

QUESTION'S BANK

SUBJECT : BUSINESS STUDIES

CLASS – XII

SESSION : 2015 -16

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CHAPTER 1. NATURE AND SIGNIFICANCE OF MANAGEMENT

Objective type questions and answers.

1. “Management increases efficiency”. Why?

Ans:-Management reduces costs and increases productivity through better planning, organizing, directing, staffing and controlling the activities of the organization.

2. Hero Lid’s target is to produce 20,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 170 per shirt. Do you think the Production Manager is ‘efficient’? Give reason in support of your answer.

Ans:-- No, he is not efficient because he had achieved the target but at a higher cost.

3. ‘Survival, profit and growth are essential targets of any businesses. Which objective of management is referred here?’

Ans:-Organizational objectives.

4. Give any one fact that denies management to be regarded as profession.

Ans:-- there is no restriction on anyone being designated or appointed as manager in any business.

5. Principles of management are not exact as the principles of science and they have to be modified according to a given situation. Which feature of science is not applicable in this statement?

Ans:-- Universal validity and application.

6. Suppose you are offered the post of foremen in an organization. Name the level of management of this post.

Ans:-- Supervisory or operational management.

7.Name the levels of management engaged in:

(a) Overseeing the activities of the workers

(b) Taking key decisions.

Ans:-- (a) Lower level management

(b) Top level management.

8.At which level of management are the managers responsible for maintaining the quality of output and the safety standards ?

Ans:-- Supervisory or operational level of management.

9.Why coordination and cooperation are incomplete without each other ?

Ans:-- Cooperation without coordination may lead to wasted efforts and coordination without cooperation may lead to dissatisfaction among employees.

10.It acts as the binding force between departments and ensures that all action is aimed at achieving the goals of the organization. Which feature of coordination is indicated in the statement?

Ans:-- Coordination ensures unity of action.

Short and long type questions and answers--

Q) Define management?

Ans:--“Management is the art of getting things done through and with people in formally organized groups.”- Harold Koontz

Management is creating the internal environment of an enterprise where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals.

Q)State two main objectives of management?

Ans:-Objectives of management

- Getting maximum result with minimum efforts.

The main objectives of management is to secure the maximum output with minimum efforts and resources .Management is basically concerned with utilizing the human and material resources available to an enterprise for deriving their best result .this leads to reduction in the cost of production

- Increasing efficiency of factors of production like capital and labour ,management leads to avoidance of wastage of time, money and efforts .this leads to increase in the productivity of all factors of production and, thus encourages the growth of an enterprise

Q) Management is intangible comment.

Ans:-Management is not tangible it is rather considered as an intangible or unseen force. Management cannot be seen. However, its presence can be felt through orderliness, enthusiastic employees, buoyant spirit and adequate work output .Quite often,the identity of management is brought in focus by its absence or by presence of its direct opposite mismanagement. The result of mismanagement is quickly notice; and thus,the identity of management is brought into clear focus.

Q) Give the meaning of the following terms –‘efficient utilization of resources and ‘effectiveness ‘used in management.

Ans:-Efficiency means “doing things right” and effectiveness means “doing the right.”

EFFICIENCY (the ability to the things right) is an “input-output” concept. AN efficient manager is one who achieve output that justifies the input (labor, Material and time) used to achieve them. In Management, efficiency of resources utilization is thus minimization of cost and maximization of benefits resulting in achieving the goals.

Effectiveness in contrast involves choosing the right goals .A manager who selects an inappropriate goal say producing mainly large cars when demand for small cars is high is an ineffective manager even if the large cars are produced with high efficiency.

No amount of efficiency can make up for lack of effectiveness. So effectiveness is the key to an organization’s success. It is a pre- condition for an efficient management.

Q>discuss the basic feature of management as a profession?

Ans:-

(i) **Well defined body of knowledge:** every profession has a well-defined body of knowledge which can be learnt through instruction.

This feature is applicable to management, as it is based on a well-defined body of knowledge which can be learnt through instruction.

This feature is applicable to management, as it is based on a well-defined body of knowledge, which can be acquired at different colleges and professional institutes and through a number of books and journals.

(ii) **Restricted entry:** the entry to a profession is restricted through examination or through acquiring an educational degree.

This feature is not applicable to management, as there is no restriction on anyone being designated as a manager in any business enterprise. Anyone can be called a manager irrespective of the educational qualification he/she possess.

(iii) **Professional association:** For the regulation of any profession, there should be a representative body which regulates entry, grant certificate of practice.

This feature is not applicable to management as it is not compulsory for a manager to be a member of a management association.

(iv) **Ethical code of conduct:** All profession are bounded by a code of conduct which guides the behavior of its member,

This feature is not applicable to management as there is no uniform code of conduct for the managers

(v) **Service motive:** The basic motive of a profession is to serve their clients' interest by rendering committed service in exchange of committed fees. The task of lawyers is to ensure that his client gets justice.

This feature is not applicable to management as the basic purpose of management is to help the organization achieve organizational goals, which is generally profit maximization.

Conclusion: Management is not a full-fledged profession like legal, accounting or medical profession because it does not fulfill all the characteristics of a profession.

Q>How is management essential for the successful running of an enterprise?

Ans: -The importance of management is

(I) Management helps in achieving group goals:

(a) Management is required not for itself but for achieving the goals of the organisation.

(b) The task of a manager is to give a common direction to the individual effort in achieving the overall goal of the organization

(ii) Management increase efficiency:

(a) The aim of the manager is to reduce cost and increase productivity through better planning, organizing, directing, staffing and controlling the activities of the organization

(b) A manager increase efficiency also through the optimum utilization of all the resources' such as Man, Machine, Material and money

(iii) Management creates a dynamic organisation:

(a) Organizations have to survive in dynamic environment so managers keep making changes in the organisation to match the environmental changes.

(iv) Management helps in achieving personal objectives:

(a) A manager motivates and leads his team in such a manner that an individual member is able to achieve personal goals while contributing to the overall organizational objective.

(V) Management helps in the development of the society:

Management helps in the development of an organisation and through that it helps in the development of the society.

Q> Arman is working as regional manager In Glaxo Ltd. Name the level at which he is working. State any four functions he will perform as regional manager in this company.

Ans:-middle level management. Its 4 functions are:

1) Interpreting policies: At this level, policies framed by top level managers are interpreted. Middle management is responsible for implementing and controlling plans and strategies developed by top managers

2) Organising activities: Middle level managers organise the activity of their department for executing the plans and policies. Middle level managers are the head of some department. Like they are responsible for the activities of first line managers.

3) Necessary personnel: Middle level managers ensure that their department has necessary personnel. For this, they recruit and select suitable employees for their department.

4) Motivate subordinates: The middle level management motivate the subordinates to perform to their best ability. The middle level managers offer various incentives to employees so that they get motivated and perform to their best ability.

Q> “Management is an intangible force.” Explain.

Ans: Management is intangible force:

- 1) Management is intangible force that cannot be seen but its presence can be felt in the way the organisation function.
- 2) The effect of management is noticeable in an organisation where targets are met according to plans, the employees are happy and satisfied.
- 3) Moreover there is, orderliness instead of chaos.

UNIT 2. Principle of Management.

Objective type questions and answers.

1. Why it is said that management principles are universal in application?

Ans:-- Management principles are applicable to all type of organizations, business as well as non business public sectors as well as private sector, manufacturing as well as the service sector.

2. ‘Resources should be put to use in such a manner that they should give maximum benefit with minimum cost’. Mention the importance of principles of management highlighted in the statement.

Ans:-- optimum utilization of resources and effective administration.

3.What does the principle of ‘Initiative’ indicate ?

Ans:-- It indicates that workers should be encouraged to develop and carry out their plans for improvement.

4.State the principle of ‘Order’ ?

Ans:-- It states a place for everything (everyone) in its (his/her) place for increasing productivity and efficiency.

5. Taking the first step with self-motivation is one of the traits of an intelligent person. Which principle does it indicate?

Ans:-- Initiative

6. Taylor believed that there was only one best method to maximize efficiency. This method can be developed through study and analysis. Which principle is indicated by Taylor?

Ans:-- Science not rule of thumb.

7.This principle of Taylor is an extension of principle of ‘Harmony, not discord’. Name it

Ans:-- Cooperation, not individualism.

8. What is the main objective of simplification in scientific management?

Ans:-- To eliminate unnecessary diversity of product which results in savings of cost of labour, machine and tools.

9. It involves a change in the attitude of workers and management towards one another from competition to cooperation. Name it.

Ans:-- Mental revolution.

10. How can principle given by Fayol and Taylor be differentiated from each other on the basis of applicability?

Ans:-- Fayol’s principles are applicable universally whereas Taylor’s principles are applicable to specialized situation.

Short and long answer type question

Q> Explain the principals of scientific management given by Fayol with examples.

Ans: - **Unity in direction:**

- (a) According to this principle, there should be one head and one plan for a group of activities having the same objectives
- (b) This principle promotes smooth co-ordination of activities, effort and resources towards a common goal.
- (c) Example: - Suppose an automobile company has 3 division’s cars, scooters and three wheeler. Now each division has its own target since, each product have its own market and problems.

EQUITY

- (a) “Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible,” according to Fayol.
- (b) Equity refers to fair treatment of all workers in an organisation. Fair treatment involves kindness and justice on part of the superiors on dealing with their subordinates.
- (c) Example: we find Indian born CEO’s such as Rajat Gupta heading multinational like McKinsey Inc.

Esprit de Corps:

- (a) Management should promote a team spirit of unity and harmony among employees, according to Fayol.
- (b) It refers to team spirit. Managers should take steps to develop a sense of belonging among the members of a work group.
- (c) Example: this principle states that the unity is strength and the managers should infuse the spirit of team work in their subordinates.

Order:

- (a) According to Fayol, “people and materials must be in suitable places at appropriate times for maximum efficiency.”
- (b) Order refers to a systematic arrangement of materials and placement of people in the organisation.
- (c) Example: production manager may be allotted an office room in a factory, the typist a particular table, the foreman to supervise a particular workshop.

Centralisation and Decentralisation:

- (a) Centralisation of authority refers to relative concentration of authority for decision making especially at top managerial level.
- (b) Decentralisation of authority refers to relative dispersal of authority specially among the lower managerial levels to facilitate operational decision making
- (c) Example: panchayats in our country have been given more power to decide and spend funds granted to them by the government for the welfare of the villages. This is decentralisation in national level.

Initiative:

- (a) This principle states that:
 - Subordinates should be given an opportunity to take initiative in making an executing the plan.
 - Subordinate with initiative should be encouraged within the limits of authority and discipline
- (b) Example: Every employee has the right to give suggestion about any matter of the organisation but once a decision is taken on any issue there is no scope for disobedience.

Q> Explain the technique of scientific management

- (i) Functional foremanship
- (ii) Mental revolution

Ans:-

(I) Functional Foremanship

- In the factory system, foreman represents the managerial figure with whom the workers are in direct face-to-face contact on a daily basis.
- Thus Taylor concentrated on improving the performance of this role in the factory set-up.
- Functional foremanship is a technique which involves supervision of a work by several specialist foreman

(ii) Mental revolution:

- It involves a change in the attitude of workers and management towards one another from completion to cooperation
- Both should realize that they need one another. Both should aim to increase the size of surplus. This would eliminate the need of any agitation.
- Management should share apart of surplus with workers. Workers should also contribute their might so that the company makes profit. This attitude is good for both of them and also for the company.

Q>A&B Ltd. Co. is a large manufacturing unit. Recently, the company had conducted the 'time' and 'motion' studies and concluded that on an average a worker could produce 130 units per day. However, it was noticed that average daily production of a worker is in the range of 80 to 90 units. What steps will you suggest to ensure that the actual performance is in accordance with the performance as per time motion studies?

Ans: - The following steps can be taken

- i. Eliminate unnecessary movement in doing a work;
- ii. Conduct "Fatigue study" and provide rest intervals to employees so as to enable them to regain lost stamina;
- iii. Use 'differential piece wage system' in which efficient and inefficient workers are paid at different rates. It will motivate the workers to put in their maximum efforts.

UNIT 3. BUSINESS ENVIRONMENT.

Objective type questions and answers.

1. It refers to the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance. Name it.

Ans:-- Business environment.

2. Which feature of business environment is indicated when it is stated that business environment is a phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality?

Ans:-- complexity

3. The understanding of business environment helps the managers to identify 'threats'. What is meant by 'threats' here?

Ans:-- Threats here refer to the external environment, trends and changes that will hinder a firm's performance.

4. Why is RBI considered as a key regulator of the country's economic development?

Ans:-- RBI influences the interest rates, controls the flow of money in the economy and regulates the working of banks.

5. Just after declaration of Lok Sabha Elections 2009 results, the Bombay stock exchange's price index (Sensex) rose by 2100 points in a day. Identify the environmental factor which led to this rise.

Ans:-- political environment.

6. Which environment prohibits the advertisement of alcoholic beverages?

Ans:-- Legal environment.

7. Government of India is seriously thinking to allow oil marketing public sector undertakings to fix their own price for petrol and diesel. Which economic reform is the reason of this change in government's policy?

Ans:- Liberalization.

8. It is process by which government control over the industry is being loosened. Give the term to which this statement is trying to indicate.

Ans:- Liberalization.

9. Which process aims at giving greater role to the private sector in the nation building process and a reduced role to the public sector?

Ans:-- Privatization.

10. Now the firms have to study and analyse the market first and produce goods accordingly. Which impact of government policy changes is mentioned here?

Ans:- Market orientation

SHORT AND LONG TYPE OF QUESTIONS AND ANSWERS

Q> Explain any 5 impacts of government policy changes on business and industry in India.

Ans: - the policy of liberalisation, privatisation and globalisation of the government have come face-to-face with several challenges due to government policy changes. These challenges can be explained as follows:

(a) **Increasing completion:** As a result of changes in the rules of industrial licensing and entry of foreign firms, completion for Indian firms have increased especially in service industries like telecommunications, airlines, banking, insurance, etc. which were earlier in public sector.

(b) **More demanding customers:** customers today have become more demanding because they are well-informed. Increased completion in the market gives the customer wider choice in purchasing better quality of goods and services.

(c) **Rapidly changing technological environment:** Increased completion forces the firm to develop new ways to survive and grow in the market. New technologies make it possible to improve machines, process, products and services. The rapid changing technological environment creates tough challenges before smaller firms.

(d) **Necessity for change:** in a regulated environment of pre-1991 era', the firms could have relatively stable policies and practices. After 1991, the market forces have become turbulent as a result of which the enterprise have to continuously modify their operations

Q>Explain 5 benefits of understanding business environment?

Ans:-

- 1) It enables the firm to identify opportunities and getting the first mover advantage
- 2) It helps the firm to identify threats and early warning signal
- 3) It helps in tapping various useful resources
- 4) It helps with coping with rapid changes \sensitive the management
- 5) It helps in planning and policy formulation.

Q>Mr X Chopra's father has a good business of iron and steel. He wants to go to U.S.A for his M.B.A., but his father wants that he should join the business. Do you think Mr Chopra should send his son to U.S.A? Give 3 reasons.

Ans: - Yes, Mr Chopra should send his son to U.S.A as it will provide the understanding of business environmental content of a business which have the following benefit

- 1) It enables the firm to identify opportunities and getting the first mover advantage.
 - (a) Opportunity refers to the positive external trends or changes that will help the firm to improve its performance.
- 2) It helps the firm to identify threats and early warning signals.
 - (b) Environmental awareness can help managers to identify various threats on time and serve as an early warning system.
- 3) It helps in tapping resources.
 - (c) To engage in any activity a business enterprise assembles various resources like finance, machine, raw material, etc. From its environment including financiers, government and suppliers.

Q>The court passed an order that all school must have water purifier for the school children as:

- **Society in general is more concerned about quality of life.**
- **Innovative techniques are being developed to manufacture water purifier at competitive rates;**
- **Incomes are rising and children at home are also drinking purified water. The government is also showing positive attitude towards the water purifier business.**

Identify the different dimensions of business environment by quoting the lines from above details.

Ans:-

- 1) **Legal Environment:** "The court have passed an order that all schools must have water purifier for school children."
- 2) **Social environment:** 'Society in general is more concerned about quality of life.'
- 3) **Technological environment:** 'Innovative techniques are being developed to manufacture water purifier at competitive rates.'
- 4) **Economic environment:** 'Incomes are rising and children at home are also drinking purified water'.
- 5) **Political environment:** 'The government is also showing positive attitude towards the water purifier business.'

Chapter: 4. Planning

Objective type questions and answers

1. A plan is framed , it is implemented and is followed by another plan and so on. Mention the feature of planning indicated here?

Ans:--Planning is continuous.

2.Which feature of planning is stressed by saying that planning is an intellectual activity of thinking rather than doing ?

Ans:-- planning is a mental exercise.

3. Planning is an activity which enables a manager to look ahead and anticipate changes. Mention the benefit of planning highlighted here.

Ans:- Planning reduces the risk of uncertainty.

4. It helps the manager to look into future and make a choice amongst various alternative courses of action. Enumerate the importance of planning indicated here.

Ans:-- Planning facilitates decision making.

5. It is not always true that just because a plan has worked before, it will work again. Which demerit of planning is highlighted here?

Ans:--Planning does not guarantee success.

6. Planning cannot foresee or assess future trends in the environment and thus there may be obstacles to effective planning. Mention the limitation of planning referred here.

Ans:-- Planning may not work in a dynamic environment.

7. What is meant by 'follow-up action' as a step in the planning process?

Ans:--It means to ensure whether plans are being implemented and activities are performed according to schedule which will help in achievement of goals.

8. Each course will have many variables which have to be weighed against each other. Mention the step in planning which ensures this.

Ans:- Evaluating alternative courses.

9. Define 'objectives' as types of plans.

Ans:-- Objective are the ends which the management seeks to achieve by its operations, e,g increase sales by 10%

10. A company needs a detailed plan for its new project 'Construction of a Shopping Mall'. What type of plan is it?

Ans:-- Type of plan referred here is Programme.

11. It is a comprehensive plan for accomplishing an organization's objectives. Mention it

Ans:-- Strategy.

12. Name the type of plan which is time bound and linked with measurable outcome.

Ans:-- Objective.

13. Name the type of plan which provides the broad contours of an organization's business.

Ans:-- Programme.

14. Name the type of plan which provides the prescribed ways in which a task has to be performed considering the objective.

Ans:-- Method.

15. What is meant by 'policy' as a type of plan?

Ans:-- policy is general statement that guides thinking or channelizes energy towards a particular direction.

Short and long type questions and answers

Q1: What are the main points in the definition of planning?

Ans: Setting objectives;
Formulating various courses of action;
Selecting the best possible alternative.

Q2: Why is it that organization are not always able to accomplish all their objectives?

Ans: Internal limitations: internal limitation is mainly due to lack of expertise and experience on the part of the management, lack of resources and other human factors. Some important internal limitations have been discussed below:-

i. **Planning leads to rigidly:**

- a) Rigidly of planning mismatches the current performance with prevailing environment and thus, planning suffers from inflexibility in meeting its targets.
- b) Policies and programmes of the enterprise have to be established in course of the preparation of the plan. Once these are finalized it is difficult to change them. Secondly, commitments have to be made for long-term capital investment. This is done at the time of preparing the plan. Thus, capital investment is planned for future in terms of the forecasts made now.

ii. **Planning may not work in a dynamic environment:**

- a) The business environment is dynamic, nothing is constant. The environment consists of a number of dimensions, economic, political, physical, legal and social dimensions.
- b) The organization has to constantly adapt itself to changes. It becomes difficult to accurately assess future trends in the environment if economic policies are modified or political conditions in the country are not stable or there is a natural calamity.

iii. **Planning reduces creativity:**

- a) Planning is an activity which is done by the top management. Usually the rest of the members just implement these plans.
- b) As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own.
- c) Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Most of the time, employees do not even attempt to formulate plans. They only carry out orders.
- d) Thus, planning in any way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative.

iv. **Planning involves huge costs :**

- a) When plans are drawn up huge costs are involved in their formulation. These may be in terms of time and money for example, checking accuracy of facts may involve lot of time.
- b) Detailed plans require scientific calculations to ascertain facts and figures. The costs incurred sometimes may not justify the benefits derived from the plans.

v. Planning is a time-consuming process:

- a) Sometimes plans to be drawn up take so much time that there is not much time left for their implementation i.e., practical utility of planning is sometimes reduced by the time factor.
- b) When time is of essence then advance planning loses its utility.

Q3. What are the steps taken by management in the planning process?

Ans: steps taken by management in the planning process are:-

I. Setting up organizational objectives:

- a) The first step in the planning process is the setting up of objectives as a whole as well as for each department thereof.
- b) If the end result is clear, it becomes easier to work towards the goal.

II. Developing planning premises:

- a) Planning is concerned with the future which is uncertain. The manager is required to make certain assumptions about the future which is known as premises.
- b) Planning premises refers to certain assumptions about estimates and projections of the future behavior of variables which are likely to affect the activities of the organization. They are in nature of informed guesses of managers with respect to specific future trends.

III. Identifying alternative courses of action :

- a) Once objectives are set, assumptions are made .Then the next step would be to act upon them.
- b) There may be many ways to act and achieve objectives. All the alternatives courses of action should be identified.

IV. Evaluating alternative courses :

- a) Planning requires that each alternative course of action should be evaluated taking into facts about positive and negative aspects.
- b) All alternative should be compared and evaluated with references to cost, speed, risk, profit and enterprise's long-term objectives.

V. Selecting an alternative:

- a) This is real point of decision-making .The best plan has to be adopted and implemented.
- b) The ideal plan, of course, would be the most feasible, profitable and with least negative consequences.

VI. Implementing the plan:

- a) This step is concerned with putting the plan into action i.e., doing what is required.
- b) For example, if there is a plan to increase production then more labour, more machinery will be required. This step would also involve organizing for labour and purchase of machinery.

VII. Follow-up action:

- a) After implementation of the plan, the next step is to review the existing plans periodically to ensure their relevance and effectiveness.
- b) Once a plan is put into action as per schedule, its monitoring is equally important. In course of implementation, many adjustments may be required to achieve the given objectives.

Q4: Is planning actually worth the huge costs involved? Explain

Ans: importance of planning:

i. Planning provides direction:

- a) Planning provides a clear sense of direction to the activities of the organization and to the job behaviour of managers and others.
- b) The planning provides such direction:
 - By making the objectives clear and specific; and
 - By formulating the policies and programmes for achieving those objectives.

ii. Planning reduces the risk of uncertainty:

- a) Planning is an activity which enables a manager to look ahead and anticipate changes.
- b) By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain event.

iii. Planning reduces overlapping and wasteful activities:

- a) Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding.
- b) Since planning ensures clarity in thought and action, work is carried on smoothly without interruption.

iv. Planning promotes innovative ideas:

- a) Since planning is the first function of management, new ideas can take the shape of concrete plans.
- b) It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.

v. Planning facilitates decision-making:

- a) Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action.

- b) The manager has to evaluate each alternative and select the most viable proposition.

vi. Planning establishes standards for controlling:

- a) Planning involves setting of goals. The entire managerial process is concerned with accomplishing predetermined goals through planning, organising, staffing, directing and controlling.
- b) Planning provides the standards against which actual performance is measured. In case of any deviation, the management can take corrective action.

Q5 state any five features of planning?

Ans: Five features of planning are:-

i. Planning focuses on achieving objectives:

- a) Planning contributes to objectives in the sense that it involves the determination of the activities required to be undertaken to achieve objectives of organization. Planning is the exercise of creative thinking in the solution of various problems.
- b) Planning has no meaning unless it contributes to the achievements of predetermined organizational goals.

ii. Planning is a primary function of management:

- a) Planning is a primary function in the sense that it provides the basis for the other functions of organising, staffing, directing and controlling.
- b) Planning precedes other function, i.e., it is primary of planning. It starts with objectives which are the basis of all these functions.

iii. Planning is pervasive: planning is a pervasive function in the sense that it is required-

- a) At all the levels of management (top, middle or lower). For example, the top management undertakes planning for the organization as a whole. Middle management does the departmental planning. At the lowest level, day-to-day operational planning is done by supervision.
- b) In all departments of an organization (purchase, production, personal, finance or research development).

iv. Planning is continuous:

- a) Plans are prepared for a specific period of time, may be for a month, a quarter, or a year.
- b) At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a continuous process.

v. Planning is futuristic:

- a) Planning is futuristic in the sense that it essentially involves looking ahead into the future and making provision to tackle future events and situations. Planning is intended to cope with future uncertainties and unknowns.

- b) Planning is, therefore, regarded as a forward looking function based on forecasting. Through forecasting, future events and conditions are anticipated and plans are drawn accordingly.

Q6: Explain how planning reduces creativity?

Ans: planning reduces creativity:

- i. Planning is an activity which is done by the top management. Usually the rest of the members just implement these plans.
- ii. As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own.
- iii. Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Most of the time, employees do not even attempt to formulate plans .they only carry out orders.
- iv. Thus, planning in a way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative.

Q7. Explain 'strategy' as a type of plan?

Ans: Strategy:

- i. Strategy is a comprehensive plan for accomplishing organizational objectives.
- ii. This comprehensive plan will include three dimensions:
 - a) Determining long-term objectives,
 - b) Adopting a particular course of action, and
 - c) Allocation resources necessary to achieve the objectives
- iii. Whenever a strategy is formulated, the business environment needs to be taken into consideration. The changes in the economics, political, social, legal and technological environment will affect an organizations strategy.

Q8 Explain 'objectives' as a type of plan.

Ans: Objectives:

- i. An objectives simply started is what you would like to achieve i.e., end result of activities.
- ii. For example, an organization may have objectives of increasing sales by 10%or earning a reasonable rate of return on investment, earn a 20%profit from business. They represented the end point of planning.
- iii. Objectives need to be expressed in specific terms i.e., they should be measureable in quantitative terms, in the form of a written statement of desired result to be achieved within a given period of time.

Q9 what is meant by 'policy' as a type of plan?

Ans: policies:

- i. Policies are general statements that guide thinking or channelize energies towards a particular direction.
- ii. There are expressed in the form of a general statement. Policies in general are formulated at top management level.

- iii. Policies serve as bridges between organizational purposes and performance. Policy centered thinking on the part of managers is considered as a healthy sign and hence is encouraged in organizations.
- iv. For example, a company may have policy “to make payments more than fifty thousand by cheque”.

Q10 Explain ‘procedure’ as a type of plan?

Ans: the term ‘procedure’ is defined as a set of chronologically arranged sequential steps determined in advance and standardized for initiating, carrying through and completing a certain routine and repetitive activity.

- i. A procedure specifies the tasks to be done sequentially for completing a piece of work. It lays down the process of doing routine and repetitive activity, for the guidance of those who are to carry out such activity.
- ii. Examples of such activities include recruitment and selection of newspaper of manpower, purchase of raw materials for the manufacturing department, passing vendors ‘ bills for payment, settlement of workers’ grievances hiring manpower for the office, sanctioning earned leave, and so on.

Unit 5: Organizations

Objective type questions and answers.

1. ‘Grouping similar nature jobs into larger units called departments ‘ is the second step in the process of one of the functions of management. Identify the function.

Ans:--Organising.

2. Organizing helps in optimum utilization of resources. Which type of resources does it refer?

Ans:-- All material, financial and human resources.

3. It is formed by grouping together the entire work to be done into major functional departments. Name it.

Ans:- Functional Structure.

4. Informal organization is deliberately planned and created by management. Why do people not agree to this?

Ans:-- Informal organization originates as a result of personal interaction among employees and not deliberately planned and created by management.

5. It merely means the granting of authority to subordinates to operate within prescribed limits. Mention the concept referred here.

Ans:-- Delegation of authority.

6. Delegation provides a ready workforce to take up leading positions in new ventures. Which importance of delegation is stated here?

Ans:- Facilitation of growth.

7. It refers to the systemic delegation of authority from top management to the lower level managers. Mention it.

Ans:- Decentralization of authority

8. Decentralization diminishes the amount of direct supervision exercised by a superior over the activities of a subordinate. State the importance of decentralization referred here.

Ans:- Relief to top management.

9.Scope of decentralization of authority is wider than delegation. Why?

Ans:- Decentralisation implies extension of delegation.

10.On the basis of delegation, compare authority, responsibility and accountability.

Ans:- Authority can be delegated. Responsibility cannot be entirely delegated but accountability cannot be delegated at all.

Short and long type questions and answers

Q1: Explain functional structure?

Ans: functional structure are:-

- i. Functional structure refers to that organizational structure which is formed by grouping the activities and people on the basis of function.
- ii. It is an organizational design that groups similar or related jobs together. All related work of one kind is placed in one department under one controlling head. Each major function of business is organized as a separate department.
- iii. A major department can further be divided into minor departments. A minor department can further be divided into sections and sub-sections within each section. Work can be organized from top to bottom by assigning the work to low levels.

Q2: What are the advantages of functional structure?

Ans: Functional structure: Functional structure refers to that organizational structure which is formed by grouping the objectives and people on the basis of function.

Advantages:-

- i. **Occupational specialization:** A functional structure leads to occupational specialization since emphasis is placed on specific functions. This promotes

efficiency is utilization of manpower as employees perform similar tasks within a department and are able to improve performance.

- ii. **Promote control and coordination:** It promotes control and coordination within a department because of similarity in the tasks being performed.
- iii. **Increase in efficiency:** It helps in increasing managerial and operational efficiency and this results in increased profit.
- iv. **Minimize duplication:** It leads to minimal duplication of effort which results in economies of scale and this lowers cost.
- v. **Ease in training:** It makes training of employees easier as the focus is only on a limited range of skills.
- vi. **Ensures attention:** It ensures that different functions get due attention.

Q3: “A manager is of the view that he is not responsible for the quantity of work that he has delegated to his subordinate.” Do you agree with his viewpoint? Justify your answer by giving proper argument.

Ans: No, I do not agree with this. A manager can assign duties and delegate authority to his subordinates. However, he cannot turn a blind eye to how the delegated authority is being exercised. Manager remains accountable for the performance of work that he had delegated to his subordinates.

Q4: Explain the advantages of formal organization?

Ans: the advantages of formal organization are:-

- i. **Fixation of responsibilities:** It is easier to fix responsibility since mutual relationships are clearly defined.
- ii. **Clarity of role and duties:** In this type of organization role duties of each member are clearly specified. This also helps in avoiding duplication of effort.
- iii. **Unity of command:** Unity of command is maintained through an established chain of command.
- iv. **Effective accomplishment of goals:** It leads to effective accomplishment of goals by providing framework for operations to be performed and clarity of roles in the minds of employees.
- v. **Stability to the organization:** It provides stability to the organization. This is because behavior of employees can be fairly predicted since there are specific rules to guide them.

Q5: explain the features of informal organization?

Ans: informal organization. Its features are:-

- i. **Formation:** It emerges on its own in a natural manner within the formal organization as a result of social interactions among people.
- ii. **Standards of behavior and performance:** Standards of behavior and performance are determined by group norms which are evolved by mutual consent among members rather than officially laid down rules and regulation.

- iii. **Independent channel of communication:** In this organization, relations among different people are not defined because a person at the lower level of rank can have direct contact with the person at the highest level of rank. So, the flow of communication cannot be specified.
- iv. **Emerges spontaneously:** It emerges spontaneously and is not deliberately created by the management.
- v. **No definite structure:** It has any definite structure or form because it is a complex network of social relationships among members.

Q6: “Authority can be delegated but accountability cannot.” Explain the statement.

Ans: the given statement is correct. A manager can delegate his authority but not the accountability. Even after delegating the authority, the manager remains accountable to his own superior for the tasks which he may have assigned to his subordinate. For example, if a foreman fails to get the required units produced by the works on any day, then the foreman is responsible to his superior.

Q7: Can an overburdened manager take help from his subordinates? How? Explain three important things which he should keep in mind while taking such help.

Ans: the manager can take help from his subordinate through the process of ‘Delegation of Authority’. The three important things which should be kept in mind while taking such help are: (i) Authority (ii) Responsibility; and (iii) Accountability.

Q8 “Authority can be delegated but not responsibility”. Explain.

Ans: an important fact regarding delegation of authority is that only the authority can be delegated and not the responsibility. An officer can delegate some of his authorities to his subordinates and get their help in his work but ultimate responsibility of work will remain with him. If the enterprise suffers any loss on his account, he will be held responsible. Thus, it may be concluded that authority can be delegated but not the responsibility.

In first example, marketing manager cannot escape from liability. He will be fully responsible for the failure of sales managers in achieving their targets. He can delegate his authority but not the responsibility. In second example also, manager will remain responsible for the quality of work that he has delegated to his subordinates.

Q9 “Authority and responsibility must go together.” explain.

Ans: This problem is based on two principle of management: ‘Delegation of Authority and Responsibility’ and ‘Parity of Authority and Responsibility’. According to first principle, authority can be delegated but responsibility can never be delegated. In this problem, production manager delegated his responsibility. Therefore, only he shall remain responsible for non achievement of target and not the foreman. According to second principle, there should be proper adjustment between authority and responsibility. Here, no authority was delegated to foreman to achieve the target. Therefore, he cannot be held liable for failure.

Q10 what is meant by organising as a process? Explain any four points highlighting the importance of organising.

Ans: organising as a process of identifying and group the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

Importance of organising

i. Benefits of specialization :

- a) The process of organising promotes specialization in the sense that the various organization activities are sub-divided and then grouped into compact and convenient jobs on the basis of similarity.
- b) This reduces the work load as well as enhances productivity because of the workers performing a particular job on regular basis.

ii. Clarity in working relationship:

- a) The process of organising clarifies the authority of the managers of different departments.
- b) Each manager knows whom can he order and for which tasks. This minimizes the conflict and confusion about the respective powers and privileges of managers.

iii. Optimum utilization of resources:

- a) Organising leads to the proper usage of all material, financial and human resources.
- b) The proper assignment of jobs avoids overlapping of work and also makes possible the best use of resources. Avoidance of duplication of work helps in preventing confusion and minimizing the wastage of resources and efforts.

iv. Adaptation to change:

- a) Flexible organization structure facilitates adaption in the sense that it ensures the ability to adapt and adjust the activities in response to the changes taking place in the external environment with respect to technology, market, product, process, etc.
- b) Organizing helps the enterprise to adjust itself as per changing circumstances by suitably modifying the organization structure like duties, rights and responsibility of employee. For example, if one employee leaves the organization, then his work may easily be taken up by another employee.

v. Effective administration:

- a) Organization provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work.
- b) Management of an enterprise thereby becomes easy and this brings effectiveness in administration.

vi. Development of personal:

- a) In the process of organising, managerial personnel are trained to acquire wide experience in diverse activities through delegation of authority.

- b) Delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates. It gives them time to concentrate on strategic issues and explore new areas for growth.

Unit 6 staffing

Objective type questions and answers

1. It is described as the managerial function of filling and keeping filled the positions in the organization structure. Which function of management is referred here?

Ans:- Staffing.

2. State any one duty included under HRM.

Ans:-- Developing compensation and incentive plans.

3. What does placement refer to?

Ans:- placement refers to placing the right person on the right job.

4. It implies introducing the selected employee to other employees and familiarizing him with the rules and policies of the organization. Name it.

Ans:- orientation.

5. What does work force analysis reveal?

Ans:- It reveals the number and type of staff available.

6. What is the next step after selection?

Ans:-- Placement and orientation.

7. What is meant by 'Estimating man – power requirements' as a step in the process of 'Staffing'?

Ans:- It refers to analysis done to know the requirement of manpower quantity wise and quality wise.

8. It seeks to attract suitable applicants to apply for available jobs. Give the term.

Ans:- Recruitment

9. Promotion is a vertical shifting of employees. How does it affect the employees?

Ans:-- It helps to improve the motivation, loyalty and satisfaction level of employee.

10. These are run by the Government as a source of recruitment for unskilled and skilled operative jobs. What is being referred here?

Ans:- Employment exchange.

11. Which step in the process of selection helps the manager eliminate unqualified or unfit job seekers based on the information supplied in the application forms?

Ans:- Preliminary screening.

12. Why is selection considered as negative process?

Ans:- Because it is a process in which a person is selected and the others are rejected.

13. It is the process of identifying and choosing the best person out of a number of prospective candidates for a job. Name it.

Ans:-- Selection.

14. Which type of training is a joint programme of training in which educational institutions and business firms cooperate?

Ans:- Internship training.

15. Name the method of training in which the trainee works directly with a senior manager takes full responsibility of the trainee.

Ans:- This method of training is coaching.

16. Name the method of training in which the trainees learn on the equipments they will be using.

Ans:-- Vestibule training.

17. Name the method of training in which the trainee learns under the guidance of a master worker.

Ans:- Apprenticeship Programmes.

Short and long type questions and answers

Q1 what is meant by recruitment? How is it different from selection?

Ans: recruitment refers to the process of finding possible candidates for a job or a function. It has defined as ‘the process of searching for prospective employees and stimulating them to apply for jobs in an organization.’

Basis	Recruitment	Selection
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Meaning/concept	It refers to the process of finding possible candidates for a job or a function. It has defined as ‘the process of searching for prospective employees and stimulating them to apply for jobs in an organization.’	It is the process of identifying and choosing the best person out of a number of prospective candidates for job.
Objectives	Its objectives are to provide a sufficiently large group of qualified candidates.	Its objective is to eliminate the unsuitable or less suitable candidates and find out the suitable candidates.
Process	Its process is simple and candidates are not required to cross several hurdles.	Its process is complex and candidates are required to cross several hurdles created by management deliberately.
Nature of activity	It is positive activity because it encourages people to apply.	It is a negative activity because it rejects a good proportion of applicants.
Stage	It precedes selection process.	It starts after recruitment.

Q2 The workers of a factory are unable to work on new machines and always demand for help of supervisor. The supervisor is overburdened with their frequent calls. Suggest the remedy.

Ans (i) In this situation, there is a need for job training and most suitable method in this case is coaching.

(ii) In this method, the superior guides and instructs the trainee as a coach. The coach or counselor sets mutually agreed upon goals, suggests how to achieve these goals periodically reviews the trainees, progress and suggests changes required in behavior and performance.

(iii) The trainee works directly with a senior manager and the manager takes full responsibility for the trainee’s coaching.

Q3 The workers of a factory remains idle because of lack of knowledge of hi-tech machines. Frequent visit of engineer is made which causes high overhead charges. How can this problem be removed?

Ans: (i) In the given situation, the workers need training to work on hi-tech machines. The method of 'Vestibule Training' can be used.

(ii) Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environments are created in a classroom and employees use the same materials, files and equipment.

(iii) This is usually done when employees are required to handle sophisticated machinery and equipment as in the given situation.

Q4 The quality of production is not as per standards. On investigation it was observed that most of the workers were not fully aware of the proper operation of the machinery. What could be the way to improve the accuracy?

Ans: (i) In the given case, there is a need for training of workers as they are not fully aware of the proper operation of the machinery.

(ii) The most suitable method in this case is 'Apprenticeship Programme'.

(iii) Under apprenticeship programme the apprentices or trainees spends a prescribed amount of time working with an experienced guide, or trainer.

(iv) A uniform period of training is offered to trainees, in which both fast and slow learners are placed together. Slow learners may require additional training.

Q5 An organization provides security services. It required such candidates who are reliable and don't leak out the secrets of their clients. What steps should be incorporated in selection process.

Ans: (i) In the given case, organization must conduct 'Personality Test' during the selection process.

(ii) Personality tests provide clues to a person's emotions, her reactions, maturity and value system etc.

(iii) These tests probe the overall personality. It aims to explore qualities of the personality as a whole.

Q6 Distinguish between internal and external sources of recruitment on the basis of economy, quality of recruitment and time involved.

Ans:

Basis of distinction	Internal sources	External sources
Economy	The process of internal recruitment is less expensive as it does not involve expenses in the form of advertising for vacancies, etc.	The process of external recruitment is more expensive as it involves considerable expenses in the form of advertisement for vacancies, etc.

Quality	It may not involve quality of recruitment since it restricts the option and freedom in choosing the candidates.	It may involve quality of recruitment since large numbers of applicants are available.
Time consuming	It is less time consuming.	It is more time consuming.

UNIT 7 – Directing

Objective type questions and answers

1. Explain in one sentence how direction is a pervasive function of management.

Ans:-Directing is required in every department and at every level of the organization.

2. Every manager from top executive to superior performs the function of directing. Which characteristic of directing is referred here?

Ans:-Directing takes place at every level of management.

3.Explain in one sentence how direction initiates action in management.

Ans:-Direction encourages employees to work towards the achievement of laid down plans and it is the directing function which converts plans into results.

4.In what two ways the term supervisor can be understood?

Ans:- Firstly, it can be understood as an element of directing. Secondly, as a function performed by supervisor in the organizational hierarchy.

5. Define ‘supervision’.

Ans:--Supervision means overseeing the subordinates at work. It is an important function of every manager.

6. How does co-partnership stock option motivate employees?

Ans:- A feeling of ownership is created among employees which motivates them to contribute for the growth of the organization.

7. Give some examples of perquisites offered to employees.

Ans:-- Car allowance, housing, medical aid, education to children, etc.

8. Give one example of employee recognition.

Ans:- Congratulating the employee for good performance.

9. Motivation produces goal- directed behavior. Support the statement by giving an example.

Ans:- Motivation (according to Mc Farland)

10. Motivation can be either positive or negative. Give two example of negative motivation.

Ans:- Stopping increments, threatening.

11. Which need in the hierarchy theory of motivation refers to affection, acceptance and friendship?

Ans:- Affiliation / Belonging needs.

**12. Which kind of needs of an individual are satisfied by status given to their job?
Ans:- Psychological, social and esteem needs.**

13. State the characteristics which helps to develop better organizational climate.

Ans:- Reward-orientation, individual autonomy, consideration to employees, risk taking etc.

14. 'A good leader does not wait for opportunities but creates them'. Which quality of a good leader is highlighted by this statement?

Ans:--Initiative

15. It is defined as a process of influencing other people to work willingly for group objectives.

Mention this element of directing.

Ans:- Leadership (according to George Terry)

16. 'Courage, will power, judgment, flexibility, knowledge and integrity'. What is being indicated here?

Ans:- Qualities of a good leader are indicated here. (according to Vicout Slim)

17.What does communication that take place independently at the formal line of authority known as?

Ans:- Informal communication.

18. It is a process by which people create and share information with one another in order to reach common understanding. Which element of directing is referred here?

Ans:- Communication.

19. Which element in communication process relates to the process of converting encoded symbols of the sender?

Ans:- Decoding.

20. In which kind of communication network, a subordinate is allowed to communicate with his immediate superior as well as his superior's superior?

Ans:-Inverted V.

21. Which one is the most popular network in organization under Grapevine network and what does it mean?

Ans:-Cluster, Here the individual communicates with only those people whom he trusts.

Short and Long type questions and answers

Q1. Rahul is working under his superior, Mehul. He always communicates useful ideas and suggestions to his superior regarding reduction of cost, improvement in the product etc. Mehul implements his suggestions and has always found favourable results, but he never appreciates Rahul for his suggestions. Rahul decided not to communicate any suggestion or idea to Mehul. Identify the factor which acts as a communication barrier. Explain three other factors of the same group of communication barriers.

Ans. Lack of proper incentives acts as a communication barrier. Other personal barriers:

- a) Fear of Challenge to authority
- b) Lack of confidence of superior on his subordinates
- c) Unwillingness to communicate

Q2. What are the common barriers to effective communication? Suggest measures to overcome them.

Ans. The types of barriers are :

i) **Semantic Barriers**: It is the branch of linguistics dealing with meaning of words and sentences. The following are the semantic barriers:

- a) Badly expressed messages
- b) Symbols with different meanings
- c) Faulty Translations

ii) **Psychological Barriers** : Emotional or psychological factors acts as barriers to communicators. The following are the psychological barriers:

- a) Premature evaluation
- b) Lack of attention
- c) Distrust

iii) **Organisational Barriers:** The factors related to organization structure, authority, relationships, rules and regulations may, sometimes, act as barriers to effective communication. Some of the organisational barriers are:

- a) Organisational policy
- b) Rules and Regulations
- c) Status

iv) **Personal Barriers:** The personal factors of both sender and receiver may exert influence on effective communication. Some of the personal barriers are:

- a) Fear of challenge to authority
- b) Lack of confidence of superior on his subordinate
- c) Unwillingness to communicate.

Q3. Explain different networks of grapevine communication?

Ans. Grapevine communication may follow different types of networks:

Single Strand Network: Network in which each person communicates to the other in sequence.

Gossip Network : In this network, each person communicates with all on non-selective basis.

Probability Network: In this network, the individual communicates randomly with other individuals.

Clauster Network: in this network, the individual communicates with only those people whom he trusts.

Q4. In an organisation the good environment, refreshment corner and entertainment rooms have been made for all employees. Which values have been considered here?

Ans. i) Good working conditions.

ii) Helpful in decreasing the tensions of the employees.

Q5. A leader solves the problems relating to work and the personal problems also of the followers. Which value is being followed here?

Ans. i) Development of democratic values

ii) Cooperation Esprit

iii) Mental revolution

Q6. Explain the concept of Democratic Leadership and state its disadvantages.

Ans. **Democratic Leadership:** A democratic leader will develop action plan and makes decision in consultation with his subordinates. This style is also known as group control leadership and is based on decentralization. It respects the suggestions made by employees which leads to greater confidence and cooperation among them.

Disadvantages:

- ii) Time consuming decisions
- ii) Hiding leader inefficiency
- iii) over expectation of employees.

Q7. What do you mean by Laissez O'Faire leadership and states its advantages.

Ans. It refers to a leadership style in which the leader gives his subordinates complete freedom to make decisions. The followers are given a high degree of independence to formulate their own objectives and ways to achieve them. This style is also known as 'Hand Style Leadership.'

Advantages:

- i) Trust in followers
- ii) High level of motivation
- iii) Unstressed leaders

Q8. What are the elements of communication process?

Ans: The elements are:

- a) Sender: It means a person who conveys his thoughts or ideas to the receiver.
- b) Message: It is the content of ideas, feelings, suggestions, order etc.
- c) Encoding: It is the process of converting the message into communication symbols such as words etc.
- d) Media: It is the path through which encoded message is transmitted to receiver.
- e) Decoding: It is the process of converting encoded symbols of the sender.
- f) Receiver: The person who receives communications of the sender.
- g) Feedback: It includes all those actions of receiver indicating that he has received and understood message of sender.
- h) Noise: It means some obstructions to communication.

UNIT 8: CONTROLLING

Objective type questions and answers.

1.Name the function which reviews the operations in a business unit.

Ans:-- controlling.

2. Is controlling 'the end' of management functions cycle? Give reason in support of your answer.

Ans:-- No because controlling brings back the management cycle to planning function.

3. It implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans. Mention the concept implied here.

Ans:-- Management control.

4. It helps to minimize dishonest behavior on the part of the employees by keeping a close check on their activities. Mention the importance of controlling indicated here.

Ans:-- Ensuring order and discipline.

5. It helps to minimize dishonest behavior on the part of the employees by keeping a close check on their activities. Mention the importance of controlling indicated here.

Ans:-- Ensuring order and discipline.

6. Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. What difficulty does this situation create?

Ans:-This makes measurement of performances and their comparison with standard, a difficult task.

7. Planning and controlling are inter-dependent and inter-related activities. Do you agree?

Ans:-- Yes, I agree as it an established fact.

8. Planning is an empty exercise without this function of management. Mention this function.

Ans:--Controlling.

9. There are several techniques for measurement of actual performance as a step in process of controlling. What does this technique include?

Ans:-- Personal observation, sample checking, performance reports.

10. Control should focus on key result areas (KRAs) which are important to the success of an organization. Which concept is suggested here while analyzing deviations in performance of activities?

Ans:-- Critical point control.

11. Name the concept which suggests that only significant deviations which go beyond the permissible limit should be brought to the notice of management.

Ans:-- Management by Exception.

12. What is meant by 'Standards' in the process of controlling?

Ans:- Standard are the criteria against which actual performance would be measured.

SHORT AND LONG TYPE QUESTIONS AND ANSWERS

1. Explain the meaning of controlling.

Ans. Controlling is the process of verifying whether actual performance is in conformity with planned performance and taking corrective action where necessary.

2. 'Planning is looking ahead and controlling is looking back.' Comment.

Or

Rajeev and Sanjeev are managers in the same organization heading different units. While discussing about the functions of management, Rajeev says that, 'Planning is looking ahead whereas controlling is looking back.' But Sanjeev says, 'You are wrong because planning is looking back whereas controlling is looking ahead.' Both are giving reasons in favour of their statements. Explain the possible reasons given by both and justify who is correct.

Ans. This statement is partially correct.

- i. Planning is forward looking in the sense that it looks at future and lays down the standards to be achieved in future.
- ii. Controlling is looking back in the sense that it looks at past and measures the actual performance relating to the past and compares actual performance with planned performance and taking corrective measures in case of deviation.
- iii. Planning is backward looking also in the sense as it is guided by past experiences and the corrective action initiated by control function aims to improve future performance.
- iv. Controlling is not only looking back but also forward looking like planning in the sense that it helps in the adoption of new plans (if existing plan cannot be implemented at all) and revision of the existing plans (if existing plan can be implemented only with modifications) on the basis of comparison of actual performance with the prescribed standards.
- v. Controlling provides valuable information derived from past experience for future planning. It ensures better utilization of resources in future by rectifying past mistakes. Thus, planning and controlling are both backward-looking as well as a forward-looking function.

3. Explain the various steps involved in the process of control.

Or

Explain the various steps in the process of controlling.

Or

Discuss the various steps involved in the process of control.

Or

"Controlling is a systematic process involving a series of steps." State the steps involved in the process.

Or

Kanu is appointed as a Factory Manager in a gel-pen manufacturing company. He was given a target of producing one lac gen-pens per month. He knew that the 'essence of management is to achieve desired results' but he does not know 'how to ensure that the work goes on according to plans.' Guide him by explaining the process so that he is able to achieve the desired results.

Ans. Following steps are involved in controlling process:

Step 1 : Setting Performance Standards:

- i. The first step in the controlling process is setting up of performance standards.
- ii. Standards are the criteria against which actual performance would be measured. Thus, standards serve as benchmarks towards which an organization strives to work.
- iii. Standards can be set in both quantitative as well as qualitative terms.

Step 2: Measurement of Actual Performance:

- i. Once performance standards are set, the next step is measurement of actual performance.
- ii. There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports, etc.

Step 3: Comparing Actual Performance with Standards:

- i. This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired results.
- ii. Comparison becomes easier when standards are set in quantitative terms.
- iii. For instance, performance of a worker in terms of units produced in a week can be easily measured against the standard output for the week.

Step 4: Analysing Deviations:

- i. Some deviation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of deviations.
- ii. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. *Critical point control and management by exception* should be used by a manager in this regard.
 - a. *Critical Point Control:*
 - It is neither economical nor easy to keep a check on each and every activity in an organization.
 - Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organization. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organization suffers.
 - b. *Management by Exception:*
 - Management by exception, which is often referred to as control by exception, is an important principal of management control based on the belief that an attempt to control everything results in controlling nothing.

- Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management.

Step 5: Taking Corrective Action:

- The final step in the controlling process is taking corrective action. No corrective action is required when the deviation are within acceptable limits.
- However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.
- Corrective action might involve training of employees if the production target could not be met.

4. “There is a close and reciprocal relationship between planning and controlling.” Explain the statement.

Or

‘Planning and controlling are interdependent and interlinked activities’.

Explain.

Ans. The basis of the relationship between planning and controlling are:

Planning and controlling are interdependent and interrelated activities:

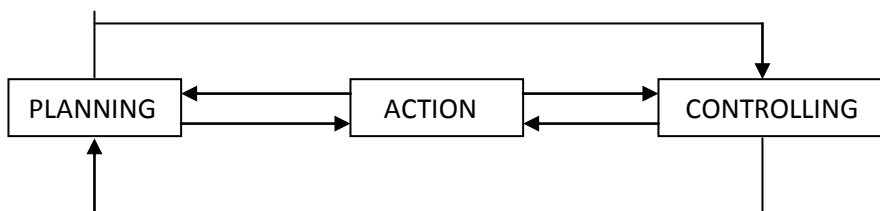
i. They are interdependent in the sense that:

- Planning provides basis (i.e., standards) for the controlling activities. In the absence of planning, the controlling activities cannot be performed because no fixed standards are available with which actual performance may be compared. It cannot be determined whether the performance is good, bad or reasonable.
- Planning provides basis for improvement in future plans.
- Planning is basically an intellectual process involving thinking, articulation and analysis to discover and prescribe an appropriate course of action for achieving objectives. Controlling, on the other hand, checks whether decisions have been translated into desired action. Planning is thus, prescriptive whereas, controlling is evaluative.
- In the absence of effective controlling, planned activities cannot be properly implemented in accordance with the plans and programmes of the organization and there cannot be improvement in future plans.
- Controlling ensures realizing planned goals efficiently.

ii. Planning and Controlling are interrelated and, in fact, they reinforce each other in the sense that:

- Planning based on facts makes controlling easier and effective.
- Controlling improves future planning by providing information derived from past experience.
- Planning without controlling is meaningless and controlling without planning is blind.

Note: Their mutual relationship can be judged from the figure:



Controlling has to be linked with planning and control mechanism should be inbuilt into the plan itself. The more the precise and accurate this linkage, the more effective the controlling system.

5.A supervisor observes that during working hours some employees were busy in gossiping instead of working. In spite of instructions they did not start working. When the matter was brought to the notice of management the union threatened to go on strike. In your view was the behavior of employee and the union was justified?

- Ans.
- i. Wastage of time.
 - ii. Union not to make unnecessary pressure of officials.
 - iii. Threatening to strike on small matters is unhealthy practice.

Unit 9: FINANCIAL MANAGEMENT

Objective type questions and answers

1. What is the primary aim of financial management?

Ans:-- To maximize shareholder's wealth.

2. Finance is required for buying those varieties of assets that may be tangible or intangible. Give few examples of such intangible assets.

Ans:-- Trademark , patents, technical expertise etc.

3. Name the financial decision which affects the liquidity as well as profitability of a business.

Ans:- Investment Decision.

4. Give the term which implies a long-term investment decision.

Ans:- Capital budgeting decision.

5. One factor affecting capital budgeting decision is cash flow of the project. Name two more factors.

Ans:- Rate of return of the project and Investment criteria involved.

6. If a company enters into successful collaborations with other organizations, how will it affect its requirement of fixed capital?

Ans:- It may reduce its requirement of fixed capital as now less funds are required to be invested in fixed assets.

7. A long-term investment decision is also called as – Complete it.

Ans:- Capital budgeting decision.

8. Name the type of investment decision which relates to short-term and affects day to day operations of a company.

Ans:- Working capital decision.

9. How does production cycle affect the requirement of working capital?

Ans:- Working capital requirement is higher in time with longer production cycle and lower in firms with shorter production cycle.

10. How can a liberal credit policy affect working capital requirements? Do you agree?

Ans:- It will increase the requirement of working capital.

11. How do working capital decisions (or short-term investment decisions) affect the business?

Ans:- These decision affect the liquidity as well as profitability of a business.

12. What does trading on equity refer to?

Ans:- It refers to an increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest.

13. “Cost of debt” is lower than the cost of “Equity share capital”. Give reason why even then a company cannot work only with the debt.

Ans:- Because it increases the financial risk of a business.

14. Name the concept which increases the return on equity shares with a change in the capital structure of a company.

Ans:- Trading on equity or financial leverage.

15. What should a company issue – shares or debentures if it does not want to loose control over the management of the company?

Ans:- Company should issue debenture.

16. If stock markets are bullish, then what would be easier for the company to issue?

Ans:- In this situation, equity shares can be more easily issued even at a higher price.

17. Delta Cables Ltd. earned a net profit of Rs. 50 crores. Atul, the finance manager of Delta Cables Ltd. , wants to decide how to appropriate these profits. Which financial decision will help him in deciding it?

Ans:- Dividend Decision.

18. How can taxation policy be a factor affecting dividend decision?

Ans:- higher dividends may be declared if tax rates are relatively lower and vice versa.

19. ‘How much of the profit earned by company is to be disturbed to the shareholders and how much of it should be retained in the business for meeting the investment requirements’ – Which financial decision considers this?

Ans:- Dividend decision.

20. Typically, financial planning is done for three to five years. Why not for long periods?

Ans:- Because for long periods it becomes more difficult and less useful.

SHORT AND LONG TYPE QUESTIONS AND ANSWERS

1. What is meant by capital structure?

Or

What is meant by ‘capital structure’ in financial management?

Ans.

- i. The capital structure means the proportion of debt and equity used for financing the operations of a business.
- ii. Capital structure refers to mix between owner's fund (equity) and borrowed funds (debt)
- iii. Owner's funds consist of equity share capital, preference share capital and reserves and surpluses or retained earnings. Borrowed funds can be in the form of loans, debentures, public deposits etc. These may be borrowed from banks, other financial institutions, debenture holders and the public.
- iv. All decisions relating to capital structure should emphasize on increasing the shareholder's wealth.

It can be calculated as: Debt- Equity ratio= Debt/Equity

Or, As a proportion of Debt out of total capital = Debt/Debt+Equity

2. What is 'Financial Risk'? Why does it arise?

Ans. Financial Risk refers to a position when a company is unable to meet its fixed financial charges namely interest payment, preference dividend and repayment obligations. Financial risk arises due to use of debt and preference shares as source of finance.

3. Financial management is based on three broad financial decisions. What are these?

Or

What is meant by Financial Management? Explain any three decisions involved in financial management.

Or

Every manager has to take three major decisions while performing the finance function. Explain them.

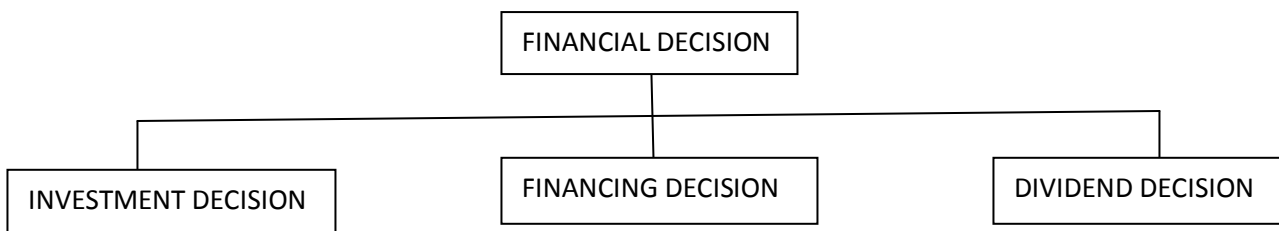
Or

Enumerate any three important decisions taken in financial management.

Or

What is meant by financial management? State any two financial decisions taken by a financial manager.

Ans. Financial management is concerned with the solution of three major issues of relating to the financial operations of a firm and they are Investment, Financing and Dividend decision.



- i. Investment Decision: Investment decision, relates to how the firm's funds are invested in different assets. Investment decision can be long term or short term.

a. *Long-term investment*

- A long-term investment decision is also called a Capital Budgeting decision.
 - It involves committing the finance on a long term basis.
- b. *Short-term investment*
- Short-term investment decisions (also called working capital decisions) are concerned with the decisions about the levels of cash, inventories and debtors.
 - These decisions affect the day to day working of a business. These affect the liquidity as well as profitability of a business.
- ii. *Financing Decision:*
- a. Financing decision is thus concerned with the decisions about how much to be raised from which source.
- b. The main sources for funds of a firm are shareholders funds (equity and retained earnings) and borrowed funds (debentures).
- c. It involves deciding the proportion of equity and debt in capital structure. Sources are analyzed in light of cost of financing them as well as financial risk involved. This decision determines the overall cost of capital and the financial risk of the enterprise.
- iii. *Dividend Decisions:*
- a. Dividend is that portion of profit which is distributed to shareholders.
- b. The decision involved here is how much of the profit earned by company is to be distributed to the shareholders and how much of it should be retained in the business for meeting the investment requirement.
- c. The main objective of dividend policy is to divide net earnings in an optimum manner so as to pay dividend and retain earnings for reinvestment with the objective of maximizing the wealth of shareholders.

4. What are the main objectives of financial management? Briefly explain.

Or

Explain the term 'Financial Management'. Briefly explain any three of its objectives.

Or

What is meant by 'Financial Management'? State the primary objective of Financial Management.

Ans. Financial Management is concerned with management decisions relating to optimal procurement of funds, investment of funds in long-term and short-term assets of the firm.

The objectives of financial management are:

- i. The primary aim of financial management is to maximize shareholder's wealth which is referred to as the wealth maximization concept:
 - a. Company funds belong to the shareholders and the manner in which they are invested and the return earned by them determines their market value or price. It means maximization of the market value of equity shares.

- b. Market price of equity shares increase if the benefits from a decision exceed the cost involved.
- c. Thus, we can say, the objective of financial management is to maximize the current price of equity shares of the company or to maximize the wealth of owners of the company that is the shareholders.
- ii. Reducing the cost of fund procured.
- iii. Keeping the risk under control and achieving effective deployment of such funds.

5.What is meant by working capital? How is it calculated? Discuss the five important determinants of working capital requirements.

Or

Explain the meaning of Working Capital. Briefly explain any four factors that determine the working capital of a company.

Or

Explain briefly any five factors to be considered at the time of determining working capital requirement.

Or

You are the finance manager of a company. The board of directors has asked you to determine the working capital requirements for the company. State the factors that you would take in consideration while determining the requirements of working capital for the company.

Or

Explain any four factors which affect the working capital requirements of a business.

Or

You are the Financial Manager of a newly established company. The Directors have asked you to determine the amount of working capital requirement for the company. Explain any four factors that you will consider while determining the working capital requirement for the company.

Ans. Working capital refers to that part of total capital, which is required for holding current assets. It is calculated as excess of current liabilities. Determinants of working capital are:

Factor that determine working capital of a company are:

- i. Nature of Business: The working capital requirements depend upon the nature of business. For instance,
 - a. In Small trading concern or retail shop, requirement of working capital is small because operating cycle period is small since:
 - They mostly have cash sales
 - They carry small quantities of goods in stock.
 - b. In large trading firms or Departmental Stores dealing in large variety of goods, requirement of working capital is large because operating cycle period is larger since:
 - They require large quantities of goods in stock
 - They carry large debtor balances.

- c. In manufacturing firm, requirement of working capital is large because operating cycle period is larger since:
 - They carry large quantity of raw materials.
 - They carry large quantity of work in progress.
- ii. Scale of operations:
 - a. For organizations which operate on a higher scale of operation, the quantum of inventory, debtors required is generally high.
 - b. Such organizations, therefore, require large amount of working capital as compared to the organizations which operate on a lower scale.
- iii. Business cycle:
 - a. In case of a boom the sales as well as production are likely to be higher and therefore higher amount of working capital is required.
 - b. As against this, the requirement of working capital will be lower during period of depression as the sales as well as production will be low.
- iv. Seasonal factors:
 - a. In a peak season, because of higher level of activity higher amount of working capital is required.
 - b. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.
- v. Production cycle:
 - a. Production cycle is the time span between the receipts of raw material and their conversion into finished goods.
 - b. Some business has a longer production cycle while some have shorter one. Consequently, working capital requirement is higher in firms with longer processing cycle and lower in firm having shorter processing cycle.

6. Capital structure decision is essentially optimization of risk-return relationship.

Comment.

Ans.

- i. Capital structure decision is related to proportion of debt (risk) and equity (return).
- ii. Debt is cheaper but is more risky for a business because payment of interest and the return of principal is obligatory for the business. Any default in meeting these commitments may force the business to go into liquidation. There is no such compulsion in case of equity, which is therefore, considered riskless for the business.
- iii. Debt component in the total capital generates higher return for equity shareholders as interest payable on debt is deductible from earning before tax payment.
- iv. Thus, capital structure decision affects risk as well as return. So, it is true capital structure decision is essentially optimization of risk-return relationship.

7. Explain factors affecting the dividend decision.

Or

What is meant by dividend decision? State any four factors affecting the dividend decision.

Or

Identify the financial decision which determines the amount of profit earned to be distributed and to be retained in the business. Explain any four factors affecting this decision.

Or

Explain the factors affecting the dividend policy of a company.

Or

You are the finance manager of a company. The board of directors have asked you to decide the dividend policy (i.e., how earnings will be divided into two parts-retained earnings and dividends) for the company. Explain the factors that you would take in consideration while determining the dividend policy for the company.

Ans. **Dividend Decision**

- i. Dividend is that portion of profit which is distributed to shareholders.
- ii. The decision involved here is how much of the profit earned by company is to be distributed to the shareholders and how much of it should be retained in the business for meeting the investment requirement.

Factors affecting dividend decision are:

- i. **Amount of Earnings:** Dividends are paid from current and past earnings due to which earning is the major determinant of decision about dividend.

ii. Stability of Earnings:

- a. The company who has stable earnings is in a better position to declare higher dividend.
- b. As against this, a company having unstable earnings pay smaller dividend.

iii. Stability of Dividends:

- a. The increase in dividends is made when the earning potential has gone up.
- b. As against this, the dividend per share is not changed if change in earnings is small or temporary in nature.

iv. Growth Opportunities:

- a. Companies having good growth opportunities retain more from their earnings in order to finance the investment.
- b. Thus the dividend in growth companies is smaller than that in the non-growth companies.

v. Cash Flow Position:

- a. Dividends involve an outflow of cash.
- b. A company may be profitable but short on cash.
- c. Availability of enough cash in the company is necessary for declaration of dividend by it.

vi. Shareholder Preferences: Shareholder preferences must also be considered for determining the rate of dividend. There are two types of shareholders:

- a. Those who invest with the purpose of getting some regular income (i.e, retired, old or poor shareholder). The company must declare more dividend as such shareholders expect regular and stable amount of dividend.
- b. Those who invest in the company for capital gain (young and rich shareholders). The company must declare low dividend and reinvest that

amount in the business for more profits in the future, which will thereby increase the stock price.

8. 'S' Limited is manufacturing steel at its plant in India. It is enjoying a buoyant demand for its products as economic growth is about 7%-8% and the demand for steel is growing. It is planning to set up a new steel plant to cash on the increased demand it is facing. It is estimated that it will require about Rs. 5000 crores to set up and about Rs. 500 crores of working capital to start the new plant.

Questions.

- 1. What is the importance of having a financial plan for this company? Give an imaginary plan to support your answer.**
- 2. What are the factors which will affect capital structure of this company?**
- 3. Keeping in mind that it is a highly capital intensive sector what factors will affect the fixed and working capital. Give reasons with regard to both in support of your answer.**

Ans.

Objectives of financial management are:

- a. The primary aim of financial management is to maximize shareholder's wealth which is referred to as wealth maximization concept:
 - Company funds belong to the shareholders and the manner in which they are invested and the return earned by them determines their market value or price. It means maximization of the market value of equity shares.
 - Market price of equity shares increase if the benefits from the decision exceed the cost involved.
 - Thus, we can say, the objective of financial management is to maximize the current price of equity shares of the company or to maximize the wealth of owners of the company, that is, the shareholders.
- b. Reducing the cost of funds procured
- c. Keeping the risk under control and achieving effective deployment of such funds.

Importance of financial planning:

- a. It tries to forecast what may happen in the future under different business situations.
- b. In other words, it makes the firm better prepared to face the future
- c. It helps in avoiding business shocks and surprise and helps the company in preparing for the future.
- d. It helps in coordinating various business functions eg, sales and production functions, by providing clear policies and procedures.
- e. Detailed plans of actions prepared under financial planning reduce waste, duplication of efforts and gaps in planning.
- f. It tries to link the present with the future.
- g. It provides a link between investment and financing decisions on a continuous basis.

- h. By spelling out detailed objectives for various business segments. It makes the evaluation of actual performance easier.

Factors which will affect capital structure of this company are:

a. *Cash flow position:*

- Size of cash flows must be considered before issuing debt.
- Company must ensure that sufficient cash flows are expected to cover fixed cash payment obligations (interest payment and repayment of principle).

b. *Risk:*

- The risk associated with different sources is different. Debt financing is risk prone source.
- The financial risk depends upon the proportion of debt in total capital.
- Debt is more riskier because of interest payment obligation attached.

- c. *Floatation costs:* Cost of raising funds is called floatation cost. Higher the floatation cost, less attractive the source.

Factors affecting requirement of Fixed Capital

a. *Nature of the business:*

- The type of business has a bearing upon the fixed capital requirements.
- For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organization; since it does not require to purchase plant and machinery etc.

- b. *Scale of operations:* A larger organization operating at a higher scale needs bigger plant, more space, etc and therefore requires higher investment in fixed assets when compared with the small organization.

c. *Choice of technique:*

- Some organizations are capital intensive whereas others are labour intensive.
- A capital-intensive organization requires higher investment in plant and machinery as it relies less on manual labour. The requirement of fixed capital for such organizations would be higher.
- Labour-intensive organizations, on the other hand, require less investment in fixed assets. Hence, their fixed capital requirement is lower.

Factors affecting requirement of Working Capital

a. *Scale of operations:*

- For organizations which operate on a higher scale of operation, the quantum of inventory, debtors required is generally high.
- Such organizations, therefore, require large amount of working capital as compared to the organizations which operate on a lower scale.

b. *Business cycle:*

- In case of a boom, the sales as well as production are likely to be higher and therefore higher amount of working capital is required.
- As against this, the requirement of working capital will be lower during period of depression as the sales as well as production will be low.

c. *Seasonal factors:*

- In peak season, because of high level of activity higher amount of working capital is required.
- As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.

9.A company has to arrange its working capital. The available sources are:

- Fresh issue of equity shares;**
- Issue of debentures;**
- Accepting deposits;**
- Taking short-term loans from bank;**
- Advance from customers.**

Which sources company may prefer?

Ans. Company should arrange working capital from current (short-term) liabilities. So, the company may prefer one or more of options of iii, iv and v.

10. Sahil Industries needs to raise funds of Rs.30,00,000. Its expected earnings before interest and taxes (EBIT) are Rs. 2,00,000. The company wishes to use more of debt content as compared to equity to raise earning per share (EPS) of equity shareholders. The debt is available at interest of 10%. As finance Manager, advise whether the company should prefer more of debt or more of equity to have higher EPS. Give reasons to support your answer.

Ans. Sahil Industries should use less of debt (preferably no debt) to have higher EPS because current return on investment (ROI) is less than cost of debt. The prevailing ROI is only 6.66% ($=2,00,000/30,00,000 * 100$) against the interest rate of 10%. When ROI is less than interest rate on debt, then EPS falls with rise in use of debt. So, the company should prefer more of equity to have higher EPS.

11.Explain the meaning of Fixed Capital. Briefly explain any four factors that determine the fixed capital of a company.

Or

Explain the factors affecting requirements of fixed capital of a business.

Or

How do 'Choice of Technique' and 'Nature of Business' affect the 'Fixed Capital' requirements of a company? Explain.

Or

You are a Finance Manager of a newly established company. The Directors have asked you to determine the amount of Fixed Capital requirement for the company. Explain any four factors that you will consider while determining the Fixed capital requirement.

Ans.

- Fixed capital refers to investment in long-term assets.
- Management of fixed capital involves allocation of firm's capital to different long-term assets.
- These decisions are called investment decisions or capital budgeting decisions. These decisions affect the growth, profitability and risk of the business in the long-run.

Factors affecting the requirement of fixed capital

- i. Nature of the Business:
 - a. The type of business has a bearing upon the fixed capital requirements.
 - b. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organization; since it does not require to purchase plant and machinery etc.
 - ii. Scale of Operations: A larger organization operating at a higher scale needs bigger plant, more space, etc. and therefore, requires higher investment in fixed assets when compared with the small organization.
 - iii. Choice of Technique:
 - a. Some organizations are capital-intensive whereas others are labour-intensive.
 - b. A capital intensive organization requires higher investment in plant and machinery as it relies less on manual labour. The requirement of fixed capital for such organizations would be higher.
 - c. Labour intensive organizations, on the other hand, require less investment in fixed assets. Hence, their fixed capital requirement is lower.
 - iv. Technology Upgradation:
 - a. In certain industries, assets become obsolete sooner.
 - b. Consequently the replacements become due faster. Higher investment in fixed assets may, therefore, be required in such cases.
 - c. For example, computers become obsolete faster and are replaced much sooner than, say, furniture. Thus such organizations which use assets which are prone to obsolescence require higher fixed capital to purchase such assets.
 - v. Growth Prospects:
 - a. Higher growth of an organization generally requires higher investment in fixed assets.
 - b. Even when such growth is expected, a business may choose to create higher capacity in order to meet the anticipated higher demand quicker.
 - c. This entails higher investment in fixed assets and consequently higher fixed capital.

12. A businessman who wants to start a manufacturing concern approaches you to suggest him whether the following manufacturing concerns would require large or small working capital:

- i. Bread**
- ii. Sugar**
- iii. Coolers**
- iv. Furniture manufacturing against specific orders, and**
- v. Motorcars**

Give your viewpoint with reasons in each of the above cases.

Ans.

- i. Bread: It needs less working capital as product is generally sold for cash.
- ii. Sugar: It will require large working capital because of longer operating cycle.
- iii. Coolers: It is a seasonal product. So, it requires more working capital during peak season.
- iv. Furniture Manufactured against Orders: It requires less working capital as no inventory has to be maintained.

v. Motorcars: It will require large working capital due to long operating cycle.

VALUE BASED QUESTIONS

1. A wholesaler of onion comes to know that due to less production the prices of onion will increase heavily. He stored the onion and during rising prices earns heavy profit by selling the stored onions. From the earned profits, he provides some money for social activities also. In this situation which values he reflects here.

Ans.

- i. Promoting hoarding and black-marketing of goods.
- ii. By participating in social work he still fulfills his social objectives.

2. Neelabh is engaged in 'Transport Business' and transports fruits and vegetables to different states. Stating the reason in support of your answer, identify the working capital requirements of Neelabh. Neelabh also wants to expand and diversify his transport business, explain any two factors that will affect his fixed capital requirements.

Or

Harish is engaged in warehousing business. His warehouses are generally used by the businessmen to store fruits. Identify the working capital requirements of Harish giving reasons in support of your answer. Further, Harish wants to expand and diversify his warehousing business. Explain any two factors that will affect his fixed capital requirements.

Or

Amar is doing his transport business in Delhi. His buses are generally used for tourists going to Jaipur and Agra. Identify the working capital requirements of Amar giving reason in support of your answer. Further Amar wants to expand and diversify his transport business. Explain any two factors that will affect his fixed capital requirements.

Or

Pranav is engaged in 'Transportation Business'. Identify the working capital requirements of Pranav stating the reason in support of your answer. Pranav also wants to expand and diversify his Transport Business. Explain any two factors that will affect his fixed capital requirements

Ans. The working capital requirement would be less as he is engaged in 'Service Industry'. As service firm needs less working capital because it sells more on cash basis and do not have to maintain inventory. Working capital requirement would be for the payment of salary, fuel charges, maintenance vehicles, etc.

Factors which will affect his Fixed Capital requirement are:

- i. Scale of Operations: A larger organization operating at a higher scale needs bigger plant, more space etc and therefore, requires bigger investment in fixed assets when compared with the small organizations.
- ii. Diversification:
 - a. A firm may choose to diversify its operations for various reasons.
 - b. With diversification, fixed capital requirements increase, example a textile company is diversifying and starting a cement manufacturing plant. Obviously its investment in fixed capital will increase.

3. Manish is engaged in the business of garment manufacturing. Generally he used to sell his garments in Delhi. Identify the working capital requirements of Manish giving reasons in support of your answer. Further, Manish wants to expand and diversify his garment business. Explain any two factors that will affect his Fixed capital requirements.

Ans.

- i. The working capital requirement of Manish would be more as he is engaged in 'Manufacturing Industry'. Manish needs more working capital because: In a Manufacturing Firm, requirement of Working Capital is large because operating cycle period is larger since:
 - a. They carry large quantity of raw materials
 - b. They carry large quantity of work in progress.

Factors which will affect his Fixed Capital requirement are:

- a. Scale of Operations: A larger organization operating at a higher scale needs bigger plant, more space etc and therefore, requires bigger investment in fixed assets when compared with the small organizations.
- b. Diversification:
 - A firm may choose to diversify its operations for various reasons.
 - With diversification, fixed capital requirements increase, example a textile company is diversifying and starting a cement manufacturing plant. Obviously its investment in fixed capital will increase.

CHAPTE 10 FINANCIAL MARKET

Objective type questions and answers

1. Define financial market.

Ans:- Financial market is a market for the creation and exchange of financial assets.

2. Enumerate the two types/segments of financial markets.

Ans:- Financial markets consists of two major segments:-

- * Capital market: - the market for medium and long term funds.
- * Money market:-the market for short term funds.

3. By linking the savers and the investors by mobilizing funds between them, which function does financial market perform?

Ans:- Allocative function.

4. There are two major alternative mechanisms through which allocation of funds can be done. Mention these alternatives.

Ans:- Banks and financial market.

5. Financial markets facilitate easy purchase and sale of financial assets. Which function of financial markets is highlighted here?

Ans:- Provide liquidity to financial assets.

6. What does capital market consist of?

Ans:- Development bank, commercial bank and stock exchange.

7. List any two methods of floating new issues in the primary market.

Ans:- Offer through prospectus and offer for sale.

8. It refers to allotment of securities by a company to institutional investors and to some selected individuals. Name it.

Ans:- Private Placement.

9. Which market is meant for the purchase and sale of existing securities?

Ans:- Secondary Market.

10. Which method of floatation involves issuing capital to the public through on-line system of stock exchange?

Ans:- e-IPOs

11. It is basically an instrument of short-term borrowings by the Government of India maturing in less than one year. Name this money market instrument.

Ans:- Treasury Bill.

12. It is a short-term unsecured promissory note, Negotiable and transferable by endorsement and delivery within a fixed maturity period. Name it.

Ans:- Commercial paper.

13. It is used for inter-bank transactions. It is short-term finance repayable on demand with a maturity period of one day to fifteen days. Which instrument does it indicate?

Ans:- Call money.

14. Name the instrument which is unsecured, negotiable, short-term instrument in bearer form, issued by commercial banks and development financial institutions.

Ans:- Certificate of deposit.

15. It is a short-term negotiable, self-liquidating instrument which is used to finance the credit sales of firms. Which instrument is referred here?

Ans:- Commercial Bill.

16. Distinguish between capital market and money market on the basis of expected return.

Ans:- Investment in capital markets generally yields a higher return for investors than the money markets.

17. Define share certificate.

Ans:- It is a proof of ownership of securities by an individual.

18. It is an institution which provides a platform for buying and selling of existing securities. Mention it.

Ans:- Stock exchange.

19. Stock exchange gives investors the chance to disinvest and reinvest. Which function of stock exchange is highlighted here?

Ans:- Providing liquidity and marketability to existing securities.

20. Membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal framework. What does this ensure to investing public?

Ans:- this ensures that the investing public gets a safe and fair deal on the market.

21. Which market segment of NSE provides an efficient and transparent platform for trading in equity, preference, debentures, exchange traded funds as well as retail Government securities?

Ans:- Capital market segment of NSE

22. Which is the OTC exchange in USA?

Ans:- NASDAQ (National Association of securities dealers automated quotations)

23. "A stock market index is a barometer of market behaviors". Why?

Ans:- Because it reflects market direction and indicates day-to-day fluctuations in stock price. It measures the overall market sentiment.

24. What do you mean by depository services?

Ans:- Depository services are those services which are provided by a depository to its clients regarding maintaining their accounts of securities in electronic form.

25. Define Beneficial Owner.

Ans:- Beneficial owner is the investor or account holder and is required to open Demat account for the trading of securities at the stock exchange.

26. What do you mean by Demat Account?

Ans:- Demat account is an account which an investor is required to open with a depository through its any depository participant for availing depository services.

24. Give one regulatory function of SEBI.

Ans:- Prohibition of fraudulent and unfair trade practices.

25. State one developmental function of SEBI.

Ans:- Investor education.

26. Promotion of fair practices and code of conduct in securities market is one of the functions of SEBI. Which type of function is it?

And:- Protective function.

SHORT AND LONG TYPE QUESTIONS AND ANSWERS

Q1) What are the functions of financial markets?

or

"Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions." Explain any three functions of financial market.

Ans-(i) Mobilization of savings and channelizing them into the most productive uses:

(a) A financial market facilitates the transfer of savings from savers to investors.

(b) It gives savers the choice of different investments and thus helps to channelize surplus funds into the most productive use.

(ii) Facilitating Price Discovery:

(a) In the financial market, the households are suppliers of funds and business firms represent the demand.

(b) Such forces of demand and supply help to establish a price for the financial asset which is being traded in that particular market.

(iii) Providing Liquidity to Financial Assets:

(a) Financial markets provide liquidity to financial assets by facilitating easy purchase and sale of financial assets.

(b) Holders of assets can readily sell their financial assets through the mechanism of the financial market.

(iv) Reducing the Cost of Transactions:

(a) The financial markets reduce the cost of transactions by providing a common platform where buyers and sellers can purchase and sell the financial assets.

(b) It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend of to try and find each other.

Q2) "Money market is essentially Market for short term funds" Discuss.

Ans-(i) The money market is a market for short term funds which deals in monetary assets whose period of maturity is up to one year.

(ii) In this market the risk is very less and highly liquid, unsecured and short term debts are traded.

(iii) It does not have any physical location, but it is an activity conducted through the telephone and through internet.

(iv) Main aim is to provide short term funds for urgent requirement of cash and temporary investment of funds for earning returns.

(v) The major participants in the market are: Reserve Bank of India (RBI), Commercial Banks, Non-Banking Finance companies, Mutual Funds, State government etc.

Q3) What is Treasury Bill?

Ans: Treasury Bill (Zero coupon Bonds):

(i) Meaning: Treasury Bill (or T-bills) is an instrument (in the form of promissory note) of short term borrowing by the government which is issued by the Reserve Bank of India on behalf of the Government of India at discount for maturing in less than one year.

(ii) Purpose: These are issued to meet short term requirements of funds.

(iii) Period: These are issued for a period of 14 to 364 days.

(iv) Amount: These are issued for a minimum amount of ₹25,000 and in multiples thereof.

(v) Issue price: These are issued at a discount and are repaid at par. No interest is payable on these securities.

(vi) Safety: These are considered as safe because of soundness of issuer i.e. RBI.

(vii) Liquidity: These are highly liquid.

(viii) Negotiability: These are negotiable instruments i.e. they are freely transferable by endorsement and delivery.

(ix) Example: Suppose an investor purchases a 91 days Treasury bill with a face value of ₹1,00,000 for ₹94,000. By holding the bill until the maturity date, the investor receives ₹1,00,000. The difference of ₹6,000 between the proceeds received at maturity and the amount paid to purchase the bill represents the interest received by him.

Q4) Distinguish between Capital Market and Money Market.

or

Distinguish between Capital Market and Money market on the basis of: (i) Expected return (ii) Safety (iii) Instruments (iv) Liquidity.

Ans- **Capital Market:**

(i) Participants: Financial institutions, banks, corporate entities, foreign investors and retail investors.

(ii) Instruments: The main instrument traded are equity shares, debentures, bonds or preference shares etc

(iii) Investment outlay: Securities do not necessarily require huge financial outlay.

(iv) Duration: Capital market deals in medium and long term securities i.e. equity shares and debentures.

(v)Liquidity: Capital market securities are considered more liquid investments because they are marketable on the stock exchanges.

(vi)Safety: Capital market instruments are more risky both with respect to returns and principal repayment.

Money Market:

(i)Participants: Institutional participants such as RBI, commercial banks, financial institutions and finance companies. Individual investors normally do not participate.

(ii)Instruments: The main instruments traded in the money market are short term debt instruments such as T-bills, trade bills reports, commercial paper and certificates of deposit.

(iii)Investment outlay: Transactions entail huge sums of money as the instruments are quite expensive.

(iv)Duration: They have a maximum tenure of one year and may even be issued for single day.

(v)Liquidity: Money market instruments on the other hand, enjoy a higher degree of liquidity as there is formal agreement for this.

(vi)Safety: Money market is generally much safer with a minimum risk of default.

Q5) what are the functions of Stock exchange?

or

In today's commercial world, the stock exchange performs many vital functions which leads the investors towards positive environment. Explain how by giving four reasons.

Ans-Functions of a stock exchange:

(i) Providing liquidity and market ability to exchange securities:

(a)Stock exchange provides a central market where securities can be bought and sold.

(b)Stock exchange gives investors the chance to disinvest and reinvest.

(c)This provides both liquidity and easy marketability to already existing securities in the market.

(ii)Pricing of securities:

(a)Prices of securities are determined by the forces of demand and supply for the securities.

(b)A stock exchange is a mechanism of constant valuation through which the prices of securities are determined.

(iii)Safety of transactions:

(a)In stock market only the listed securities are traded and stock exchange authorities include the companies names in the trade list only after verification of soundness of

company.

(b) For listing, companies have to operate within the strict rules and regulations. Even after listing, the company has to operate within the legal framework of stock exchange. This ensures safety of dealing through stock exchange.

(iv) Contribution to economic growth:

(a) A stock exchange is a market in which existing securities are resold or traded.

(b) Through this process of disinvestment and reinvestment savings get channelized into their most productive investment revenues. This leads to capital formation and economic growth.

Q6) what are the various Money Market Instruments? Explain.

Ans: Money market instruments are:

(i) Treasury Bill (Zero coupon Bonds):

(a) Meaning: Treasury Bill (or T-bills) is an instrument (in the form of promissory note) of short term borrowing by the government which is issued by the Reserve Bank of India on behalf of the Government of India at discount for maturing in less than one year.

(b) Purpose: These are issued to meet short term requirements of funds.

(c) Period: These are issued for a period of 14 to 364 days.

(d) Amount: These are issued for a minimum amount of ₹25,000 and in multiples thereof.

(e) Issue price: These are issued at a discount and are repaid at par. No interest is payable on these securities.

(f) Safety: These are considered as safe because of soundness of issuer i.e. RBI.

(g) Liquidity: These are highly liquid.

(h) Negotiability: These are negotiable instruments i.e. they are freely transferable by endorsement and delivery.

(i) Example: Suppose an investor purchases a 91 days Treasury bill with a face value of ₹1,00,000 for ₹94,000. By holding the bill until the maturity date, the investor receives ₹1,00,000. The difference of 6,000 between the proceeds received at maturity and the amount paid to purchase the bill represents the interest received by him.

(ii) Commercial Paper:

(a) Meaning: Commercial paper is a short-term unsecured promissory note negotiable and transferable by endorsement and delivery with a fixed maturity period.

(b) Issuers: It is issued by financially sound reputed corporate enterprises.

(c) Period: These are issued for a period of 15 days to one year.

(d) Issue Price: These are sold at a discount and redeemed at par.

(e) Amount: They can be issued in denominations of ₹5 lakh and in multiples thereof.

(f) Purpose: It is used to raise short-term funds at lower rates of interest than market rates.

(g) Negotiability: These are negotiable instruments i.e. they are freely transferable by

endorsement and delivery.

(h) Investors: Usually the commercial banks and mutual funds invest in this

(i) Example: Suppose a Company needs long-term finance to buy some Plant and Machinery. In order to raise the long-term funds in the capital market the will have to incur floatation costs (costs associated with floating of an issue such as brokerage, commission, printing of prospectus, application forms and advertising etc.) Commercial paper may be issued to meet the floatation costs. This is known as Bridge Financing.

(iii) Call Money:

(a) Meaning: Call money is short-term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions.

(b) Purpose: The purpose of call money is to provide for temporary shortage of cash to maintain Cash Reserve Ratio and/or to meet unforeseen demand for funds.

(c) Alternative Definition: In other words, call money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio.

(d) Borrowers: Usually the banks, who have temporary shortage of cash because of reserve requirements or unforeseen demand for funds, are the borrowers.

(e) Lenders: Usually the banks, who have temporary excess of cash, are the lenders. But other financial institutions such as insurance companies, mutual funds and finance companies also operate in the call money Market as suppliers of short term credit.

(f) Period: Call money is provided for very short period usually ranging from 1 day to 15 days.

(g) Over Telephone Market: The call money market is basically an over the telephone market.

(h) Alternative Name: It is called inter-bank call money market because usually the borrowers are the banks having shortage of cash and the lenders are also the banks having excess of cash.

(i) Call Rate:

- The interest rate paid on call money loans is known as the call rate. It is a highly volatile rate that varies from day to day sometimes even from hour to hour.
- There is an inverse relationship between call rates and other short-term money market instruments such as certificate of deposit and commercial paper.
- A rise in call money rates makes other sources of finance (such as commercial paper and certificate of deposit) cheaper.

(iv) Certificate of Deposit:

(a) Meaning: Certificate of Deposit (CD) are unsecured, negotiable, short-term instruments in bearer form, issued by commercial banks and development financial institutions.

(b) To whom issued: These can be issued to individuals, corporations and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.

(c) Period: They are issued for a period of 91 days to 1 year.

(d) Purpose: These are issued to mobilize a large amount of money for short periods.

(v) Commercial Bill:

(a) Meaning: A commercial bill is a bill of exchange used to finance the working capital requirements of business firms. It is a short-term negotiable, self-liquidating instrument which is used to finance the credit sales of the firms.

(b) In other words:

- It is a written acknowledgement of debt, where seller (drawer) draws a bill of exchange and the buyer (drawee) accepts it. On being accepted, the bill becomes a marketable instrument and is called a Trade Bill.

- Trade bills are commonly used in credit sales and purchase. A trade bill can be discounted with the bank if the seller (drawer) needs funds before the date of maturity of the bill. If the trade bill is accepted by a commercial bank, then it is known as Commercial Bill. The difference between the face value of the bill and the amount paid prior to the maturity date is called the discount charged by the bank.

(c) Period: These are generally issued for a period of 90 days.

(d) Negotiability: These are negotiable instrument i.e., they are freely transferable by endorsement and delivery.

Q7) What are the methods of floatation in Primary Market?

Ans. There are various methods of floating new issues in the primary market:

(i) Offer through prospectus:

(a) This involves inviting subscription from the public through issue of prospectus.

(b) A prospectus makes a direct appeal to investors to raise capital, through an advertisement in newspaper and magazines.

(c) Public issue involves a large number of intermediaries, such as bankers, brokers and underwriters.

(ii) Offer for sale:

(a) Under this method, securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stock brokers.

(b) In this case, a company sells securities at an agreed price to brokers who, in turn, resell them to the investing public.

(iii) Private placement:

(a) Private placement is the allotment of securities by a company to institutional investors (like LIC, UTI etc.) and some selected individuals.

(b) It helps to raise capital more quickly than a public issue.

(c) The cost of raising finance through private placement of securities is lower than that through public issue of securities.

(d) Small companies which cannot afford to raise resources from the public issue, may opt for the private placement.

(iv) Rights issue:

(a) This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company.

(b) The shareholders are offered the 'right' to buy new shares in proportion to the number of shares they already possess.

(v) e-IPOs:

(a) A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange. This is called an Initial Public Offer (IPO).

(b) SEBI registered brokers have to be appointed for the purpose of accepting applications and placing orders with the company.

(c) The issuer company should also appoint a registrar to the issue having electronic connectivity with the exchange.

Q8) Explain the objectives and functions of SEBI.

Ans. Objectives of SEBI:

(i) To regulate stock exchanges to promote their orderly functioning.

(ii) To protect the rights and interests of investors to guide and educate them.

(iii) To prevent trading malpractices and to achieve a balance between self-regulation by the securities industry and its statutory regulation.

(iv) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc.

Functions of SEBI:

(i) Regulatory functions of SEBI:

(a) Registration of brokers and sub-brokers and other players in the market.

(b) Registration of collective investment schemes and mutual funds.

(c) Regulation of stock brokers, portfolio exchanges, underwriters and merchant brokers and any business in other securities market.

(d) Calling for information by undertaking inspection, conducting enquires and audits of stock exchanges and intermediaries.

(e) Regulation of takeover bids by companies.

(f) Levying fee or other charges for carrying out the purposes of the Act.

(g) Performing and exercising such power under Securities Contract (Regulation) Act, 1956, as may be delegated by the Government of India.

(ii) Development functions:

(a) Training of intermediaries of the securities market.

(b) Conducting research and publishing information useful to all market participants.

(c) Undertaking measures to develop the capital markets by adapting a flexible approach.

(iii) Protective functions:

- (a) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging, etc.
- (b) Controlling insider trading and imposing penalties for such practices.
- (c) Undertaking steps for investor protection.
- (d) Promotions of fair practices and code of conduct in securities market.

Q9)'R' Limited is a real estate company which was formed in 1950. In about 56 years of its existence the company has managed to carve out a niche for itself in this sector. Lately, this sector is witnessing a boom due to the fact that the Indian economy is on the rise. The incomes of middle class are rising. More people can afford to buy homes for themselves due to easy availability of loans and accompanying tax concessions.

To expand its business in India and abroad the company is weighing various options to raise money through equity offerings in India. Whether to tap equity or debt market, whether to raise money from domestic market or international market or Combination of both?, whether to raise the necessary finance from money market or capital market. It is also planning to list itself in New York Stock Exchange to raise money through ADR's. To make its offerings attractive it is planning to offer host of financial plans products to its stakeholders and investors and also expand its listing at NSE after complying with the regulations of SEBI

- (i) What are the regulations of SEBI that the company must comply with?**
- (ii) How does the SEBI exercise control over 'R' Limited in the interest of investors?**

Ans-

(i) Company must comply with the following regulations of SEBI:

Regulatory functions of SEBI

- (a) Registration of brokers and sub-brokers and other players in the market.
- (b) Registration of collective investment schemes and Mutual funds.
- (c) Regulation of stock brokers, portfolio exchanges, underwriters and merchant brokers and any business in other securities market.
- (d) Calling for information by undertaking inspection, conducting enquires and audits of stock exchanges and intermediaries.
- (e) Regulation of takeover bids by companies.
- (f) Levying fee or other charges for carrying out the purposes of the Act.
- (g) Performing and exercising such power under Securities Contract (Regulation) Act, 1956, as may be delegated by the Government of India.

(ii) SEBI controls 'R' Limited in the interest of investors by exercising following protective functions:

- (a) Prohibition of fraudulent and unfair trade practices like making misleading

statements, manipulations, price rigging, etc.

(b) Controlling insider trading and imposing penalties for such practices.

(c) Undertaking steps for investor protection.

(d) Promotion of fair practices and code of conduct in securities market.

Q.4. The directors of a company want to modernize its plants and machinery by making a public issue of shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advise the directors whether to approach stock exchange or a consultant for new public issue of shares and why? Also advise about the different methods which the company may adopt for the new public issue of shares.

Ans:(i) I advise the directors to approach a 'consultant' as new issue of shares is not possible through stock exchange.

(ii) In stock exchange, buying and selling of previously issued securities is done.

(iii) New public issue of shares is the activity of the primary market. So, directors should approach a consultant.

(iv) Different methods for new public issue of shares are: (a) Offer through prospectus; (b) Offer for Sale; (c) Private Placement; (d) Rights Issue; (e) e-IPOs.

CHAPTER 11 MARKETING

Objective type questions and answers.

1. What is meant by market offering?

Ans:- Market offering refers to a complete offer for a product or service, having given features like size, taste, quality etc. at a given price, available at a given outlet or location.

2. In modern times, emphasis is placed on describing marketing as a social process. State this process.

Ans:--It is a process whereby people exchange goods and services for money or for something of value of them.

3. Philip Kotler has defined it as, social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and service of value with others". Mention the process indicated here.

Ans:- Marketing.

4. when will offer for a good can be taken a good market offer?

Ans:- It is the one which is developed after analyzing the need and preferences of the potential buyers.

5. One features of marketing is customer value. Name one more feature.

Ans:- Creating market offering.

6. It has been defined as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management. Mention the concept defined here.

Ans:- Marketing Management.

7. First step in the process of marketing management involves choosing a target market. Give an example relating to this step.

Ans:- Suppose a manufacturer choose to make diapers for young kids or a publication company planning for printing books for 10th and 12th board class students.

8. How do customer support services as a marketing function prove effective?

Ans:- It proves very effective in bringing repeat sales from the customer and developing brand quality for a product.

9. Give few examples of direct channel.

Ans:- Mc donalds, Bata sell their goods through their own retail outlets. Eureka forbes sell through won sales force.

10. Enumerate the elements of marketing mix.

Ans:- Product, Price, Place and Promotion.

11. List tow examples of shopping products

Ans:- Furniture and Jewellery.

12. Give one feature of industrial products

Ans:- Number of buyers of these products are limited.

13. Give one example each of brand name and brand mark.

Ans:- Brand name:- Asian Paints. Brand mark:- Devil of Onida.

14. It refers to the use of communication with the twin objective of informing potential customers about a product and persuading them to buy it. Name it.

Ans:- Promotion.

15. One of the factors affecting price determination is product, cost assumes that there are three types of cost. Two of these are fixed cost and variable cost respectively. Mention and define the third type of cost.

Ans:- Semi variable cost. These are the costs which vary with the level of activity but not indirectly with it e.g, fixed salary of Rs 5000 plus a commission of 2 percent on sales.

16. What are the people, institutions, merchants, functionaries who take part in the distribution function called as?

Ans:- Channels of distribution.

17. Maruti Udyog sells its cars and vans through company approved retailers, which type of indirect channel of distribution is it?

Ans:- Manufacturer--- Retailer --- consumer. (one level channel)

18. One limitation of advertising is that it is less flexible. Why?

Ans:- Because the message is standardized and is not tailor-made to the requirements of the different customer groups.

19. In which case – advertising or personal selling, cost per person reached is quite high?

Ans:- Personal selling.

20. Personal selling minimizes wastage of efforts. How does this help the business persons?

Ans:- This helps the business persons in bringing economy in their efforts.

21. Define sales promotion.

Ans:- Sales promotion refers to short term incentives, other than advertising and personal selling aimed at stimulating market demand for product.

22. Name the sales promotion technique which involves refunding a part of price paid by customer on return of empty foils or wrapper.

Ans:- Refund.

23. What role does publicity as a technique of promotion play?

Ans:- Publicity is an important tool of promotion which a company can use for various purposes.

24. Define public relation.

Ans:- It is the action of an organization for promoting goodwill between itself and the society.

25. Enumerate any one role of public relations.

Ans:- Public relation helps in creating public loyalty to the organization.

Short and long answer type question.

Q1. Explain the advantages of branding to marketers of goods and services.

Ans. Advantages to the Marketers:

(i) Enables Marking Product Differentiation:

(a) Branding helps a firm in distinguishing its product from that of its competitors.

(b) This enables the firm to secure and control the market for its products.

(ii) Helps in Advertising and Display Programmes:

(a) A brand aids a firm in its advertising and display programmes.

(b) Without a brand name, the advertiser can only create awareness for the generic product and can never be sure of the sale for his product.

(iii) Differential Pricing:

(a) Branding enables a firm to charge different price for its products than that charged by its competitors.

(b) This is not possible because if customers like a brand and become habitual of it, they do not mind paying a little higher for it.

Q2. List the characteristics of a good brand name:

or

You have been appointed as a Brand Manager of Ford Motors. The Company is to introduce a Compact small car in the Indian Market. The name of the car is yet to be decided. You have been asked to chair a Brain Storming Session. Before the suggestions come forward, you have to briefly explain the participants as to what constitutes a good brand name with the help of suitable examples.

Or

Explain the qualities necessary for a good brand name.

Or

What is meant by 'Brand Name'? State any four characteristics of a good 'Brand Name'.

Or

State any three features of a good brand name. Explain in brief any three qualities of a good brand name.

Ans: Brand name refers to that part of a brand, which can be spoken, is called a brand name. The characteristics of a good brand name:

(i) **Short and Simple:** A Brand name should be short, and simple which

can be read and remembered without much effort. For example, Lux, Detol or Surfare short.

(ii) **Suggestive:** It should be suggestive because it can convey product attributes

or benefits. For example, Sunsilk suggests shine like sun and softness of silk. Hajmola suggests digestive properties, Ujjala suggests brightness.

(iii) **Distinctive**: It should be distinctive. A brand is distinctive when it stands apart from others in the category. For example, Ariel, Tide, Lux, Cinthol, Perk are all distinctive brand names.

(iv) **Adaptable**: The brand name should be adaptable to packing or labeling requirements, to different advertising media and to different languages.

Q3) What is marketing? What functions does it perform in the process of exchange of goods and services? Explain.

Ans. Marketing as "social processes by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others".

Functions of Marketing

(i) Gathering and Analysing market information:

(a) One of the important functions of a marketer is to gather and analyze market information.

(b) This helps to identify the needs of the customers and take various actions for the successful marketing of the products and services.

(c) It involves an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation.

(ii) Marketing planning:

(a) Another important area of work of a marketer is to develop appropriate marketing plans so that marketing objectives of the organisation can be achieved.

(b) For example a marketer of Mobile sets, having 10 percent of the current market share in the country aims at enhancing his market share to 20 percent in the next two years.

(c) He will have to develop a complete marketing plan covering various important aspects including the plan for increasing the level of production, promotion of the products, etc and specify the action programmes to achieve these objectives.

(iii) Product designing and development:

(a) The design of the product contributes to attractiveness of products.

(b) A good design can improve performance of a product and also give it a competitive advantage in the market.

(c) For example, when we plan to buy any product say a motorbike, we not only see its features like cost, mileage, etc. but also the design aspects like its shape, style, etc.

Q4) Describe the functions of labeling in the marketing of products.

Or

Explain in brief any three functions of 'Labelling'.

Ans: **(i) Provides Information:** It provides information to the customers such as:

- (a) Name of Product.
- (b) Name and Address of Manufacturer and Marketer.
- (c) Date of Manufacturing.
- (d) Batch of Manufacturing.
- (e) Date of Expiry (Compulsory in case of processed foods, drugs).
- (f) Contents and ingredients.
- (g) Directions for use (Compulsory in case of drugs).
- (h) Maximum Retail Price (Mellether including or excluding Local Taxes).
- (i) Statutory Warning (For example, in case of Cigarette and Pan Masala),
- (j) Safety Warning in case of hazardous or poisonous products.

(ii) Helps in Identification:

- (a) It identifies the product or brand.
- (b) For example, the name Lux imprinted on toilet soap helps the customer to know which soap out of several is Lux.

(iii) Helps in Grading:

- (a) It enables the manufacturer to grade the products into different categories.
- (b) For example, Hindustan Lever sells different types of tea under yellow, red and green label categories.

(iv) Helps in Promotion of Products:

- (a) A carefully designed attractive label can attract attention, describe the product and give reason to purchase.
- (b) For example, the label on the package of a Shaving Cream mentions, '40% Extra Free' or package of a toothpaste mentioning, 'Free Toothbrush Inside', or 'Save ₹15

Q5) What is marketing mix? What are its main elements? Explain.

Ans. The combination of variables chosen by a firm to prepare its market offering is also called marketing mix.

Elements of Marketing Mix:

The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as four Ps of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion.

(i) Product:

- (a) Product means goods or services or 'anything of value', which is offered to the market

for exchange.

(b) The concept of product relates not only to physical product but also the benefit offered by it from customer point of view such as handling complaints, after sale services.

(c) The important product decisions include deciding about the features, quality, packaging, labeling and branding of the products.

(ii) Price:

(a) Price may therefore be defined as the amount of money paid by a buyer (or received by a seller) in consideration of the purchase of a product or a service.

(b) As, we know consumers are highly price sensitive, that is why, it is considered as very crucial element of marketing mix.

(c) Price mix refers to important decisions related to price of a product such as objectives of price setting, factors affecting price, etc.

(iii) Place:

(a) Place or Physical Distribution include activities that make firm's products available to the target customers.

(b) The two major decision areas under this function are:

- Decision regarding channels of distribution (like wholesalers, retailers) to be used.
- Physical Distribution means physical movement of the product from the place of production to the consumers for 'their consumption or use.

(iv) Promotion:

(a) Promotion of products and services include activities that communicate features, merits, etc. of the products to the target customers and persuade them to buy it.

(b) The four important tools of promotion are advertising, personal selling, sales, promotion and public relation.

Q6) Expenditure on advertising is a social waste' Do you agree? Discuss.

Ans. Objections to Advertising

(i) Adds to cost:

(a) **Advertising adds to the cost of the product.** The customer is required to pay more on account Of the cost incurred on advertisement since no manufacturer pays for the advertisement costs out of his own pocket.

(b) **Against this Objection:** The above criticism is not always true especially in those cases where the advertising, by increasing the demand for a product, has led to large-scale production and enabled the manufacturers to produce goods at a lower cost per unit and accordingly sell at a lower price.

(ii) Undermines Social Values:

(a) Advertising promotes materialism and hence it is becoming a main source of discontentment. People feel discontented when they are not in a position to get all the products which are advertised. Certain advertisements have appeared in the new life

styles which do not find social approval.

(b) Against this Objection:

- Advertisement in fact helps buyers by informing them about the new products, which may be improvement over the existing products. If the buyers are not informed about these products, they may be using inefficient products.
- Further, the job of an advertisement is to inform. The final choice to buy or not to buy anyway rests with the buyers. They will buy if the advertised product satisfies some of their needs. They may be motivated to work harder to be able to purchase these products.

(iii) Confuses the buyers:

(a) Advertising creates confusion in the minds of people by providing numbers of products which make their choice difficult and sometimes there are wasteful expenditure.

(b) Each brand claims to be better than the other, For example, it is difficult to choose among Ariel washing powder or Wheel washing powder or Surf Excel washing powder. Although some cheaper varieties of washing powders(which are not advertised) are available in the market, yet the choices made out of the well-advertised costly powders.

(c) Against this Objection:

- The supporters of advertisement, however, argue that we are all rational human beings who make our decisions for purchase of products on factors such as price, style, size, etc.
- Thus the buyers can clear their confusion by analyzing the information provided on the advertisements and other sources before taking a decision to purchase a product. However, this criticism cannot be completely overruled.

(iv) Encourages sale of inferior and dubious products:

(a) Some critics of advertising feel that it encourages the sale of inferior and dubious products by giving attractive display of the product.

(b) Manufacturers through advertisements make false claims about the utility of the products and thereby cheat the innocent customers who think advertisement that appeared in TV or newspaper must be authentic.

(c) They argue that with the help of advertising almost anything can be sold in the market.

(d) Against this Objection:

- In fact superiority and inferiority depends on the quality, which is a relative concept. The desired level of quality will depend on the economic status and preferences of the target customers.
- Advertisements sell products of a given quality and the buyers will buy if it suits their requirements. No advertisement should however, make false claim about the quality of a product. If a firm makes false claims it can be prosecuted for the same.

(v)Some Advertisements are in bad taste:

(a) Sometimes the advertisements are prepared without considering the people's tastes. Sometimes the matter of advertisement has no relationship with the products. Some advertisements are in bad taste. For example, an advertisement showing women running after a man because he is wearing a particular suiting is not certainly in good taste.

(b) **Against this Objection:** the advertisement is in good taste or bad taste is a matter of personal opinion. Even standards of taste change over a period of time as what was not accepted five years ago may be acceptable today.

Q7) What is meant by 'Indirect channels of distribution'? Explain any two indirect channels of distribution.

Ans. **Indirect Channels:** When a manufacturer employs one or more intermediary to move goods 'from the point of production to the point of consumption, the distribution network is called indirect Channels. This may take any of the following forms:

(i) Manufacturer-Retailer Consumer (One Level Channel):

(a) The manufacturer supply goods directly to retailers who in turn sell to the ultimate consumers. In this channel only one intermediary (i.e. Retailers) is involved.

(b) This type of network enables manufacturers to cover wide area of market while retaining control over channels.

(c) It is suitable for specialty goods like expensive watches or appliances.

(ii) Manufacturer-Wholesaler-Retailer-Consumer (Two Level Channel):

(a) The manufacturer supply goods in bulk to the wholesalers who sell goods in relatively small quantity to the retailers who in turn sell these goods to the ultimate consumers.

(b) In this channel two intermediaries (i.e. wholesalers and retailers) are involved.

(c) It is suitable for convenience goods like soaps, tea, salt.

Q8)A commercial unit uses rocks, trees, electric poles, historical monuments and walls to advertise its products. Which faults to the company does the advertising policy show?

Ans. (i) Harming the environment.

(ii) Damaging the natural beauty.

(iii) Damaging the historical monuments.

Q9) A soft drink manufacturing co. uses dangerous stunts in the advertisements claiming that its drink make the user fearless and stronger. In your view, what could be the bad effects of this? How it can be stopped?

Ans. (i) Endangering the life on imitation by children.

(ii) Unfair advertising practices.

Q10)A company uses same promotional schemes like 'buy one, get one free', free samples, free gifts and so on to boost the sales of its products and earn higher profits. This results in unnecessary hike in the prices of the products. In your opinion, is this policy in the interest of society?

Ans-(i) not in the interest of society, unnecessary increase in cost.

(ii) Increasing extravagancy.

(iii) Increasing sales volume.

(iv) Achieving the objectives of the business.

Q11) Nisha, a school bag manufacturer decided to improve the product for profit maximization and thus added a water bottle holder to the existing design.

(i) Identify the marketing management philosophy adopted by Nisha; and

(ii) Explain the philosophy on the basis of: (a) Main focus and (b) Means and ends.

Ans. (i) Product Concept.

(ii) (a) Main focus of this concept is on product quality,

(b) Through better quality; Ends: Profit through product quality.

Q12). Mansi, a shoe manufacturer for school students, decided to maximize her profit by producing and distributing at large scale and thereby reducing the average cost of production.

(i) Identify the Marketing Management philosophy adopted by Mansi.

(ii) Explain this philosophy on the basis of: (a) Main Focus; (b) Means and Ends.

Ans-(i) Production Concept.

(ii) (a) Main focus of this concept is on quantity of product,

(b) Means: Through availability and affordability of product; Ends: Profit through mass production.

Q13). Jasdeep, a dealer in school uniforms, decided to maximize his profit by using different aggressive promotional efforts.

(i) Identify the market management philosophy adopted by Jasdeep.

(ii) Explain this philosophy on the basis of: (a) Main focus; (b) Means and Ends.

Ans. (i) Selling Concept.

(ii) (a) Main focus of this concept is on selling existing product,

(b) Means: Through selling and promotional efforts; Ends: Profit through sales volume.

CHAPTER 12. CONSUMER PROTECTION.

Objective type questions and answers

1. Why should a consumer look for ISI mark on electrical goods?

Ans;- A consumer should look ISI mark on electrical goods as this would be an assurance of such products meeting quality specifications.

2. Priya wants to buy a packet of juice. As an aware customer how can she be sure about the quality of Juice she plans to buy?

Ans:-Priya should look for FPO mark on the packet of juice.

3.Mention the consumer right which entitles a consumer to have complete information about the product he intends to buy?

Ans:-Right to be informed.

4.Nita want to buy a gold ring. As an aware consumer how can she be sure about the quality of gold ring she is going to buy?

Ans:- Nita should look for Hallmark on gold ring.

5.Give any one responsibility of a consumer in addition to obtaining a cash memo while purchasing an edible oil.

Ans:-Consumer must look for quality certification marks like Agmark.

6.Which consumer Right gives the business firms freedom to set up their own consumer service and grievance cell?

Ans:-Right to be heard

7. Which consumer right entitles the consumer to get relief in case the product or service falls short of his expectations?

Ans:- Right to seek redressal.

8.If Kamal Rathor is not satisfied with the order of the District Forum, where can he appeal?

Ans:- He can appeal before the state commission within 30 days of the passing the order.

10.Manisha filed a case against Mahindra Ltd in the National commission. But she was not satisfied with the order of the National commission. Name the authority where she can appeal against the decision of the National commission.

Ans:- Manisha can appeal before the supreme court against the decision of the National commission.

11. who sets up the state commission and the district forum?

Ans:- these are set up by the state government concerned.

12. Give two examples of business associations which lay down for their members the guidelines in their dealings with the customers.

Ans:- FICCI and CII.

13. Who can play a role in achieving objective of consumer protection? Give two names.

Ans:- Consumer organization and Government.

14. Consumer organization and NGOs perform several functions for the protection and promotion of interests of consumers. Explain any one such function.

Ans:- Educating the general public about consumer right by organization training programs, seminars and workshop.

15. What does NGO stand for?

Ans:- Non-government organizations.

Short and Long type questions and answers

Q1. Explain the importance of consumer protection from the point of view of a business.

Ans. From the point of view of business

i) **Long term interest of business:** it is in the long term interest of business to satisfy their customers. Satisfied customers not only lead to repeat sales but also provide good feedback to prospective customers and thus, help in increasing the customer base of business. Thus, business firms should aim at long term profit maximization through customer satisfaction.

ii) **Business uses society's resource:** Business organizations should supply such product and render such services which are in public interest and would not impair public confidence in them

iii) **Social Responsibility:** A business' has social responsibilities towards various stakeholders like investors, consumers, employees. Since businesses make money by selling goods and providing services, consumers form an important among the many stake holders of business.

iv) **Moral justification:** A business has the moral duty to take care of consumer's interest and avoid any form of their exploitation.

Q2. Who can file a complaint in a consumer court?

Ans. Complaints can be made by:

- i) Any consumer
- ii) Any registered consumers' association
- iii) The Central Government or any State Government,
- iv) One or more consumers, on behalf of numerous consumers having the same interest; and
- v) A legal heir or representative of a deceased consumer.

Q3. Explain the role of consumer organizations and NGOs in protecting consumer's interests.

- Ans. i) Educating the general public about consumer rights by organizing programs etc.
ii) Providing legal assistance to consumers by way of providing aid, legal advice etc.
iv) Filing complaints in appropriate Consumer Courts on behalf of the consumers.

Q4. Explain the rights and responsibilities of a consumer.

Ans. i) **Right to safety:** Consumers have the right to be protected against the marketing of products and services which are dangerous and hazardous to their health etc.

ii) **Right to be informed:** Consumers have the right to be informed about the various intricacies of the business and the organizational product which they deal upon.

iii) **Right to choose:** Every consumer has the right to choose the product at a competitive price which is fair and reasonable.

iv) **Right to be heard:** Every consumer has the right to be heard by the manufacturers, distributors, traders, the government and the local bodies.

Responsibilities of a Consumer:

- i) Knowledge about available goods and services
- ii) Purchase of Standardized Products
- iii) Use of Product as per instructions
- iv) Check information on Label.

Q5. Anita purchased a book from Satish Book Stores. While reading the book she found that ten pages were missing. She approached the seller of the book and complained about the missing pages. The seller promised that if the publisher was ready to change the book he would do the same. After a week the seller informed Anita that the publisher had refused to change the book.

Where can Anita file a complaint against the seller of the book? Give reasons in support of your answer. Also, explain who is a consumer as per 'Consumer Protection Act 1986'?

Ans. i) Anita can file a complaint in the District Forum as value of the book and compensation is not expected to exceed Rs. 20 lakhs.

ii) A consumer is generally understood as a person who uses or consumer's goods or avails any service. Under the Consumer Protection Acts a consumer is defined as:

a) Any person who buys any goods for a consideration, which has been paid or promised, or partly paid or partly pro mise4d, or under any scheme or deferred payment, It includes any user of such goods, when such use is made with the approval of the buyer but does not include a person who obtains goods for resale or any commercial purpose.

Q6. A toy manufacturing company uses low quality plastics and harmful colour s which affect the health of the children. Which vale is being ignored here?

Ans. i) Bad effects on the health of products.

ii) Pollution of the environment

iii) Violation of rules/regulations

Q7. A company engaged in selling spices, claims about purity in its advertisement. But in laboratories, after examination, the spices were found adulterated. Which values are being violated here?

Ans. i) Harmful for health

ii) Adulteration is violation of law

iii) False information to consumers.

BUSINESS STUDIES
SOLVED SAMPLE PAPER- 1
FOR THE SESSION 2015 – 2016

TIME= 3 Hrs

FULL MARKS= 80.

General instructions:-

- * Answer to questions carrying 1 mark may be from one word to one sentence.
 - * Answer to questions carrying 3 marks may be from 50-75 words.
 - * Answer to questions carrying 4-5 marks may be about 150 words.
 - * Answer to questions carrying 6 marks may be about 200 words.
- =====

1 “ Every organisation whether it is business or non-business should use environmental friendly methods of production, give employment opportunities and provide basic amenities like schools and creches to employees”. Name the objective of management indicated here. (1)

Ans:-- Social Objective.

2. Why did Fayol introduce the concept of “Gang Plank” in the principle of “scalar chain”? (1)

Ans:-- Because “Gang-Plank” provides a shorter route and avoids delay in communication during emergency.

3. “Huge fiscal deficit, heavy internal debt, low GNP growth rate, overall low production were some elements of june 1991 crises situation which led the government of India to announce economic reforms”. Do you agree? (1)

Ans:-- Yes, I agree.

4. it is the recruitment, selection, development, utilization, compensation and motivation of human resources of the organisation. Give the name of the concept mentioned here. (1)

Ans:-- Human Resource Management.

5. Leader should not wait for opportunities to come to his way, rather he should grab the opportunity and use it to the advantage of the organisation. Which quality of leader is being referred here? (1)

Ans:-- Initiative.

6. Employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised, which in turn helps them to give better performance. Which importance of controlling is highlighted here? (1)

Ans:-- Improving employees motivation.

7. “ 500 gm bottle of sauce free with 2 kg detergent”. Which sales promotion technique is involved here? (1)

Ans:--Product combinations.

8. It is because of this right of consumer that many enlightened business firms have set up their own consumer service and grievance calls. Which consumer right is referred here? (1)

Ans:- Right to be heard.

9. Give an example each of any three limitations of planning that are beyond the control of an enterprise. (3)

Ans:--External limitations of planning are:

- Change in economic policies, e.g., Raising excise duty.
- Natural calamities, e.g., Flood.
- Strategies of competitors, e.g., Introduction of improved model of existing/same product.
- Change in technologies, e.g., Introduction of automatic generators.
- Change in fashion, taste etc, e.g., jeans in place of trousers, use of fast food, etc.

10. The Production Manager Mr R.C. Debnath asked the foreman to achieve a target production of 200 units (computer) per day. But he does not give him the authority to requisition tools and material from the store department. Can the production manager blame the foreman if he is not able to achieve the desired target? Explain briefly the principle relating to the situation. (3)

Ans:--The principle involved is Parity of Authority and Responsibility. This principle states that authority and responsibility must be equitable. They should go hand in hand otherwise there would be misuse of authority without responsibility and there would be no compliance of tasks without authority. Here, the foreman has not been given authority to requisition tools but has only been given responsibility.

11. Sachin and Dravid are working in the same organization but in different departments. One day at lunch time Dravid informed Sachin that due to computerization, many people are going to be retrenched soon from the organisation.

Name, which type of communication is this. State any two limitations of this type of communication. (3)

Ans:--It is example of informal communication.

Limitation Of Informal Communication

- Messages tend to be distorted.
- If often carries rumors and distorted facts.
- It is unsystematic and cannot be relied upon for regularity and timeliness.

12. There are two managers Amal and Bimal. Amal is saying that contorlling is forward looking whereas according to Bimal Contorlling is looking back. Who is correct? Explain why? (3)

Ans:--Both managers, Amal and Bimal are correct.

To be effective, the control should be forward looking. It must focus attention on two things-- checking current performance and providing early information to achieve results in conformity with standards. Checking on operation should enable prompt detection of faults and of the cause before it is too late for remedy. Deviation, if any, should lead to investigation of the factor responsible and noting the effect on future operations. But overall it can be concluded that purpose of looking back is to improve things in future (i.e., forward looking). Controlling provides valuable information derived from past experience for future planning. It ensures better utilization of resources in future by rectifying past mistakes.

13. Advertisement and personal selling both are communication tools used by the marketers to promote their products, yet they differ in their approach.

Differentiate between the two by giving any three differences. (3)

Ans:--

Basis	Advertising	Personal selling
(a) Form of Communication	Impersonal form of communication	Personal form of communication
(b) Flexibility	It is inflexible.	It is highly flexible.
(c) Reach	It reaches a large number Of people	It reaches only a limited number of people.

14. The Production Manager of Bharat Ltd. Instructs a salesman to go slow in selling the product, whereas the Marketing Manager is insisting on fast selling to achieve the target. Which principle of management is being violated in this case? State any one of the consequences of violation of this principle. (4)

Ans:- The principle of management which is being violated in this case is Unity of Command. Consequence will be that salesman will be confused regarding whose instructions should he follow. Therefore, it may be difficult to carry out the order of two persons when they are contradictory.

15. Identify the type or dimension of environment to which the following are related:

(i) Banks reducing interest rates on housing loans.

(ii) An increasing number of working women.

(iii) Booking of air tickets through Internet.

(iv) Alcohol beverages are prohibited to be advertised on 'Door Darshan'. (4)

Ans:-- (i) Economic environment.

(ii) social environment.

(iii) Technological environment.

(iv) Legal environment.

16. BLUEJAY company is making plans for the future growth.

Planning its deciding in advance what to do and how to do. It is one of the basic managerial function. It involves setting objectives and developing appropriate courses of action to achieve these objectives. Its importance has link with some important values. What are those ones? (4)

Ans. (a) Planning states in advance how work is to be done. Thus planning provides direction for action. If there was no planning, employees would be working in different directions and the organization would not be able to achieve its desired goals.

(b) Risks of uncertainty are avoided through better planning.

(c) It promotes innovations as here new ideas can take the shape of concrete plans.

(d) It facilitates decision making as the manager has to evaluate each alternative and select the most viable proposition.

17. "Organisation is the harmonious adjustment of specialized parts for the accomplishment of some common purpose or purposes." In the light of this statement, explain any four points of importance of organizing. (4)

Ans:-- Meaning of organizing. Organizing refers to the process of bringing together physical, financial and human resources and establishing productive relations among them for the achievement of specific goals. The aim of organizing is to work together for a common purpose. The organized group of people in a collective sense is known as 'organization'.

Importance of organizing. The function of organizing and that of organization are important in several ways, which are outlined as follows :

- Specialisation. Organising brings specialization through allocating work among employees on the basis of their qualifications and aptitude. It increases efficiency.
- Well designed jobs (Role clarity). Jobs and positions are well defined through organizing. This helps in selecting right person for a right job.
- Clarifying authority and power/clarity in working relationships. Organising clarifies authority and power delegated to different managers, which leads to better administration.
- Avoiding duplication of work and optimum utilization of resources. Organising is helpful in avoiding duplication of work and makes best possible use of resources. In good organizations, there is no overlapping of responsibilities which minimizes the wastage of resources and efforts.

18. "Maslow's need hierarchy is considered fundamental to understanding of motivation" in the light of this statement, explain " motivation" and Maslow's need hierarchy in motivation. (4)

Ans:-- Motivation may be defined as the process of stimulating people to action to accomplish desired goals. It involves arousing needs and desires in people to initiate and direct their behavior in a purpose manner. Motivation is a psychological phenomenon which arises from the feeling of need and wants of individuals. It causes goal directed behavior. Following are the five types of needs which govern human motivation.

- Physiological needs. These needs are basic for human survival and include need for food, water, air shelter, sleep, thirst, sex, etc.
- Security of Safety needs. These are the needs for physical safety as well as psychological security and include safety of person and property, security of job and need for a predictable, secure and safe environment.
- Social needs/Affiliation/Belonging needs. These are needs for belongingness, friendship, love, affection, attention, and social acceptance.
- Esteem or ego needs. These needs are needs for self-esteem and need for other esteem. Self-esteem needs include needs for self-respect, self-confidence, competence, autonomy and knowledge. Other esteem needs relate to reputation, prestige, power, status, recognition and respect for others.

According to Maslow, these needs are related to one another and are arranged in an order of hierarchy of prepotency.

19. Define Money Market. Explain the various money market instruments (any three). (4)

Ans:-- Meaning : Money market is the market for short term funds meant for use for a period of upto 1 year. Money market provides means for raising funds for meeting short-term requirements of cash on one hand and the deployment of surplus funds for short periods (of one year or less), on the other hand.

The important money market instruments or securities are (a) Call Money (b) Treasury Bills (T-Bills) (C) Trade Bills (d) Commercial Paper (CP) (e) Certificate of Deposit (CD).

- Call Money**:- The day to day surplus funds, mostly of banks, are traded as call money. The borrowers are bank faced with a temporary shortage of cash. This may be because of reserve requirements or unforeseen demand for funds. The lenders are banks temporarily in excess of cash. That is why it is also known as the interbank call money market. The call money market is basically over the telephone market. Call money funds are for very short periods,(1 to 15 days) which may or may not be renewed, and their liquidity is next only to cash.
- Treasury Bills (T-Bills)**:- Treasury bills (T-Bills) are issued by Reserve Bank of India on behalf of the government of India as a short term liability, and sold to banks and to the public. The issue period ranges from 14 to 364 days.T-Bills are negotiable instruments, I.e., they are freely transferable. They do not pay any interest but are issued at a discount.
- Trade Bills/Commercial Bills**:- Trade bills and accommodation bills are bills drawn by one business firm on another. They are short-term instruments generally issued for a period of 90 days. They are self liquidating as the drawee has to honour them on the date of maturity. They are freely marketable. If sellers require funds before the maturity, he can get it discounted with the bank. It is known as commercial bill after acceptance of the trade bill by a commercial bank.

- d) **Commercial Paper (CP):--**. A CP is an unsecured promissory note, issued by a corporate with a fixed maturity period which varies from 15 days to 12 months. Since a CP is unsecured, it is issued only by a highly creditworthy, reputed leading firms. Proceeds from, the CP are to be raised only for working capital purposes.
- e) **Certificate of Deposit (CD):--**. It is a time deposit or fixed deposit which can be sold in the secondary market. Only a bank can issue a CD. It is a document of title to a time deposit. It is a bearer certificate and is negotiable in the market. It is issued by banks against deposits kept by companies and institutions. The tenure ranges from 91 days to one year.

20. "Coordination is the orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose. In the light of this statement, explain the nature of coordination. (5)

Ans:-- Meaning and nature of coordination. Coordination as a function of management refers to the task of integrating the activities of separate units of an organization to accomplish the organizational goals efficiently. The objective of coordination is to ensure that the goals of units and sub-units are pursued in harmony with each other keeping in view the goals of the organization as a whole. Nature/features of coordination are as follows:

- **Coordination integrates group effort.** Coordination is a concept that applies to group (not individual) effort. It unifies unrelated or diverse interests into purposeful work activity.
- **Coordination ensures unity of action.** It acts as the binding force between the departments and ensures that all action is aimed at achieving the goals of the organization. When all the employees work together in the same direction and on time, organization may achieve its target with more surety.
- **Coordination is a continuous process.** It begins at the planning stage and continues till controlling. It is not a onetime function but a continuous process.
- **Coordination is an all-pervasive function.** It is required at all levels of management due to the interdependent nature of activities of various different departments.
- **Coordination is the responsibility of all managers.** It is the duty of the managers to direct the efforts of all persons to a common goal. Coordination is the function of every manger in the organization.
- **Coordination is a deliberate function.** A manager has to coordinate the efforts of different people in a conscious and deliberate manner.

21. The directors of a company want to modernize its plants and machinery by making a public issue of shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advise the directors whether to approach stock exchange or a consultant

for new public issue of shares and why? Also advise about the different methods which the company may adopt for the new public issue of shares. (5)

Ans:-- I will advise the directors to approach a consultant for the new public issue of shares because new issue of shares is not possible through stock exchange (i.e. secondary market). Stock exchange is that market in which the buying and selling of the previously issued securities is done. When a security is sold for the first time, it is the activity of the primary market.

Primary market deals with the issue of new or fresh capital and is therefore also referred as the new issue market. In this market, a security is sold for the first time. The securities are issued by the company directly to investors. The securities issued in the primary market include all long-term financial instruments such as equity shares, debentures, bonds, preference shares.

The following securities may be issued in any of the following methods:--

Initial public offer (IPO):-- It is the first time sale of security by a company.

Right Issue:-- it refers to offer of new shares by a company to the existing shareholders.

Preferential Issue:-- it refers to preferential allotment of securities to selected person , who are normally the promoters etc. at a price unrelated to the prevailing market price.

e-IPOs :-- After entering into an agreement with the stock exchange, a company can issue shares through on-line system of stock exchange.

22. Explain different factors determining choice of channels of distribution. (5)

Ans:-- The choice of channels depends on a number of factors. These are :

- **Market related factors:**- The nature of the market, i.e., whether the market for the product is industrial or consumer. In Industrial market, direct channels are preferred whereas in consumer market, indirect channels are commonly employed. The quantity purchased also influences the channel structure. If the order size is big, some sort of direct or limited channel can perform the job efficiently. In consumer goods, the order size tends to be small therefore; direct selling may not be the right option.
- **Product related factors:**--. The nature and type of product also influence the channel structure, First, the unit value of the product. For instance the unit value of gold jewellery or industrial machine or equipment tends to be much higher. When the goods to be distributed are costly, shorter channels are recommended. While for less costly, inexpensive products, longer channels could be used. If the product is perishable, then shorter channels would be better than longer channels. Longer middlemen chain would delay the delivery and hurt customer service levels.
- **Company related factors:**- The company characteristics also influence the choice of channels. A firm which has deep pockets and enjoy considerable financial strength, can evolve its own channels, while the financially weak firm would have

to bank upon existing middleman for their services, the firms wanting to tightly control distribution generally evolve their own channels.

- **Competitive factors:**-- Before taking decision regarding choice of channels, a company should observe the channel selected by competitors in the same industry. Company may decide to choose the same channel or avoid the channel used by competitors.
- **Environmental factors:**-- Economic condition and legal constraints also affect choice of channels of distribution. Shorter channels will be used to distribute goods in case of a depressed economy.

23. Explain in brief ON THE JOB TRAINING and OFF THE JOB TRAINING method. (any three) (6)

Ans:--On the job. The training of operatives is largely undertaken through on the job methods. On the other hand, managers are trained by taking new courses under both on the job and off the job methods. The important techniques based under on the job methods are as follows :

- **Apprenticeship programme:**--Apprenticeship programme is designed for higher levels of skill. It ensures on the job training and is explained with classroom instruction is a particular subject. The period of training Apprenticeship training is offered to a wide range of job – mechanics, electricians, computer operators. Each apprentice is given a programme with a predetermined schedule which provides for efficient training acquisition of trade skills.
- **Coaching:**-- Here, the employees are trained on the job by his immediate supervisor. At lower levels, the coaching may simply consist of the trainee observing his supervisor so as to develop the basic skill necessary for operating machine. Firstly, the learner is put at ease and explained why he is being trained. Then the supervisor places the trainee close to his normal working position. The supervisor familiarizes him with the equipment, material, tools, etc. This helps the learner to pick up the skill and speed. As soon as he realizes that he can do the job, the supervisor reduces supervision and lets the employee do the job himself.
- **Internship training:**-- Technical institutions and business organizations jointly impart training to their members. The objective of this training is to strike a balance between theoretical and practical knowledge. Educational institutions impart theoretical knowledge they are sent to business organizations. In this way, both kind of institutions render mutual help to each other.

Off the job. Some major off the job training methods meant to train managers are as follows :

- **Vestibule training:**-- In vestibule training, an attempt is made to duplicate, as close as possible the method, material, equipment and condition as found in real work situation. Vestibule school is operated as a special effort by the personnel department. It is particularly suitable when a large number of employees are to be trained at the same time for the same kind of work.
- **Conference:**--The literal translation of the work 'conference' implies consultation. A conference is usually a highly structured device for converging a message or messages on a large scale often to an audience of several hundred people. The chairman is a key figure in the conference. He is responsible for summing up and controlling the proceedings.
- **Role play:**--Role play is a method of imparting practical orientation to a given role in organizations. It brings into sharp focus the interdependencies and interactions involved in different roles and positions. Thus, interdependence and in-built contradictions are sought to be highlighted by assigning roles to the trainees so that they are able to develop a more realistic perspective about the complexities involved in various roles and positions.

24. You are a Finance manager of newly established company. The Director has asked you to determine the amount of Fixed capital requirement for the company. Explain any four factors that you will consider while determining the Fixed capital requirement. (6)

Ans:-- Fixed capital refers to investment in fixed assets which remains in the business for more than one year, usually for much longer e.g., plant and machinery, furniture and fixtures, land and building, vehicles, etc.

The amount of fixed capital required in a business enterprise depends upon the following factors:

- **Nature of business:**-- A manufacturing enterprise needs a huge investment in fixed assets (plant and machinery) as compared to a trading firm.
- **Scale of operations/size of business:**-- Higher investment in fixed assets is required in a large scale enterprise as compared to a small firm.
- **Choice of techniques:**--Higher investments in fixed assets are required for a company which employs capital-intensive technique of production.
- **Technology up gradation:**--Companies which use assets which are likely to become obsolete in the near future require high investment in fixed assets.
- **Growth prospects:**-- If an organization aims for higher growth and expansion of the company in the near future, then huge investment in fixed assets is always required.
- **Diversification:**-- If an organization has future plans of diversification into different projects other than the existing one, then it will require huge investment in fixed assets.

- Financing alternative:-- Requirement of investment in fixed assets can be reduced if leasing facilities are available in the financial market.
- Level of collaboration:--Some business organizations share its experience and skills with others and use their fixed assets for the same, e.g , Subhiksha Vegetable and Grocery Chain or some reputed play school give their franchises to others and also employ their fixed assets. This reduces the requirement of huge investment in fixed assets of the organizations and their franchises.
- Method of sale:-- A manufacturing firm will require more fixed capital if it sells its products directly to consumers through its own retail stores (e.g. Bata).
- Types of goods produced:-- A firm producing light goods like aggarbatties, ball pens, etc. Will require less amount of fixed capital than the firm producing heavy goods like air conditioners, computers, etc.

25. Explain the redressal mechanism available to consumers under the consumer protection Act 1986. (6)

Ans:-- If a consumer is dissatisfied with a product or service, a complaint can be filed against the manufacturer or organization/person providing the service. The Consumer Protection Act has provided for the establishment of Consumer Disputes Redressal Agencies. These agencies are established at three levels- District level, State level, and National level.

- **District Forum.** This is established by the State Government in each district. The salient features of this forum are as under:
 - State Government appoints a president and two other members (out of which one woman should be compulsory).
 - Only those complaints can be filed in the District Forum where the value of goods or services and the compensation claimed is or less than 20 lakh rupees.
 - The District Forum after being satisfied that the goods were defective can issue an order to the opposite party directing him to either remove the defect or replace the goods or return the price paid or pay compensation to the consumer for loss or injury.
 - Any person who is aggrieved by the order of the District Forum can appeal against such order to the state commission within 30 days.
- **State commission**
 - State Government appoints a president and not less than two other members, one woman is compulsory.
 - Only those complaints can be filed in the State Commission where the value of goods or services and the compensation claimed is more than Rs. 20 lakhs but less than Rs. 1 crore. Also, appeals against the orders of any District Forum can be filed before the state commission.

- The State Commission also has to refer the complaint to the opposite party concerned and send the sample of goods for retesting in a laboratory, if necessary.
 - The State Commission after being satisfied that the goods were defective can issue an order directing the opposite party to either remove the defect or replace the goods or return the price paid or pay compensation to the consumer for loss and injury.
 - Any person who is aggrieved by the order of the State Commission can appeal against such order to the National Commission within 30 days.
- **National Commission**
 - Central Government appoints a president and at least four other members, one woman is compulsory.
 - All complaints pertaining to those goods or services and compensation whose value is more than Rs. 1 crore can be filed. Also, appeals against the order of any State Commission can be filed before the National Commission.
 - The National Commission has the power to issue orders for recall of defective or unsafe products for replacement or removal of deficiency in service. This will ensure that manufacturers comply with safety provisions and pay compensation for loss and injury caused.
 - An appeal against the order of the National Commission can be filed before State Commission and further National Commission and no thereafter.

BUSINESS STUDIES

SAMPLE PAPER 2.

Session = 2015—2016.

1. **Which function of management determines “what is to be done? How it is to be done? And who is to do it? (1)**

Ans:-- Organizing.

2. **‘Indian Logistics’ has its own warehousing arrangements at key locations across the country.**

Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time.

State with reason, whether the working capital requirements of ‘Indian Logistics’ will be high or low. [1]

Ans. Working Capital requirement of the 'Indian logistics' will be high as they will need more man power and other resources to manage these warehouses.

3. **‘Beauty Products Ltd’ is a natural and ethical beauty brand famous for offering organic beauty products for men and women. The company uses plant**

based materials for its products and is the No. 1 beauty brand in the country. It not only satisfies its customers but also believes in overall protection of the plant.

Identify the marketing management philosophy being followed by 'Beauty Products Ltd.' [1]

Ans. Societal concept.

4. On Priya's birthday her mother gave her a pair of gold earrings. After one month Priya observed that the ear-rings are losing their shine. She checked the mark on the ear-rings and found that it was not a proper Hallmark and her mother had been cheated by the shopkeeper. So, she filed a complaint in the district forum which rejected it. Not satisfied by the decision of district forum, she was very much disturbed and after two months decided to appeal further.

Can Priya appeal against the decision of the district forum? Give reason in support of your answer. [1]

Ans. Priya cannot appeal against the decision of the district forum because the time period to appeal against the order of district forum is only 30 days.

5. Alliance Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are coordinated and interlinked and authority-responsibility relationship is established among various job positions. There is clarity on how is to report to whom. [1]

Ans. Organizing.

6. Explain how 'cost of debt' affects the choice of capital structure of a company. (1)

Ans. If the cost of debt is low then the capital structure of the firm will be skewed towards debt.

7. What is meant by 'co-ordination' in management? [1]

Ans. The process by which a manager synchronizes the activities of different departments is known as coordination.

8. Define 'planning'. [1]

Ans. Planning involves setting objectives and developing appropriate courses of action to achieve these objectives.

9. In what kind of organization is functional structure more suitable and why?(3)

Ans. Functional structure is more suitable for organizations engaged in production and distribution of a single product or a small number of products. It is suitable where it is desired to introduce specialization in the performance of various functions like productions, finance, marketing, etc.

- a) Marketing Manager
- b) Personal Manager
- c) Production Manager
- d) Finance Manager

In functional organizational structure, each major function of business is organized as a separate department. In other words, activities are grouped and department are created on basis of specified functions to be performed. It facilitates specialized performance of various functions.

10. How can you say that principles of management are contingent? (3)

Ans. Principles of management are contingent because applications of these principles are done according to the prevailing situation at a point of time. These principles have to be changed as per the requirements and are then applied to the situation. For example, the manager will consider various factors and ability of the employees before delegating the authority.

11. Mr. Singh is involved with training of employees in Abrot Co. Ltd. He helps the employees to improve their performance. He follows following three ways:

- (a) Employee A is put under the guidance of a master worker to acquire higher level of skill.**
- (b) Employee B is put under the joint programme of training in which educational institutions and firms are cooperating with each other.**
- (c) Employee C is given the opportunity to learn their jobs on the equipment he will be using, but the training is conducted away from the actual work floor.**

In which methods of training employee A, B and C are involved? (3)

- Ans : a) Employee A – Apprenticeship Programme
b) Employee B-Internship Training
c) Employee C – Vestibule Training

12. Identify the various money market instruments given below:

- (a) Issued by RBI on behalf of government of India. They are sold to banks and to the public.**
- (b) The day to day surplus funds of banks are traded.**
- (c) Bills drawn by one business firm on another carrying lower interest rates than market rates. (3)**

- Ans : a) Treasury Bills b) Call Money c) Commercial Bills

13. State any three functions of top level management. (3)

- Ans : a) Determining the objectives of the enterprise.
b) Framing of policies.
c) Controlling and monitoring the planned performances.

14. Is management a 'Science'? Give any three reasons in support of your answer. (4)

Ans : No, management is not a science because :

- a) Management deals with human beings and human behavior, the outcomes of these experiences are not capable of being accurately predicted or replicated.
- b) Application and use of principles of management is not universal.

c) Methods of observation followed by management are not cent percent objective.

15. 'Planning is an empty exercise without controlling.' Explain the statement through an example. (4)

Ans. Predetermined goals can be achieved only through the process of control which involves nothing deviations from standards and taking corrective decisions, besides revising plans, if necessary. Controlling also ensures, realizing planned goals efficiently. Controlling provides valuable information derived from past experience for future planning. It ensures better utilization of resources in future by rectifying past features. In the absence of control, the planned activities may not be carried out according to the prescribed methods and procedures.

Example. Suppose a worker is paid Rs.20 for producing an article. The worker may work very fast to increase his income and turn out goods of poor quality in that process. The manager incharge having noted that quality standards are not maintained will instruct the worker to work slowly and carefully and maintain the quality.

Control provides proper direction to work effort in conformity with the plan of action. Therefore, it is concluded that planning is an empty exercise without controlling.

16. Explain in detail, any four types of Monetary Incentives. (4)

Ans. Four types of monetary incentives are:

- (a) **Profit sharing.** It is often discussed that labour being the live factor in production, is entitled to share in the surplus earned by his firm. Employers often use this device to extort their loyalty and reduce the influence of trade unions. This provides group incentive to the workers for higher productivity and greater profitability.
- (b) **Co-partnership.** Under this system, employees share the capital as well as profits. The workers gets their usual wages, a share in the profits of the company and a share in the management of the companies well. When co-partnership operates with profit sharing, the employees are allowed to leave their bonus with the company shares (bonus shares).
- (c) **Bonus.** It is a reward that is offered on a one-time basis for high performance. A bonus may be in cash or in some other form, e.g., many sales organizations periodically offer prizes, such as trips, for their top sales people.
- (d) **Commission/productivity linked wage incentives.** Under this plan, a sales person be paid a guaranteed base salary plus a commission on sales. A commission plan has the advantage at relating rewards directly to performance.

17. Explain the trading procedure on a stock exchange. (4)

Ans:= following steps have to be taken in order to purchase and sell securities in the stock exchange.

- (a) First, investor has to select a broker who is a member of stock exchange.

- (b) Now investor places an order to buy or sell the securities in which he is interested.
- (c) Order is executed by the broker. Selling broker strives to obtain the highest price and buying broker tries for the lowest price. Previously trading took place through public outcry or auction system which is now replaced by an online screen based electronic trading system.
- (d) Contract note is prepared by the broker containing details relating to number and price of security bought or sold, brokerage and amount payable by the client.

18. 'Is marketing limited to goods and services only?' Explain. (4)

Ans. According to Philip Kotler "Marketing is a social process by which individual groups obtain what they need and want through creating offering and freely exchange products and services of value with others." Thus anything that is of value to others can be marketed. It is not limited to goods and services only, e.g., we find events like Cricket World Cup, fashion week are marketed. The tourism of various states are marketed. The experiences of mountaineering or rides in a amusement park are also marketed.

19. Kajal runs a bakery. She is designing a label for her biscuits. List two important information to be displayed on it. Which two consumer rights are better exercised due to this act of her? Which values are shown by Kajal? (4)

Ans. Two important information which Kajal should include in her label are:

- (a) The maximum retail price
- (b) Date and ingredients of manufactured product

This will enable consumers to exercise the following two rights:

- (a) Right to be informed
- (b) Right to be choose

Kajal shows the following values:

- (a) Adherence to legal provisions
- (b) Responsible behavior
- (c) Being considerate to other

20. Define Communication. Give the name of the barrier mentioned through the following statements:

- (a) These are concerned with problems and obstructions in the process of encoding and decoding of message into words or impressions.
- (b) A worried person cannot communicate properly and an angry receiver cannot understand the real meaning of message.
- (c) Factors relating to organization structure, authority relationships, rules and regulations may act as barriers.
- (d) Personal factors of both sender and receiver may exert influence on effective communication. (5)

Ans. Communication is the process of transmission of message, information, etc., and creation of understanding between two parties. It involves sending a message to another, who receives the message and responds to it. Effective communication takes place when the received message is understood in the same sense by the receiver as the sender intends. The barriers mentioned through the statements are:

- (a) Semantic barriers
- (b) Psychological barriers
- (c) Organisational barriers
- (d) Personal barriers

21. In July 1991, new industrial policy was introduced in India. Some of the major steps taken under it was that Indian business and industry was freed from all unnecessary controls and restrictions. They signaled the end of the licence-permit-quota raj. The new set of reforms aimed at giving greater role to the private sector in the nation building process and a reduced role to the public sector. Also steps were taken for integration of the various economies of the world leading towards the emergence of a cohesive global economy. Overall all these had a positive impact on overall growth of our economy.

Identify the different concepts introduced through new industrial policy by quoting lines from the above details. Explain any two effect of this changes in policy. (5)

Ans. The concepts referred here are:

- (a) Liberalisation: 'freed from unnecessary controls and restrictions'
- (b) Privatisation: 'greater role to private sector and reduced role to public sector'
- (c) Globalisation: 'integration of various economies of the world'

This change in the policy brought many changes. Two of them are:

(a) All round competition/Increasing competition. Firm now face competition from Indian players (existing one as well as new entrants to the given industry). Competition from multinationals and from imports is the another facet of this new competitive environment. The easier access to better technology is an additional dimension. Finally, competitions will now be global in character, no more confined to the country's boundaries. For example, Weston, a major player in the early days with over 18 per cent market share lost out heavily to competition from imported products.

(b) Buyer's market/More demanding customers. There were shortages practically in every sector-consumer goods, industrials goods and services. As a result, the buyers suffered. A shift from shortage to surplus has been a major development of the liberalized regime. Government removed controls on capacity creation and capacity utilization. Industry has been given total freedom to expand and diversify. Decisions on investments have been left on the entrepreneurs. Control on prices has been removed. Investment now takes place in areas of demand.

22. The manager, Ashis found that current production of the factory was 4,000 units against the standard 3,800 units. The manager called the meeting of the workers and congratulated them. He also announced incentive to the efficient ones.

(a) Explain any three benefits of such comparison.

(b) Which values are highlighted by Ashis? (5)

Ans : a) Ashis is involved in controlling function of management. The benefits of such comparison of actual and standard output are :

- i) It improves employee's morale: Evaluation of performance against predetermined standard induces employees to do things in a proper manner.
- ii) It help in better coordination: It keeps all activities and efforts directed towards the achievement of goals in conformity with the plans and programmes.
- iii) It facilitates decision making: It helps to identify and solve problems before they become unmanageable. Timely decisions are taken, if anything needs rectification.

b) The values highlighted by Ashish are :

- i) Motivating the workers
- ii) Improving living standards of employees
- iv) Providing good working conditions.

23. Enumerate the various steps in the process of planning. (6)

Ans : The process of planning involves taking certain steps in stages. The steps are explained as follows:

- a) **Setting objectives.** The first step in planning exercises is setting the objectives, providing the rationale for undertaking various activities as well as indicating the direction of efforts. Moreover, objectives point to the end-result of planning activity.
- b) **Establishing the planning premises.** It consists of forecasting future conditions and events which are likely to have bearing on the pursuit of goals like market demand for goods, cost of raw materials, state of technology, intensity of competition, government policies, interest rates, tax rates, etc. Such forecasts give an insight of how the future is likely to behave. Certain assumptions about the conditions expected to prevail are derived from the forecast. These are known as the planning premises which form the base of plans.
- c) **Identifying alternative courses of action.** When the forecasts are available and premises are established, a number of alternative courses of action have to be considered.
- d) **Evaluating alternative courses.** Planning requires that each alternative should be evaluated taking into account the relevant facts and the pros and cons of each alternative.

- e) **Selecting and alternative.** After evaluation of various available alternative courses, the time comes for selecting the best plan and to implement it practically. The plan will be justified best in terms of feasibility, profitability and with least adverse outcomes. Sometimes a firm may also go for combination of plans instead of selecting one best course.

24. Define public Relations. Explain its role in marketing. (6)

Ans : Public relations is an organisation's broad, overall communications effort intended to influence various groups' attitudes towards that organization. It is aimed at creating and managing successful relations with the public. Its purpose is to keep different public groups satisfied so that no obstructions are imposed on the functioning of business.

Roll of Public Relations :

- a) Improves Public Image. By maintaining good relations with public, it helps in creating a better image of the business firm. This helps in promoting its products.
- b) Creates Public Loyalty. By disseminating appropriate information to the public, it creates public loyalty towards the organization.
- c) Understands Public Opinion. It collects information about public opinion about the organization, its top management and its activities. This helps an organization to chalk out its actions which are relevant to the public.
- d) Overcomes misunderstanding/Frictions. It overcomes people's suspicions, misunderstandings, confusions and dislikes about the organization.
- e) Conveys Information. It conveys information about their products or services to potential customers, e.g., launching of new models of car by the company.

25. The directors of a company, of which you are the finance manager, have to design the capital structure for the company and have asked you about the factors that affect the capital structure of company. Give your view points with reasons. (6)

Ans : The following factors decide a company's capital structure :

- a) **Stability of sales.** For a company having a high sale turnover, a higher proportion of debt is suitable. For a company with fluctuating sales, a higher proportion of equity is suitable.
- b) **Cost of capital.** Interest on debentures and dividend on shares is a cost of capital. Paying interest and raising capital through debentures is a better option provided the company has regular income flows. If interest rate if raising debt is lower, then debt can be used.
- c) **Cash flow ability of the company.** A company must have enough cash in hand or liquidity if it has to raise capital through debentures to pay interest in time. If cash inflows are not enough, then it should issue shares.
- d) **Control.** To retain control over the management of the company, debentures and preference shares should be issued to raise capital.

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(1) which function of management monitors activities to ensure that they are accomplished as planned? (1)

Ans:-- Controlling.

2. What is the objective of 'Method study' as a technique of scientific management? (1)

Ans. The objective of method study is to find out the best way of doing the job.

3. What is included in 'Political Environment' of business? State. (1)

Ans. Political environment includes political conditions such as general stability and peace in the country and specific attitudes of elected government representative towards business.

4. Give the meaning of 'Policy' as a type of plan. (1)

Ans. Policy is the best general statement that guides thinking or channelize energies towards a particular direction.

5. Give the meaning of 'Authority' as an element of delegation. (1)

Ans. Authority is the right of an individual to command his subordinates and take action within the scope of his position.

6. State any one advantage of 'Formal Organization.' (1)

Ans. In formal organization, it is easier to fix responsibilities since mutual relationships are clearly defined.

7. Why employees become lethargic when the organization uses internal sources of recruitment? State. (1)

Ans. When the organization uses internal sources of recruitment, the employees become lethargic as they are sure of time bound promotion.

8. 'Recruitment' is one of the specialized activities performed by human resource management. Mention any two other specialized activities of human resource management. (1)

Ans. Following are the two specialized activities performed by human resource management:

(a) Providing for social security and welfare of employees.

(b) Developing compensation and incentive plans.

9. Bimal was working in an enterprise on daily wages basis. It was difficult for him to fulfill the basic needs of his family. His daughter fell ill. He had no money for his daughter's treatment. To meet the expenses of her treatment, he participated in a

cycle race and won the prize money. The cycle company offered him a permanent pensionable job which he happily accepted.

i) By quoting the lines from the above para identify the needs of Bimal that are satisfied by the offer of cycle company.

ii) Also, explain two other needs of Bimal followed by above that are still to be satisfied. (3)

Ans : i) The offer of cycle company satisfied the following two needs of Bimal :

a) Physiological needs. These are basic salary of the job will satisfy this need.

b) Safety of Security needs. These are related to protection from physical and emotional harm. The pension plan in the permanent job will satisfy this need of Bimal.

ii) The other two needs of Bimal that are still to be satisfied are :

a) Affiliation or Belongingness needs. These needs include affection, acceptance and friendship.

b) Esteem needs. These needs relate to self-respect, autonomy, status, recognition and attention.

10. How directing helps in efficient and effective functioning of the organization ? Explain by giving any three points. (3)

Ans : Directing helps in efficient and effective functioning of the organization as follow :

a) **Initiates action.** All organizational activities are initiated through directing. Along with planning, organizing and staffing, managers must stimulate action by issuing instructions to subordinates and by supervising their work. The aim of directing is to activate employees to work towards the realization of predetermined goals of the organization.

b) **Integrates employee's efforts.** At all levels of management, there are subordinates under the managers. The work entrusted to these individuals is interrelated. Thus, individual efforts need to be integrated so that the organization achieves its goals. The directing function integrates the activities of the subordinates by, guidance and counseling.

c) **Means of motivation.** The organizational objectives cannot be realized unless people working in an organization are motivated to work willingly and perform well to the best of their abilities. Directing helps in motivating employees to contribute their efforts towards the achievement of organizational goals.

11. 'Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions.' Explain any three functions of financial market. (3)

Ans: Functions of financial market are as follows:

a) Mobilization of savings and channeling them into the most productive uses:- It is a forum which facilitates the flow of capital from investors to borrowers. Funds are utilized for productive purposes.

- b) Facilitate price discovery:-- Price for the financial assets is determined by the equality of demand (business firms) and supply (households) forces, in the financial assets into cash is very easily done through mechanism of the financial markets.
- c) Provide liquidity to financial assets:-- Convertibility of financial assets into cash is very easily done through mechanism of the financial markets.

12. Crackers Ltd., a fire cracker manufacturing company launched some new products on eve of Diwali which attracted many buyers. To meet the increased demand, the company employed children from nearby villages. Although the product was in great demand, appropriate safety warnings for use were not mentioned on the packets that led to many accidents.

(1) Identify and explain the important product related decision that was not taken into consideration by the company.

(2) Also, identify any two values which were violated by the company. (3)

Ans. (1) The important product related decision that was not taken into consideration by the company is related to 'Labelling'. One of the important functions of labelling is to provide necessary information to its customers regarding the product. In case of hazardous material, appropriate safety warning or precautions should be written. Crackers Ltd. Did not mention this important information on the label of its products.

(2) The two values which are violated by the company are:

(a) To increase the production, the company employed children from the nearby villages. It has ignored the value of compassion. The children are exploited and put to work at an age when they should be receiving education.

(b) The company is not safeguarding its customers against the hazardous nature of its products. Thus, they are disrespecting human life.

13. The Directors of a leading book publishing company, identifying the importance of 'value based questions' in C.B.S.E. curriculum as an early opportunity published a book based on these type of questions. The book become very popular as no other book had this type of questions. The turnover of the company increased tremendously and this resulted in improved performance. Seeking the demand few book-sellers started charging more price than was printed on the book.

(a) Identify and explain the 'significance of understanding business environment' highlighted above.

(b) Which value does the above publishing company desires to emphasizes by publishing the book, based on 'value based questions'?

(c) Which 'value' is not being followed by the book-sellers in the above case. (3)

Ans:-

(a) Identifying opportunities and getting the first mover advantage.

Business environment provides many opportunities to the firms to improve their performance. The firms which are able to scan these opportunities at an early stage get maximum benefits and can leave their competitors behind.

(b) Adaptability.

(c) Honesty

14. Explain the following rights of consumers:

(1) Right to be informed;

(2) Right to be safety.

(4)

Ans. (1) Right to be informed. Consumers should have the right to be informed about the quality, quantity, potency, purity, standard and price of goods or services, so as to make the right decision and protect themselves against abusive practices.

(2) Right to safety. The right to safety is important for save and secure living. Without any effective regulatory mechanisms consumers suffer most in terms of safety. The right to safety means the right to be protected against products, production processes and services, which are hazardous to health or life.

15. XYZ power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day. So the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.

(1) Identify and explain the objectives of management discussed above.

(2) State any two values which the company wanted to communicate to the society.

(4)

Ans:-(1) The discussed objectives of management are:

(a) Organisational objectives:- These are the economic objectives of a business. These are related to survival, profit and growth of business. The management must strive to ensure survival of the organisation. For this, it must earn enough revenue to cover costs. The management has to ensure that it makes a profit, because profit provides a vital incentive for continued operation of an enterprise. Further, the management must exploit the growth potential of organisation to remain in the industry.

(b) Social objectives:--These objectives involve creation of benefits for society. For example, giving employment to the disadvantaged section of society, using environmental friendly methods of production, providing amenities to community etc. As every organisation is a part of society, these obligations have to be fulfilled.

(2) The two values which company wants to communicate to the society are:

(a) Care and concern for employees and society at large:-- They decided to open schools and crèches for the children of its employees. They decided to give employment to the people of nearby villages as few job opportunities were available in that area.

(b) Environmental concern:-- They are promoting the use of a non-conventional source of energy, i.e. solar energy. Solar energy is easily available everywhere and does not cause pollution. The company is conserving environment by making solar lanterns.

16. How is training of employees beneficial for the organisation? State by giving any four reasons. (4)

Ans. Benefits of training of employees to the organisation are as follows:

- (a) **Economic operations.** Trained personnel will make economy and efficient use of resources-men, money, material, machines and methods. This will lead to the reduction in the cost of production per unit. There will be a great savings as training reduces wastage and spoilage. This will result in economic operations. Thus, training expenditure is treated as an investment in human resources.
- (b) **Increases productivity.** It helps to improve employee's knowledge and skills, which in turn increases the quality and quantity of production. Higher productivity means higher profitability for the organization.
- (c) **Reduced supervision.** Training gives employees greater confidence. Trained employees need less supervision. They require greater freedom to handle their jobs without close supervision. With reduced supervision, a manager can widen his span of control and spend greater time on more non-routine issues of the department. Properly trained employees are more self-reliant because they are more confident about what to do and how to do it. The employees need not learn by trial and error method.
- (d) **Standardization of procedure.** With the help of training, the best available method of performing the work can be standardized and taught to all the employees.

17. Explain any four points that highlight the importance of financial planning. (4)

Ans. Financial planning is essentially the preparation of blueprint of an organisation's future operations. It is a process of estimating the fund requirement of a business and specifying the source of such funds. The following points highlight the importance of financial planning:

- (a) It forecast the future under different business situations. It helps in preparing alternative financial plans to meet different situations.
- (b) It helps in smooth running of business by eliminating shocks and surprise.
- (c) It coordinates the various business functions.
- (d) The detailed plan of action made under financial planning reduces wastage, duplication of efforts and gaps in planning.

18. Principles of Taylor and Fayol are mutually complementary. One believed that management should not close its ears to constructive suggestions made by the employees, while the other suggested that a good company should have an employee suggestion system, whereby suggestions which result in substantial time or cost reduction should be rewarded.

Identify and explain the principles of Taylor and Fayol referred in the above para. (4)

Ans:--. Principles of Taylor and Fayol formed a basis for further practice by managers. Their contributions are complementary to each other. Taylor in his principle of 'Cooperation, not individualism' suggested that there should be complete cooperation between workers and management. Competition should be replaced by cooperation. Management should not close their ears to any constructive suggestion made by the employees. They should be rewarded for their suggestions which result in reduction of cost. The decisions should be taken by management after taking workers into confidence.

Similar to this, Fayol advocated principle of 'Initiative'. According to this principle, workers should be encouraged to develop and carry out their plans for improvement. Initiative, i.e. taking the first step with self-motivation is a trait of an intelligent person. Initiative should be encouraged. A good company should have an employee suggestion system whereby initiative/suggestion which results in substantial cost/time reduction should be rewarded.

19. A manager no matter how capable he is, cannot manage to do every task on his own. The volume of work makes it impractical for him to handle it all by himself. As a consequence, Mr. Sugata, Production Manager of Pool Ltd. Downwardly transfers some of his authorities to Mr. Goswami, one of his subordinates.

- (a) Name the process under which Mr. Sugata transfers some of his authorities to Mr. Goswami.**
- (b) Name the three elements of process identified in (a) above.**
- (c) Identify the element of the above process that cannot be entirely downwardly transferred but flows upwards from subordinates to superiors.**
- (d) Name the value that can be emphasized by following the process identified in (a) above. (4)**

Ans:--

- (a) Delegation
- (b) Three elements of delegation:
- (i) Authority (ii) Responsibility and (iii) Accountability
- (c) Responsibility
- (d) (i) Recognition
- (ii) Growth for all

20. Describe any five limitations of planning.

(5)

Ans. Limitations of planning are as follows:

- (a) **Rigidity.** The existence of a plan puts managerial activities in a rigid framework. Programmes are carried out according to the plan and deviations are considered to be highly undesirable. This attitude makes managers and employees inflexible in their operation. They become more concerned with observance of rules and procedures as laid down in the plan rather than achieving the goals.
- (b) **Does not work in a dynamic environment.** The business environment is dynamic in nature. There are various environmental factors affecting the performance of a business such as economic, political, physical, legal and social. Any change in any one of these factors may offer an opportunity or pose a threat to a business organization. For example, the Supreme Court's decision regarding sealing of shops running in residential areas is a threat to these business firms. Planning does not guarantee that the business will never be affected by adverse circumstances. It is a way of keeping the firm's eyes and ears open. Thus, planning cannot force everything and it is also subject to the errors and limitations of forecasting.
- (c) **Reduces creativity.** People in the organization just implement the plans made by top management. They blindly implement the orders which results in loss of initiative and interest in them. Thus, planning reduces creativity as there is nothing new or innovative.
- (d) **Involves huge cost.** Huge costs are involved in the formulation of plans which may not justify the benefits derived from the plans. Money is spent on incidental costs like expenses on boardroom meeting, discussions with professional experts, etc.
- (e) **Time consuming.** Planning is a time consuming process and is not practicable during emergency or crisis. It requires a lot of time to collect information, its analysis and interpretation before preparing plans. Sometimes not much time is left for implementation of plan.

21. Differentiate between 'Capital market' and 'money market' on the following basis :

- | | | | |
|------------------------|------------------------|-------------------------------|------------|
| i) Participants | ii) Instruments | iii) Investment outlay | iv) |
| Duration and | (v) Liquidity. | | (5) |

Ans : Distinction between capital market and money market is as follows.

- i) Participants:-- The participants in the capital market are financial institutions, banks, corporate, entities, foreign investors and ordinary retail investors from members of the public. Participation in the money market is by and large undertaken by institutional participants such as the RBI, banks, financial institutions and finance companies.
- ii) Instruments:-- The main instruments traded in the capital market are equity shares, debentures, bonds, preference shares, etc. The main instruments

traded in the money market are short term debt instruments such as T-Bills, trade bills, repos, commercial paper and certificates of deposit.

- iii) Investment outlay:-- Investment in the capital market, i.e., securities does not necessarily require a huge financial outlay. The value of units of securities is generally low. This helps individuals with small savings to subscribe to these securities. In the money market, transactions entail huge sums of money as the instruments are quite expensive.
- iv) Duration:-- The capital market deals in medium and long-term securities such as equity shares and debentures. Money market instruments have a maximum tenure of one year, and may even be issued for a single day.
- v) Liquidity:-- Capital market securities are considered liquid investments because they are marketable on the stock exchanges. However, a share may not easily find a buyer. Money market instruments on the other hand, enjoy a higher degree of liquidity as there is a formal arrangement for this. The Discount Finance House of India (DFHI) has been established for the specific objective of providing a ready market for money market instruments.

22. Explain 'Price' as an element of marketing mix. Also explain any four factors that affect the fixation of price of a product. (5)

Ans: Price mix refers to the activities relating to the price to be charged for the product. Consumers are very sensitive to price changes. A minor change in price may affect the demand for the product and profitability of the producer. Price is the only element that produces revenue and therefore, it is most important tool of marketing management.

Following are the factors that affect fixation of price of product :

- a) **Objectives of setting the price.** According to different objectives like to capture a large market share, increase in profits, and increase in sales, introducing a new product, price should be set.
- b) **Utility and demand of the product.** The utility is the satisfaction derived by the customer from the consumption of a product. A buyer is ready to pay up to the point where the utility from the product is at least equal to the price he is paying for it. Thus, the firm should take into consideration the utility the product is providing to the customer. Further, the elasticity of demand also affects the pricing decision. If the elasticity is more, a slight increase in the prices can have a large decrease in the quantity demanded whereas if the demand of a product is inelastic, the firm is in a position to fix higher prices too.
- c) **Cost of production and other overheads.** A simple formula to fix the price is total costs in addition to desired profit. No firm likes to sell its product below the cost of the product. The total cost helps the firm to set the minimum limit of the price.

- d) **Extent of competition in the market.** If there is lesser degree of competition, price will tend to be higher and vice-versa.
- e) **Government and legal regulations.** If a particular commodity is declared as essential commodity and its prices are regulated, then its firm cannot charge a price on a higher side.

23. 'Organising involves a series of steps in order to achieve the desired goals. Explain these steps. (6)

Ans. Organizing is a process which involves the following steps:

- (a) **Identification and division of work:**-- The first step in organizing is to identify/divide the total work to be done into specific jobs. Dividing the total work into jobs is necessary because the entire work cannot be done by individual. Division of work facilitates specialization of efforts and skills.
- (b) **Grouping jobs and departmentation:**-- The second step in organising is to combine or group similar or related jobs into larger units called departments, divisions or sections. This grouping process is called departmentation/departmentalization. Work that is divided into jobs thus, gets combined to facilitate unity of effort. The departments or work units so created are linked together on the basis of their interdependence.
- (c) **Assignment of duties:**--After considering qualifications, experience and aptitudes of people, group of activities are assigned to an individual who is best suited to perform it.
- (d) **Establishing authority relationships/ Establishing reporting relationships:-**
- The third step in the process of organising is the creation of authority relationship among the job-holders or job positions. In fact, the various members of the organisation, who perform the jobs are linked by authority-responsibility relations through the process of organising. In other words, an authority structure is created in this step.

24. Explain any four points that highlight the importance of controlling. (6)

Ans : Importance of controlling is as follows:

- a) **Controlling helps in achieving the objectives.** Controlling ensures that results of operations conform as closely as possible to the predetermined objectives. It ensures the use of human and material resources in the best possible manner. The objective may be in terms of a target profit, target sales or target production.
- b) **Controlling facilitates decision-making.** A manager should have the ability to identify and solve problems before they become unmanageable. Controlling facilitates decision-making, enabling managers to identify the gap between thinking and doing functions of management. It helps in finding out the problems of work performance and take appropriate decisions aimed at rectifying the deficiencies.

- c) **Controlling improves employee's morale.** Controlling creates an atmosphere of order and discipline in the organization. It improves employee's morale. Evaluation of performance against predetermined standards induces employees to do things in a proper manner.
- d) **Controlling helps in better coordination.** Controlling facilitates the work of coordination. This is possible by keeping all activities and efforts directed towards the achievement of goals in conformity with plans and programmes. Overlapping and duplication of work are avoided and deviations, if any, are promptly corrected.
- e) **Controlling helps in better planning.** Controlling provides useful information which makes the plan more realistic. Controlling is the process of checking the current performance against predetermined standards contained in the plans, with a view to ensuring satisfactory performance.
- f) **Controlling helps in improving adaptability to environmental change.** Business is a part of the environment in which it exists. The business environment consists of the economic, political and social environment in which it operates and changes in environment are outside the control of the business. Therefore, a control mechanism should be developed to help managers anticipate, monitor and respond to changing circumstances.

25. Explain the following as factors affecting dividend decision:

- | | |
|-------------------------------------|-----------------------------------|
| (i) Stability of earnings; | (ii) Growth opportunities; |
| (iii) Cash flow position and | (iv) Taxation policy. (6) |

Ans:--Factors affecting dividend decision are:

- (i) **Stability of earnings.** A company having a stable growth in the earning pay regular dividend than a company with unstable earnings.
- (ii) **Growth opportunities.** Companies retain some money out of their earnings to finance their future investment and expansion requirements. Thus, if a company foresees any growth opportunity, the dividend declared is smaller.
- (iii) **Cash flow position.** Payment of dividend involves an outflow of cash. Availability of liquid cash should be ensured before declaring dividend.
- (iv) **Taxation policy.** The taxation policy of government affects the dividend decisions in two ways:
- (a) The tax rate on net profit of business affect the amount of dividend declared by the company. Higher is the tax rate lower will be the dividend.
- (b) The dividend policy of the firm is also influenced by the tax status of the shareholders. If dividend income is taxable, shareholders will prefer bonus shares/capital gain instead of dividend.

BUSINESS STUDIES
SOLVED SAMPLE PAPER 4
SESSION== 2015—2016

1. Which of the following best described efficiency--- “doing things right” or (doing the right things). (1)

Ans:- Doing things right.

2. Trainee is put under the guidance of a master worker to acquire a higher level of skill. For example to become plumber, electrician, etc. which method of training is referred here? (1)

Ans:- Apprenticeship programme.

3. Every manager from top executive to superior performs the function of directing. Which characteristic of directing is referred here? (1)

Ans:- Directing takes place at every level of management.

4.It helps to minimize dishonest behavior on the part of the employees by keeping a close check on their activities. Mention the importance of controlling indicated here. (1)

Ans:-Ensuring order and discipline

5.What does capital market consist of ? (1)

Ans:-Capital market consists of i) Primary market, ii) Secondary market

6.It is a market for short-term funds which deals in monetary assets whose period of maturity is up to one year. Name it. (1)

Ans:-Money Market

7.Which function of management ensures that actual activities conform to planned activities? (1)

Ans:-Controlling

8.Mention one reason behind the importance of consumer protection from consumer’s point of view. (1)

Ans:--It helps to achieve consumer awareness through educating them about their rights and reliefs available to them.

9. Mr. Gurumurthi, Director of Blossom Ltd., does the entire planning for the organization. He wants that the lower and middle level managers should only implement the plans laid down by him and does not allow them to deviate from the set plans. The lower management only carries out the order. There is nothing new

or innovative in the organization.

(a) Name the limitation of planning referred to above.

(b) State any other two limitations.

(c) Name the value that can be emphasized by removing the above limitation of planning. (3)

Ans:

(a) Planning reduces creativity.

(b) (i) Planning involves huge cost. (ii) Planning is a time consuming process.

(c) Growth for all.

10. Mr. Ambani's father has a good business of Iron and Steel. He wants to go to U.S.A. for M.B.A., but his father wants that he should join the business. On the basis of emerging trends, do you think that Mr. Ambani should send his son to the U.S.A. ? Give any two reasons in support of your answer. (3)

Ans:--Yes, I think that Mr. Ambani should send his son to U.S.A. as it will provide the understanding of environmental content of a business which has the following benefits.

a) Helps in the identification of threats and early warning signals. Threats refer to the changes in external environment that will have an adverse effect on the firm's performance. A good knowledge and understanding of the business environment enables managers to identify the various threats and serve as an early warning signal. In fact, they not merely recognize and ward off threats; they convert threats into opportunities.

b) Source of intellectual stimulation/Improvement in performance.

Environmental scanning provides intellectual stimulation to planners in their decision making. The executive should also lead by empowering people. They have to come forward to make every possible change and transformation in their corporations.

11. 'Equal pay for equal work for male and female workers' refers to an example of a key component of general environment of business. Name and explain the component. (3)

Ans:-The related component is social environment. Social Environment describes characteristic of the society in which the organization exists. Literacy rate, educational levels, customs, beliefs, value, lifestyle, age, demographic distribution and mobility of population are part of the social environment. It is important for managers to remember that although changes in the attributes of a society may come either slowly or quickly, changes will come inevitably. For example, demand for reservation in jobs for minorities and women, equal pay for equal work for male and female workers.

12.. Simanta, an employee of Yamaha Ltd., was instructed by Mr. Ashutosh {Production Manager} to increase of production of steelas there was an overpurchasing of steel. On the other hand, Mr. Jatin {Sales Manager} directed him

not to increase the steel production as there was low demand for steel in the market. Simanta got confused regarding whose order to follow and hence unable to work in proper manner. Because of overlapping orders and instructions, Simanta was unable to satisfy both the bosses which led to conflict in the organization.

{a} Name and explain the principle not being followed.

{b} Give any two advantages of following this principle.

{c} Name the values that can be gained by following the above principle. (3)

Ans:-

(a) Unity of command

(b) (i) It helps in preventing overlapping of activities (ii) It promotes coordination

(c) Values:

(i) Conflict resolution (ii) Harmony

13. What do you mean by : (a) Initial Public offer, (b) Rights issue and (c)

Preferential issue ? (3)

(a) It refers to first time sale of securities by a company. A company while issuing the securities issues a prospectus to make a direct appeal through advertisement and informs general public about the purpose for which funds are to be raised, background and future prospectus of the company.

b) This is the offer of new shares by a company to the existing shareholders. Each shareholder has the right to subscribe to the new shares in the proportion of shares, he already holds. The shareholder may either accept the offer for himself or assign a part or all of his rights to another. Such rights are valuable to shareholders as they are at a price below the current market price.

c) This is the practice followed by a company to make preferential allotment of securities to selected persons, who are normally the promoters, etc. at a price unrelated to the prevailing market price. The advantage is that funds are obtained at a minimal cost as compared to the public issue of the private placement method.

14. Why is organizing considered as an important function of management? (4)

Ans:- Organizing is considered as an important function of management because it performs following function:

a) **Specialization.** Organizing brings specialization through allocating worked among employees on the basis of their qualifications and aptitude. It increases efficiency.

b) **Well designed jobs (Role clarity).** Jobs and positions are well defined through organizing. This helps in selecting right person for a right job.

c) **Clarifying authority and power.** Organizing clarifies authority and power delegated to different managers, which leads to better administration.

d) **Avoiding duplication of work.** Organising is helpful in avoiding duplication work and makes best possible use of resources. In good organisation, there is no overlapping of responsibilities which minimizes the wastage of resources and efforts.

15. Shrestha Ltd. has not been able to achieve its sales targets. Mr. Vikas, the General Manager of the company, after adopting suitable controlling techniques, arrived at a conclusion that the employees were not putting in their full potential towards achieving the sales target. Hence, Mr Vikas decided to announce an incentive scheme under which the employees would be motivated psychologically, socially and emotionally to perform better. Mr. Vikas desired to announce a particular type of incentive that would work as a booster to workers as financial incentive as well as non-financial incentive.

(a) Under which element of directing function of management incentives are being provided to employees.

(b) Identify the incentive that can be classified as financial incentive as well as non-financial incentive.

(c) Classify the incentive under which employees are motivated psychologically, socially and emotionally to perform better.

(d) Name the value emphasized by providing incentives to the employees. (4)

Ans:-

(a) Motivation

(b) Non financial incentive

(c) Career advancement opportunities

(d) (i) Doing the best (ii) Harmony

16. 'Planning and controlling are mutually interrelated and interdependent activities.' How? (4)

Ans:- Planning and controlling are interdependent and interrelated activities. Without planning, there is no basis for controlling activities and without effective controlling, planned activities cannot be properly implemented and there cannot be improvement in future plans. In the absence of plans, it is not possible to measure and assess performance. Whether performance is good, bad or reasonable it cannot be determined without specified standards. Likewise, in the absence of controlling, no purpose can be served by planning. Predetermined goals can be achieved only through the process of control which involves noting deviations from standards and taking corrective decisions, besides revising plans. Controlling also ensures realizing planned goals efficiently. Planning and controlling are thus, closely interrelated and in fact reinforce each other. Planning, based on facts, makes controlling easier. Effective controlling improves future planning. It is often stated that planning is looking ahead and controlling is looking back. Controlling seeks to compel events conform to plans. It tries to compare actual performance with the standards set in advance. As actual performance related to the

past, it may be said that controlling is looking back. However, this is not true, Like planning, control is also forward looking. Controlling helps in the adoption of new and revision of existing plans on the basis of actual performance against standards. Controlling provides valuable information derived from past experience for future planning. It ensures better utilization of resources in future by rectifying past features.

17. Under the Consumer Protection Act, every consumer has a right to be protected against goods and services which are hazardous to life and death. Pathan ltd. manufactures and sells substandard electrical appliances. As these appliances did not conform to the safety norms and a mark assuring quality specification was missing. Cases were noticed that these substandard appliances had causes serious injury to many consumers.

- (a) Which consumer right has been highlighted in the above case?**
- (b) Name the mark which the consumer should see before buying any electrical appliances to ensure safety.**
- (c) Name and explain the consumer right where a consumer has a right to have complete information about the product he intends to buy.**
- (d) Which values do you find disturbing in the above para? (4)**

Ans:-

- (a) Right to safety
- (b) ISI mark
- (c) Right to be informed: The consumer has a right to have a complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity etc.
- (d) Responsibility.

18. 'Bending the customer according to the product' and 'Developing the product according to customer-needs' are the two important concept of marketing management. Identify the concepts and differentiate between the two. (4)

Ans:-- Former relates to selling and the latter relates to marketing.

Basis	Selling	Marketing
(a) Objective.	The objective of marketing Selling of satisfaction rather Than selling a product.	Selling aims at producing goods and somehow selling the goods in the market to maximize the profit.
(b) Scope.	The scope of marketing is Wider.	Selling is narrow and is Just a part of marketing.

19. Describe the meaning and the objective of Financial Management. (4)

Ans:--. Financial management is concerned with procurement and utilization of funds in a proper way. The primary objectives of financial management is to maximize owner's wealth. Following are the important objectives of financial management:

- a) To estimate accurately the amount of capital to be required.
- b) To determine the form and proportionate amount of securities to be issued.
- c) To raise funds at minimum cost and at most advantageous terms.
- d) To maintain financial liquidity and flexibility.
- e) To ensure the efficient administration of capital.

20. "Management is regarded as an Art by some, as Science or as an inexact Science by others. The truth seems to be somewhere in between." In the light of this statement, explain the nature of management. (5)

Ans:--It is a matter of discussion whether management should be regarded as a science or an art of both. For this purpose, we have to assess different views, as given below:

Management as a science. Science is a systematically organized body of knowledge based on proper findings and exact principles and is capable of verification. The generalizations are made on the basis of empirical studies and so they may be applicable in future also. In order to be recognized as science, a subject should have the following characteristics:

- (a) A systematized body of knowledge including concepts, principles and theories.
- (b) It should establish cause and effect relationship.
- (c) Methods of enquiry should be universally applicable. Like other social science, management is also related with human beings and it is not an exact science like physics or chemistry. Though inexact, management, like social science, is based on a systematized body of knowledge; its practice depends on cause and effect relations, and not on the personal likes and dislikes of managers. Principles of management, as in the case of science, are also derived from observations and experiments.

Management as an art. Art is concerned with the application of knowledge and skills. Desired results are achieved through the application of skill. Thus an art has the following characteristics:

- (a) It signifies practical knowledge.
- (b) It signifies personal skills in a particular field of human activity.
- (c) It helps in achieving desired/predetermined results.
- (d) It is creative in nature.

Management is also an art since it involves application of knowledge and personal skills to application of knowledge and personal skills to achieve desired results. Every manager has to apply certain knowledge and skills while dealing with the people to achieve the desired results. As an art, management calls for a group of abilities, skills and judgments and a continuous practice of management concepts and principles.

From the above discussion, it is clear that management is both a science and an art.

21.Explain, 'by giving any five reasons, why proper understanding of management principles is necessary. (5)

Ans:--Proper understanding of management principles is necessary because of the following reasons:

(a) **Provides useful insight to managers.** The knowledge of principles improves the understanding of managers about the ways and means of managing an organization. Management principles are helpful in taking decisions and handling situations arising in course of management.

(b) **Helps in thoughtful decisions making.** Management principles help in thoughtful decision-making. They emphasize logic rather than blind faith. Management decisions taken on the basis of principles are free from bias and prejudice. They are based on the objective assessment of the situation.

(c) **Optimum utilization of resources.** Resources should be put to use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause and effect relationships of their decisions and actions.

(d) **Direction for training of managers.** The principles are helpful in identifying the areas of management in which existing and future managers should be trained. The principles of management help the universities and professional institutes to impart teaching and training in the theory and practice of management.

(e) **Role of management.** The principles focus on matters on which greater managerial attention is required. Principles act as ready reference for the managers to check whether their decisions are appropriate or not.

22.Define Communication. Explain any four semantic barriers of communication. (5)

Ans:-. Semantics is the study of right choice of words. The semantic network of sender may be different from that of the receiver and therefore, the message may not understand as intended. The word 'profits' has different meaning-pretax profits or post-tax profits, fixed amount of profit or rate of return. Various semantic barriers of communication are as follows:

a) Symbols with different meaning. A word can have different meaning in different contexts. Wrong perception leads to communication problems.

b) Badly expressed message. It may happen on account of omission of needed words, inadequate vocabulary, usage of wrong words, etc.

c) Technical Jargon. Sometimes, people may not understand the actual meaning of technical jargon used by specialists.

d) Body language and gesture decoding. Communication may be wrongly perceived if there is no match between what is said and what is expressed in body movements.

23. Define the term 'Supervision' and explain the following functions of a supervisor : (6)

- a) **Planning the work**
- b) **Issuing orders**
- c) **Providing guidance and leadership**
- d) **Motivation**

Ans:--Supervision means overseeing the subordinates at work. It is an important function of every manager. It implies observing the subordinates at the work to see that they are working according to the plan and policies of the organization and keeping the time-schedule and do help them in solving their work problems.

Functions of a supervisor are as follows :

- a) **Planning the work.** The supervisor has to determine work schedule for even and steady flow of work. He then assigns the work to different workers according to their abilities. He also makes arrangements for raw material, machines, tools and equipment.
- b) **Issuing orders.** The supervisor issues orders and instructions to the workers for achieving co-ordination in his section. He tells them what to do and how to do.
- c) **Providing guidance and leadership.** The supervisor leads the workers of his department. He fixes production targets for them and provides them the necessary guidance for doing the work assigned to them. He provides good on-the-job training to the workers and employees.
- d) **Motivation.** The supervisor motivates his subordinates by providing financial and non-financial incentives. He inspires them for higher quality and productivity.

24. You are the finance manager of a company. The boards of directors have asked you to determine the working capital requirements for company. State the factors that you would take in consideration while determining the requirements of working capital for the company. (6)

Ans:--Working capital refers to short-term assets of a firm such as inventories and short-term liabilities like creditors. The factors determining working capital requirements are:

(a) **Type of products manufactured.** Certain products which require heavy initial investment in plant and machinery do not require much working capital. Labour intensive activities require large stocks of raw materials, inventories, etc. They require more working capital.

(b) **Length of operating cycle/Production cycle.** Operating cycle refers to the length of the manufacturing cycle, i.e., the periods taken to convert raw materials to finished products. Longer period means more working capital is required and vice-versa.

(c) **Sales level.** Higher sales level means ready convertibility into cash and thus, there is not much investment required in working capital as there is inflow of cash. Similarly, a lower sales level requires more investment in working capital.

(d) **Inventory policies.** If the business has policy of keeping a large stock of inventory, working capital requirement will be more and vice-versa.

(e) **Scale of operations.** Large amount of working capital is required by firms operating on a large scale of operations in terms of debtors, inventory, etc.

(f) **Credit policy.** If liberal credit terms are given and a liberal policy is followed, then the company would require more working capital as there is less cash inflow and vice-versa.

25. Identify the method of sales-promotion in the following cases:

- i) **A mobile company offers a discount of Rs. 1000 to clear off excess inventory**
- ii) **A customer gets Rs. 5 off on return of an empty wrapper while making a new purchase of the same product.**
- iii) **A company offers a pack of ½ kg. of sugar with the purchase of a 5 kg. bag of wheat flour.**
- iv) **A company offers 40% of extra shaving cream in a pack of 500 gms.**
- v) **Scratch a card and get a gold coin with the purchase of a cold drink.**
- vi) **Purchase goods worth Rs. 50,000 and get a holiday package worth Rs. 10,000 free.**

(6)

Ans:--

- i) Rebate
- ii) Refund
- iii) Product – combination
- iv) Quality gift
- v) Instant draws and assigned gift
- vi) Lucky Draw.

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BUSINESS STUDIES
SOLVED SAMPLE PAPER 5
SESSION= 2015—2016.

1. Which of the following best described effectiveness—(doing thing right) or (doing the right things) (1)

Ans:-- Effectiveness-- doing the right things.

2. What is meant by “first mover”? (1)

Ans:-- A “first mover” is the organization which is first to bring a product innovation to market or to use a new process of innovation.

3. It is defined as a process of influencing other people to work willingly for group objectives. Mention this element of directing. (1)

Ans:-Leadership.

4. Controlling should not be misunderstood as the last function of management. Why ? (1)

Ans:-Controlling is a function that brings back the management cycle back to the planning function. So, it should not be misunderstood as the last function of management.

5. Who is a depository participant? (1)

Ans:-Depository participant (DP) is an agent between depository and Investors.

6. What is the basic purpose of SEBI? (1)

Ans:-To create an environment to facilitate efficient mobilization and allocation of resource through the securities markets.

7. employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised, which in turn helps them to give better performance. Which importance of controlling is highlighted here? (1)

Ans:- Improving employees' motivation.

8. Which kind of appeals can be taken to the Supreme Court? (1)

. Only those appeals where the aggrieved party was not satisfied with the order of the National Commission and where the value of goods and services in question, along with the compensation claimed exceeded Rs. 1 crore.

9. Explain the principles of ‘Discipline’ and ‘Esprit de Corps’. (3)

Ans:-Discipline, in the context of management, means obedience, proper conduct of relations with others, and complying with the rules and regulations of the organizations. Smooth running of business requires discipline. Discipline is required not only on the part of workers but also on the part of management. It is facilitated if there are good supervisors at all levels, rules are clear and penalties are imposed with fairness. Esprit de Corps refers to team spirit that is harmony in work group and mutual understanding among workers. Managers must take steps to develop a sense of belonging among the members of a work group. If there is team spirit, everyone comes forward to help others. It helps to develop an atmosphere of mutual trust and understanding. It inspires them to work hard and improve the quality of work. When esprit de corps is present, the need to use penalties of default is minimized. If the degree of discipline is higher, desire to contribute to the best of ability increase. Managers should not use subordinates for their personal ends. They should not try to take the credit for the work done by lower levels.

10. What does mental revolution imply in scientific management? (3)

Ans:-The workers and managers should have a complete change of outlook with respect to their mutual relation and work efforts. It requires that management should create suitable working conditions and resolve all problems scientifically. Similarly, workers should attend to their jobs with utmost division and be careful not to waste resources of the organization. Instead of fighting for dividing the surplus or profit, management and workers should cooperate to increase it.

11. Distinguish between functional structure and divisional structure. (3)

Ans:-Difference between Functional and Divisional Structure.

Basis	Functional Structure	Divisional Structure
(a) Formation	It based on function	It based on product lines.
(b) Responsibility	Difficult to fix on a Department.	Easy to fix responsibility of Performance.
© Suitability	More suitable for Organization engaged In production and Distribution.	More suitable for the firm having several products and each product has distinct Features.

12. State any three reasons why training is needed in any organization. (3)

Ans:-Training is needed in an organization because of the following reasons:

a) **Economic operations.** Trained personnel will make economic and efficient use of resources – men, money, material, machines and methods. This will lead to the reduction in the cost of production per unit; there will be great saving as training reduces wastage and spoilage. This will result in economic operations. Thus, training expenditure is treated as an investment in human resources.

b) **Increases productivity.** It helps to improve employee's knowledge and skills, which in turn increases the quality and quantity of production. Higher productivity means higher profitability for the organization.

c) **Standardization of procedure.** With the help of training, the best available method of performing the work can be standardized and taught to all the employees.

13. Explain the concept of 'Call Money' and 'Certificate of Deposit'. (3)

.Ans:-**Call Money** : The day to day surplus funds mostly of banks, are traded as call money. The borrowers are banks faced with a temporary shortage of cash. This may be because of reserve requirements or unforeseen demand for funds. The lenders are banks temporarily in excess of cash. That is why it is also known as the interbank call money market. The call money market is basically over the telephone market. Call money funds are for very short periods, (1 to 15 days) which may or may not be renewed, and their liquidity is next only to cash.

Certificate of Deposit (CD). It is a time deposit or fixed deposit which can be sold in the secondary market. Only a bank can issue a CD. It is a document of title to a time deposit. It is a bearer certificate and is negotiable in the market. It is issued by banks against deposits kept by companies and institutions. The tenure ranges from 91 days to one year.

14. Explain 'Rule' and 'Method' as types of plans. (4)

Ans:-**Rules.** Rules are rigid instructions. Rules spell out specific required actions or non-actions, allowing no discretion. Rules lay down that is to be done and what is not to be done. They are generally formalized in writing and are impersonal in nature, e.g., each Mc Donald's restaurant has a rule, prohibiting customers from using its telephones.

Methods. Methods are formalized and standardized way of accomplishing repetitive and routine jobs. They are designed to keep operations running on planned and desired lines to prevent confusion and adhocism and ensure economy and efficiency. They serve as uniform norms to guide and control operations and performance. Methods are backed up by knowledge, e.g., business can select any of the methods for valuation of its stock such as LIFO or FIFO. According to L.J.Kazimer, 'Method specifies how one step of a procedure is to be performed.'

15. 'Planning is beneficial to all'. Explain in brief any four benefits of planning function of management. (4)

Ans:--

a) **Makes objectives clear and specific.** The planning exercise makes the goals clear and specific because it begins with the determination of objectives.

b) **Provides directions.** Due to planning, employees and managers know how their activities relate to organizational goals. Everyone is conscious of his own contribution towards achievement of organizational goals. In this way,

c) **Reduces the risks of uncertainty.** Planning helps to reduce the risks associated with uncertainties. In the process of planning, attempt is made to look into the future and predict it. Planning helps to identify potential dangers and overcome the adverse effects to a large extent.

d) **Facilitates decision-making by managers.** Planned targets are indicators on the basis of which alternative courses of action are considered without planning, decisions may lead to undesirable results.

16. The father of Rahul is often seen operating on his laptop for hours and dealing in buying and selling of shares. He spends ample time on studying share prices listed in the stock exchange. The Stock exchange is an institution which provides a platform for buying and selling of existing securities. As a market, the stock exchange facilitates the exchange of a security (share, debenture etc) into money and vice-versa. What values are visible while the functions of a stock exchange?

(4)

- a) Liquidity and easy marketability
- b) Worth of securities
- c) Safety/fair dealing
- d) Economic growth

17. The basic purpose of SEBI is to create an environment to facilitate efficient mobilization and allocation of resources through the securities markets. It also aims to stimulate competition and encourage innovation. This aims at meeting the needs of the three groups which basically constitute the markets.

(a) Name the three groups which basically constitutes the markets.

(b) What are the overall objectives of SEBI?

(c) Give one regulatory function of SEBI.

(d) With a view to making all intermediaries like brokers, merchant bankers etc competitive and professional; all intermediaries are to be regulated by a code of conduct. Identify the value which is being emphasized in regulating the code of conduct.

(4)

Ans:

- (a) (i) Issuer (ii) Investor (iii) Intermediaries
- (b) The overall objective of SEBI is to protect the interests of investors and to promote the development of and regulate the securities market.
- (c) Registration of broker and sub-brokers and other players in the market.
- (d) Respect for law

18. Explain the following rights of a consumer:

a) Right to Choose

b) Right to seek Redressal

(4)

(a) It deals with the issue of choosing between different alternatives. It can be defined as an assurance, whenever possible, of availability, ability and access to a variety of products and services at competitive prices.

(b) This right includes the right to receive compensation for supply of shoddy goods or unsatisfactory services and availability of acceptable forms of legal aid or redress for small claims, wherever necessary.

19. What is meant by Packaging? Give any three points explaining why packaging is important.

(4)

Ans:-The container which carries the product is called package. Packaging is defined as a set of tasks or activities, which is concerned with the design and production of an appropriate container for the product.

Packaging is important due to following reasons:

- (a) It helps in differentiating the product. Proper size and shape of the package facilities use of the product.
- (b) It minimizes the chances of adulteration of goods.
- (c) It reduces the burden of personal selling in self-service retail outlets.

20. Management is regarded as a fully-developed profession. Do you agree? Give reasons.

(5)

Ans:-No, management is not a full fledged profession because of the following reasons:

- (a) No restriction on anyone being designated or appointed as manager in any business enterprise.
- (b) No requirement for managers to be members of professional association like AIMA and follow their code of conduct.
- (c) Profit maximization objectives may lead to sacrifice service motive.

21. Identify the principle of management indicated by the following sentences:-

- (a) Specialization increases output by making employees more efficient.**
- (b) Employees who are allowed to originate and carry out plans will exert high level of effort.**
- (c) Workers must be paid a fair wages for their services.**
- (d) Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.**
- (e) Promoting team sprit will build harmony and unity within the organization. (5)**

Ans:-- (a) Division of work.

(b) Initiative.

© Fair remuneration

(d) Stability of tenure.

(e) Esprit de-corps

22. “It is only ‘Motivation’ through which the managers can inspire their subordinates to give their best to the organization.” In the light of this statement, explain any four points of the importance of motivation. (5)

Ans:-- (a) Motivation sets in motion the action of people. Motivation builds the will to work among employees and puts them into action. It enables the management to secure the best utilization of physical and financial resources.

(b) Motivation improves the efficiency of work performance. Performance of employees depends not only on individual’s abilities but also on his willingness to achieve a higher level of performance. Motivation improves willingness to work leading to improvement in their efficiency.

(c) Motivation ensures achievement of organizational goals. If employees are not motivated, no purpose can be served by planning, organizing and staffing.

(d) Motivation creates friendly and supportive relationship. Management adopts various monetary and non-monetary ways of incentives leading to friendly and cordial relationship between employer and employees. Motivated employees support all changes which are in organizational interest.

(e) Motivation leads to satisfaction in the employees. Motivation brings satisfaction in the work force through monetary incentives like bonus, prizes, etc. and non-monetary incentives like recognition of work, promotion opportunities, etc.

23. “Every action in the organization is initiated through directing.” Explain any four points of the importance of directing, in the light of this statement. (6)

Ans:--(a) Initiates action. All organizational activities are initiated through directing. Along with planning, organizing and staffing, managers must stimulate action by issuing instructions to subordinates and by supervising their work. The aim of directing is to activate employees to work towards the realization of predetermined goals of the organization.

(b) **Integrates employees’ efforts.** At all levels of management, there are subordinates under the managers. The work entrusted to these individuals is interrelated. Thus, individual efforts need to be integrated so that the organization achieves its goals. The directing function integrates the activities of the subordinates by supervision, guidance and counseling.

(c) **Means of motivation.** The organizational objectives cannot be realized unless people working in an organization are motivated to work willingly and perform well to the best of their abilities. Directing helps in motivating employees to contribute their efforts towards the achievement of organizational goals.

(d) **Provides stability and balance in the organization.** Managerial direction involves interpersonal communication, effective leadership and motivation, which help to maintain stability in the organization. Leadership and communication also help in maintaining a balance between individual and organizational interests. The capabilities of employees are utilized fully to serve the interest of the organization as well as the well-being of employees.

24. The directors of a company, of which you are the finance manager, have to design the capital structure for the company and have asked you about the factors that affect the capital structure of a company. Give your view points with reasons.

(6)

Ans:- The following factors decide a company's capital structure:

(a) **Stability of sales.** For a company having a high sale turnover, a higher proportion of debt is suitable. For a company with fluctuating sales, a higher proportion of equity is suitable.

(b) **Cost of capital.** Interest on debentures and dividend on shares is a cost of capital through debentures is a better option provided the company has regular income flows. If interest rate of raising debt is lower, then debt can be used.

(c) **Cash flow ability of the company.** A company must have enough cash in hand or liquidity if it has to raise capital through debentures to pay interest in time. If cash inflows are not enough, then it should issue shares.

(d) **Control.** To retain control over the management of the company, debentures and preference shares should be issued to raise capital.

(e) **Flexibility.** Equity allows for more flexibility to change its capital structure according to market conditions while debt restricts this freedom.

(f) **Size of the company.** Large companies are able to raise capital through shares more easily while smaller companies have to depend on their own sources or retained earnings as they do not get loans easily.

25. Name the element of marketing – mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element. **(6)**

Ans:-- Channels of Distribution

Channels of distribution refer to the path taken by the goods in their movement to the customers. That is, a series of firms or individuals who participate in the flow of goods from producer to the consumer. Channel performs the function of moving goods from place of production to place of consumption.

Channels perform a number of functions :

- a) They are source of marketing information. They gather information about customers, competitors and other trends in the marketing environment.

- b) Channel members perform persuasive function. They can persuade customers and promotes sales of the product.
- c) They place orders with the manufacturers for the product in demand.
- d) They assume risk connected with the carrying out distribution function.
- e) They help in storage and movement of goods on their way to customers.

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CHAPTER WISE VALUE BASED QUESTIONS AND ANSWERS

Unit 1 - Nature and Significance of Management

Q1. Saikia Lmt. is engaged in manufacturing electrical appliances. the company has been facing lot of problems for the last few months because of chaos between two departments viz; Production Department and Sales Department. Sales Department blames Production Department for delayed production. However, production department blames sales department for poor sales. The force that can integrate the two departments is missing.

- (a) Identify the missing force in the above case and list its two characteristics.**
- (b)List any two values which can be cultivated among the employees by using the force identified in (a) above.**

Answer:

- (a) Social Objective
- (b) (i) Organizational objective and personal Objective
- (c) Growth for all and harmony among the employees of the organization
- (d) (I) Waste Management
 - (ii) Responsibility towards disadvantaged sections of the society

Q2. Management of Hazarika Ltd. fulfills all its objectives and the organization is able to work efficiently and effectively. It is using environment friendly methods of production and disposing off the waste material by recycling it or using the same for landfill in such a manner that the aquatic life is not disturbed. Thus it also provides employment opportunities to the disadvantaged sections of the society.

- (a) Identify the objective that the management of Hazarika Ltd. which it wants to fulfill by doing the above activities.**
- (b) State any two other objectives that the management of Hazarika Ltd. should fulfill.**

(c) Identify any two values which Management of Hazarika Ltd. can communicate through fulfilling the objectives as stated in part (ii)

(d) Identify any two values which Hazarika Ltd. desires to emphasize through its above stated activities.

Answers:

(a) Coordination

Characteristics - It integrates group efforts ; It ensures unity of action

Q3. AR Rehman, is the first Indian to win Oscar award for his composition 'Jai Ho.' His composition of music is unique and different as he has used the singing notes in a manner that is entirely his own interpretation. Like AR Rehman, 'Swarna', general Manager of Shades Ltd, uses his knowledge of management in a unique and different manner and all the employees working under his guidance are happy and satisfied. He everyday rewards the employees who come in the office in time.

(a) Identify the nature of management highlighted above.

(b) State any two other ways in nature of management can be explained.

(c) Identify the value that Swarna wants to inculcate in his employees.

Answers:

(a) Management is an art

(b) Management as science and Management as profession

(c) Discipline/Punctuality

Unit 2 - Principles of Management

Q1. One of the principles of Scientific Management emphasizes that "to make the employees learn the "best method" of production, training to workers is essential". It further emphasizes that each person should be scientifically selected and the works assigned to the employees should suit their physical, mental and intellectual capabilities.

{a} Name and explain the principle of Scientific management involved.

[b] Name the principle of Scientific Management which is concerned with selecting the best way of performing a job through application of scientific analysis and not by intuition or hit and trial methods.

{c} Name the value emphasized by following the principle in part [a] above.

Answers:

(a) Development of each and every person to his or her greatest efficiency and ability.

Taylor emphasized that to attain efficiency, steps should be taken right from the process

of selection of employees. Employees should be scientifically selected. Efficient employees produce more to earn more.

(b) Science not rule of thumb

(c) Growth; prosperity for workers and company

Q2. Zee Ltd. was not performing well. After detailed analysis it was discovered that workers of the Production department were not satisfied with the behavior of Mr. Ajay the Production Manager as workers were forced to work for longer hours without any rest. Keeping this in view the management decided to replace Mr. Ajay with Mr. Ajahar who had recently completed his M.B.A from Ahmadaba. Mr. Ajahar did a detailed analysis of the work which involved heavy manual labour. He allowed small pauses to the workers so that they could recharge their energy for optimum contribution.

{a} Name and explain the technique of Scientific Management adopted by Mr. Ajahar.

{b} He further desires to find out the best ways of doing a job. Suggest to him the technique of scientific management.

{c} State the 'values' emphasized by allowing small pauses to workers.

Answers:

(a) Fatigue study; Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task. It helps the workers to regain stamina and work again with same capacity.

(b) Method study

(c) Respect towards employees/ humanism. Sympathy

Q3. Simanta, an employee of Yamaha Ltd., was instructed by Mr. Ashutosh {Production Manager} to increase of production of steels there was an over purchasing of steel. On the other hand, Mr. Jatin {Sales Manager} directed him not to increase the steel production as there was low demand for steel in the market. Simanta got confused regarding whose order to follow and hence unable to work in proper manner. Because of overlapping orders and instructions, Simanta was unable to satisfy both the bosses which led to conflict in the organization.

{a} Name and explain the principle not being followed.

{b} Give any two advantages of following this principle.

{c} Name the values that can be gained by following the above principle.

Answers:

(a) Unity of command

(b) (i) It helps in preventing overlapping of activities (ii) It promotes coordination

(c) Values :

(i) Conflict resolution (ii) Harmony

Q4. Tanaya Saikia and Rabi Bora, having same educational qualification, are working as Managers in Alfa Ltd. Taniya Saikia belongs to a rural area where

employment opportunities' are very less whereas Rabi Bora belongs to an urban area. Ignoring many others differences between the two, management of Alfa Ltd. appointed them as Assistant Manager, on the same salary package of Rs.45,000 per month.

{a} Name and briefly explain the principle of management being followed in the above case.

{b} Identify the values on which Management of Alfa Ltd. emphasis by not differentiating between the two.

Answers:

(a) Principle of Equity. The principle of equity implies that similar treatment is assured to employees in similar positions. According to this principle, managers should be fair and impartial while dealing with their subordinates and there should be no discrimination on the basis of sex, religion, language, caste, nationality etc.

(b) (i) No discrimination. (ii) Providing equal opportunities to grow.

Q5. Abhiseikh is working in a Shoe Manufacturing Co. The management asked him to work overtime so as to produce more in order to meet increase in demand in the market. But he was not paid adequate wages for extra time worked by him. He felt dissatisfied all the time and never contributed to his maximum.

{a} Which principle of Fayol is violated in the above case?

{b} Give two advantages of following the above principle.

{c} Which values can be emphasized by following the above principle?

Answers :

(a) Remuneration of Employees

(b) (i) This principle ensures healthy atmosphere and good relations between the employees and the management.

(ii) This principle ensures smooth functioning of the organisation by providing a cordial environment.

(c) (i) motivation (ii) Respect towards employees.

Q6. One of the principles of scientific management emphasis that there should be a complete mental revolution on the part of both management and workers.

Workers and managers should know the importance of each other. Both the groups should have good understanding between them.

{a} Name and explain the principle of scientific management involved above.

{b} Fayol emphasized team spirit of unity and harmony among employees. Name and explain the principle.

{c} Name the common values emphasized in (i) and (ii) above.

Answers:

(a) Harmony not discord.

Taylor has emphasised that there should be complete harmony between workers and the

management since if there is any conflict between the two, it will not be beneficial either for the workers or the management. Hence, both management and workers should realize the importance of each other.

(b) Esprit de corps :

According to Fayal, 'Management should promote team spirit of unity and harmony among employees". In order to achieve organisational objectives, management should promote team work and coordination.

(c) (i) Harmony (ii) coordination

Unit 3 - Business Environment

Q1. No business firm is an island unto itself; it exists, survives and grows within the context of elements and forces of its environment. these forces keep on changing in terms of technological improvements, shifts in consumers' preferences etc.

(a) Name the feature of business environment explained above.

(b) Explain any two other features of business environment.

(c) Identify the value emphasized above.

Answers:

(a) Dynamic Nature

(b) (i) Uncertainty: Business environment is largely uncertain as it is very difficult to predict future happenings.

(ii) Relativity: Business environment is a relative concept since it differs from country to country and even region to region.

(c) Adaptability: By adapting the changes in terms of technological improvements, shifts in consumers' preferences etc.

Q2. The Directors of a leading book publishing company, identifying the importance of 'value based questions' in C.B.S.E. curriculum as an early opportunity published a book based on these type of questions. The book become very popular as no other book had this type of questions. The turnover of the company increased tremendously and this resulted in improved performance. Seeking the demand few book-sellers started charging more price than was printed on the book.

(a) Identify and explain the 'significance of understanding business environment' highlighted above.

(b) Which value does the above publishing company desires to emphasize by publishing the book, based on 'value based questions'?

(c) Which 'value' is not being followed by the book-sellers in the above case?

Answers:

(a) Identifying opportunities and getting the first mover advantage.

Business environment provides many opportunities to the firms to improve their performance. The firms which are able to scan these opportunities at an early stage get maximum benefit and can leave their competitors behind.

(b) Adaptability.

(c) Honesty

UNIT 4 - Planning

Q1. Gohain Ltd. has to develop organizational plans for the upcoming year in such a manner that weaker section of the society can be given job opportunities' and society can be provided with pollution free environment. For these purpose, it has hired a leading consultancy firm. A lot money is being incurred on their fees and collection of facts.

(a) State any two limitations of planning.

(b) Identify the values the Gohain Ltd. desires to emphasize.

Answers:

(a) (i) Planning leads to rigidity. (ii) Planning may not work in a dynamic environment.

(b) (i) Doing the best : By providing jobs to the weaker sections of the society.

(ii) Respect towards the society.

Q2. Raman, working as supervisor in Rainbow Ltd. is given a target producing 100 shirts a day. Due to this habit of doing things differently, an idea struck him which would not only give job opportunities to the disabled people but also help in reducing per unit cost and increasing the production per day. However, Mohan Sing, the Production Manager, does not give any importance to Raman's creativity and hence does not allow Raman to deviate from the pre-decided methods and techniques.

(a) Explain the limitation of planning function of management described in the above para.

(b) Which 'values" Mohan Sing must have for the employees like Raman.

Answers:

(a) Planning reduces creativity.

(b) Acceptance of others; Courtesy of appreciating the creativity of workers; Respect for different abled persons

Q3. Nylon Ltd. laid down one type of plan in the organization by announcing that nobody would smoke in the organization premises. The type of plane laid down by the Company was specific as it reflects a managerial decision that a certain action must or must not be taken.

(a) Identify and briefly explain the type of lane mentioned in the above paragraph.

(b) Name the value being emphasized in the Nylon Ltd. by laying down the plane mentioned in the paragraph.

Answers:

(a) Rule. Rules are specific statements as to what is to be done. Rules do not allow any flexibility or discretion.

(b) (i) Respect towards environment (ii) Respect of order

Q4. The business environment is dynamic, nothing is constant. The environment consists of a number of dimensions, economic, political, physical, legal, and social dimensions.

(a) In the paragraph, one of the limitations of planning has been described. Identify it.

(b) State any two more limitations of planning.

(c) Name the value that can be emphasized by overcoming the limitation of identified in the above paragraph.

Answers:

(a) Planning may not work in a dynamic environment.

(b) (i) Planning leads to rigidity. (ii) Planning involves huge cost.

(c) Adaptability.

Q5. Mr. Gurumurthi, Director of Blossom Ltd., does the entire planning for the organization. He wants that the lower and middle level managers should only implement the plans laid down by him and does not allow them to deviate from the set plans. The lower management only carries out the order. There is nothing new or innovative in the organization.

(a) Name the limitation of planning referred to above.

(b) State any other two limitations.

(c) Name the value that can be emphasized by removing the above limitation of planning.

Answers:

(a) Planning reduces creativity.

(b) (i) Planning involves huge cost. (ii) Planning is a time consuming process.

(c) Growth for all.

UNIT 5 - Organising

Q.1. Sagarika, General Manager of Shades Ltd. faced lot of problems regarding some policy on sales. Instead of talking to the sales dept., she directly consulted her boss Melisha, about the problem. She talked to her freely and did not follow strict rules regulations relating to formal line of communication

(a) Identify the type of organization followed by Melisha.

(b) Give any one limitation of the type of organization in (a) above.

(c) Name the value that can be followed by adopting the above type of organization.

Answers:

(a) Informal Organisation

(b) it can create rumors as some time wrong information is conveyed to concerned person who in turn may create more problems.

(c) (i) Human Interaction (ii) Conflict resolution

Q.2. One of the steps in organizing process explains that jobs are allocated to the members of each department in accordance with their skills and competencies.

(a) Name the step in the organizing process involved above.

(b) Name and explain the last step in the process of organizing.

(c) Identify the value being emphasized in the last step in the process of organizing.

Answers:

(a) Assignment of duties

(b) Establishing reporting relationship:

In this process, hierarchal structure establishing clear relationships among individual is established so that each individual should know who he has to take orders from and to whom he is accountable.

(c) (i) Discipline (ii) Respect

Q.3 A manager no matter how capable he is, cannot manage to do every task on his own. The column of work makes it impractical for him to handle it all by himself. As a consequence, Mr. Sugata, Production Manager of Pool lmt. downwardly transfers some of his authorities to Mr. Goswami, one of his subordinates.

(a) Name the process under which Mr. Sugata transfers some of his authorities to Mr. Goswami

(b) Name the three elements of process identified in (b) above.

(c) Identify the element of the above process that cannot be entirely downwardly transferred but flows upwards from subordinates to superiors.

(d) Name the value that can be emphasised by following the process identified in (a) above.

Answer:

(a) Delegation

(b) Three elements of delegation:

(i) Authority (ii) Responsibility and (iii) Accountability

(c) Responsibility

(d) (i) Recognition

(ii) Growth for all

Q4. At Rajol Lmt., all bills of raw material are processed by General manager himself. He feels quite overburdened. he decides to delegate his authority to Dy.

General Manager. But after sometime the Dy. general Manager also feels overburdened and with prior approval of General Manager, disperses this authority to various levels throughout the organisation. Now, all bills for travelling are processed through respective department supervisors.

(a) Name and explain the type of theory which is highlighted in above case (i) before and (ii) after delegating the authority.

(b) Name any two values that can be emphasized by delegating the authority.

Answer:

(a) (i) Before delegation of authority : Centralisation

Centralisation means concentration of decision making power with the top management.

(ii) After delegation of authority : Decentralisation

Decentralisation refers to sharing of decision making power with lower levels.

(b) (i) Sharing (ii) Initiative

Unit 6- Staffing

Q1. "There are two sources for recruitment and in one of them; employees are vertically shifted to a higher position." Mr. Dipankar, an employee of Tanz Lmt. has been vertically shifted from the post of Assistant General Manager to general Manager. Now he carries higher responsibilities, position and salary.

(a) identify the source under which employees are vertically shifted to higher position.

(b) Name the other source under which employees are horizontally moved.

(c) Name the value emphasised by shifting Mr. Dipankar from Assistant General Manager to General Manager.

Answers

(a) Promotion

(b) Transfers

(c) Motivation

Q2. In the long term interest of employees, management of ABC Ltd. designed some training and development programmes so that organization could also benefit in return. Through this the employees were motivated and they performed better.

(a) Name the function of management in which 'training and development' is a part of the process of that function.

(b) How training and development is important for the organization?

(c) Name any two values which the ABC Ltd. is focusing on.

Answers:

- (a) Staffing
- (b) Benefits of training and development towards organization:
Increases productivity; Increases employee morale
- (c) (i) Safety (ii) Adaptability (iii) Motivation

Q3. "it is the element in the process of staffing under which the person out of the prospective candidates can be chosen." In the staffing process, the management of Bose Ltd., has received recommendations from Minister to select Ms. Saswati who is a relative of the Minister. Ignoring the same, the management of Bose ltd. has conducted all steps of this process fairly and appointed Mr. Sohan on merit basis.

- (a) Identify the element of process of staffing.**
- (b) Enumerate the steps of the element identified in (a) above.**
- (c) Name the value emphasized by conducting all steps fairly in the process identified in (a) above.**

Answers:

- (a) Selection
- (b) Steps in selection:
 1. Preliminary screening
 2. Selection test
 3. Employment interview
 4. Reference and background checks
 5. Selection decision
 6. Medical Examination
 7. Job offer
 8. Contract of employment
- (c) Honesty

Q4. Rajbongshi Ltd., a leading manufacturer of ACs decided to open up a new branch in Nagaland so that unemployed youth from the rural areas could get same opportunities as those available in the urban areas. for recruitment and selection of persons for different posts, the Company gave an advertisement in the local newspaper of that area. All this requires a particular process which is explained in one of the functions of management.

- (a) Identify the managerial function under which the process of recruitment and selection of employees is done.**
- (b) Enumerate the stages in the process of managerial function identified in (a) above.**
- (c) Identify the value which Rajbongshi Ltd. desires to emphasise by opening a new branch in the remote areas of Rajasthan.**

Answers:

- (a) Staffing
- (b) 1. Estimating the manpower requirement

2. Recruitment
 3. Selection
 4. Placement & Orientation
 5. Training & development
 6. Performance appraisal
 7. Promotion & career planning
 8. Compensation
- (c) Growth for all

Unit 7 - Directing

Q1. Mr. Girin, working as Manager (Human Resource Dept.) in KBC Ltd, promoted Ms. Runu as Supervisor from Typist. She effectively manages work assignments and supervises the staff. She regularly checks the work of staff in compliance with quality standards to ensure completion of work in time.

(a) Explain any two roles a supervisor should perform.

(b) Which element of directing is Ms. Runu following?

(c) Identify the values that can be emphasised by Runu working as Supervisor in KBC Ltd.

Answers:

(a) Supervisions

(b) (i) Supervision acts as a guide, friend and philosopher towards the workers.

(ii) It also acts as a link between management and workers.

(c) Harmony/Team work/Group unity; Conflict resolution; Respect for order; Discipline

Q2. Shrestha Ltd. has not been able to achieve its sales targets. Mr. Vikas, the General Manager of the company, after adopting suitable controlling techniques, arrived at a conclusion that the employees were not putting in their full potential towards achieving the sales target. Hence, Mr Vikas decided to announce an incentive scheme under which the employees would be motivated psychologically, socially and emotionally to perform better. Mr. Vikas desired to announce a particular type of incentive that would work as a booster to workers as financial incentive as well as non-financial incentive.

(a) Under which element of directing function of management incentives are being provided to employees.

(b) Identify the incentive that can be classified as financial incentive as well as non-financial incentive.

(c) Classify the incentive under which employees are motivated psychologically, socially and emotionally to perform better.

(d) name the value emphasized by providing incentives to the employees.

Answers:

- (a) Motivation
- (b) Non financial incentive
- (c) Career advancement opportunities
- (d) (i) Doing the best (ii) Harmony

Unit 8 - Controlling

Q1. Analyzing deviation is one of the steps in the process of one of the functions of management in which deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. In a manufacturing unit, increase of ten percent in postal expenses can be taken as an acceptable range of deviation; however, a five percent increase in labour cost should be brought to the notice of higher management at once.

(a) Identify the function of management referred above

(b) Enumerate the two ways through which the management analyses the deviations.

(c) In one of the two ways identified above, increase of ten percent in postal expenses is acceptable range of deviation but increase of even five percent in labour cost is troublesome. Name it.

(d) Similarly, above mentioned increase of even five percent in labour cost should be brought to the notice of higher management. Name this principle of management.

(d) Identify the 'values' being emphasised in the two ways indentified in (b) above.

Answers :

- (a) Controlling
- (b) (i) Critical Point Control and (ii) management by Exception
- (c) Critical Point Control
- (d) Management by Exception
- (e) Responsibility

Q2. As per the terms of the employment, each employee in pachani Ltd. should manufacture 50 buckets per day. A group of employees in manufacturing only 40 buckets per day where as all other groups are meeting the said target. To have a proper check on the activities of the employees, the management has, installed CCTVs in the factory. There is no resentment from the employees union for this.

(a) Name the managerial function involved in installing the CCTVs in the factory.

(b) Identify and explain the step of this managerial function's process that can be completed by installing CCTVs.

(c) Also identify and explain the step followed by this.

(d) Name the value emphasized on the part of employees by not resisting the installation of CCTVs on the factory.

Answers:

(a) Controlling

(b) Analyzing deviations

(c) Taking corrective action: This is the final step in the controlling process which is required when the deviations are not within the acceptable limits. Corrective action involves training of employees if the production target is not met. It demands immediate managerial attention so that those deviations do not occur again and desired standard, are accomplished.

(d) Adaptability/ No resistance to change

Unit 9 - Financial Management

Q1. Financial planning is essentially the preparation of a financial blueprint of an organisation's future operations. the objective of financial planning is to ensure that enough funds are available at the right time.

(a) What will happen if enough funds are not available at the right time?

(b) State any one importance of financial planning.

(c) Identify the value which is being emphasized in financial planning.

Answers

(a) The firm will not be able to honour its commitments and carry out it's plans.

(b) Financial planning helps in forecasting what may happen in future under different business situations.

(c) Co-ordination

Q2. On the one hand investors in general, view an increase in dividend as good news and stock prices react positively to it but on the other hand the Companies Act places certain restrictions as payouts as dividend. These restrictions must be adhered to while declaring the dividend.

(a) Identify the factor affecting dividend division under which investors consider an increase in dividend as a good news.

(b) Identify the value which is being emphasized by the Companies Act in placing certain restrictions as payouts as dividends.

(c) Identify the value which is being emphasized when company declares dividend as per the provisions of the Companies Act.

Answers:

(a) Stock market reactions

(b) Safety

(c) Respect for law

Q3. It is one of the decisions taken under financial decisions that involve how

much profit earned by the company (after paying tax) is to be distributed among the shareholders and how much of it should be retained in the business.

(a) Identify the financial decision involved in the above paragraph.

(b) What is the main objective of this decision?

(c) Name the value being emphasised in the financial decision identified in (a) above.

Answers

(a) Dividend decision

(b) Maximization of shareholder's wealth

(c) Growth opportunities

Unit 10 - Financial Markets

Q1. A stock exchange is an institution which provides a platform for buying and selling existing securities. As a market, the stock exchange facilitates conversion of a security (shares, debentures etc.) into money and vice versa. Stock exchanges help companies raise finance, provide liquidity and safety of investment to the investors, pricing of securities etc.

(a) State any two more functions of stock exchange.

(b) Name the values which stock exchange strives to fulfill through its functions.

Answer

(a) (i) Spreading of equity cult (ii) Providing liquidity and marketability to existing securities

(b) (i) Economic growth (ii) Safety.

Q2. The basic purpose of SEBI is to create an environment to facilitate efficient mobilization and allocation of resources through the securities markets. It also aims to stimulate competition and encourage innovation. This aims at meeting the needs of the three groups which basically constitute the markets.

(a) Name the three groups which basically constitute the markets.

(b) What are the overall objectives of SEBI?

(c) Give one regulatory function of SEBI.

(d) With a view to making all intermediaries like brokers, merchant bankers etc competitive and professional; all intermediaries are to be regulated by a code of conduct. Identify the value which is being emphasized in regulating the code of conduct.

Answer:

(a) (i) Issuer (ii) Investor (iii) Intermediaries

- (b) The overall objective of SEBI is to protect the interests' o investors and to promote the development of and regulate the securities market.
- (c) Registration of broker and sub-brokers and other players in the market.
- (d) Respect for law.

Q3. Financial market is a market where financial transactions in the form of creation of financial assets such as initial issue of shres/debentures and/or exchange of financial assets such as purchase/sale of shares/debentures occur,

- (a) Name the two classification of financial market.**
- (b) It is one of the constituents of either of the above two classifications of financial market through which funds are raised by issuing prospectus. Name it.**
- (c) It is one of the constituents of either of two classifications of financial market, which provides liquidity and marketability to existing securities. Name it.**
- (d) Identify the value emphasized in the functions performed by the financial market.**

Answer:

- (a) (i) Money Market (Ii) Capital Market
- (b) Primary Market
- (c) Secondary Market
- (d) Economic Growth

Unit 11 - Marketing Management

Q1. Mr. Rajratan, working as Sales Executive in Mayer Ltd., possesses good marketing techniques. His techniques involve oral presentation of messages in the form of conversation with one or more prospective customers for the purpose of making sales.

- (a) Name the element of marketing mix under which the above technique falls.**
- (b) Identify the technique used by Mr. Rajratan.**
- (c) Give any three merits of the technique identified in (b) above.**
- (d) Identify the value which can be inculcated by using the technique identified in (b) above.**

Answer:

- (a) Promotional Mix
- (b) Personal Selling]
- (c) (i) Flexibility (ii) Direct feedback (iii) Minimum wastage
- (d) (i) Satisfaction (ii) Reactions

Q2. It is one of the elements of market mix which contains one of the most important decisions that a marketer has to take to promote sales. This decision

was taken by Mr. Roon, Sales Manager of Fair Graphics Ltd., Which facilitated the customers in product identification and hence ensured quality? It also built up their confidence and help in increasing their level of satisfaction.

(a) Identify the element of marketing mix and the important decision taken by Mr. Roon mentioned above.

(b) Name the other elements of marketing mix.

(c) How does the important decision help the marketer? State any two benefits.

(d) Identify the value being emphasized by ensuring quality products for the customers.

Answers:

(a) Element: Product Mix

(b) other elements : (i) Place mix (ii) Price mix (iii) Promotional mix

(c) (i) Branding helps in smooth introduction of a new product

(ii) Branding enables product distinctiveness

(d) Respect

Unit 12 - Consumer Protection

Q1. Under the Consumer Protection Act, every consumer has a right to be protected against goods and services which are hazardous to life and death. Pathan ltd. manufactures and sells substandard electrical appliances. As these appliances did not conform to the safety norms and a mark assuring quality specification was missing. Cases were noticed that these substandard appliances had causes serious injury to many consumers.

(a) Which consumer right has been highlighted in the above case?

(b) Name the mark which the consumer should see before buying any electrical appliances to ensure safety.

(c) Name and explain the consumer right where a consumer has a right to have complete information about that product he intends to buy.

(d) Which values do you find disturbing in the above para?

Answer:

(a) Right to safety

(b) ISI mark

(c) Right to be informed : The consumer has a right to have a complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity etc.

(d) Responsibility.

Q2. The owner of a restaurant is charging Rs. 30 for a bottle of water from a customer, whereas the MRP of the bottle is Rs. 15. One of the consumers(a member of NGO) has objected to this but the owner continues with this

malpractice.

(a) What may be the possible reasons why other consumers are not objecting to his?

(b) Which right of the Consumer Protection Act is required to be known by the consumers to have an objection for this type of malpractice? Explain the right.

(c) Identify any two social values that the manufacturer must follow.

Answer:

(a) The consumers may not be aware of the rights and reliefs available to them

(b) Right to consumer education: A consumer has a right to acquire knowledge and to be well informed consumer. He should be aware of his rights and reliefs in case a product falls short of his expectations.

(c) (i) Honesty (ii) Respect towards consumers.

APPLICATION BASED QUESTION.

QUE(1) Company X is facing a lot of problems these days. It manufactures white goods like washing machines, microwave ovens, refrigerators and air conditioners. The company's margins are under pressure and the profits and market share are declining. The production department blames marketing for not meeting sales targets and marketing blames production department for producing goods, which are not of good quality meeting customers' expectations. The finance department blames both production and marketing for declining return on investment and bad marketing.

What quality of management do you think the company is lacking? Explain briefly. What steps should the company management take to bring the company back on track?

ANS:--I think that company is lacking some qualities of management like achieving group goals, working as a group efficiently and effectively. Here production department, marketing department and finance department are not working unitedly for achieving the goals of the organization due to which return on investment and market share is declining.

To bring company back on track, proper coordination should be ensured. Coordination will help in integrating activities of separate units of an organization to accomplish the goals efficiently. In this case, work assigned to different departments (here, production, marketing, finance), units and individuals must be coordinated by all managers at

various levels as a regular function. Favorable environment should be created where departments instead of blaming each other can work in harmony with each other for improving the current situation of the company.

QUE(2)'F' limited was engaged in the business of food processing and selling its products under a popular brand. Lately, the business was expanding due to good quality and reasonable prices. Also with more people working the market for processed food was increasing. New players were also coming to cash in on the new trend. In order to keep its market share in the short run, the company directed its existing workforce to work overtime. But this resulted in many problems. Due to increased pressure of work, the efficiency of the workers declined. Sometimes the subordinates had to work for more than one superior resulting in declining efficiency. The divisions that were previously working on one product were also made to work on two or more products. This resulted in a lot of overlapping and wastage. The workers were becoming undisciplined. The spirit of teamwork, which had characterized the company, previously was beginning to decline and market share. Actually the company had implemented changes without creating the required infrastructure.

- (a) Identify the principles of Management (out of 14 given by Henry Fayol) that were being violated by the company.**
- (b) Explain these principles in brief.**
- (c) What steps should the company management take in relation to the above principles to restore the company to its past glory?**

Ans:--(a)Unity of command, Division of work, Discipline, Esprit-de-corps, Remuneration, Subordination of individual interest to general interests, Initiative are the principles given by Henry Fayol which are being violated by the company, 'F' Limited.

(b)(i) Division of work people need specialization for effective performance.

(ii) Unity of command. An employee in an organization must receive instruction from only one person.

(iii) Discipline. All the employees and the shareholders must respect the rules, regulations and agreements that govern the organization.

(iv) Esprit-de-corps. Promoting team spirit helps a lot in achieving organizational goals.

(v) Remuneration. The compensation payable to the employees in the organization should be fair and reasonable.

(vi) Subordination of individual interest to general. The interest of all the employees should also be linked with organizational objectives.

(vii) Initiative. Employees should be given freedom to function in the organization with creativity and innovation.

©Company should take some steps immediately to restore the company to its glory. First of all the required infrastructure should be treated to implement the changes successfully. Proper division of work among the workers should be done according to their potential/capability. It should be ensured that one worker should receive orders (and answerable) from only one superior. Proper compensation and motivating and disciplined environment should be developed in the company. Creativity/Ideas from workers should be welcomed and their interest should be taken care of and linked with company's objectives.

QUE(3)Kunal is a middle-level manager at Electronics India Ltd., a large company, headquartered at Delhi. While in his office, he is thinking about budget projections for next year so that he can offer a more feasible explanation as to why he is currently spending in excess of budgeted expenditure. Meanwhile, he receives a phone message from his boss. He talks with his boss about eliminating a post in his department and creating two new posts and also decides not to smoke while in the office. After back to his office, he talks to his subordinates about the decisions taken by him with his boss. In between, he received a phone message and placed return calls to two of the callers. He does not cancel a planned Lunch with a new manager in a department that often competes with his department for the time and attention of his boss. In the afternoon, he attends to the complaints of some customers and later discusses them with his subordinate and boss. He persuades his subordinates to stay back after office time and clear up all pending work so that he is able o hold interviews for the selection of one clerk in his department. In the evening, he attends a meeting of the Grievance Committee.

Read and analyze the above case carefully and answer the following questions :

- a. What managerial functions has Kunal performed? Cite specific evidence for each function identified.**
- b. How well do you think Mintzberg's managerial roles approach explains what has taken place in this case ? What particular roles can you identify ?**
- c. Do you think that Kunal is a good manager? Give your answer citing evidence from the case.**
- d. If you were the manager in this case, what would you have done differently? Why?**

Ans:--(a)He has to plan his budget for the next year and he has to understand why he is currently spending more than he had been budgeted-he has to control. He talked with his boss about reorganizing by eliminating a post and organizing by creating two

new posts in his department. Planning is not just figuring out the budget for the coming year. Kunal is also planning when he decides what phone calls to return and whether or not to keep his lunch appointment. He has to decide what objectives were important, and he must do routinely. Talking with his boss is an obvious case of organizing. Giving feedback to a subordinate is a way of controlling. Talking to new manager of the other department at lunch table, is coordinating the efforts of two departments and by attending the Grievance Committee meeting he also interacted and coordinated. His decision to give up smoking is derived from a desire to set a better example of leadership. Spending time with the customers also indicates his leading and controlling aspects. While doing so he got important information that he could transmit both to his subordinates for his report and to his boss for better planning, and thus he communicated well. He motivated his subordinate by persuading him to stay back. He did staffing work by holding interviews.

Kunal's office work shows that management is a dynamic process and management functions do not have a beginning, middle, and end. His day seems to be an endless series of interruptions or disconnected activities.

(b)Kunal engaged himself in interpersonal, informational and decisional roles throughout the day. Mintzberg's managerial roles approach correctly explains as to what do managers do.

©Yes, kunal is a good manager since he has ability to manage which is evidenced by his organizing, planning, controlling, leading, communicating, leading, communicating, motivating, and staffing qualities. He is an effective manager since his department achieves high levels of task performance and human resource maintenance.

(d)Nothing, because kunal has already performed the job of a good and effective manager.

Que(4) Vikas had just graduated from I.I.M., Bangalore and joined his father's small business, which employed 28 semi-skilled workers. After one week, his father, a retired Government officer, called him and said, "Vikas, I have had a chance to observe your working with the men and women for the past few days. Although, I hate to, I must say something. You are just too nice to people. I know they thought you human relations stuff at the I.I.M., but it just does not work here. I remember, when the Hawthorne studies were first reported, everyone in the academic field got all excited about them. But, believe me, there is more to managing people than just being nice to them".

Read and analyse the above case carefully and answer the following questions:

(a) Do you think, Vikas's father understood and interpreted the Hawthorne studies correctly?

(b) If you were Vikas, what would your reaction be to your father's comments?

Ans:-- (a)Vikas has graduated in Business Management from one of the premier institutes of India. An institute is renowned for its ability to churn out well-groomed budding managers, who are capable of putting hard labour and using latest techniques in management.

Most of the modern organizations recognize human resource as most important resource. A valuable lesson on how to manage human resources can be learnt from Japanese. Any firm that intends to compete in the world's international arena will have to compete with the Japanese and their ability to get the utmost from their people. In the present case, Vikas might be trying to give congenial environment to workers which is conducive to satisfaction level and thus may help in increasing production. At this, his father has taken a negative stand and has criticized his son for being nice to people and also Hawthorne studies which is not justified.

The Hawthorne studies were conducted by Elton Mayo, a Harvard consultant and his associates. A number of lessons were drawn from the studies.

Firstly, they alerted management for focusing on the needs and feelings of employees and workers in work setting. They highlighted the influence of psychological, social and other intangible factors on worker productivity and satisfaction. Secondly, the studies revealed the incidence of informal groups and interpersonal relations which exert more influence over workers' behavior than formal organizational requirements. Similarly, the importance of informal group leaders, the key role of free communication, friendly and considerate supervision in improving workers' productivity and satisfaction were brought out for the first time.

A large number of theorist and thinkers in social sciences began to exhort on the importance of humanizing the relations between management and workers. Many organizations started taking interest in the welfare and happiness of workers. They initiated measures to socialize workers, to relax supervisory styles, to improve working conditions, to encourage informal and interpersonal relations, to show respect and warmth to workers, to inject feelings of importance and belongingness and so on. However, at the same time, Elton Mayo also found that the same work factors (such as working conditions, pay, etc.) can be sources of satisfaction for some workers and dissatisfaction for other workers. A humanistic philosophy is basically sound, provided it is understood and practiced properly in the context of organizations.

(b) Vikas must be in great dilemma. His father is asking him to bring radical changes in his behavior which must have been groomed by the premier management institute. He has to be very tactful and diplomatic in his approach. He should try to patiently explain

that people are motivated better if treated nicely. But first, he should fully understand the view point of his father. He should understand that views of his father are conditioned by his long experience as a Government officer and entrepreneur.

He should request his father to be more patient and judge the results of his approach only after passage of some time. He can emphasise that one week is a very short period to form an opinion about success or failure of his actions.

He needs to emphasise that his behavior is directed towards increasing productivity and bring out better performance from the workers.

At the same time, he should also assure his father that this will not undermine his authority or the respect in which he is held

Que (5) In 1990, Pankaj Katariya, a Chartered Accountant, was elected as the Chairman of Promising Life Insurance Company, which was, at that time the third largest Life Insurance Company in the country. During the next 5 years, however, while its business increased, it did not grow as fast as its major competitors, and Promising Company dropped from third to sixth place.

This naturally perturbed Pankaj Katariya as it did the Board of Directors of the company. Finally, after deliberations, the Board Of Directors concluded that the lack of leadership in the sales of both ordinary life policies and group life insurance was the major cause of company's comparative slow progress. It was also generally concluded that the two Directors in charge of sales in these two major areas of business were competent executive and leaders but the regional and district managers working under them were not very competent leaders.

Pankaj Katariya called these two Directors and asked them to ensure strong leadership at the regional and district levels or else quit their jobs. As these Directors left the meeting with the Chairman, one Director told the other, "Now, just how do we make people leader? How can we be sure whether or not a person is a leader? You know this is a tough job."

Read and analyse the above case and answer the following questions:

- (a) If you were one of the Directors, how would you have answered the questions that the other Director had raised?**
- (b) What would you do about developing strong leaders?**

Ans:-- (a) One of the Directors has raised questions as to how people can be made leaders? How they can find out whether a person is a leader or not? Lack of leadership at the level of regional and district managers under two directors in charge of sales in two

areas, was creating problems for promising Life Insurance Company. Leadership is defined as a position of power held by an individual in a group, which provides him with an opportunity to exercise interpersonal influence on the group members for mobilizing and directing their efforts towards certain goals.

In business enterprises, managers at various levels assume the role of leadership in relation to their subordinates for getting the right things done in a proper manner to achieve a certain set of goals. The effectiveness of managers as leaders is critical to organizational survival and success.

According to one school of thought, leadership is an inborn quality possessed by individuals. However, people can be made leaders by formal training, providing exposure to new and diverse situations, providing autonomy and accountability, interaction, challenging goals, job rotation and so on.

It is not a simple task to identify whether a person is leader or not. We have to see his knowledge, experience, number of followers and their loyalty, his ability to solve complex and diverse problems and so on. Effectiveness of a leader is measured by the degree of influence a person has over his followers. There inter-related determinates of leadership effectiveness are stated as follows:

- (i) Effective leadership requires certain basic qualities among persons who assume the role of leaders. These are necessary but not sufficient.
- (ii) There is no ideal or leadership style or basic behavior generally applicable for all situations. Leadership effectiveness can be secured or enhanced by tailoring the style to the demands of each situation.
- (iii) The important situational factors which exert considerable influence on leadership effectiveness are: task complexities, the skills and attitudes of the group of followers, their relations with the leader and position, power of the leader himself.
- (iv) (b) It is necessary and possible for managers to develop and improve their leadership abilities. It is necessary because managers thing done through their subordinates. They will be able to get things done effectively if they have leadership ability. It is possible because there are several means and techniques of acquiring leadership abilities.
 - (i) Leadership training. Training programmes are offered to expose managers to several leadership situations and teach them how to tackle them. The situations are partly simulated and partly real.
 - (ii) Internal organizational exposure. Another measure to develop the leadership ability of managers is to expose them within the organization itself to critical situations calling for application of leadership abilities.
 - (iii) Autonomy and accountability. Managers may be able to sharpen their leadership abilities under conditions of relative freedom. They should be allowed a large amount of

freedom to evolve their own methods of tackling situations calling for critical leadership abilities.

(iv) Opportunities for interaction. Managers should also have opportunities to interact with their subordinates in a more intense and continuous manner. This is partly a matter of availability to time. Many managers get themselves so extremely busy with their own work that they find little time to talk or listen to their subordinates, to guide them, to understand their view points, to be supportive to them and develop them.

(v) Setting challenging but realistic goals. Managers have to be put on their toes most of the time in their career setting challenging goals to be met within particular time frames. A highly demanding job environment for managers is likely to force them to develop the needed leadership abilities.

(vi) Job rotation. Managers may also be helped to develop leadership skills by a process of systematic rotation of their jobs. They should be exposed to a variety of superior-subordinate relations and job environments so that they develop the ability of coping with situations, which do not permit them to adopt stereotyped styles or approaches.

Q6. Sethi Industries is facing a lot of opposition as it pays less salary to female workers as compared to male workers for equal work.

(i) One of the objectives of management is not followed here. Name it.

(ii) Which dimension of business environment is being violated in the given situation?

(iii) Identify and explain the principle of management which is not followed by Sethi Industries.

Ans. (i) Social objective of the management is followed here.

(ii) Social dimension:

(a) Social environment of a business refers to the broad characteristics of the society in which a business enterprise operates.

(b) The social environment of business includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc. Social values and attitudes are changing very fast.

(iii) Equity: Equity refers to fair treatment to all workers in an organization. Fair treatment involves kindness and justice on the part of superiors while dealing with their subordinates.

Q7. Indians mostly being vegetarians as per the studies of KFC has planned to introduce veg rice meals in its menu.

(i) Which characteristic of management is highlighted in the given statement?

(ii) Name and explain the dimension of business environment which is responsible for this step of KFC.

Ans. (i) Dynamic:

- (a) Management is a dynamic function and has to adapt itself to the changing environment.
- (b) An organization interacts with its external environment which consists of various social, economic and political factors.
- (c) In order to be successful, an organization must change itself and its goals according to the needs of the environment. For example, McDonalds, the fast food giant made major changes in its menu to survive in Indian market.

(ii) Social environment:

- (a) Social environment of a business refers to the broad characteristics of the society in which a business enterprise operates.
- (b) The social environment of business include the social forces like customs and traditions, values, social trends, society's expectations from business, etc. Social values and attitudes are changing very fast.

Q8. Gurpreet, Vikarm and Parv are good friends. They are thinking to manufacture papers. They mutually decided that this manufacturing unit will be set up in a rural area of Odisha where people have a few job opportunities and labour is available at very low rates. They also decided not to sell goods on credit.

(i) One of the functions of management is highlighted in the above para. Name it by quoting the line from it.

(ii) Name the type of plan highlighted in the above para by quoting the line from it.

(iii) Which type of organizational structure would you recommend for this manufacturing unit? State any two reasons.

Ans. (i) Planning: They are thinking to manufacture papers.

(ii) policy: They also decided not to sell goods on credit.

(a) Policies are general statements that guide thinking or channelize energies towards a particular direction.

(b) These are expressed in the form of a general statement. Policies in general are formulated at top management level.

(iii) Organizational structure:

(a) Occupational specialization is ensured.

(b) promotes control and coordination.

Q9. Smt. Savita is the principle of a reputed school in Delhi. She decides to conduct a meeting of all the staff members in the conference hall. In a meeting she instructs the admission department that in the upcoming session the school will give admission to those students who secured more than 85% marks. She also assigns duties authority and creates accountability of the person whom work has

been handed over. In addition to this, she tells to new teachers what is to be done and what is not to be done in specific situations.

i. Name the types of plan highlighted in the above Para by quoting lines from it.

ii. Name the process through which Smt. Savita assigns duties, authority and creates accountability of the person whom work has been handed over. Also, explain any two points which highlight the importance of this process.

Ans: i. **Rule:** She tells to new teachers what is to be done and what is not to be done in specific situations.

ii. **Delegation.** Two points which highlight the importance of this process are:

a. Effective management/ Reduces workload of managers:

- Delegation of authority permits a manager to share his workload with his subordinates.
- By passing on some of this work to the subordinates, the managers are able to function more efficiently as they get time to concentrate on important matters.
- Freedom from routine work provides them with opportunities to excel in new areas.

b. Employee development :

- As a result of delegation, employees get more opportunities to utilize their talent and it may explore their hidden abilities.
- It allows them to develop those skills which will enable them to perform complex tasks and assume those responsibilities which will improve their career prospects. It makes them better leaders and decision makers.
- Thus, delegation helps in preparing better future managers. Delegation empowers the employees by providing them with the chance to use their skills, experience and develop themselves for higher positions.

Q.10. Gurpreet is the owner of an electronic showroom. He wants an experienced sales manager and accounts manager. For this, he gives an advertisement. Thirty people apply for the job. He selects the two best persons out of a number of prospective candidates for a job. Mr. Gurpreet gives sales target to sales manager and assigns work to accounts manager. The sales manager achieved his sales target one month in advance. His achievement was displayed on the notice board and a certificate for the best performance was awarded to him by the owner of the showroom.

- i. Name the source of recruitment which is used by Mr. Gurpreet to fill the above posts by quoting the line from the above para. Also state any one advantage of using this source of recruitment.**
- ii. Which test help Mr. Gurpreet to find out the skills and abilities possessed by the candidate relating to the job during selection process ?**
- iii. Name the type of incentive awarded by Mr. Gurpreet to a sales manager.**
- iv. Which need of a sales manager, according to the Maslow's Need Hierarchy Theory of Motivation is satisfied by giving such type of incentives ?**

Ans : **i. External Recruitment** : He wants an experienced sales manager and accounts manger. For this, he give an advertisement. External source of recruitment include personnel outside the organization.

ii. (a) Trade test : This test measures the existing skills of the individual. They measure the level of knowledge and proficiency in the area of professions or technical training.

(b) Interest test : Every individual has fascination for some job rather than the other. Interest tests are used to know the pattern of interests or involvement of a person.

iii. Employee recognition : Employees' work should be recognized and appreciated. Recognition means acknowledgement with appreciation. Employees feel motivated if appreciation is given to them.

iv. Esteem needs/Ego needs: These include factors such as self-respect, autonomy status, recognition and attention.

Q11. Ms. Mamta is promoted to the post of principal in G.S. Alag Public School, Delhi. Ruchika and Ami tar business studies' teachers as well as good friends. One day at lunch they were discussing the behavior of the newly appointed principal. The Principal sets the target for the subject teachers without discussing it with them. She firmly tells them that if the task is not completed within given time period then strict action will be taken against them. On the next day, one of the teachers explain some problems to the principal but she does not grasp the message due to some reasons. At the end of the given time period, the principal has been old that a few teachers could not complete their task.

(i) Name the source of recruitment which is used by school's management to fill the post of principal by quoting the line from the question.

(ii) Identify the type of communication used by Ruchika and Amit in the above para.

(iii) Which style of leadership is followed by Ms. Mamta?

Ans. **(i) Internal recruitment:**

(a) Ms. Mamta is promoted to the post of principal in G.S. Alag Public School, Delhi. Internal sources of recruitment include personnel already on the payroll of the organization.

(b) Recruitment out of internal sources refers to the recruitment for jobs for within the organization.

(ii) Informal communication : Communication taking place without following the formal lines of communication is said to be an informal communication.

(iii) Autocratic leadership: (a) Under this, autocratic leader gives order and expects his subordinates to obey those orders.

(b) He keeps all the authorities concerned in his control and taken all decisions without consulting the subordinates.

Q.12. Power supplier Ltd. Is a newly established company. The company needs fixed capital to buy fixed assets like land, building, plant machinery, etc.

i) Name the market from where the company can raise the funds. Also explain any two methods of issuing securities in this market.

ii) Explain any two factors which affect the requirements of fixed capital.

Ans : i) Primary market is also known as the new issue market. It deals with the new securities being issued for the first time. Two methods of issuing securities are as follows :

(a) Offer through prospectus:

- This involves inviting subscription from the public through issue of prospectus.
- A prospectus makes a direct appeal to investors to raise capital, through an advertisement in newspapers and magazines.
- Public issue involves a large number of intermediaries, such as bankers, brokers and underwriters.

(b) Offer for sale :

- Under this method, securities are not issued directly to the public but are offered for sale through intermediaries like issuing or stock brokers.
- In this case, a company sells securities at an agreed price to brokers who, in turn, resell them to the investing public.

(ii) Factors affecting fixed capital:

(a) Natural of the business:

- The type of business has a bearing upon the fixed capital requirements. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organization; since it does not require to purchase plant and machinery etc.

(b) Scale of Operations: A larger organization operating at a higher scale needs bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organization.

Q13. Ramesh is the Chief Financial Officer of Alpha Ltd. He was to decide whether he should opt for debt or equity.

(i) Discuss any five factors which should be considered while taking the decision.

(ii) Which kind of financial market is suitable for him? Explain briefly.

Ans : **i) a) Cost :** The cost of raising funds can be classified under two types :

- Cost of debt :
 - A firm's ability to borrow at a lower rate increases its capacity to employ higher debt.
 - Thus, more debt can be used if debt can be raised at a lower rate.
- Cost of equity :
 - Shareholders expect a rate of return from equity, which is affected by using more debt capital.
 - When a company increases debt, the financial risk faced by the equity holders, increases.
 - Consequently, their desired rate of return may increase. It is for this reason that a company cannot use debt beyond a point. If debt is used beyond that point, cost of equity may go up sharply and share price may decrease inspite of increased EPS.

(b) Risk :

- The risk associated with different sources is different. Debt financing is risk prone source.
- The financial risk depends upon the proportion of debt in total capital.
- Debt is more risky because of interest payment obligation attached.

(C) Floatation cost: Cost of raising funds is called floatation cost. Higher the floatation cost, less attractive the source.

(d) Fixed operating cost :

- If a business has high level of fixed operating costs (e.g. building rent, Insurance premiums, salaries, etc. it must opt for lower fixed financing costs. Hence, lower debt financing is better.
- If fixed operating cost is less, more of debt financing may be preferred.

(e) State of Capital Market:

- Health of the capital market may also affect the choice of source of fund.
- During the period when stock market is rising, more people are ready to invest in equity. However, depressed capital market may make issue of equity shares difficult for any company.

(ii) Capital Market:

a) The term 'capital market' refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.

b) Capital market satisfies long-term financial needs of the government and industrial sector.

c) Capital market deals in medium and long-term securities i.e. equity shares and debentures.

Q.14. Manish Ltd. Is planning to modernize its plant and machinery.

i) Name this kind of investment decision.

ii) Explain any three factors affecting the investment decision.

iii) Which kind of market is feasible for this organization ?

iv) How can securities be floated in such a market?

Ans : **i) Capital budgeting decision:** A long-term investment decision is called a capital budgeting decision.

ii) The three factors affecting the investment decision are :

a) Cash flows of the project :

- When company takes an investment decision involving huge amount it expects to generate some cash flows over a period.
- These cash flows are in the form of a series of cash receipts and payments over the life of an investment.
- The amount of these cash flows should be carefully analyzed before considering a capital budgeting decision.

b) The rate of return :

- The most important criterion is the rate of return of the project.
- These calculations are based on the expected return from each proposal and the assessment of risk involved.
- Suppose, there are two projects A and B (with the same risk involved) with a rate of return of 12 per cent and 15 per cent, respectively, then under normal circumstances project B will be selected.

c) The investment criteria involved:

- The decision to invest in a particular project involves a number of calculations regarding the amount of investment, interest rate, cash flows and rate of return.
- There are different techniques to evaluate investment proposals which are known as capital budgeting techniques. These techniques are applied to each proposal before selecting a particular project.

Q.15. Subhash Ltd. Is manufacture cosmetics. They decide to launch a new range of herbal products. As they are in a hurry so they have tested the products on rats only. The necessary information is missing on the package.

i) Name and explain the consumer rights violated in the given para.

ii) According to you, a label should contain what kind of information?

Ans: **(i) Right to be informed :**

a) Consumers have the right to be informed about the quality, quantity, purity, durability, standard and price of the products.

b) They must be informed about the following :

- How to use the products ?
- What safety measures or precautions are to be taken to avoid loss or injury ?
- What is the date of expiry of products like medicines ?

c) A consumer must be given adequate information so that he may assess whether the item he buys is worth he spends.

ii) Details of the product like :

a. Batch no.

b. Date of Manufacturing

c. Price

d. Date of expiry

e. Net weight

f. Ingredients

16. Jasbir read in the newspaper that there is a special offer on the purchase of LCD T.V. He went to Vikram Electronics. He purchased goods according to his need and satisfaction. He is not forced by any sales person to purchase any product.

i. Name the promotional tool which has bought him to the shop.

ii. State any two qualities of a good salesman.

ii. Name and explain the consumer rights highlighted in the above para.

Ans : i) Advertisements. ii. Honesty, convincing ability. iii. Right to choose :

a. Every consumer has the right to choose the product at competitive prices which are fair and reasonable.

b. He must have access to the variety of goods available and must be able to compare the relative qualities and prices of similar products.

Q.17. Name the force that binds the various functions of management. This force is instrumental and vital in two managerial principles that encourages its need and the need of team spirit in an organization. Identify these principles and explain them briefly.

Ans : **Coordination :** Coordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose. The two management principles that encourage need of team spirit in an organization are :

i. Esprit de Corps :

a. It refers to team spirit.

b. Managers must take steps to develop a sense of belonging among the members of a work group. This principle emphasizes the need for teamwork.

c. It facilitates the development of an atmosphere of mutual trust and understanding among employees and minimizes the need to use penalties for default.

ii. Harmony, not Discord:

a. This principle requires that there should be a complete harmony between workers and management with respect to their mutual relations and work efforts.

b. To achieve this, Taylor advocated a complete “Mental revolution” i.e., a change in the attitude of workers and management towards one another from competition to cooperation.

Note : In both these principles, team spirit is vital and coordination is required to achieve organization goals.

18. Management cannot be seen but felt. Do you think planning which is the primary function of management can be seen? How can we measure or evaluate the effectiveness of sound planning? Mention any five parameters that declare whether the plan turns out to be a success or a failure.

Ans: i. No, planning cannot be seen.

ii. The Parameters are :

- a. Whether planning reduces the risk of uncertainty or not ?
- b. Whether planning promotes innovative ideas or not ?
- c. Whether planning provides directions or not ?
- d. Whether planning reduces overlapping of wasteful activities or not ?
- e. Whether planning minimizes cost and time or not ?

Q.19. under autocratic leadership style, frustration, low morale and conflict may develop easily among subordinates. Subordinates tend to avoid responsibility. They dislike their leaders. The full potential of subordinates and their creative ideas are not utilized.

Since controlling evaluates and monitors the problem, analyses the deviation and takes corrective action. How do you think controlling can rectify the problem ? Explain the importance of controlling with this regard.

Ans : i. Controlling can rectify the problem by setting standards for the leaders and subordinates, compare standards to actual performance, analyse deviations and take corrective action.

ii. Importance of controlling are :

- a. Accomplishing organizational goals :
 - The controlling function measures the progress towards the organizational goals and brings to light the deviations, if any and indicates corrective action.
 - It, thus, guides the organization and keeps it on the right track so that organizational goals might be achieved.

b. Judging accuracy of standards :

- A good control system enables management to verify whether the standards set are accurate and objective.
- An efficient control system keeps a careful check on the changes taking place in the organization and in the environment and helps to review and revise the standards in light of such changes.

c. Making efficient use of resources :

- By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms.
- Controlling ensures that resources are used in the most effective and efficient manner.

d. improving employee motivation :

- A good control system ensures that employee know well in advance what they are expected to do and what are the standards of performance on the basis of which they will appraised.
- It thus motivates them and helps them to give better performance.

UNSOLVED SAMPLE PAPER (1)
BUSINESS STUDIES
CLASS XII

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS : 80

GENERAL INSTRUCTIONS:

- (I) Answers to questions carrying 1 mark may be from one word to one sentence.*
- (II) Answers to questions carrying 3 marks may be from 50-75 words.*
- (III) Answers to questions 4-5 marks may be about 150 words.*
- (IV) Answers to questions carrying 6 marks may be about 200 words.*
- (V) Answer all parts of a question together.*

- Q.1 What is “vestibule training” ? (1)
- Q.2 “To make different assumptions about the future” is a step in the planning process. Identify the step. (1)
- Q.3 State one step in the process of “Organising”. (1)
- Q.4 In order to be successful an organization must change its goals according to the needs of the environment’. Which characteristic of management is highlighted in the statement? (1)
- Q.5 To meet the objectives of the firm the management of Angora Ltd. offers employment to physically challenged persons. Identify the organizational objective it is trying to achieve. (1)
- Q.6 What is “Espirit de Corps” ? (1)
- Q.7 Define “Planning” as a function of management. (1)
- Q.8 What is a ‘grape vine’ in Communication? (1)
- Q.9. Explain the last three steps in the process of staffing. (3)
- Q.10 State the barriers involved in the communication Process. Give one example of each kind (3)
- Q.11 Who is a Consumer ,as per the Consumer Protection Act, 1986. (3)
- Q.12. Explain any two factors affecting the choice of Capital Structure. (3)
- Q.13. Explain any three importance of packaging. (3)
- Q.14.What is “Laissez-Faire leadership”? Explain its characteristics . (3)
- Q.15. What is Delegation? Explain its elements. (4)
- Q.16.Explain the concept of Trading on Equity with the help of an example. (4)
- Q.17. Explain any four advantages of OTC Market. (4)
- Q.18.What are the different types of channels of distribution. Explain (4)
- Q.19.What information is generally placed on the package of a food product. Design a label for one of the food products of your choice. (4)
- Q.20. Explain with example the concept of Differential Piece Wage System. (5)
- Q.21. The Indian Corporate Sector has come face to face with several challenges due to government policy changes. Explain any five such challenges. (5)

- Q.22. Differentiate between Functional and Divisional Structure. (5)
- Q.23. Explain any four external sources of recruitment. Discuss the comparative advantage of such sources in relation to internal recruitment process. (6)
- Q.24. Classify Consumer Products on the basis of their durability. (6)
- Q.25. "Advertisement is a social waste." Comment. (6)

UNSOLVED SAMPLE PAPER (2)
BUSINESS STUDIES
CLASS XII

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS: 80

GENERAL INSTRUCTIONS:

- (I) Answers to questions carrying 1 mark may be from one word to one sentence.
 (II) Answers to questions carrying 3 marks may be from 50-75 words.
 (III) Answers to questions 4-5 marks may be about 150 words.
 (IV) Answers to questions carrying 6 marks may be about 200 words.
 (V) Answer all parts of a question together.

- 1) What is meant by internship training? 1
- 2) It is an incentive offered over and above the wages/salary to the employees. Name the type of financial incentive. 1
- 3) Name the functions which review the functions in an organisation. 1
- 4) Give the meaning of 'Autocratic Style' of leadership. 1
- 5) Financial planning strives to achieve the twin objectives. Enumerate them. 1
- 6) Enumerate any two qualities of a good Salesman. 1
- 7) What is the composition of national commission under the provisions of consumer Protection act 1986. 1
- 8) Who can play a role in a achieving objective of consumer protection? Give two names. 1
- 9) Explain the following principles of management.
- a) Unity of direction.
- b) Esprit de corps. 3
- 10) Kumar Ltd. decided to produce a liquid soap for cleaning the utensils under the brand name 'SHINE'. State three characteristics which are being fulfilled by the brand decided by this brand name. 3
- 11) The Employees of Manik Ltd. , a software company, have formed a dramatic group for their recreation. Name the type of organisation so formed and state its features. 3
- 12) Distinguish between the concepts 'product' and 'production' in Marketing keeping following as the base:

- (i) Focus
- (ii) Means
- (iii) Ends

3

- 13) Mohan and Sohan are friends working in Surya Ltd. as Production and Sales Manager respectively. In an interdepartmental meeting Sohan informed Mohan about a change in the marketing policy of the company.
- (a) Identify the type of communication used in the above example.
 - (b) Name & explain any two networks of the type of communication identified in part(a). 3
- 14) Enumerate eight Positive impacts of liberalization and globalization. 4
- 15) Advertising and personal selling both are communication tools used by the marketers to promote their products. Yet, they differ in their approach. Differentiate between the two by giving any four differences. 4
- 16) Communication originally drafted in English has been very poorly translated in Hindi. Name the type of barrier to effective communication and explain any other three barriers of this type. 4
- 17) Distinguish between delegation and decentralisation of authority on the basis of the following:-
- a) Nature
 - b) Purpose
 - c) Freedom of action
 - d) Level of authority 4
- 18) State any four factors which help in determining the fixed capital requirements of a company. 4
- 19) Bhuvan , who was a vegetarian went to a snack bar for having French fries and later found out that it had non vegetarian content. Neither the advertisement nor the packing of the product displaced that the product has non vegetarian content.
- a) Which values do you find disturbing in the above para and also explain the rights of consumers as per consumer protection Act 1986. 4
- 20) Which source of recruitment is needed to bring new blood in the organisation? Explain any four sources of such recruitment. 5
- 21) Identify the method of sales-promotion in the following cases:(any 5)
- (i) A mobile company offers a discount of Rs. 1000 to clear off excess inventory.
 - (ii) A customer gets Rs.5 off on return of an empty wrapper while making a new purchase of the same product.
 - (iii) A Company offers a pack of ½ kg. of sugar with the purchase of a 5 kg. bag of wheat flour
 - (iv) A company offers 40% of extra shaving cream in a pack of 500 gms.
 - (v) Scratch a card and get a gold coin with the purchase of a cold drink.
 - (vi) Purchase goods worth Rs. 50,000 and get a holiday package worth Rs. 10,000 free. 5
- 22) Are the shareholders of a company likely to gain with a debt component in the capital employed? Explain with the help of an example. 5
- 23) Multi Cables Ltd. earned a net profit of Rs. 50 lakhs. Rahim the finance manager of Multi cables Ltd., wants to decide how to appropriate these profit. Which financial Decision will

help him in deciding it. Explain five factors that he would take into consideration while determining the same for the company. 6

24) What is money market? Explain any four instruments traded in the money market. 6

25) Rajiv has written a book on Management studies. Explain the factors must be considered by Rajiv before fixing the price of the book. 6

**UNSOLVED SAMPLE PAPER (3)
BUSINESS STUDIES
CLASS XII**

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS : 80

GENERAL INSTRUCTIONS:

- (i) Questions from serial number 1 to 8 are 1 mark questions. Answers of these questions may be from one word to one sentence.
- (ii) Questions from serial number 9 to 13 are 3 marks questions. Answers of these questions may be from 50 to 75 words.
- (iii) Questions from serial number 14 to 19 are 4 marks questions and Questions from serial number 20 to 22 are 5 marks questions. Answers of these questions may be about 150 words,
- (iv) Questions from serial number 23 to 25 are 6 marks questions. Answers of these questions may be about 200 words.
- (v) Attempt all parts of a question together.

1. What is meant by 'efficiency' in management?
2. How does management help in achieving personal objectives? State.
3. Define 'planning premises'.
4. Arshad Ltd. is engaged in manufacturing plastic buckets. The objective of the company is to manufacture 100 buckets a day. To achieve this, the efforts of all departments are co-ordinated and interlinked and authority responsibility relationship is established among various job positions. There is clarity on who is to report to whom.
Name the function of management discussed above.
5. Explain how 'cost of debt' affects the choice of capital structure of a company.
6. 'Indian Logistics' has its own warehousing arrangements at key locations across the country. Its warehousing services help business firms to reduce their overheads, increase efficiency and cut down distribution time. State with reason, whether the working capital requirements of 'Indian Logistics' will be high or low.

7. Prachurjya Products Ltd' is a natural and ethical beauty brand famous for offering organic beauty products for men and women. The company uses plant based materials for its products and is the No.1 beauty brand in the country. It not only satisfies its customers but also believes in overall protection of the planet. Identify the marketing management philosophy being followed by 'Prachurjya Products Ltd'.

8. On Pratiti's birthday her mother gave her a pair of gold earrings. After one month Pratiti observed that the ear-rings are losing their shine. She checked the mark on the ear-rings and found that it was not a proper Hallmark and her mother had been cheated by the shopkeeper. So, she filed a complaint in the district forum which rejected it. Not satisfied by the decision of district forum, she was very much disturbed and after two months decided to appeal further. Can Pratiti appeal against the decision of the district forum? Give reason to support of your answer

9. What is meant by 'functional structure' of an organisation? State its any two advantages.

10. Explain how the 'product related factors' affect the choice of channels of distribution?

11. Namrata was a supervisor at 'Annapurna Aata' factory. The factory was producing 200 quintals of Aata every day. His job was to make sure that the work goes on smoothly and there was as no interruption in production. She was a good leader who give orders only after consulting her subordinates and work out the policies with the acceptance of the group. Identify and describe the leadership style being adopted by Namrata.

12. 'Financial market places an important role in the allocation of scarce resources in an economy by many important functions. 'Explain any three such functions.

13. Thoiba a sales representative of 'Neon Ltd.' has changed seven jobs in the last one year. He is a hard working person but is not able to finalize deals with the customers due to his inadequate vocabulary and omission of needed words. Sometimes he uses wrong words because of which high intended meaning is not conveyed. All this created a misunderstanding between him and his clients.

(a) Identify the communication barrier discussed above.

(b) State the category of this communication barrier.

(c) Explain any other communication barrier of the same category.

14. What is meant by 'business environment'? State any three points of its importance.

15. Explain the rights of a consumer as provided under Consumers Protection Act 19S6:

- (a) Right to be informed: and
- (b) Right to seek redressal.

16. Krishna Bora started a telecommunication company, 'Donira Ltd.' to manufacture economical mobile phones for the Indian rural market with 15 employees. The company did very well in its initial years. As the product was good and marketed well, the demand of its products went up. To increase production the company decided to recruit additional employees. Krishna Bora who was earlier taking all decisions for the company had to selectively disperse the authority. He believed that subordinates are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range.

- (a) Identify the concept used by Krishna Bora through which he was able to steer his company to greater heights.
- (b) Also explain any three points of importance of this concept.

17. The workers of 'Ayam Ltd. ' are unable to work on new and hi-tech machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor. The supervisor is overburdened with the frequent calls of workers. Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently?

Also state any three benefits that the workers will derive by the decision of the supervisor.

18 'Hamara Jiwan' believes in holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its founders day a stage performance had to be put up. A committee often prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration, There was a spirit of unity and harmony and all members supported each other With mutual trust and belongingness the programme was systematically planned and executed, Deep, one of the prefects realized that unknowingly the group had applied one of the principles Of management while planning and executing the programme, He was so inspired by the success of the function that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.

- (a) Identify the principle of management applied for te success of the programme,
- (b) State any two features of management highlighted in the above para.
- (c) Identify any two values which 'Hamara jiwani' communicated to the society.

19. 'Ramesh Steel Ltd.' is a large and credit-worthy company manufacturing steel for the Indian market. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares, The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost the company decides to tap the money market.

(a) Name and explain the money-market instrument the company can use for the above purpose.

(b) What is the duration for which the company can get funds through this instrument?

(c) State any other purpose for which this instrument can be used.

20. State any five features of 'Planning'.

21. Bornali had been working as an assistant manager with 'Johnson Enterprises' for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Bornali would be promoted. But to everyone's surprise the vacant post was filled by an outsider, Mrs Ebtisha. Bornali felt demoralized and her performance started declining. She would abstain herself often and could not meet her targets. Mrs. Ebtisha was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Bornali's behavior and felt that her performance could be improved. She started involving Bornali in decision making-issues related to the organisation and made her a part of high level joint-management committee. Bornali was now punctual in office and her performance started improving.

(i) Identify the function of management being performed by Ebtisha. Name the element of the above function of management which helped Ebtisha to improve Bornali's behaviour.

(iii) State any three features of the element identified in (ii) above.

22. A company was manufacturing 'LED bulbs' which were in great demand, It was found that the target of producing 300 bulbs a day was not met by the employees. On analysis, it was found that the workers were not at fault. Due to electricity failure and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed. To meet the increased demand, the company assessed that approximately 88 additional workers were required out of which 8 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job

specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work

(a) Identify the functions of management discussed above.

(b) State the two steps in the process of each function discussed in the above para.

(c) List any two values which the company wants to communicate to the society.

23. With the help of a diagram explain 'Functional Foremanship' as a technique of scientific management.

24. 'Pragiti Ltd. ' is a company manufacturing cotton yarn. It has been consistently earning good profits many years This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organisation and believes in quality, equal employment opportunities and good remuneration practices It has many shareholders who prefer to receive a regular income from their investments.

It has taken a loan of 40 lakhs from IDBI and is bound by certain restrictions on the payment of dividend according to the terms of loan agreement. The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion identify and explain any four such factors.

25. 'Hayaram' is a famous chain selling a large variety of products in the Indian market, Their products include chips, biscuits, sweets and squashes. It charges a comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales. The above para describes the combination of variables used by Hayaram to prepare its market offerings. Identify and explain the variables.

UNSOLVED SAMPLE PAPER (4)

**BUSINESS STUDIES
CLASS XII**

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS : 80

GENERAL INSTRUCTIONS:

- (i) Questions from serial number 1 to 8 are 1 mark questions. Answers of these questions may be from one word to one sentence.**
- (ii) Questions from serial number 9 to 13 are 3 marks questions. Answers of these questions may be from 50 to 75 words.**
- (iii) Questions from serial number 14 to 19 are 4 marks questions and Questions from serial number 20 to 22 are 5 marks questions. Answers of these questions may be about 150 words,**
- (iv) Questions from serial number 23 to 25 are 6 marks questions. Answers of these questions may be about 200 words.**
- (v) Attempt all parts of a question together.**

1. What is meant by 'Business Environment'?
2. Explain, how management helps in the development of society.
3. Give the meaning of 'Objectives' as a type of plan.
4. Aravali Ltd. engaged in manufacturing of washing machines. The target of the organisation is to manufacture 500 washing machines a day. There is an occupational specialisation in the organization which promotes efficiency of employees. There is no duplication of efforts in such type of organization Identify the type of organisation structure described above.
5. How does 'cost of equity' affect the choice of capital structure of a company? Explain.
6. 'Bharat Express ' specialises in Courier Services. Its 'wide range of express package and parcel services 'help business firms to make sure that the goods are made available to the customers at the right place and at the right time. State with reason, whether the working capital requirements of 'Bharat Express' will be high or low.
7. 'Maruti Ltd. ' entered into the market with colored television and have now introduced products like audio system, air-conditioners washing machines, etc. The company is not only offering the products but also handling complaints and offering after-sales services. Identify the element of marketing-mix discussed here.

8. Casper purchased a new car from 'Galaxy Motors' for 25 lakhs. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5,000 km, 10,000 km and 15,000 km respectively. When Himanshu took the car for the first free servicing, he was told that the car was not new and first service had already been availed on this car. He felt cheated and filed a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file an appeal against it. Can Himanshu appeal against the decision of the State Commission? Give reason in support of your answer.

9. What is meant by 'Formal Organisation'? State its any two advantages.

10. How do the 'Company-related factors' affect the choice of channels of distribution? Explain.

11. 'M.B. Ltd.' is a large company engaged in assembly of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover, and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and Observed through C.C. T. V. that some of the workers were busy in gossiping.

(a) Identify the function of management discussed above.

(b) State those steps in the process of the function identified which are discussed in the above paragraph.

12. 'The Stock Exchange performs many vital functions in today's commercial world.' Explain any three such functions. 13. Chinmoy recently joined as the Managing Director of 'Fibori Ltd.', an apparel designing company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestions which were neither appreciated nor rewarded by the company. Instead the company outsourced its services to some renowned fashion designers and paid them a good compensation for their services. Because of this the employees felt disheartened and stopped giving useful suggestions.

(a) Identify the communication barrier discussed above.

(b) State the category of this communication barrier.

(c) Explain any other communication barrier of the same category.

14. What is meant by 'Management'? State any three objectives of management.

15. Explain any four points of importance of 'consumer protection' from the point of view of business.

16. Neeraj Gupta started a company 'Yoyo Ltd.' with ten employees, to assemble economical computers for the Indian rural market. The company did very well in its initial years. As the product was good and marketed well, the demand went up. To increase production the company decided to recruit additional employees. Neeraj Gupta, who was earlier taking all decisions for the company, had to selectively disperse the authority. He believed that people are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features.

(a) Identify the concept used by Neeraj Gupta through which he was able to steer his company to greater heights.

(b) Also explain any three points of importance of this concept.

17. The workers of 'Gargya Ltd.' are unable to work on new computerized machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers. Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently. Also state any three benefits that the workers will derive by the decision of the supervisor.

18. Beni, after completing her MBA, took up a job with a multinational company named 'Fortio'. The company was paying good salary and perks to its employees. The wages were within the paying capacity of the company that provided the employees a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates, Beni was very happy in this organisation, but due to long working hours she did not have time to cook her meal. She had to depend upon outside food, which was deteriorating her health. She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food, She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office goers at a reasonable price. At the end the day she was also distributing the left-over food in the nearby night-shelters.

(a) State the dimension of business environment being discussed above.

(b) State the principle of management being followed by 'Fortio'.

(c) Identify any two values being communicated by the company to the society in the above case.

19. 'Mission Coach Ltd.' is a large and creditworthy company manufacturing coaches for Indian Railways. It now wants to export these coaches to other countries and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

(a) Name and explain the money-market instrument the company can use for the above purpose.

(b) What is the duration for which the company can get funds through this instrument?

(c) State any other purpose for which this instrument can be used.

20. Give the meaning of 'organising'. State the steps in the process of organising.

21. Anjali had been working with 'Tata Enterprises' for the last ten years. She was famous for her dedication towards the work. When the Manager senior to her retired, all her colleagues thought that now Anjali would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Monika'. Anjali felt demoralized and her performance started declining. She would absent herself often and could not meet her targets. Miss Monika was a good leader who would not only instruct her subordinates, but also guide and inspire them. She notices Anjali's behaviour and felt that her performance could be improved. She started involving Anjali in decision-making issues related to the organisation and made her a part of a high-level joint management committee. Anjali was now punctual to office and her performance started improving.

(a) Identify the function of management being performed by Monika.

(b) Name the element of the above function of management which helped Monika to improve Anjali's behaviour.

(c) State any three features of the element identified in (b) above.

22. Mohit Gupta is working with 'Yellow security'. He is also recruiting security guards for the company. The Company provides security services in Delhi Noida at short notices to various companies. The guards are recruited on temporary basis. The guards provided by this company are known for the honesty and punctuality. Mohit Gupta is well known in his village for providing employment to unskilled people.

(a) Name the source of recruitment used by 'Yellow Security Services Ltd.'

(b) State any one disadvantage of this source of recruitment.

(c) Identify the need of 'Security Guards' which is being fulfilled by the company as per

Maslow's need hierarchy.

(d) Identify any two values communicated to the society in the above stated case.

23. Explain the following principles of management:

(a) Science, not rule-of-thumb.

(b) Discipline.

24. 'Abhishek Ltd. is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well managed organisation and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of Rs50 lakhs from I.C.I.C.I. Bank and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement. The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion, identify and explain any four such factors.

25. Radhika was a student of Business Studies of Class XII. Her father was a farmer who grew different varieties of rice and was well-versed about various aspects of rice cultivation. He was also selected by the government for a pilot-project on rice cultivation. As a project-work in Business Studies she decided to study the feasibility of marketing good quality rice at a reasonable price. Her father suggested her to use internet to gather customers' views and opinions. She found that there was a huge demand for packaged organic rice. She knew that there were no pre-determined specifications in case of rice because of which it would be difficult to achieve uniformity in the output. To differentiate the product from its competitors, she gave it the name of 'Malabari Organic Rice' and classified it into three different varieties namely Popular, Classic and Supreme, based on the quality. She felt that these names would help her in product differentiation. Explain the three functions of marketing, with reference to the above paragraph.

UNSOLVED SAMPLE PAPER (5)

**BUSINESS STUDIES
CLASS XII**

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS : 80

GENERAL INSTRUCTIONS:

(i) Questions from serial number 1 to 8 are 1 mark questions. Answers of these questions may be from one word to one sentence.

(ii) Questions from serial number 9 to 13 are 3 marks questions. Answers of these questions may be from 50 to 75 words.

(iii) Questions from serial number 14 to 19 are 4 marks questions and Questions from serial number 20 to 22 are 5 marks questions. Answers of these questions may be about 150 words,

(iv) Questions from serial number 23 to 25 are 6 marks questions. Answers of these questions may be about 200 words.

(v) Attempt all parts of a question together.

1. What is meant by 'Privatization'?
2. Why is it said that principles of management are mainly behavioral in nature?
3. Define 'Method' as a type of plan.
4. 'Hawa Cycles' was in the business of manufacturing racing-cycles and had a monopoly in the market. The business was doing very well and the company was consistently meeting its objective of 10% increase in sales every year. Encouraged by the good track record, the Managing Director of the company kept an ambitious target of 15% increase in sales for the next year. The same year two competitors also entered the market and because of this the company was not able to meet its target. Identify the limitation of one of the functions of management because of which the company was not able to achieve its target.
5. How do 'Floatation costs' affect the choice of capital structure of a company? State.
6. 'Comfortable Transport Services Ltd. ' specializes in transporting fruits and vegetables. It has a good reputation in the market as it delivers the fruits and vegetables at the right time and at the right place. State with reason whether the working capital requirements of 'Comfortable Transport Services' will be high or low.
7. 'Glow and Shine Ltd.' is a famous beauty brand offering organic beauty products for men and women. The company uses plant-based materials for its products and is the No. 1 beauty brand in the country. It not only satisfies its customers but also believes in overall protection of the planet. Identify the marketing management philosophy being followed by 'Glow and Shine Ltd.'
8. Sidharth purchased a car from 'Deep Motors' for 50 lakhs. The company offered many attractive gifts to Sidharth like — free insurance for first two years, free pick-up and drop facilities for free servicing upto 20,000 km, etc. But after a few days Sidharth noticed that the pick-up of the car was not good and there was some problems in the engine. The company serviced the car free of cost but even then Sidharth was not satisfied with its performance. 'Deep Motors' is not giving him the due response. So he filed a complaint in the State Commission but was not satisfied with its decision also. He was very much disturbed and after two months

decided to appeal against it. Can Sidharth appeal against the decision of the State Commission? Give reason in support of your answer.

9. What is meant by divisional structure of an organization? State its any two disadvantages.

10. How do the 'market related factors' affect the choice of channels of distribution? Explain.

11. Aarav was working as a supervisor with 'Neer Purifier Ltd.' which was producing water purifiers. The target of the company was to produce 200 water purifiers every day. His job was to make sure that work goes on smoothly and there was no interruption in production. To achieve this, he always gives orders and insists that they are obeyed. He believes that reward or punishment both can be given depending upon the performance. Identify and describe the leadership style being adopted by Aarav.

12. Distinguish between Capital Market and Money Market on the basis of the following:

- (a) Participants
- (b) Instruments

13. 'KPM Ltd.' is manufacturing breads and biscuits for many years. It has approximately 150 employees and most of them are not happy with the working environment. Because of this, the labour turnover rate is very high. Therefore, the company appoints a new Human Resource Manager, Naveen, to analyse the situation. Naveen finds that there is no free flow of communication, and there is no suggestion box for the employees to voice their suggestions or grievances. The company rarely organizes a social or cultural gathering; the employees just come, finish their work and leave the organization.

- (a) Identify the communication barrier discussed above.
- (b) State the category of this communication barrier.
- (c) Explain any other communication barrier of the same category.

14. State any four points that highlight the significance of principles of management.

15. Explain the following rights of a consumer as provided under Consumer Protection Act, 1986'.

- (a) Right to Safety
- (b) Right to Consumer Education

16. Harsh started a company 'Tiny Toys Ltd.' to manufacture economical toys for the Indian rural market, with 20 employees. The company did very well in its initial years. As the products were good and marketed well, the demand of its products went up. To increase the production, the company decided to recruit additional employees. Harsh who was earlier taking all decisions for the company had to selectively disperse the authority. He believed that subordinates are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features.

- (a) Identify the concept used by Harsh through which he was able to steer his company to greater

heights.

(b) Also explain any three points of the importance of this concept.

17. The workers of 'Swastik Ltd.' are unable to work on new computerized machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers. Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently Also state any three benefits that the workers will derive by the decision of the supervisor.

18. 'Adharshila Vidyalaya' believes in holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its Founders' Day, a stage performance had to be put up. A committee often prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. As there was spirit of unity and harmony and all members supported each other with mutual trust and belongingness, the programme was systematically planned and executed. Arvind, one of the prefects, realised that unknowingly the group had applied one of the principles of management while planning and executing the programme. He was so inspired by the success of the function, that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.

(a) Identify the principle of management applied for the success of the programme.

(b) State any two features of management highlighted in the above paragraph.

(c) Identify any two values which 'Adharshila Vidyalaya' communicated to the society.

19. 'Zaira Ltd' is a large and creditworthy company manufacturing air-conditioned buses for the Indian market. It now wants to export these buses to other countries and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market.

(a) Name and explain the money market instrument the company can use for the above purpose.

(b) What is the duration for which the company can get funds through this instrument?

(c) State any other purpose for which this instrument can be used.

20. Give the meaning of 'Formal Organisation'. State its any four advantages.

21. Kavya had been working with 'Reliable Ltd.' for the last ten years. She was famous for her dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Kavya would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Garima'. Because of this, Kavya felt demoralised and her performance started declining. She would absent herself often and could not meet her targets. Miss Garima was a good leader who would not only instruct her subordinates but also guide and inspire them. She noticed Kavya's behaviour and felt that her performance could be improved. She started involving Kavya in decision-making issues related to the organization and made her a member of

a high-level joint management committee. Kavya was now punctual to office and her performance started improving.

(a) Identify the function of management being performed by Garima.

(b) Name the element of the above function of management which helped Garima to improve Kavya's behaviour.

(c) State any three features of the element identified in (b) above.

22. A company was manufacturing solar panels for charging of mobiles which were in great demand. It was found that the target of producing 500 solar panels a day was not being met by the employees. On analysis it was found that the workers were not at fault. Due to non-availability of raw materials and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed. To meet the increased demand, the company assessed that approximately 66 additional workers were required out of which 6 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job specifications were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work.

(a) Identify the functions of management discussed above.

(b) State the two steps in the process of each function discussed in the above para.

(c) List any two values which the company wants to communicate to the society.

23. Explain the following principles of management:

(a) Harmony, not discord

(b) Discipline

24. 'Silkiya Ltd.' is a company manufacturing silk cloth. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of cash in the company and good prospects for growth in future. It is a well-managed organisation and believes in quality, equal employment opportunities and good remuneration practices. Has many shareholders who prefer to receive a regular income from their investments. It has taken a loan of 60 lakhs from SBI Bank and is bound by certain restrictions on tax payment of dividend according to the terms of the loan agreement. The above discussion about the company leads to various factors which decide how much profit should be retained and how much has to be distributed by the company. Quoting the lines from the above discussion, identify and explain any four such factors.

25. Namrata was a student of Commerce in class XII. Her father was a farmer, who grew different varieties of wheat and was well versed about various aspects of wheat cultivation. He was also selected by the government for a pilot-project on wheat cultivation. As a project she decided to study the feasibility of marketing good quality wheat at reasonable price. Her father suggested to her to use internet to gather customers' views and opinions. She found that there was a huge demand for organic-packed wheat. She knew that there were no pre-determined specifications in

case of wheat, because of which it would be difficult to achieve uniformity in the output. To differentiate the product from its competitors, she gave it the name of 'Mahan-organic-wheat' and classified it into three different varieties namely Popular, Classic and Supreme, based on the quality. She felt that these names would help her in product differentiation. Explain the three functions of marketing with reference to the above paragraph.
