issue whereas the finance manager wants to have a mix of debt and equity as this will determine the overall cost of capital and the financial risk of the enterprise.

(i) Identify and give the meaning of the financial decision suggested by the finance manager in the above case.

(ii) State any three factors affecting the decision identified in (i) above. [5 marks]

Solution:

Concept:

- Financial management includes the financing decision: selecting the sources from which a business will obtain funds and deciding their relative proportions.
- Debt involves a contractual obligation to pay interest and repay the borrowed amount, whereas equity represents owners' funds. The debt-equity mix influences both the cost of capital and the financial risk of the enterprise.

Step 1: Identify and explain the decision (i) The finance manager is suggesting a **financing decision**. It concerns the amount of finance to be raised from various long-term sources, including shareholders' funds and borrowed funds, and the appropriate proportion of each source.

The decisive case evidence is that the manager wants "a mix of debt and equity" because this will determine "the overall cost of capital and the financial risk of the enterprise". Thus, Ravi is deciding how the company should finance its requirement of rupees one crore. The question is about the sources and composition of funds, rather than selecting assets in which to invest the funds or distributing profits to shareholders.

Step 2: State three factors affecting the financing decision (ii) Any three factors are:

- **Cost:** The cost of raising funds from different sources differs. The company should compare these costs and choose an appropriate combination that keeps the overall cost of capital low. Debt is generally cheaper than equity, partly because interest is a tax-deductible expense, but cost must be considered together with the obligations created by borrowing.
- **Risk:** Debt carries financial risk because interest and repayment commitments have to be met even when business earnings are low. Equity has no compulsory dividend payment or repayment obligation of this kind. Hence, increasing the debt proportion raises financial risk, and the finance manager must select a mix consistent with the company's capacity to bear that risk.
- **Cash-flow position:** A business with strong and dependable cash flows is better placed to service debt and can consider greater use of borrowed funds. Weak or uncertain cash flows make fixed interest and repayment commitments difficult to meet and favour greater reliance on equity.

Step 3: Conclusion Ravi suggests a **financing decision**, which determines the sources and the debt-equity proportions used to raise funds. Three relevant factors are the **cost of funds, financial risk and the company's cash-flow position**.

Quick Tip to Solve: Link "debt-equity mix" to financing; then explain each factor through its effect on the choice of debt versus equity.

12. Asha is living in a small village of Rajasthan. Her mother has good culinary skills. Inspired from her mother she joined a course of 'Food and Beverages Production' in Jaipur. After completing her course she asked her mother to open a sweets shop in Jaipur, to which her mother agreed. The business was doing well and had started growing. To expand her business she felt the need of additional personnel. Instead of selecting personnel from any other source she thought of helping her relatives and appointed five of them. But after doing all efforts she found that none of her relatives were providing satisfactory service leading to lower productivity. Also, the quality of the products started deteriorating.

This made Asha to realise that the ability of an organisation to achieve its goals depends upon the quality of its human resources. This was ignored by her at the time of selecting the personnel for her expansion programme.

(a) Identify and state the function of management which could have helped Asha at the time of fulfilling her need of additional personnel in the organisation.

(b) State any three benefits of the function identified in (a) above. [5 marks]

Solution:

Concept:

- **Staffing** is the management function concerned with obtaining, developing and retaining suitable people for the various jobs in an organisation.
- It involves finding the right person for the right job through manpower planning, recruitment, selection, placement, training and development. Personal relationships alone do not establish a person's suitability for a job.

Step 1: Identify and state the management function **(a) Staffing:** The function which could have helped Asha is staffing. It is the process of filling and keeping filled the positions in the organisation structure by identifying workforce requirements and recruiting, selecting, placing, training and developing competent employees to perform the jobs effectively. The case says Asha "felt the need of additional personnel" but "thought of helping her relatives and appointed five of them." These words concern the appointment of people, so they point specifically to staffing. She should have assessed the skills required in the sweets shop and selected suitable people against those requirements, rather than appointing relatives merely to help them.

Step 2: State three benefits of staffing **(b) The following are three benefits of staffing:**

- **Obtaining competent personnel:** Staffing helps an organisation discover and select competent personnel for its various jobs. Proper assessment of applicants' knowledge, experience and skills would help Asha employ people capable of preparing and selling sweets satisfactorily.
- **Higher performance through the right person in the right job:** Proper selection and placement match employees' abilities with job requirements. This improves performance and productivity. In the case, "none of her relatives were providing satisfactory service leading to lower productivity"; effective staffing would address this mismatch between the people appointed and the work required.
- **Optimum utilisation of human resources:** Sound workforce planning and suitable appointments avoid overstaffing, understaffing and wasted human effort. Giving employees work suited to their abilities helps the shop use its workforce effectively as the business expands, instead of merely increasing the number of employees without securing useful performance.

Step 3: Conclusion Asha needed to perform the **staffing** function when appointing additional personnel. Obtaining competent people, improving performance by matching people to jobs, and using human resources optimally would support the sweets shop's growth and product quality.

Quick Tip to Solve: When a case focuses on recruiting, selecting or appointing employees, identify staffing. Link its benefits to competence, job suitability and effective use of people rather than to personal relationships.