

KENDRIYA VIDYALAYA SANGATHAN
RAIPUR REGION
SESSION 2020-21
REVISION TIPS FOR THE STUDENTS OF
CLASS XII
BUSINESS STUDIES (054)



ADVISER:

MS CHANDANA MANDAL , DEPUTY
COMMISSIONER
KVS(RO) RAIPUR

CO-ORDINATION TEAM KVS (RO) RAIPUR:

- MRS. BIRAJA MISHRA, ASSISTANT COMMISSINER, KVS (RO) RAIPUR
- MR. E. RANGASWAMI, PRINCIPAL, KV RAJNANDGAON

CONTENT TEAM:

- MR ARVIND KUMAR MAURYA, PGT COMMERCE, KV NO2 NTPC KORBA
- MR BINAY KUMAR, PGT COMMERCE, KV NO 4 KORBA
- MR R K THAKUR, PGT COMMERCE, KV BMY BHILAI
- MR MAHENDRA KUMAR MISHRA, PGT COMMERCE, KV BAIKUNTHPUR

BUSINESS STUDIES (054)

CLASS XII

INDEX

| S.NO | NAME OF UNIT | PAGE NO |
|------|--|---------|
| 1 | QUESTION PAPER DESIGN / SYLLABUS | 03 |
| 2 | DETAILED REVISED SYLLABUS / DELETED SYLLABS | 4-8 |
| | PART "A" | |
| 3 | CHAPTER -1 NATURE AND SIGNIFICANCE OF MANAGEMENT | 9-17 |
| 4 | CHAPTER -2 PRINCIPLES OF MANAGEMENT | 18-28 |
| 5 | CHAPTER -3 BUSINESS ENVIRONEMENT | 29-37 |
| 6 | CHAPTER -4 PLANNING | 38-45 |
| 7 | CHAPTER -5 ORGANISING | 46-61 |
| 8 | CHAPTER -6 STAFFING | 62-76 |
| 9 | CHAPTER -7 DIRECTING | 77-95 |
| 10 | CHAPTER -8 CONTROLLING | 96-104 |
| | PART "B" | |
| 11 | CHAPTER -9 FINANCIAL MANAGEMENT | 105-118 |
| 12 | CHAPTER -10 FINANCIAL MARKET | 119-134 |
| 13 | CHAPTER -11 MARKETING MANAGEMENT | 135-155 |
| 14 | CHAPTER -12 CONSUMER PROTECTION | 156-164 |
| 15 | CBSE: 04 MODEL QUESTION PAPER WITH SOLUTION | 165-220 |
| | | |
| | | |
| | | |

QUESTION PAPER DESIGN: BUSINESS STUDIES (054)
March 2021 Examination

Marks: 80

| SN | Typology of Questions | Marks | Percentage |
|--------------|--|-----------|-------------|
| 1 | Remembering and Understanding: Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas | 44 | 55% |
| 2 | Applying: Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way | 19 | 23.75% |
| 3 | Analysing, Evaluating and Creating: Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations. Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions. | 17 | 21.25% |
| Total | | 80 | 100% |

Business Studies(054)
CLASS–XII (2020-21)

Theory: 80 Marks

3 Hours

| Units | | Periods | Marks |
|---------------|---|-----------|-----------|
| Part A | Principles and Functions of Management | | |
| 1. | Nature and Significance of Management | 12 | 16 |
| 2 | Principles of Management | 11 | |
| 3 | Business Environment | 08 | |
| 4 | Planning | 08 | 14 |
| 5 | Organising | 10 | |
| 6 | Staffing | 13 | 20 |
| 7 | Directing | 09 | |
| 8 | Controlling | 07 | |
| Total | | 78 | 50 |
| Part B | Business Finance and Marketing | | |
| 9 | Financial Management | 20 | 15 |
| 10 | Financial Markets | 18 | |
| 11 | Marketing Management | 24 | 15 |
| 12 | Consumer Protection | 05 | |
| Total | | 67 | 30 |

| | | | |
|---------------|---------------------------|-----------|-----------|
| | | | |
| Part C | Project Work (One) | 20 | 20 |

Part A: Principles and Functions of Management Unit 1:

Nature and Significance of Management

| Concept | After going through this unit, the student/ learner would be able to: |
|--|---|
| Management - concept, objectives, and importance | <ul style="list-style-type: none"> Understand the concept of management. Explain the meaning of 'Effectiveness and Efficiency. Discuss the objectives of management. Describe the importance of management. |
| Management as Science, Art and Profession | <ul style="list-style-type: none"> Examine the nature of management as a science, art and profession. |
| Levels of Management | <ul style="list-style-type: none"> Understand the role of top, middle and lower levels of management |
| Management functions-planning, organizing, staffing, directing and controlling | <ul style="list-style-type: none"> Explain the functions of management |
| Coordination- concept and importance | <ul style="list-style-type: none"> Discuss the concept and characteristics of coordination. Explain the importance of coordination. |

Unit 2: Principles of Management

| | |
|---|---|
| Principles of Management- concept and significance | <ul style="list-style-type: none"> Understand the concept of principles of management. Explain the significance of management principles. |
| Fayol's principles of management | <ul style="list-style-type: none"> Discuss the principles of management developed by Fayol. |
| Taylor's Scientific management- principles and techniques | <ul style="list-style-type: none"> Explain the principles and techniques of 'Scientific Management'. |

Unit 3: Business Environment

| | |
|--|--|
| Business Environment- concept and importance | <ul style="list-style-type: none"> Understand the concept of 'Business Environment'. Describe the importance of business environment |
| Dimensions of Business Environment- Economic, Social, Technological, Political and Legal | <ul style="list-style-type: none"> Describe the various dimensions of 'Business Environment'. |

Unit 4: Planning

| | |
|--|--|
| Planning: Concept, importance and limitation | <ul style="list-style-type: none"> Understand the concept of planning. Describe the importance of planning. Understand the limitations of planning. |
|--|--|

| | |
|------------------|--|
| Planning process | <ul style="list-style-type: none"> Describe the steps in the process of planning. |
|------------------|--|

Unit 5: Organising

| | |
|--|--|
| Organising: Concept and importance | <ul style="list-style-type: none"> Understand the concept of organizing as a structure and as a process. Explain the importance of organising. |
| Organising Process | <ul style="list-style-type: none"> Describe the steps in the process of organizing |
| Structure of organisation- functional and divisional concept | <ul style="list-style-type: none"> Describe functional and divisional structures of organisation. |
| Delegation: concept, elements and importance | <ul style="list-style-type: none"> Understand the concept of delegation. Describe the elements of delegation. Appreciate the importance of Delegation. |
| Decentralization: concept and importance | <ul style="list-style-type: none"> Understand the concept of decentralisation. Explain the importance of decentralisation. Differentiate between delegation and decentralisation. |

Unit 6: Staffing

| | |
|----------------------------------|--|
| Staffing: Concept and importance | <ul style="list-style-type: none"> Understand the concept of staffing. Explain the importance of staffing |
| Staffing process | <ul style="list-style-type: none"> Describe the steps in the process of staffing |
| Recruitment process | <ul style="list-style-type: none"> Understand the meaning and steps in the process of recruitment. Discuss the sources of recruitment. |
| Selection - process | <ul style="list-style-type: none"> Understand the meaning of selection. Describe the steps involved in the process of selection. |

| | |
|---|---|
| Training and Development - Concept and importance, Methods of training - on the job and off the job - vestibule training, apprenticeship training and internship training | <ul style="list-style-type: none"> Understand the concept of training and development. Appreciate the importance of training to the organisation and to the employees. Discuss on the job and off the job methods of training. Discuss the meaning of vestibule training, apprenticeship training and internship training. Differentiate between training and development. |
|---|---|

Unit 7: Directing

| | |
|---|--|
| Directing: Concept and importance | <ul style="list-style-type: none"> Describe the concept of directing. Discuss the importance of directing |
| Elements of Directing | <ul style="list-style-type: none"> Describe the various elements of directing |
| Motivation - concept, Maslow's hierarchy of needs, Financial and non-financial incentives | <ul style="list-style-type: none"> Understand the concept of motivation. Develop an understanding of Maslow's Hierarchy of needs. Discuss the various financial and non-financial incentives. |
| Leadership - concept, styles - authoritative, democratic and laissez faire | <ul style="list-style-type: none"> Understand the concept of leadership. Understand the various styles of leadership. |
| Communication - concept, formal and informal communication; | <ul style="list-style-type: none"> Understand the concept of communication Discuss the concept of formal and informal communication. Discuss the various barriers to effective communication. |

Unit 8: Controlling

| | |
|--------------------------------------|--|
| Controlling - Concept and importance | <ul style="list-style-type: none"> Understand the concept of controlling. Explain the importance of controlling. |
| Steps in process of control | <ul style="list-style-type: none"> Discuss the steps in the process of controlling. |

Part B: Business Finance and Marketing Unit

9: Financial Management

| | |
|--|---|
| Financial Management: Concept, role and objectives | <ul style="list-style-type: none"> Understand the concept of financial management. Explain the role of financial management in an organisation. Discuss the objectives of financial management |
| Financial decisions: investment, financing and dividend- Meaning and factors affecting | <ul style="list-style-type: none"> Discuss the three financial decisions and the factors affecting them. |
| Financial Planning - concept and importance | <ul style="list-style-type: none"> Describe the concept of financial planning. |

| | |
|--|---|
| | <ul style="list-style-type: none"> Explain the importance of financial planning. |
| Capital Structure – concept and factors affecting capital structure | <ul style="list-style-type: none"> Understand the concept of capital structure. Describe the factors determining the choice of an appropriate capital structure of a company. |
| Fixed and Working Capital - Concept and factors affecting their requirements | <ul style="list-style-type: none"> Understand the concept of fixed and working capital. Describe the factors determining the requirements of fixed and working capital. |

Unit 10: Financial Markets

| | |
|---|--|
| Financial Markets: Concept, Functions and types | <ul style="list-style-type: none">• Understand the concept of financial market.• Explain the functions of financial market.• Understand capital market and money market as types of financial markets. |
| Money market and its instruments | <ul style="list-style-type: none">• Understand the concept of money market.• Describe the various money market instruments. |
| Capital market: Concept, types (primary and secondary), methods of floatation in the primary market | <ul style="list-style-type: none">• Discuss the concept of capital market.• Explain primary and secondary markets as types of capital market.• Differentiate between capital market and money market.• Discuss the methods of floating new issues in the primary market.• Distinguish between primary and secondary markets. |
| Stock Exchange – Meaning, Functions and trading procedure | <ul style="list-style-type: none">• Give the meaning of a stock exchange.• Explain the functions of a stock exchange.• Discuss the trading procedure in a stock exchange.• Give the meaning of depository services and demat account as used in the trading procedure of securities. |
| Securities and Exchange Board of India (SEBI) - objectives and functions | <ul style="list-style-type: none">• State the objectives of SEBI.• Explain the functions of SEBI. |

Unit 11: Marketing

| | |
|---|---|
| Marketing – Concept, functions and philosophies – Product, Price and Standard | <ul style="list-style-type: none">• Understand the concept of marketing.• Discuss the functions of marketing.• Explain the marketing philosophies. |
| Marketing Mix – Concept and elements | <ul style="list-style-type: none">• Understand the concept of marketing mix.• Describe the elements of marketing mix. |
| Product - branding, labelling and packaging – Concept | <ul style="list-style-type: none">• Understand the concept of product as an element of marketing mix.• Understand the concepts of branding, labelling and packaging. |

| | |
|---|--|
| Price - Concept, Factors determining price | <ul style="list-style-type: none"> • Understand the concept of price as an element of marketing mix. • Describe the factors determining price of a product. |
| Physical Distribution – concept | <ul style="list-style-type: none"> • Understand the concept of physical distribution. |
| Promotion – Concept and elements; Advertising, Personal Selling, Sales Promotion and Public Relations | <ul style="list-style-type: none"> • Understand the concept of promotion as an element of marketing mix. • Describe the elements of promotion mix. • Understand the concept of advertising and personal selling • Understand the concept of sales promotion. • Discuss the concept of public relations. |

Unit 12: Consumer Protection

| | |
|---|--|
| Consumer Protection: Concept | <ul style="list-style-type: none"> • Understand the concept of consumer protection. |
| Consumer Protection Act 1986: Meaning of consumer Rights and responsibilities of consumers Who can file a complaint? Redressal machinery Remedies available | <ul style="list-style-type: none"> • Understand the concept of a consumer according to the Consumer protection Act 1986. • Discuss the scope of Consumer Protection Act, 1986 • Explain the consumer rights • Understand the responsibilities of consumers • Understand who can file a complaint and against whom? • Discuss the legal redressal machinery under Consumer protection Act 1986. • Examine the remedies available to the consumer under Consumer protection Act 1986. |

CHAPTER 1- Nature and Significance of Management

| Concept | After going through this unit, the student/ learner would be able to: |
|--|---|
| Management - concept, objectives, and importance | <ul style="list-style-type: none"> • Understand the concept of management. • Explain the meaning of 'Effectiveness and Efficiency. • Discuss the objectives of management. • Describe the importance of management. |
| Management as Science, Art and Profession | <ul style="list-style-type: none"> • Examine the nature of management as a science, art and profession. |
| Levels of Management | <ul style="list-style-type: none"> • Understand the role of top, middle and lower levels of management |
| Management functions-planning, organizing, staffing, directing and controlling | <ul style="list-style-type: none"> • Explain the functions of management |
| Coordination- concept and importance | <ul style="list-style-type: none"> • Discuss the concept and characteristics of coordination. • Explain the importance of coordination. |

MEANING OF MANAGMENT: -

Management is the process of planning organizing staffing directing and controlling the efforts of the organizational members by using all the other available resources to achieve the organizational goals.

DEFINATION OF MANAGEMENT: -

Management is an art of getting things done with and through others. Management can be defined as, the process of getting things done with the aim of achieving organizational goals effectively and efficiently.

Efficiency and Effectiveness

Efficiency (completing the work at low cost) means doing the task correctly at minimum cost through optimum utilization of resources while effectiveness (Completing the work on time) is concerned with end result means completing the task correctly within stipulated time. Although efficiency and effectiveness are different yet they are inter related. It is important for management to maintain a balance between the two.

| Effectiveness | Efficiency |
|----------------------------|--------------------------------------|
| Completion of work on time | Completion of work with minimum cost |

CHARACTERISTICS OF MANAGEMENT: -

The features or characteristics of management:

1. Management is a process (involves all the activities: planning, organizing, staffing, directing and controlling)
2. Management is all pervasive/universal-(it is applied and required everywhere not only in business activities)
3. Management is a group activity-(performed together by all the levels for different purpose.)
4. Management is continuous-(ongoing process, after completion of one plan ,planning continuous for future)
5. Management is Dynamic-(changes should be brought with changing environment)
6. Management is intangible-(cannot be seen but can be felt in the environment)



OBJECTIVES OF MANAGEMENT

| Personal/Human Objective | Organizational/ Economic Objective | Social Objective |
|--------------------------|------------------------------------|--------------------------|
| Good working conditions | Survival | Quality products |
| Competitive salary | Profit | Reasonable prices |
| Training and development | Growth | Employment opportunities |

IMPORTANCE OF MANAGEMENT

- 1) Achieving Group Goals:** Management creates team work and coordination in the group. Managers give common direction to individual efforts in achieving the overall goals of the organization.
- (2) Increases Efficiency:** Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.
- (3) Creates Dynamic organization:** Management helps the employees overcome their resistance to change and adapt as per changing situation to ensure its survival and growth.
- (4) Achieving personal objectives:** Management helps the individuals achieve their personal goals while working towards organizational objectives. products, creating employment opportunities and adopting new technologies.

The Nature of management:

Management can be:

- a) Regarded as Science (Systematic body of knowledge acquired through experimentation and observation)
- b) Regarded as Art (Creativity and personal skills)
- c) Regarded as Profession (Specialized Knowledge and training)

FUNCTIONS FOR DIFFERENT LEVELS OF MANAGERS.

Broadly there are three levels of managers in the organizational hierarchy of authority;

1. Top level managers
2. Middle level managers
3. Lower level managers

1. TOP LEVEL MANAGERS;- It consists of managers at the highest level of hierarchy, e.g. chief executives, board of directors, etc. the main functions of top-level managers are ;

- a) To establish and describe the overall objectives of the organization.
- b) To plan, organize and exercise control over the middle and lower level of management.
- c) To decide about the overall budget of the organization and budgets of the different departments.

2.MIDDLE LEVEL MANAGEMENT;- It consists of departmental heads of the organization. The functions of middle level managers are;

- a) To perform policies, prescribe procedures and methods in different areas to achieve the medium terms, short term and departmental objectives.
- b) To assist the top management by periodic submission of reports, data and other important information.
- c) To assign jobs amongst the subordinates and decide the process of delegation of authority.

3.LOWER/SUPERVISORY LEVEL MANAGEMENT; - These managers rank at lowest level in the organizational hierarchy. It consists of foremen, supervisors, etc. the main functions of lower level managers are;

- a) To translate the intermediate plan of middle level management into day-to-day operating plans.
- b) To direct the operating employees by assigning jobs, evaluating and correcting their work performance.
- c) To arrange necessary raw material, tools and other facilities.
- d) To ensure implementation of work as per instructions, orders and standards.

MEANING OF COORDINATION:-

Coordination is the integration, synchronization or orderly arrangement of group efforts to provide for unity of action directed towards the accomplishment of common objectives.

NATURE OF COORDINATION:

Coordination is the process of achieving unity of action among independent activities. This would be better achieved if the nature of coordination is understood clearly as discussed below:

(i) Essence of management: Coordination is an activity that is required at every level and every time in the organization. Since organizations are performing diversified activities to achieve common goals, therefore the integration of efforts at all levels is equally important.

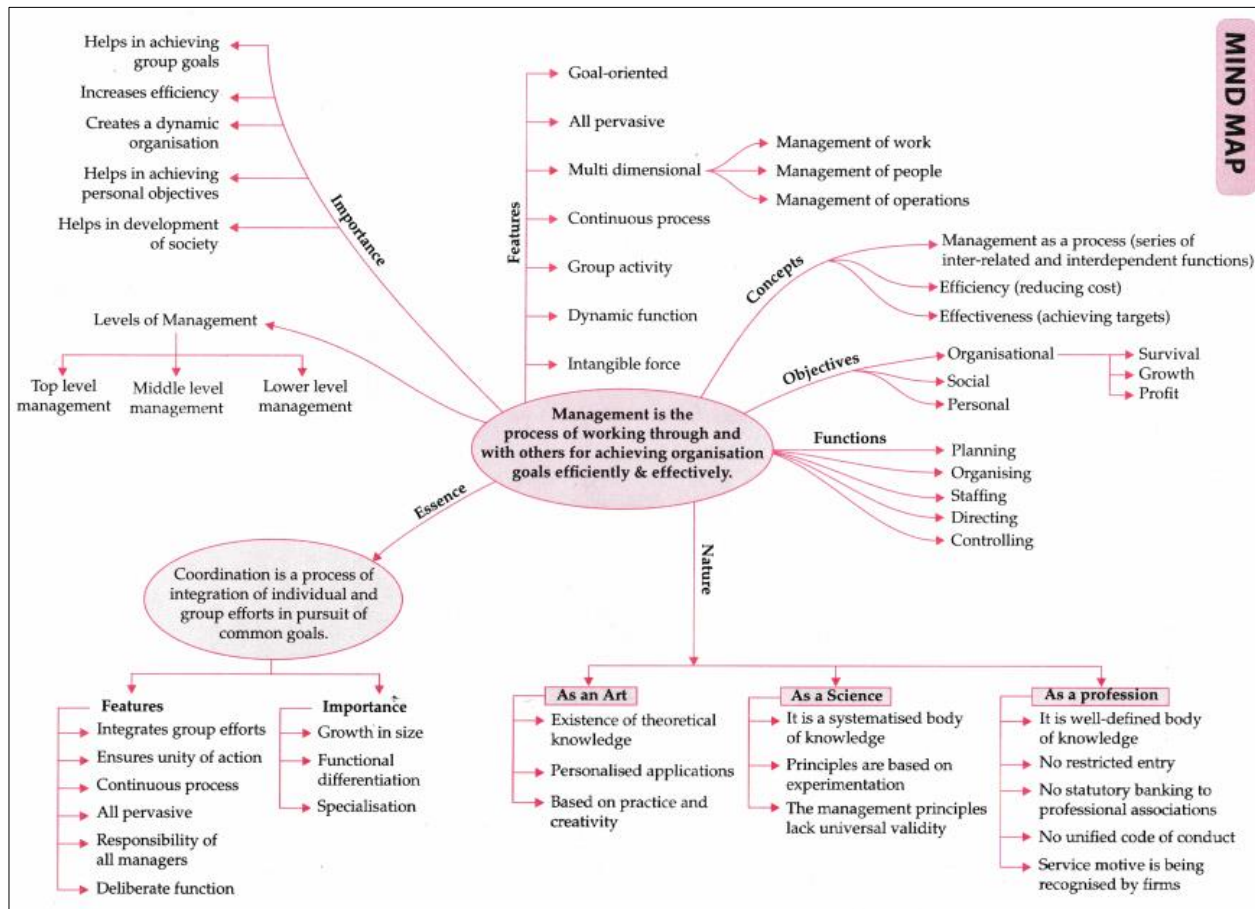
(ii) Continuous process: A notion of coordination as a fixed entity, which either exists or does not exist, is unrealistic. Coordination is present in varying degrees. Executives must work continuously to achieve coordination.

(iii) Group efforts: Coordination is a concept that applies to group, not individual, effort. When a number of individuals seek to work together, orderliness becomes significant.

IMPORTANCE OF COORDINATION

- 1. Size of the organization
- 2. Functional differentiation
- 3. Specialization

Mind Map



QUESTIONS AND ANSWERS

OBJECTIVE TYPE QUESTIONS

- Which is not a function of management of the following?
 - Planning
 - Staffing
 - Co-operating
 - Controlling
- Co-ordination is:
 - Function of management
 - The essence of management
 - An Objective of management
 - All of these
- Efficiency means.....
 - doing the tasks correctly
 - doing the tasks with minimum cost
 - deriving more benefits by using less resources
 - All of the above
- Management is called a process because:
 - It is applicable to the manufacturing process
 - it is relevant for social organisations
 - it involves series of functions
 - none of the above.
- Through management helps individuals to develop team spirit ,co-operation and commitment to group success .
 - Coordination
 - Supervision
 - Controlling
 - Motivation & Leadership

6. The functions performed by the top level management is the most important because they take care of.....
a) Overall organization b) specific problems c) routine problems d) extra ordinary problems
7. Coordination is one of the five functions of management. (True/False)
8. The following is not an objective of management
a) earning profits b) growth of the organisation c)providing employment d)policy making
9. Radhika is engaged in manufacturing earthen coolers by using environment friendly methods of productions. Which management objective is discussed?
a) Social Objective b) Organisational objective c) Individual objective d) Economic objective

Answer Key

1. c 2. b 3. d 4. c 5. a 6. a 7. b 8. d 9. a

SHORT ANSWER TYPE QUESTIONS (3 OR 4 MARKS)

Q.1. Mita has a successful ice cream business at Bikaner, namely "Smart flavours' ice creams are utterly delicious. She makes ice creams from fresh milk and the same are available in a wide range of flavours and packs. She sets viable business objectives and works with the same in mind in order to ensure that the customers will come back for purchasing. Having the first mover advantage, her business was doing well. To earn higher profits, she started cutting costs. This would sometimes lead to delay in delivery and the ice cream was not reaching the market in time. Over a period of time, the demand for her ice cream declined and because of it the competitors entered the market. She lost some of her market share to competitors. At the beginning of summer season, she got back to back order for supply of 4,000 ice cream packs of different flavours for special occasions. To ensure that the task was completed and orders delivered in time she hired additional workers. She was, thus able to produce and deliver the ice cream packs but at a high production cost. While completing activities and finishing the given task for achieving goals, Mita realized that she was ignoring one of the important aspects of management.

Identify the aspects of management that has been ignored by Mita. Also explain the same with the help of an example. **(CBSE, Delhi 2019) (3 marks)**

Ans. (Hintsss) The aspect of management that is being ignored is 'efficiency'. (1 mark identification & 2 marks for correct explanation)

Q.2 Management is a complex activity that has three main dimensions. Explain these dimensions

Ans. Management is a complex activity that has three main dimensions. The following are the three main dimensions of management: . **(CBSE, Delhi 2019) (1*3=3 marks)**

1. **Managing the work:** With management, the work of an organisation is interpreted in terms of the objectives and goals achieved owing to the work. Management also specifies the guidelines regarding how these objectives can be achieved.
2. **Managing the people:** Managing the people implies dealing with the employees both as individuals and as a group such that their strengths are utilised and their weaknesses are identified.
3. **Managing the operations:** The production process where the inputs are transformed into a product or a service requires continuous management in order to ensure the utilisation of the resources efficiently and effectively.

Q.3 Ashutosh Goenka was working in 'Axe Ltd.', a company manufacturing air purifiers. He found that the profits had started declining from the last six months. Profit has an implication for the survival of the firm, so he analysed the business environment to find out the reasons for this decline. (a) Identify the level of management at which Ashutosh Goenka was working. (b) State three other function being performed by Ashutosh Goenka. **(CBSE Board-2017) (4 marks)**

Ans. Hintsss. (a) Ashutosh Goenka was working at 'top level management'. (1 mark)

(b) Any three functions performed at top level management(3 marks)

Q.4 Explain the features of management that do not establish it as a profession.(**CBSE Board-2018) (4)**

Ans. Hintsss –The features of management that do not establish it as a profession (any 4 point) (1*4=4)

Q.5 . Explain any four features of co-ordination. (CBSE BOARD 2016) (4 marks)

Ans. Explain any four feathres (1*4)

LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)

Q.1 Aman, Ahmad and Ally are partners in a firm engaged in the distribution of dairy products in Maharashtra state. Aman is a holder of Senior Secondary School Certificate from Central Board of Secondary Education with Business Studies as one of his elective subjects. Ahmad had done his post graduation in History and Ally in dairy farming. One day there was a serious discussion between Ahmad and Ally regarding the nature of management, Ahmad argued that management was a profession. Whereas Ally argued against it saying that the legal and medical profession are the only professions because they fulfill all the conditions of profession. Aman on the basis of his knowledge of business studies explained the nature of management as a profession to Ahmad and Ally. Explain, how Aman would have satisfied both Ahmad and Ally **(CBSE Board 2015)**

Ans. Aman would have satisfied both Ahmed and Ally by explaining the following features of management as a profession. (Any 4 feathers of management) (1.5*4=6)

Q.2 Describe any five characteristics of 'co-ordination'. **(CBSE Board 2016) (5 marks)**

Ans. Hintsss- Any four characteristics – (1*5=5)

Q.3 Is 'management ' a full- fledge 'profession' ? Give any four reasons in support of your answer. **(CBSE Board 2018) (6 marks)**

Q.4 'Lack of proper management results in wastage of time, money and effort.' In the light of the statement, explain any five points of importance of management. **(CBSE Board 2018) (6 marks)**

Q.5 Is management an art? Give four reasons in support of your answer . **(CBSE Board 2018) (6)**

QUESTIONS FOR BRIGHT STUDENTS-

Q. 1. Sooraj works as a salesman in a company selling pet accessories and food. He has been given a target of selling 1200 units of the food packets in a month by offering a maximum of 10% discount to his customers. In order to meet his monthly sales target, on the last two days of the months, he offers 15% discount to his customers.

In the context of the above case:

Is Sooraj effective in his work? Explain by giving a suitable reason in support of your answer.

Ans. Yes, Sooraj is effective in his work as he has been able to meet his monthly sales target of selling 1200 units of the food packets.

Q. 2. Bhuvan argues that management is required in all kinds of organizations where as Piyush feels that management is not required in non-business organizations such as school, club, hospitals, etc. who is correct?

Ans. Bhuvan, because management is pervasive.

Q. 3. „Sonu Nigam“ the famous playback singer always spends time for practice and adds his creativity in his singing.

Like Sonu Nigam, Mr. Rajiv, manager of Headlines Ltd. uses his creativity and practice management principles under different situations to manage the business. The employees are happy and satisfied as he every day reward employees for their punctuality and efficiency.

1. Identify the nature of management highlighted above.

2. Name other two aspects of nature of management.

Ans.

1. Nature of management highlighted above is “Management as an Art”

2. The other two aspects of nature of management are:

a. Management as Science.

b. Management as Profession.

Q. 4. Dheerj is working as “Operations Manager” in Tifco Ltd. Name the managerial level at which he is working. State any four functions he will perform as “Operations Manager” in this company. (5 marks)

Ans. Dheeraj is working at middle level management.

Functions: The main task of Dheeraj is to carry out the plans formulated by the top managers. For this he need to:

1. Interest the policies framed by top management,

2. Ensure that his department has the necessary personnel, assign necessary duties and responsibilities to them.

3. Motivate them for higher productivity to achieve desired objectives, and

4. Cooperate with other departments for smooth functioning of the organization.

Q. 5. Yash Ltd. is facing a lot of problems these days. It manufactures electronic goods like washing machines, microwave ovens, refrigeration and air-conditioners. The company's margins are under pressure and the profits and market marketing department blames production department for producing goods, which are not of good quality to meet customers' expectations. The finance department blames both production and marketing departments for declining return on investment and bad marketing.

- 1. What quality of management do you think the company is lacking? Justify your answer.**
- 2. State the importance of the concept identified in (a). (5 marks)**

Ans.

1. Coordination: because production, marketing and finance departmental efforts are not coordinated for achieving organizational objectives harmoniously. As a result, the company's profits and market share are declining.

2. Importance of Coordination

1. Growth in size:
2. Functional differentiation:
3. Specialization:

Q. 6. Anju and Manju are good friends. Considering the fact that the activities involved in managing an enterprise are common to all organizations, after completing their masters in business management, both of them take up a job at managerial level in different organizations as per their individual areas of interest. Anju takes up a marketing job in a retail company and strives to increase sales where as Manju joins an NGO and works diligently to realize its objective related to providing employment to specially abled persons. Both of them have to perform a series of continuous, composite, but separate functions. On some days, Anju may spend more time in planning a future display layout and on another day, she may spend time in sorting out an employee's problem. Both Anju and Manju make conscious efforts to build a feeling of team spirit and coordination among diverse individuals with different needs who work under them. The effect of their management is noticeable in their respective departments as the targets are met according to plans, employees are happy and satisfied, and there is orderliness in its functioning rather than chaos.

In context of the above case:

Identify the various features of management highlighted in the above paragraph by quoting lines from it.

Ans. The various features of management highlighted in the above paragraph are stated below:

1. Management is all pervasive;
2. Management is a goal-oriented process;
3. Management is a continuous process;
4. Management is a group activity;
5. Management is an intangible force;

Q.7 Ritu is the manager of the northern division of a large corporate house. At what level does she work in the organisation? What are her basic functions?

OR

Your grandfather has retired from an organisation in which he was responsible for implementing the plans developed by the top management. At which level of management was he working? State one more function performed at this level.

OR

Deepak's father has retired as a purchase manager of a company. At what level of management was he working? What function do you think he was performing at that level of management?

OR

Dheeraj is working as an Operations Manager in Tifco Ltd. Name the managerial level at which he is working. State any four functions he will perform as the Operations Manager in this company.

OR

Rajat is working as a Regional Manager in Tifco Ltd. Name the level at which he is working. State any four functions he will perform as the Regional Manager in this company.

Ans. (Hintsss) a. working at the middle level b. Any four feathers

CHAPTER-2 PRINCIPLES OF MANAGEMENT.

Principle

A principle is a fundamental statement of truth that provides guidance to thought and action.

Principles of Management

Principles of management are broad and general guidelines for managerial decision making and behavior (i.e. they guide the practice of management).

Nature of Principles of Management

The nature of principles of management can be described in the following points:

- 1. Universal applicability** i.e. they can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.
- 2. General Guidelines:** They are general guidelines to action and decision making however they do not provide readymade solutions as the business environment is ever changing or dynamic.
- 3. Formed by practice and experimentation:** They are developed after thorough research work on the basis of experiences of managers.
- 4. Flexible:** Which can be adapted and modified by the practicing managers as per the demands of the situations as they are man-made principles.

Significance of the Principles of Management

The significance of principles of management can be derived from their utility which can be understood from the following points:

- 1. Providing managers with useful insights into reality:** Management principles guide managers to take right decision at right time by improving their knowledge, ability and understanding of various managerial situations and circumstances.
- 2. Optimum utilization of resources and effective administration:** Management principles facilitate optimum use of resources by coordinating the physical, financial and human resources. They also help in better administration by discouraging personal prejudices and adopting an objective approach.
- 3. Scientific decisions:** Decisions based on management principles tend to be more realistic, balanced and free from personal bias.
- 4. Meeting the changing environmental requirements:** Management principles provide an effective and dynamic leadership and help the organization to implement the changes.

Fayol's Principles of Management

About Henry Fayol: Henry Fayol (1841-1925) got degree in Mining Engineering and joined French Mining Company in 1860 as an Engineer. He rose to the position of Managing Director in 1888. When the company was on the verge of bankruptcy. He accepted the challenge and by using rich and broad administrative experience, he turned the fortune of the company. For his contributions, he is well known as the "Father of General Management".



Principles of Management developed by Fayol

- 1. Division of work:** Work is divided in small tasks/job and each work is done by a trained specialist which leads to greater efficiency, specialization, increased productivity and reduction of unnecessary wastage and movements.

2. Authority and Responsibility: Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. Authority and responsibility should go hand in hand. Mere responsibility without authority, makes an executive less interested in discharging his duties. Similarly giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.

3. Discipline: It is the obedience to organizational rules by the subordinates. Discipline requires good supervisors at all levels, clear and fair agreements and judicious application of penalties.

4. Unity of Command: It implies that every worker should receive orders and instructions from one superior only, otherwise it will create confusion, conflict, disturbance and overlapping of activities.

5. Unity of Direction: Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

Difference between Unity of Command and Unity of Direction

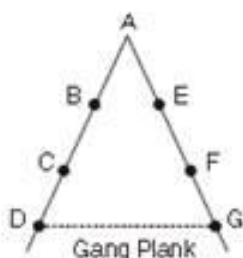
| Basis | Unity of Command | Unity of Direction |
|------------|--|---|
| 1. Meaning | It means that a subordinate should receive orders and instructions from one boss only. | It advocates 'one head, and one plan' for a group of activities having the same objectives. The activities should be directed towards the common goals. |
| 2. Scope | This principle is related to the functioning of personnel | This principle is related to the functioning of a department or the organization as a whole |

7. Remuneration of Employees: The overall pay and compensation should be, fair to both employees and the organization. The wages should encourage the workers to work more and better.

6. Subordination of Individual Interest to General Interest: The interest of an organization should take priority over the interest of any one individual employee.

8. Centralization and Decentralization: Centralization means concentration of decisions making authority in few hands at top level. Decentralization means evenly distribution of power at every level of management. Both should be balanced as no organization can be completely centralized or completely decentralized.

9. Scalar Chain: The formal lines of authority between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in emergency employees at same level can contact through Gang Plank by informing their immediate superiors.



10. Order: A place for everything and everyone and everything and everyone should be in its

designated place. People & material must be in suitable places at appropriate time for maximum efficiency.

11. Equity: The working environment of any organization should be free from all forms of discrimination (religion, language, caste, sex, belief or Basis Unity of Command Unity of Direction nationality) and principles of justice and fair play should be followed. No worker should be unduly favoured or punished.

12. Stability of Personnel: After being selected and appointed by rigorous procedure, the selected person should be kept at the post for a minimum period decided to show results.

13. Initiative: Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

14. Espirit De Corps: Management should promote team spirit, unity and harmony among employees. Management should promote a team work.

Taylor's Scientific Management

Fredrick Winslow Taylor (1856-1915) was a person who within a very short duration (1878-1884) rose from ranks of an ordinary apprentice to chief engineer in Midvale Steel Company, U.S.A. Taylor conducted a number of experiments and came to conclusion that workers were producing much less than the targeted standard task. Also, both the parties – Management and workers are hostile towards each other.

Principles of Scientific Management

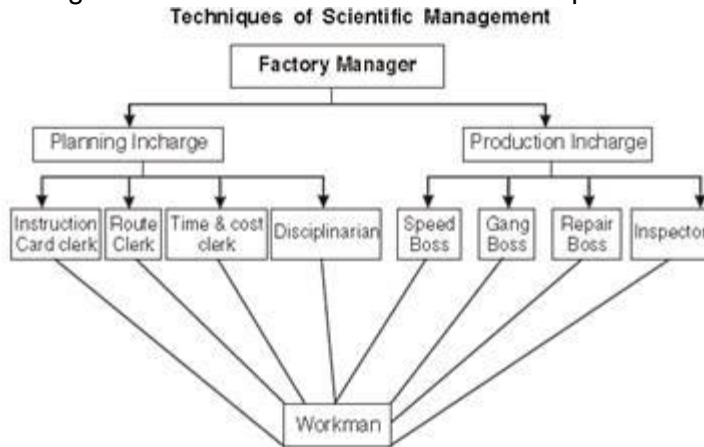
(1) Science, not rule of Thumb: There should be scientific study and analysis of each element of a job in order to replace the old rule of thumb approach or hit and miss method. We should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.

(2) Harmony, Not discord: It implies that there should be mental revolution on part of managers and workers in order to respect each other's role and eliminate any class conflict to realize organizational objectives.

(3) Cooperation not individualism: It is an extension of the Principle of Harmony not discord whereby constructive suggestions of workers should be adopted and they should not go on strike as both management and workers share responsibility and perform together.

(4) Development of each and every person to his or her greatest Efficiency and Prosperity: It implies development of competencies of all persons of an organization after their scientific selection and assigning work suited to their temperament and abilities. This will increase the productivity by

utilizing the skills of the workers to the fullest possible extent.



1. Functional Foreman-ship: Functional foreman-ship is a technique in which planning and execution are separated. There are eight types of specialized, professionals, four each under planning and execution who keep a watch on all workers to extract optimum performance.

Planning Incharges:

1. **Route Clerk** to specify the exact sequence and route of production.
2. **Instruction card clerk** is responsible for drafting instructions for the workers.
3. **Time and cost clerk** to prepare time and cost sheet for the job.
4. **Shop Disciplinarian** to ensure discipline and enforcement of rules and regulations among the workers.

Production Incharges:

1. **Gang boss** is responsible for keeping tools and machines ready for operation.
2. **Speed boss** is responsible for timely and accurate completion of job.
3. **Repair boss** to ensure proper working conditions of tools and machines.
4. **Inspector** to check quality of work.

2. Standardization and Simplification of work: Standardization refers to developing standards for every business activity whereas Simplification refers to eliminating superfluous varieties of product or service. It results in savings of cost of labour, machines and tools. It leads to fuller utilization of equipment and increase in turnover.

3. Method Study: The objective of method study is to find out one best way of doing the job to maximize efficiency in the use of materials, machinery, manpower and capital.

(1) Which technique of scientific management is being violated here?

(Hintss: Functional Foreman ship.)

(2) Write one consequence of this violation.

4. Motion Study: It is the science of eliminating wastefulness resulting from using unnecessary, ill-directed and inefficient motions by workers and machines to identify best method of work.

5 Time study: It determines the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes & determine labour costs.

6. Fatigue study: Fatigue study seeks to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.

7. Differential piece wage system: This system links wages and productivity. The standard output per day is established and two piece rates are used: higher for those who achieve upto and more than standard output i.e. efficient workers and lower for inefficient and slow workers. Thus, efficient workers will be rewarded & inefficient will be motivated to improve their performance.

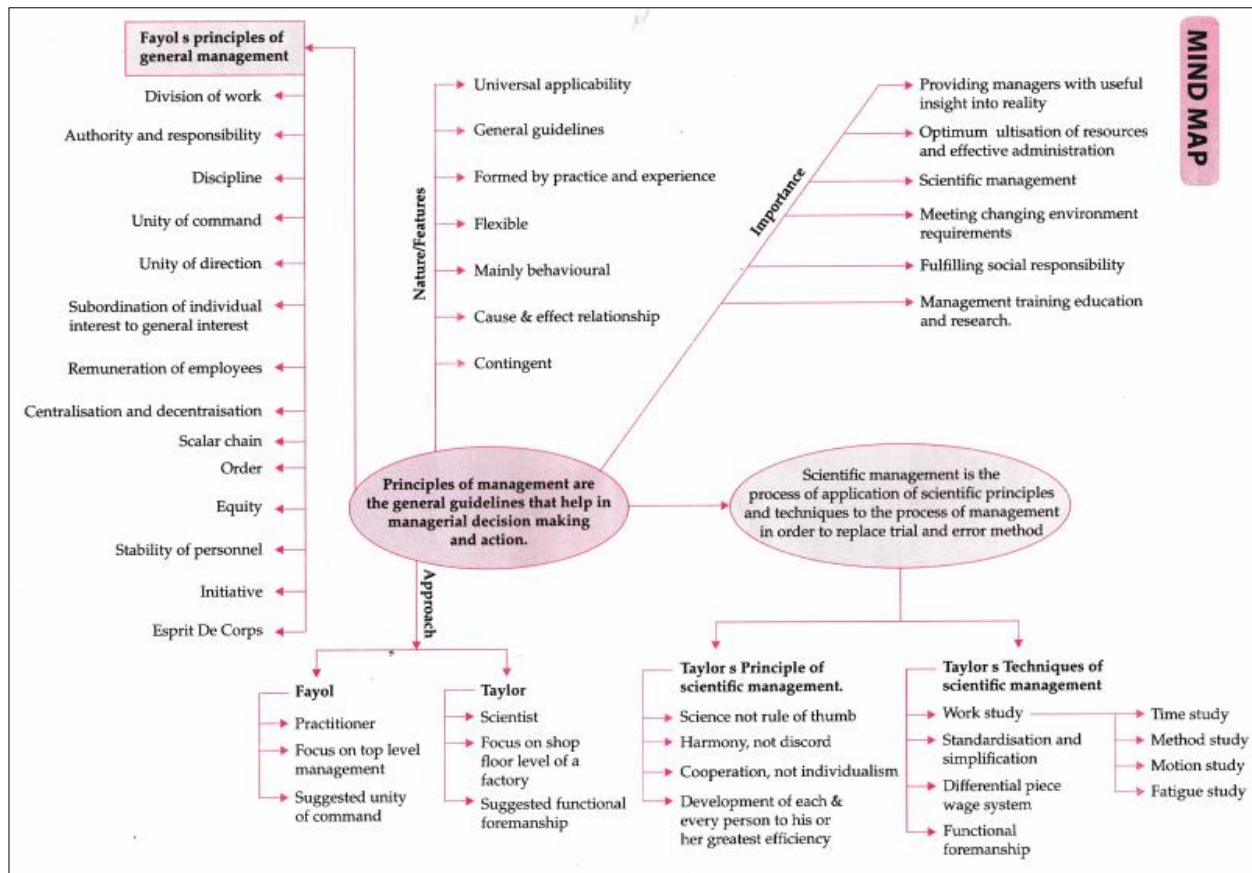
For example: Standard task is 10 units. Rates are: Rs 50 per unit for producing 10 units or more and Rs 40 per unit for producing less than 10 units

Worker A produces 11 Units; he gets Rs 550 (11 units x 50 per unit)

Worker B produces 09 units; he gets Rs 360 (9 units x 40 per unit)

This difference of Rs 190 will motivate B to perform better.

8. Mental Revolution: It involves a complete change in mental outlook and attitude of workers and management towards one another from competition to cooperation. The management should create pleasant working conditions & workers should work with devotion and loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it.



QUESTIONS AND ANSWERS

OBJECTIVE TYPE QUESTIONS

1. Which of the following option is false? Principles of management are

- (a) Applicable only in large firms managers (b) Formed by practice and experience of managers
- (c) Flexible (d) Contingent **(CBSE Sample Paper 2019-20)**
2. The principles of science are _____ whereas the principles of management are _____.
- (a) flexible/rigid (b) rigid/flexible
- (c) based on research/based on development (d) permanent/temporary
3. 'The Differential Piece Wage System technique is based on the principle of _____.
- (a) Equity (b) Remuneration
- (c) Subordination of individual interest to general interest (d) Division of work
4. Same charger of mobiles can be used for different models of a particular brand. This is an example of which of the following techniques of scientific management?
- (a) Standardization (b) Simplification (c) Method Study (d) Functional Foremanship

5. Match functions with the nature of specialists:

Functions done

Name of Boss

1. Keep Machines and tools ready

A. Speed Boss

2. Keep check on quality of work

B. Inspector

3. Timely and accurate completion of work

C. Repair Boss

4. Ensure proper working condition of machines

D. Gang Boss

Find the correct match:

(a) 1(D) 2(B) 3(A) 4(C)

(b) 1(C) 2(B) 3(A) 4(D)

(c) 1(B) 2(C) 3(A) 4(D)

(d) 1(D) 2(B) 3(C) 4(A)

6. Employees' turnover refers to the turnover achieved by employees. (True/False)
7. Functional Foremanship violates the principle of unity of command. (True/False)
8. Assertion (A): According to Taylor, there should be an almost equal division of work and responsibility between workers and management.

Reason (R): The principle of 'harmony not discord' says that there should be complete harmony between management and workers.

Find the correct option:

- (a) Both A and R are true and R is the correct explanation of A
- (b) Both A and R are true but R is not the correct explanation of A
- (c) A is true but R is false
- (d) A is false but R is true

9. Principles of management equip the managers to foresee the cause and effect relationships of their decisions and actions so that the wastages associated with a trial and error approach can be overcome. Identify the point of significance of principle of management highlighted here. **(CBSE Outside Delhi 2019)**
10. Reema is one of the most successful managers of her company, Globe Ltd. She knows that the principles of management are intended to apply to all types of organisations, business as well as non-business, small as well as large, public sector as well as private sector. One of the points related to the nature of management principles is being highlighted in the above description. Identify the point. (Compartment Outside Delhi 2017)

ANSWER

1. A 2. B 3. B 4. A 5. A 6. False 7. True
8. (b) Both A and R are true but R is not the correct explanation of A Explanation: Both A and R are correct but R is not the correct explanation of A as per Taylor, 'Principle of cooperation not individualism'
9. Optimum utilization of resources and effective administration
10. Universal Applicability

SHORT ANSWER TYPE QUESTIONS (3 OR 4 MARKS)

1. Explain 'unity of command' and 'equity' as principles of general management. **(CBSE, Delhi 2017) (1.5+1.5=3)**
2. Sanchit, after completing his entrepreneurship course from Sweden returned to India and started a coffee shop 'AromaCoffeeCan' in a famous mall in New Delhi. The specialty of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same. Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the order. She also realised that there were some flavors whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period Sandhya was able to attract the customers. Identify and explain any two techniques of scientific management used by Sandhya to solve the problem. **(CBSE 2017) (2+2=4)**
Ans.(Hintsss) The two techniques of scientific management used by Sandhya to solve the problem are: (any two) 1. Time study: 2. simplification (Standardization and Simplification):
3. Explain briefly 'discipline' and 'scalar chain' as principles of general management. **(CBSE, Delhi 2017) (2+2=4)**
4. Explain 'order' and 'initiative' as principles of general management. **(CBSE 2017) (4)**

5. Explain briefly 'Unity of Direction' and 'Order' as principles of general management. (CBSE 2017)
(2*2=4 marks)

LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)

1. Explain the following techniques of Scientific Management : (CBSE 2019) (2.5+2.5=4)
(a) Fatigue Study ; and (b) Differential Piece Wage System
2. Karan Nath took over 'D'north Motor Company' from his ailing father three months ago. In the past the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production as well as selection of employees in the company were not scientific.
He believed that there was only one best method to maximise efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'.
He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organisation. It helped in increasing the output, improving the quality and reducing the cost and wastage. Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case. (CBSE 2018) (2.5+2.5=5)

Ans. (Hints) The following principles and techniques of scientific management are being discussed in the question:

1. Development of each and every person to his/her greatest efficiency and prosperity: explain with Quoted Line 2. Method Study: explain with Quoted Line 3. Science, not rule of thumb: explain with Quoted Line (2*3=6)

3. Describe the nature of principles of management with the help of any four points. (1,5*4=6)
4. Explain the following principles of management : (CBSE 2018) (3+3=6)
(a) Scalar chain. (b) Harmony, not discord.
5. Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employees compensation should depend on the earning capacity of the company and should give them a reasonable standard of living. Identify and explain the principles of Fayol and Taylor referred to in the above para.
(CBSE 2018) (3+3=6)

Ans. The two principles that are being regarded in the given paragraph are as follows:

(i) '**Harmony, Not Discord**' by Taylor: (with Explanation) (3 marks)

(ii) '**Remuneration of Employees**' by Fayol: (with Explanation) (3 marks)

QUESTIONS FOR BRIGHT STUDENTS

Q.1 A subordinate receives order from more than one boss' . Which principle is violated? (1)

Ans: Unity of command.

Q. 2. In your school, you observe that books are kept in office, chalks in the library and office records in the staff room.

- 1. Which principle of management is violated here and why?**
- 2. How will that affect the achievement of school objectives?**
- 3. As a manager, what steps will you take to rectify the shortcomings? (3 marks)**

Ans.

1. The principle of "Order"
2. In the absence of orderliness, school objectives will not be achieved efficiently and effectively.
3. Things should be placed at appropriate places to achieve maximum efficiency with given time framework.

Q. 3. The production manager of an automobile company asked the foreman to achieve a target production of 200 scooters per day. But he did not give him the authority of requisition tools and materials from the stores 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 marks)

Ans. No, the production manager cannot blame the foreman because he did not give him the authority to requisition tools and materials from the stores department. Since he has no authority, he could not fulfil his responsibility.

In this case the principle of „Authority and Responsibility" is violated. Fayol suggested that there must be a balance between authority and responsibility. Authority and responsibility must go hand in hand. Responsibility without adequate authority will make the subordinate ineffective, i.e., he will not be able to perform his duties properly. At the same time giving authority without fixing responsibility may lead to misuse of authority.

Q. 4. Soniya Ltd. was engaged in the business of manufacturing auto components. Lately, its business was expanding due to increased demand for cars. The competition was also increasing. In order to keep its market share intact, the company directed its workforce to work overtime. But this resulted in many problems.

Due to increased pressure of work the efficiency of workers declined. Sometimes, the subordinates had to work for more than one superiors. The workers were becoming indiscipline. The spirit of teamwork, which had characterized the company previously, had begun to wane. Identify any three principles of management (as given by Henry Fayol) which were being violated, quoting the lines from the above case. (3 marks)

Ans.

1. Unity of command - "Sometimes, the subordinates had to work for more than one superiors."
2. Discipline- "The workers were becoming indiscipline."
3. Spirit de corps- "The spirit of teamwork, which had characterized the company previously, had begun to wane."

Q. 5. Radhika opens a jewelry showroom in Jaipur after completing a course in jewelry designing. She has employed eleven persons in her showroom. For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialized job. The sales persons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radhika as the final authority. In the earlier days of starting of the business, five of her employees were asked to put in extra hours of work. In return she had promised to give them a special incentive within a year. Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment. However, when it comes to settling the conflicts among her employees, she tends to be more biased towards her female employees.

In context of the above case:

- 1. Identify and explain the various principles of management that are being applied by Radhika by quoting lines from the paragraph.**
- 2. Identify and explain the principle of management which is being violated by Radhika by quoting lines from the paragraph.**
- 3. State any one effect of the violation of the principle of management by Radhika as identified in part (b) of the question. (5 marks)**

Ans.

1. The various principles of management that are being applied by Radhika are listed below:

a. Principle of Division of work:

“For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialized job.”

b. Principle of Centralization and Decentralization:

“The sales persons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radhika as the final authority.”

c. Principle of Discipline:

“Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment.”

2. The principle of management which is being violated by Radhika is Equity.

“However, when it comes to settling the conflicts among her employees, she tends to be more biased towards her female employees.”

3. One effect of the violation of the Principle of Equity is that it may lead to job dissatisfaction among the male workers.

Q6. ‘Aapka 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 of ten prefects was constituted to plan different aspect of the function. They all decided to use recycled paper for decoration. There was a spirit of unit and harmony and all members supported each other. With mutual trust and belongingness the programme was systematically planned and executed. Kartik, 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 to same principle in his business. His father replied that he was already using this principle.

1. Identify the principle of management applied for the success of the programme.

2. State any three features of management highlighted in the above para. (5)

1. a. *Espirit de corps* b. Management is pervasive-:he asked his father to apply the same principle in his business.'

Management is pervasive as it can be applied to all types/levels of organizations.

2. Management is a group activity – „There was a spirit of unity and harmony and all members supported each other.'

Management is a group activity because it requires team work and/or coordination of individual efforts.

Q7. Gaurika has been appointed as the chief organizer of a weeklong cultural event. Being a staunch follower of scientific management, she decides to execute her work by putting into practice the various techniques of scientific management. On the basis of several observations, she is able to determine that the standard time taken by the security officer at the gate to check the credentials of each visitor is 30 seconds. So she decides to employ two persons on this job for every function along with the other necessary support staff. She considers the fact that every day, the functions will take place in three shifts of four hours each, therefore it is important to give breaks to the support staff even in a single shift to take her/his lunch etc. moreover, on introspection, she determines that the best way to distribute refreshment boxes to the visitors will be to hand it over to them at the exit gate as it would help to save time and eliminate any kind of confusion. In the context of the above case:Identify and explain the various techniques of work study which have been put into practice by Gaurika. (5)

Ans. The various techniques of work study which have been put into practice by Gaurika are outlined below: 1. *Time Study*: 2. *Fatigue Study*: 3. *Method Study*:

CHAPTER-3: Business Environment

| Concept | <ul style="list-style-type: none"> After going through this unit, the student/ learner would be able to: |
|--|--|
| Business Environment- concept and importance | <ul style="list-style-type: none"> Understand the concept of 'Business Environment'. Describe the importance of business environment |
| Dimensions of Business Environment- Economic, Social, Technological, Political and Legal | <ul style="list-style-type: none"> Describe the various dimensions of 'Business Environment'. |

Meaning of Business Environment:

Business environment refers to forces and institutions outside the firm with which its members must deal to achieve the organisational purposes. Here

- Forces = economical, social, political, technological etc
- Institutions = suppliers, customers, competitors etc

Features of Business Environment

- 1. Totality of external forces:** Business environment is the sum total of all the forces/factors external to a business firm.
- 2. Specific and general forces:** Business environment includes both specific and general forces. Specific forces include investors, competitors, customers etc. who influence business firm directly while general forces include social, political, economic, legal and technological conditions which affect a business firm indirectly.
- 3. Inter-relatedness:** All the forces/factors of a business environment are closely interrelated. For example, increased awareness of health care has raised the demand for organic food and roasted snacks.
- 4. Dynamic:** Business environment is dynamic in nature which keeps on changing with the change in technology, consumer's fashion and tastes etc.
- 5. Uncertainty:** Business environment is uncertain as it is difficult to predict the future environmental changes and their impact with full accuracy.
- 6. Complexity:** Business environment is complex which is easy to understand in parts separately but it is difficult to understand in totality.
- 7. Relativity:** Business environment is a relative concept whose impact differs from country to country, region to region and firm to firm. For example, a shift of preference from soft drinks to juices will be welcomed as an opportunity by juice making companies while a threat to soft drink manufacturers.

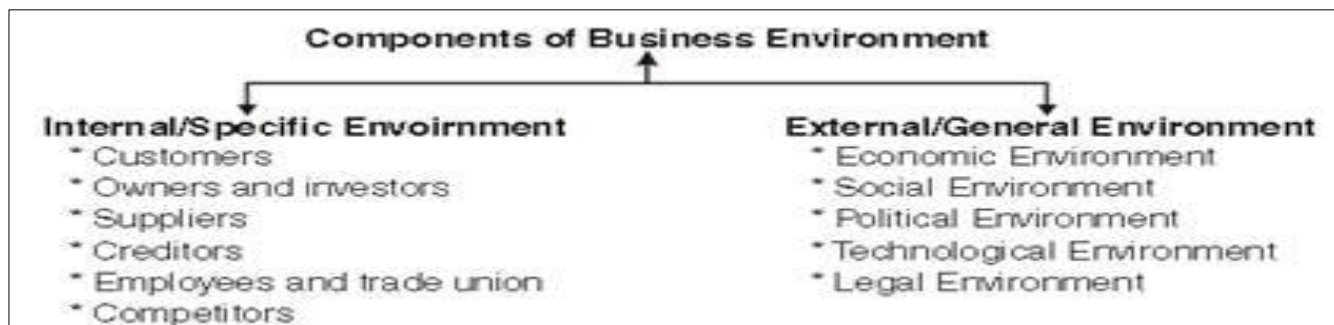
IMPORTANCE OF BUSINESS ENVIRONMENT

- 1. Identification of opportunities to get first mover advantage:** Understanding of business environment helps an organization in identifying advantageous opportunities and getting their benefits prior to competitors, thus reaping the benefits of being a pioneer.
- 2. Identification of threats:** Correct knowledge of business environment helps an organization to identify those threats which may adversely affect its operations. For example, Bajaj Auto made considerable improvements in its two wheelers when Honda & other companies entered the auto industry.

3. Tapping useful resources: Business environment makes available various resources such as capital, labour, machines, raw material etc. to a business firm. In order to know the availability of resources and making them available on time at economical price, knowledge of business environment is necessary.

4. Coping with Rapid changes: Continuous study/scanning of business environment helps in knowing the changes which are taking place and thus they can be faced effectively.

5. Assistance in planning and policy formulation: Understanding and analysis of business environment helps an organization in planning & policy formulation. For example, ITC Hotels planned new hotels in India after observing boom in tourism sector.



DIMENSIONS/COMPONENTS OF BUSINESS ENVIRONMENT

1. Economic Environment: It has immediate and direct economic impact on a business. Rate of interest, inflation rate, change in the income of people, monetary policy, price level etc. are some economic factors which could affect business firms. Economic environment may offer opportunities to a firm or it may put constraints.

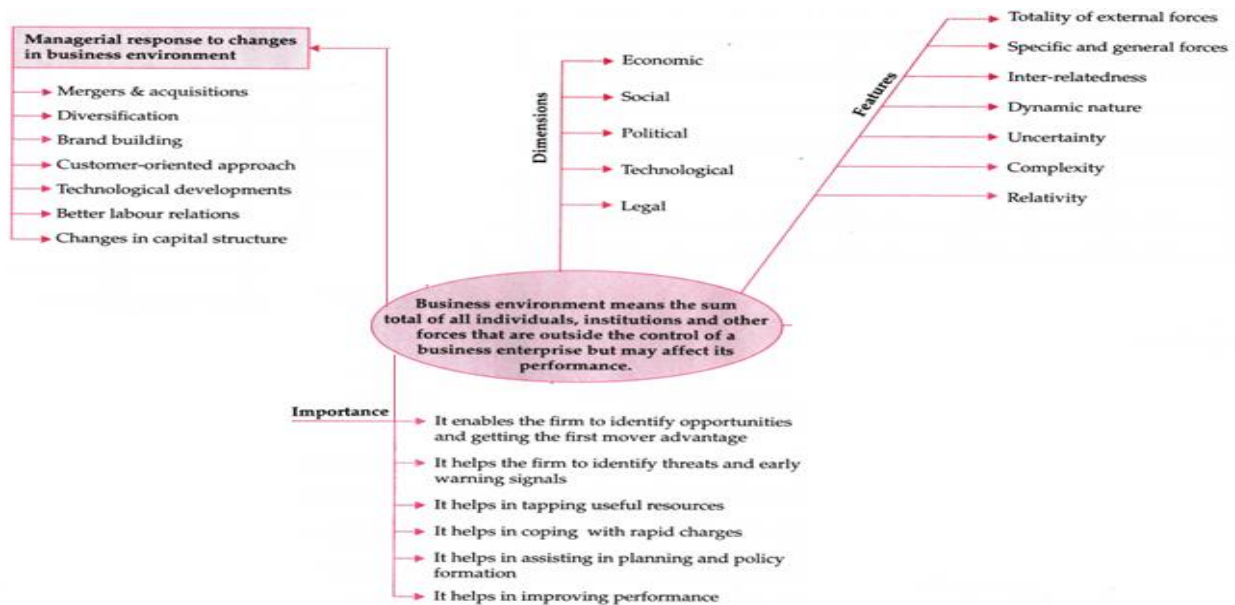
2. Social Environment: It includes various social forces such as customs, beliefs, literacy rate, educational levels, lifestyle, values etc. Changes in social environment affect an organization in the long run. Example: Now a days people are paying more attention towards their health, as a result of which demand for mineral water, diet coke etc. has increased while demand of tobacco, fatty food products has decreased.

3. Technological Environment: It provides new and advance ways/techniques of production. A businessman must closely monitor the technological changes taking place in the industry as it helps in facing competition and improving quality of the product. For Example, Digital watches in place of traditional watches, artificial fabrics in place of traditional cotton and silk fabrics, booking of railway tickets on internet etc.

4. Political Environment: Changes in political situation also affect business organizations. Political stability builds confidence among business community while political instability and bad law & order situation may bring uncertainty in business activities. Ideology of the political party, attitude of government towards business, type of government-single party or coalition government affects the business Example: Bangalore and Hyderabad have become the most popular locations for IT due to supportive political climate.

5. Legal Environment: It constitutes the laws and legislations passed by the Government, administrative orders, court judgements, decisions of various commissions and agencies. Businessmen have to act according to various legislations and their knowledge is very necessary. Example: Advertisement of Alcoholic products is prohibited and it is compulsory to give statutory warning on advertisement of cigarettes.

Mind Map



QUESTIONS AND ANSWERS

OBJECTIVE TYPE QUESTIONS

1. The Reserve Bank of India reduces CRR (Cash Reserve Ratio) by 0.5% to control recession. This is related to which dimension of Business Environment.

(a) Political Environment
(b) Economic Environment

(c) Social Environment
(d) Legal Environment
2. Which of the following is available in time with the help of the study of environment?

(a) Government Help
(b) Foreign Aid
(c) Warning Signal
(d) Material
3. Which one of the following is not a feature of business environment?

(a) Uncertainty
(b) Interdependence
(c) Complexity
(d) Stability
4. With the introduction of Photostat Machines in the market, the carbon paper industry was adversely affected. Which component of environment was responsible for it?

(a) Economic
(b) Political
(c) Technical
(d) All the above
5. All the forces of Business Environment are _____.

(a) Relativity
(b) Inter related
(c) Uncertain
(d) None of the above
6. _____ is considered a major element of the political environment:

(a) The extent and nature of government intervention in business;

(b) planned outlay in public and private sectors;

(c) Expectations from the workforce;

(d) Administrative order issued by government authorities.

7. Introduction of mobile phone have negatively affected the business of watches and cameras "Which factor of business environment is related with the sentence.

(a) Social environment

(b) Technological environment

(c) Political environment

(d) Legal environment

8. Since more number of people have become more beauty and health conscious, our economy has witnessed an unprecedented surge in the number of health and beauty spas and wellness clinics.

Related feature of business environment being described in the above lines is —

(a) Totality of external forces

(b) Dynamic nature

(c) Interrelatedness

(d) Relativity

9. Dynamic nature of business environment suggests that it is pervasive. (true/False)

10. Investors and customers are the two components of specific forces of business environment. (True/False)

ANSWER

1. B 2. C 3. D 4. C 5. B. 6.A 7. B 8. C 9. False 10. True

SHORT ANSWER TYPE QUESTIONS (3 OR 4 MARKS)

1. Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical fertilizers free vegetables. They conducted a survey to find out consumer preferences for such vegetables.
They found that most of the consumers were concerned about the harmful chemicals being used in growing the vegetables. They found that 90% of the households were searching for its alternatives. The company contacted a group of agriculture experts to lay down the procedure for growing the vegetables by the farmers. They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods. The experts also suggested soil management techniques through which farmers would be able to create an abundant and lasting harvest.

Identify and explain the two dimensions of business environment highlighted in the above para. Ans. (Hints) a. Technological environment b. Social environment-with Explanation (CBSE 2019) (2+2=4)

2. A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by Directorate of Education. He was awarded first prize for his invention. Identify and explain the dimensions of business environment discussed in the above case. (CBSE 2018) (2+2=4)

Ans. i) **Economic Environment**- Reference line "A recent cut in the interest on loans announced by banks."ii) **Technological Environment**- Reference line: "Developed cars to be powered by fuel produced from garbage". With Explanation

3. With change in the consumption habits of people, Neelesh, who was running, a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of business environment discussed in the above case. **(CBSE 2016) (2+2=4)**

(Hints -a. Social Environment- b. Technological Environment)
4. Explain the concept of 'Business Environment' and any three features of it **(CBSE 2014) (1+3=4)**
6. Why is the understanding of business environment important for Explain with the help of any four points. (Delhi 2014) (4 Marks)

LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)

1. 'Konark Ltd.' is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.

(a) Identify and state the feature of the concept discussed in the above paragraph.
(b) Also, state any four points of importance of this concept. **(CBSE 2019) (1+4=5)**
(Ans.- a. Business Environment b. write any four features of business environment)
2. Ultra Paint Co. which is manufacturing paints has been enjoying a prominent market position as it manufactured best quality paints, made timely payment of taxes to government. It assembled various inputs like finance, machines, raw materials, etc. from its environment. But since last year it has been dumping its untreated poisonous waste on the river bank which has created many health problems for the people. As a result, the court passed an order to seal the manufacturing unit of the company.

1. State the importance of business environment highlighted quoting the line from the above case.

2. Identify any two dimensions of business environment mentioned in the above case by quoting lines from it. (5 marks)

Ans.1. (a) Business environment helps in tapping useful resources. (3)

"It assembled various inputs like finance, machines, raw materials, etc. from its environment."

(b) (i) Social environment (2)

"...it has been dumping its untreated poisonous waste on the river bank which has created many health problems for the people."

(2) Legal environment- "...the court passed an order to seal the manufacturing unit of the company."

3 Disco Ltd. manufactures fashionable and designer clothes. Recently it finds that the demand for its products has been declining. After market research it was discovered that fashion and tastes of the consumers is changing at a fast pace. Customers' demand is increasing. New competitors have entered the market with new designs. It is very difficult for the company to predict future happenings. Also, it is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on decrease in demand of its products in the market.

A meeting was held in which managers from different functional levels heading Production, Marketing, Finance, etc., for example, Chief Operating Officer, Chief Finance Officer, Vice President (Marketing) were present to discuss how to deal with the situation. After a long discussion, it was decided that they would study and analyze the market first to identify customer tastes and fashion and then manufacture garments accordingly. It was also decided to increase expenditure on advertising, after-sales services, etc.

1. Identify any two features of business environment by quoting the lines from the above case.
2. At which level of management the meeting of managers of Disco Ltd. was held?
3. State the importance of understanding of environment by business managers in the light of the above para. (6 Marks)

Ans.

1. Features of business environment: (3)

a. *Dynamic nature*: "fashion and taste of the consumers is changing at a fast pace."

b. *Uncertainty*: "It is very difficult for the company to predict future happening."

c. *Complexity*: It is difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on decrease in demand of its products in the market.

2. Top level management (1)

3. Business environment helps the manager in coping with rapid changes.(1)

4 The court passed an order to ban polythene bags as

-These bags are creating many environmental problems which affect the life of people in general.

- Society in general is more concerned about quality of life.

- The government decided to give subsidy to jute industry to promote this business.

- Innovative techniques are being developed to manufacture jute bags at low rates.
- Incomes are rising and people can afford to buy these bags.

Identify the different dimensions of business environment by quoting the lines from the above particulars. (Hints- Legal Environment) **(HOTS; All india2013)**

QUESTIONS FOR BRIGHT STUDENTS:

1. With changes in the consumption habits of people, Neelesh, who was running a sweet shop, shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got a lot of orders online and earned huge profits by selling the chocolate. Identify and explain the dimensions of business environment discussed in the above case. (3)

Ans. The various dimensions of business environment being referred to in the above case are as follows:

1. *Social environment:*

2. *Technological environment:*

2. A recent rate cut in the interest on loans announced by the banks encouraged Amit, a science student of Progressive School, to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organized by the Directorate of Education. He was awarded the first prize for his invention. Identify and explain the dimensions of business environment discussed in the above case. (3)

Ans. The various dimensions of business environment being referred to in the above case are as follows:

1. *Economic Environment:*

2. *Technological Environment:*

3. As per the directions issued by the Supreme Court, the government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions as:

1. Its consumption is injurious to health.

2. People are becoming more conscious about health and fitness. This indicates the government's attitude towards this business.

Identify the business environment under three different dimensions by quoting from above paragraph.

(3)

Ans. The various dimensions of business environment being referred to in the above case are as follows:

1. *Legal Environment:* "As per the directions issued by the Supreme Court."

2. *Political Environment*: “The government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions.”

3. *Social Environment*: “Its consumption is injurious to health and people are becoming more conscious about health and fitness.”

4. Over the years, e-business in our country has witnessed tremendous growth due to several reasons. There is significant improvement in the Information Technology infrastructure over the last decade as the Government has taken important steps in high-speed Internet connectivity. As a result, the broadband networks have not only become better but also more affordable. Additionally, Government is trying to make rural India connected through broadband – a great possibility for e-business to expand the retail market by reaching out to the most remote rural customer. Another catalyst strengthening the e-business segment is the country’s favourable demography. It has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in the year 2020, the average age of an Indian will be 29 years, compared to 37 for China and 48 for Japan, this promises for phenomenal increase in e-business. Moreover, the penetration of the smartphone in a large section of the population has aptly addressed the problem of compute illiteracy. Not with standing the fact that consumers also prefer e-business due to multiple factors like convenience, time etc. Identify and explain the various dimensions of business environment being referred to in the above case. (4)

Ans. The various dimensions of business environment being referred to in the above case are as follows:

1. Political Environment: 2. Technological Environment: 3. Social Environment:

5. Eco-friendly products are gaining power as the consumers’ awareness about environmental issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now more conscious about the carbon emission and climate change effects, and want themselves to be „seen” as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have to not only meet the needs of the consumers but also ensure that their products are safe and environment friendly. At a result, there is growing need for better and advanced technologies to works as a catalyst in this regard.

1. Identify the relevant feature of business environment being discussed above.

2. Describe briefly any three points which highlight the importance of business environment and its understanding by managers. (4)

Ans. 1. Inter-relatedness is the relevant feature of business environment which is being discussed above.

2. The three points which highlighted the importance of business environment and its understanding by managers are described below:

1. *It enables the firm to identify opportunities and getting the first mover advantage*: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors.

2. *It helps the firm to identify threats and early warning signals*: sometimes the changes in the external environment may pose as a threat and hinder a firm’s performance. An awareness

about the business environment helps the managers to identify such threats on time and take necessary decisions and action.

3. It helps in tapping useful resources as the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires.

CHAPTER -4: PLANNING

Meaning: - Planning is deciding in advance what is to be done, when and where is to be done, how is to be done and by whom it

should be done. It bridges the gap between where we are standing and where we want to go.

“Planning is deciding in advance what to do, how to do, when to do and who has to do it. Thus, it involves setting objectives and developing an appropriate course of action to achieve those objectives.”

Features of Planning

- Planning focuses on achieving objectives by deciding upon the activities to be undertaken.
- Planning is a primary function as it precedes all functions of management i.e. organising, staffing, directing & controlling.
- Planning is pervasive as it is required at all the levels of management but its scope may vary.
- Planning is continuous as plans need to be made on a continuous basis till an organisation exists.
- Planning is futuristic as it seeks to meet future events effectively to the best advantage of an organisation. Planning is, therefore, called a forward looking function.
- Planning involves decision-making as it involves rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.
- Planning is a mental exercise as it is based on intellectual thinking involving foresight, visualisation and judgement rather than guess work.

Importance of Planning

- **Planning provides direction** as it acts as a guide for deciding what course of action should be taken to attain the organisational goals.
- **Planning reduces the risk of uncertainty** arising due to the dynamic nature of business environment as it enables a manager to anticipate and meet changes effectively.
- **Planning reduces overlapping & wasteful activities** as it serves as the basis for coordinating the activities and efforts of different divisions and individuals.
- **Planning promotes innovation** as it encourages new ideas that can take shape of concrete plans.
- **Planning facilitates decision making** as it enables a manager to choose the best alternative course of action among the various available alternatives in light of present and future conditions.
- **Planning establishes standards for controlling.** Planning provides standards against which the actual performance is measured and timely corrective actions are taken.

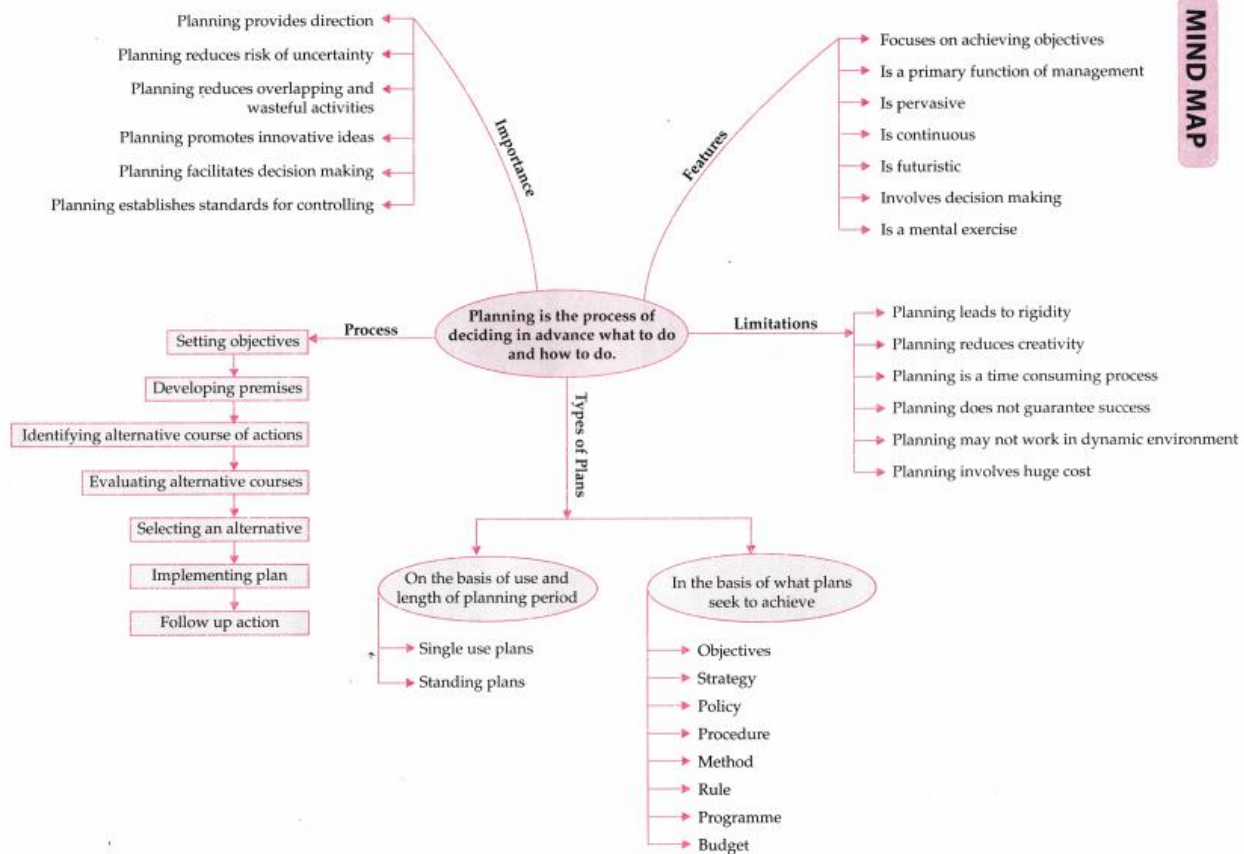
Steps Involved in the Planning Process

- **Setting objectives** for the entire organisation and each department or unit within the organisation.
- **Developing Premises** which reflect the assumptions about the future that the manager is required to make since the future is uncertain.
- **Identifying alternative** courses of action through which the desired goals can be achieved.
- **Evaluating alternative** courses to analyse the relative pros and cons of each alternative in light of their feasibility and consequences.
- **Selecting an alternative** or a combination of plans which appears to be most feasible.
- **Implement the plan** with the help of a strategy.
- **Follow up action** in order to monitor the plans to ensure that the desired objectives are achieved efficiently and effectively.

Limitations of Planning

- **Planning leads to rigidity** as plans are drawn in advance and managers may not be in a position to change them in the light of changed conditions.
- **Planning may not work in a dynamic environment** as through planning, everything cannot be foreseen.
- **Planning reduces creativity** as the top management undertakes planning of various activities whereas the middle managers are neither allowed to deviate from plans nor are they permitted to act on their own.
- **Planning involves huge costs** in terms of time and money required to undertake scientific calculations and sometimes it may not justify the benefits derived from it.
- **Planning is a time consuming process** and sometimes there is not much time left for implementation of the plans.
- **Planning does not guarantee success** because it is not always essential that if a plan has worked before, it will work again, as things may change. This kind of complacency and false sense of security may actually lead to failure instead of success of a business.

MIND MAP



MULTICHOICE AND OBJECTIVE TYPE QUESTION;

1. Planning is _____

- (a) Flexible (b) Stable
(c) Rigid (d) None of these

ANS. (c) Rigid

2. Planning is the _____ function of management.

- (a) First (b) Second
(c) Third (d) Fourth

ANS. (a) First

3. _____ is the base of Planning.

- (a) Organising (b) Controlling
(c) Forecasting (d) Directing

ANS (c) Forecasting

4. Planning results in decreasing _____

- (a) Coordination (b) Proper use of resource
(c) Future uncertainties (d) Control

5. 'Planning requires logical and systematic thinking rather than guess work or wishful

thinking.' What characteristic of planning does this statement highlight?

ANS Mental exercise.

6. Making assumptions for future is called

- (a) Making derivative plans (b) Making policy
(c) Setting planning premises (d) All of the above ANS. (c) Setting planning premises

6. Planning is the

- (a) Primary/First function of manager (b) Last function of manager
(c) Both (a) and (b) (d) None of the above ANS (a) Primary/First function of manager

7. Making assumptions for future is called

- (a) Making derivative plans (b) Making policy
(c) Setting planning premises (d) All of the above ANS (c) Setting planning premises

(VSA,SA,LA)

Q. 1. What do you mean by Planning?

Ans. Planning is setting objectives for a given time period, formulating or identifying various courses of action to achieve them, and then selecting the best possible alternative from among the various courses of action available.

Other important points to bear in mind:

- *Planning is deciding in advance what to do and how to do.*
- *It is one of the basic managerial functions.*
- *Planning is closely connected with creativity and innovation.*
- *Planning seeks to bridge the gap between where we are and where we want to go.*
- *Planning is what managers at all levels do.*
- *It requires taking decisions since it involves making a choice from alternative courses of action.*
- *Objectives provide direction for all managerial decisions and actions.*
- *The plan that is developed has to have a given time frame but time is a limited resource. It needs to be utilised judiciously. If time factor is not taken into consideration, conditions in the environment may change and all business plans may go waste.*

2. State any three points of importance of planning function of management. (CBSE, Delhi 2017)

Answer:

The three points indicating the importance of planning is described below:

1. Reduces the risk of uncertainty:
2. Planning promotes innovative ideas:
3. Avoiding overlapping and wasteful activities:

3 State any three limitation of planning. (CBSE, Delhi 2017)

Answer: The three limitations of planning are described below:

1. Planning may not work in a dynamic environment:
2. Planning reduces creativity:

3. Planning involves huge costs:
4. State any three features of planning. (CBSE, Delhi 2017)

Answer:

The three features of planning are described below:

1. Planning is pervasive:
2. Planning involves decision-making:

3 Planning is a primary function:

Question 5.

Suhasini, a home science graduate from a reputed college, has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable prices. She discussed her idea with her teacher (mentor) who encouraged her. After analysing various options for starting her business venture, they short listed the option to sell ready made and 'ready to make' vegetable shakes and sattv milk shakes. Then, they weighed the pros and cons of both the short listed options.

1. Name the function of management being discussed above and give any one of its characteristics.
2. Also briefly discuss any three limitations of the function discussed in the case. (CBSE, Sample Paper 2016)

Answer:

1. Planning is the function of management which is being discussed above. Planning involves decision-making: Planning essentially involves application of rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.
2. The limitations of planning are described below:
 - Planning may not work in a dynamic environment:
 - Planning reduces creativity:
 - Planning involves huge costs:

Question 6.(HOT's)

Josh Ltd. is a one of the largest two-wheeler manufacturer in India. It has a market share of about 42% in the two-wheeler category. The company had witnessed almost a 35% drop in the booking as the currency crunch was prompting people to withhold new purchases due to demonetisation. Therefore, the production manager of the company had decided to align production to factor in slower sales in the market.

In context of the above case:

1. Identify and explain the function of management being discussed in the above lines.
2. Which limitations of the function of management as identified in part (a) of the question was the production manager trying to overcome due to demonetisation?

Answer:

1. Planning is the function of management which is being discussed in the above lines. Planning is deciding in advance what to do, how to do, when to do and who has to do it. Thus, it involves setting objectives and developing an appropriate course of action to achieve these objectives.
2. The production manager is trying to overcome the following limitations of planning:
 - Rigidity
 - Planning may not work in dynamic environment

Question 7.

After completing a diploma in Bakery and Patisserie, Julie sets up a small outlet at Goa Airport to provide a healthy food option to the travellers. To begin with, she has decided to sell five types of patties, three types of pizzas and low sugar muffins in four flavours. Thus, by deciding in advance what to do and how to do, she is able to reduce the risk of uncertainty and avoid overlapping and wasteful activities. But sometimes her planning does not work due to some unavoidable circumstances like cancellation of flights due to bad weather conditions, government alert etc. which adversely affects her business. In context of the above case:

1. Identify and explain the points highlighting the importance of planning mentioned in the above paragraph.
2. Describe briefly the limitation of planning which adversely affects Julie's business

Answer:

1. The points highlighting the importance of planning mentioned in the above paragraph are described below:
 - Reduces the risk of uncertainty:
 - Avoiding overlapping and wasteful activities:
2. The limitation of planning which adversely affects Payal's business is:

Planning may not work in a dynamic environment: The business environment is dynamic in nature. Every organisation has to constantly adapt itself to changes in its environment in order to survive and grow. However, it difficult to anticipate all the likely future changes in the environment with utmost accuracy. Hence, even with planning, everything cannot be foreseen.

Question 8. (HOT's)

'Agile Ltd.' is a well-known automobile manufacturing company in India. The company plans to increase the sale of its sedan cars by 20% in the next quarter. In order to achieve the desired target, the marketing team of the company considers the impact of policy of the government towards diesel vehicles and the level of competition in this segment of cars. They explore the various available options like offering more discount to dealers and customers, providing more customer friendly finance options, lucky draws on test drives, increasing advertising, offering more of free accessories on the purchase of the car, etc. A thorough analysis of the various available options is done keeping in view the relative viability of each option. The company decides to pursue the option of offering more discount to dealers and customers in order to boost the sale of sedan cars. In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. To make the prospective consumers aware about the new available

benefits, advertisements are made through various sources of print and electronic media. The market analysts of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales. In context of the above case:

1. Name the function of management described in the above paragraph.
2. Identify and explain the various steps involved in process the function of management as identified in part (a) by quoting lines from the paragraph.

Answer:

1. Planning is the function of management which is being described in the above paragraph.
2. The various steps involved in the planning process are explained below:
 - Setting objectives:
“The company plans to increase the sale of its sedan cars by 20% in next quarter.”
 - Developing Premises:
“In order to achieve the desired target the marketing team of the company considers the impact of policy of the government towards diesel vehicles and level of competition in this segment of cars.” .
 - Identifying alternative courses of action:
“They explore the various available options like offering more discount to dealers and customers, providing more customer friendly finance options, lucky draws on test drives, increasing advertising, offering more of free accessories on the purchase of the car, etc.”
 - Evaluating alternative courses:
“A thorough analysis of the various available options is done keeping in view the relative viability of each option.”
 - Selecting an alternative: “The company decides to pursue the option of offering more discount to dealers and customers in order to boost the sale of sedan cars.”
 - Implement the plan:
“In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. To make the prospective consumers aware about the new available benefits, advertisements are made through various sources of print and electronic media.”
 - Follow up action:
“The market analysts of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales.”

Question 9.

Arush joins as a sales manager of a company dealing in naturotherapy products. Being proficient in his work, he knew that without good planning he will not be able to organise, direct, control or perform any of the other managerial functions efficiently and effectively. Only on the basis of sales forecasting, he would assist in the preparation of the annual plans for its production and sales. Besides, he will have to prepare sales plans regularly on weekly, monthly, quarterly and half yearly basis. While preparing the sales forecasts, he

undertakes intellectual thinking involving foresight, visualization and issued judgement rather than wishful thinking or guess work. Most importantly, all these planning activities will be meaningful only if they will coincide with the purpose for which the business is being carried out.

In context of the above case, identify the various features of planning highlighted in the above paragraph by quoting lines from it.

Answer:

The features of planning highlighted in the above paragraph are explained below:

1. Planning is a primary function:
“... without good planning he will not be able to organise, direct, control or perform any of the other managerial functions efficiently and effectively.”
2. Planning is futuristic:
“Only on the basis of sales forecasting, he would assist in the preparation of the annual plans for its production and sales.”
3. Planning is continuous:
“Besides, he will have to prepare sales plans regularly on weekly, monthly, quarterly and half yearly basis.”
4. Planning is a mental exercise:
“While preparing the sales forecasts, he undertakes intellectual thinking involving foresight, visualisation and issued judgement rather than wishful thinking or guess work.”
5. Planning focuses on achieving objectives: “Most importantly, all these planning activities will be meaningful only if they will coincide with the purpose for which the business is being carried out.”

Q.10 “Planning is an important function of management”. State any six reasons in favour of the statement.

The major benefits of planning are given below:

- (i) Planning provides directions:
- (ii) Planning reduces the risks of uncertainty:
- (iii) Planning reduces overlapping and wasteful activities:
- (iv) Planning promotes innovative ideas:
- (v) Planning facilitates decision making:
- (vi) Planning establishes standards for controlling:

CHAPTER - 5: ORGANISING

Organising: Concept and importance , Organising Process , Structure of organisation- functional and divisional, Delegation: concept, elements and importance, Decentralization: concept and importance.

Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them for the realisation of the desired goals. "Hierarchy is the ranking of job positions on the basis of relative roles and responsibilities."

Steps Involved in the Process of Organizing

- Identification and division of work is done in accordance with predetermined plans to avoid duplication of activities and ensure that the burden of work is being shared among the employees.
- Departmentalisation involves grouping of similar activities into departments, units, sections etc. using several criteria as a basis to facilitate specialization.
- Assignment of duties is done to the members as per their job positions. Once departments have been created, each of them is placed under the charge of an individual.
- Establishing reporting relationships While assigning jobs, each member is told that from whom he/she has to take orders and to whom he/she will be accountable. The establishment of such clear reporting relationships help to create a well defined hierarchical structure.

Importance of Organising

- Organising offers benefits of specialisation as it leads to a systematic allocation of jobs amongst the workforce as the specific employees are assigned specific job on a regular basis.
- It brings clarity in working relationships by establishing a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an individual.
- It leads to optimum utilisation of resources through proper allocation of jobs, and minimising the wastage of resources and efforts.
- It facilitates adaptation to change and helps to create a stable organisation by incorporating changes in the organisation structure as per the needs of the changing environment.
- It leads to effective administration by providing a clear description of jobs and related duties which helps to avoid confusion and duplication.
- It fosters development of personnel as delegation helps to build the ability of the subordinate to deal effectively with challenges and helps them to realise their full potential.
- It leads to expansion and growth of an enterprise by enabling it to deviate from existing norms and taking up new challenges.

ORGANISATIONAL STRUCTURE

The organisational structure can be defined as the framework within which managerial and operating tasks are performed.

Types of Organisational Structures

1. Functional Structure
2. Divisional Structure

Features of Functional Structure

- A functional structure is an organisational design that groups similar or related jobs together on the basis of functions like production, finance etc.
- Each department has a functional manager responsible for performance and who has authority over the department.
- All departments are under the charge of a coordinating head.
- These departments may be further divided into sections.

Features of Divisional Structure

- A divisional structure is an organisational design that groups similar or related jobs together on the basis of functions. Different products manufactured in the organisation. Structure comprises of separate business units or divisions.
- Each department has a divisional manager responsible for the profit or loss of his division.
- Each division is multi-functional because within each division functions like production, marketing, finance, purchase etc., are performed together to achieve a common goal.

Advantages of Functional Structure

- A functional structure emphasises on specific functions and ensures that different functions get due attention.
- Due to the similarity in the tasks being performed, it promotes control and coordination within a department.
- It results in increased profit with the improvement in managerial and operational efficiency.
- By focusing only on a limited range of skills, it facilitates the training of employees.
- It leads to minimal duplication of effort and leads to economies of scale thereby reducing cost.

Advantages of Divisional Structure

- Product specialisation helps a divisional manager to gain experience in all functions related to a particular product and this prepares him for higher positions.
- It provides a proper basis for performance measurement and also helps in fixation of responsibility in cases of poor performance of the division as revenues and costs related to different departments can be easily identified.
- It leads to faster decision making, promotes flexibility and initiative because each division functions as an autonomous unit.
- It facilitates expansion and growth as new divisions can be added just by adding another divisional head and staff for the new product line without interrupting the existing operations

Disadvantages of Functional Structure

- It gives less emphasis to overall enterprise objectives than the objectives pursued by a functional head.
- It may lead to problems in coordination.
- It may lead to conflict of interests if two or more departments are not compatible.
- It may lead to inflexibility as the functional heads do not get training and experience in diverse areas.

Disadvantages of Divisional Structure

- There may be conflicts among the different division heads, as in pursuit of higher profits, each of them may seek maximum allocation of resources at the cost of other divisions.
- The cost is high as each division is provided with separate set of similar functions.
- It provides the managers with the authority to supervise all activities related to a particular division. In course of time, such a manager may gain power and in a bid to assert his independence may ignore organisational interests.
-

| S.No. | Basis | Functional Structure | Divisional Structure |
|-------|----------------|---|---|
| 1. | Formation | It is based on functions. | It is based on product lines and is supported by functions. |
| 2. | Responsibility | It is difficult to fix on a department. | It is easy to fix responsibility for performance. |
| 3. | Specialisation | Functional specialization | Product specialisation. |

| | | | |
|----|------------------------|--|--|
| 4. | Managerial Development | It is difficult, as each functional manager has to report to the top management. | It is easier, autonomy as well as the chance to perform multiple functions helps in managerial development. |
| 5. | Cost | It is economical as the functions are not duplicated. | It is costly as there is duplication of resources in various departments. |
| 6. | Coordination | It is difficult for a multiproduct company. | It is easy, because all functions related to a particular product are integrated in one. |
| 7. | Suitability | It is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation. | It is suitable for those business enterprises where a large variety of products are manufactured using different productive resources. |

Delegation of Authority: Definition

Delegation of authority merely means the granting of authority to subordinates to

Elements Of Delegation

1. Authority
2. Responsibility
3. Accountability.

Importance of Delegation

- It leads to effective management as by relieving the employees from doing routine work, it provides them with time to excel in new areas.
- It promotes employee development as they are entrusted with more opportunities to utilise their talent, perform complex tasks and assume those responsibilities which are likely to improve their career prospects.
- It helps to motivate employees as when a subordinate is entrusted with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.
- It facilitates the growth of an organisation as it seeks to enrich the quality of manpower and widens the scope of using internal recruitment by providing them with training and experience through exposure to varied jobs.
- It provides the basis of management hierarchy as it establishes superior-subordinate relationships, which are the basis of hierarchy of management
- It facilitates better coordination amongst the departments, levels and functions of management by providing clarity in reporting relationships.

| S.No. | Basis | Authority | Responsibility | Accountability |
|-------|---------|---|--|---|
| 1 | Meaning | Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position. | Responsibility is the obligation of a subordinate to properly perform the assigned duty. | Accountability implies being answerable for the final outcome, once authority has been delegated and responsibility accepted, one |

| | | | | |
|---|------------|--|--|--|
| | | | | cannot deny accountability. |
| 2 | Delegation | Can be delegated. | Cannot be entirely delegated. | Cannot be delegated at all. |
| 3 | Origin | Arises from formal position in the organisation. | Arises from delegated authority. | Arises from responsibility. |
| 4 | Flow | Flows downward from superior to subordinate. | Flows upward from subordinate to superior. | Flows upward from subordinate to superior. |

DECENTRALISATION

Decentralisation: Definition

Decentralisation refers to systematic dispersal of authority to the lowest level, except that which can be exercised at central points.

Need for Decentralisation

As an organisation grows in size and complexity, the departmental or branch heads are directly and closely involved with certain operations and are likely to have more knowledge about them as compared to the top management which may be associated with individual operations only indirectly.

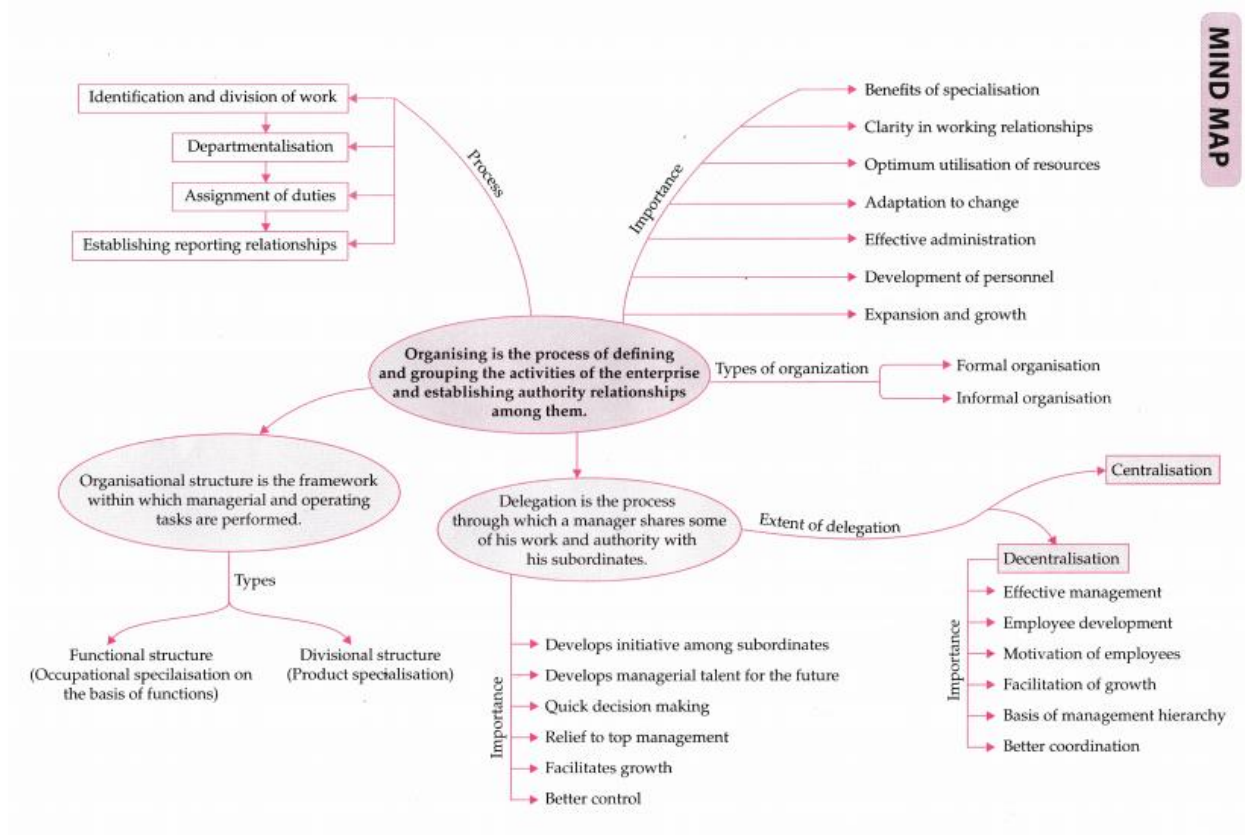
Importance of Decentralisation

- It seeks to develop initiative in the subordinates by promoting self-reliance and confidence amongst them and also helps to identify those executives who have the necessary potential to become dynamic leaders.
- It provides relief to top management as the subordinates are allowed to operate independently within their area of jurisdiction. Consequently, the need for direct supervision is reduced.
- It facilitates quick decision making as the employees are allowed to act independently within their area of jurisdiction without consulting others.
- It develops managerial talent for the future by providing the employees with the necessary training and experience through exposure to varied challenging jobs and also facilitates identification of those employees who may and those who may not be successful in assuming greater responsibility.
- It facilitates growth of the organisation by increasing its productivity and profitability through assigning greater autonomy to the lower levels of management as well as divisional or departmental heads.
- It facilitates better control by ensuring continuous evaluation of performance at each level and the contribution of each department so that they can be individually held accountable for their results.

| S.No. | Basis | Delegation of authority | Decentralisation |
|-------|-------------------|--|--|
| 1. | Nature | It is a compulsory act because no individual can perform all tasks on his own. | It is an optional policy decision and is only implemented at the discretion of the top management. |
| 2. | Freedom of action | The subordinates have less freedom to take own decisions as there is more control is exercised by the superiors. | The control over executives is less hence they have a greater freedom of action. |

| | | | |
|----|-------------------------|---|--|
| 3. | Status | It is a process followed to share tasks. | It is the result of the policy decision of the top management. |
| 4. | Scope | It has narrow scope as it is limited to superior and his immediate subordinate. | It has wide scope as it implies extension of delegation to the lowest level of management. |
| 5. | Purpose | To lessen the burden of the manager. | To increase the role of the subordinates in the organisation by giving them more autonomy. |
| 6. | Withdrawal of authority | Easy, as only two persons are involved in the process. | Difficult, as it involves the extension of delegation to the lowest level of management. |

MIND MAP



MCQ QUESTIONS

1. Name the process which co-ordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives,

- (a) Management
- (b) Planning
- (c) Organising
- (d) Directing

Answer: c.

2. It is defined as the framework within which managerial and operating tasks are performed.

- (a) Span of management
- (b) Organisational structure
- (c) Informal organisation
- (d) None of the above

Answer: b.

3. It refers to the number of subordinates that can be effectively managed by a superior,

- (a) Organisational structure
- (b) Informal organisation
- (c) Span of management
- (d) None of the above.

Answer: c.

4. Paras Limited is a company dealing in metal products. The work is mainly divided into functions including production, purchase, marketing, accounts and personnel. Identify the type of organisational structure followed by the organisation.

- (a) Functional structure
- (b) Relational structure
- (c) Divisional structure
- (d) None of the above.

Answer: a.

5. Under this type of organisational structure, manpower is grouped on the basis of different products manufactured.

- (a) Divisional structure
- (b) Functional structure
- (c) Network structure
- (d) Matrix structure.

Answer: a.

6. Rishabh has joined as a Creative Head in an entertainment company. He always ensures that the work has been divided into small and manageable activities and also the activities of similar nature are grouped together. Identify the related step in organising process being mentioned in the above lines.

- (a) Identification and division of work
- (b) Departmentalisation
- (c) Assignment of duties
- (d) Establishing reporting relationships.

Answer: b.

7. Identify the correct sequence of steps to be followed in an organising process.

- (a) Departmentalisation, Establishing reporting relationships, Assignment of duties, Identification and division of work
- (b) Identification and division of work, Departmentalisation, Assignment of duties, Establishing

reporting relationships.

- (c) Identification and division of work, Assignment of duties, Departmentalisation, Establishing reporting relationships
- (d) Identification and division of work, Establishing reporting relationships, Departmentalisation, Assignment of duties.

Answer: b.

(VSA,SA,LA)

1. Kiran Industries is a company dealing in office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important, many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives, Sukhvinder, the Managing Director of the company, decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.

Name the framework, which the diversified organisation should adopt, to enable it to cope with the emerging complexity? Give one reason in support of your answer.

Answer: Divisional structure should be adopted by the diversified organisation to enable it to cope with the emerging complexity.

Reason: It leads to faster decision making, promotes flexibility and initiative because each division functions as an autonomous unit.

2. 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 who is to report to whom. Name the function of management discussed above.

Answer: Organising.

3. National Vritech Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs, its market share is declining. To cope up with the situation, the CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organisation.

Identify the concept of management discussed above.

Answer: Decentralisation.

Question 4.

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 who is to report to whom. Name the function of management discussed above. (CBSE, 2015)

Answer:

Organising

Question 5.

National Vritech Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs, its market share is declining. To cope up with the situation, the CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organisation. Identify the concept of management discussed above. (CBSE, Sample Paper 2014-15)

Answer:

Decentralisation

Question 6.

Sharda Ltd. is pursuing diversified activities which require a high degree of specialisation. Identify the type of structure that should be followed by Sharda Ltd. (CBSE, 2015)

Answer:

Functional structure

Question 7. (HOTs)

Aman Chadha started 'Bulls Eye' a company for providing cyber security solutions to businesses. Its objective is to prevent, detect and respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day. He was delighted when he was offered a big project by the Ministry of Defence. While working on the project, he found that the volume of work made it impractical for him to handle all the work by himself. He decided to expand the team. The company maintained a

close liaison with a local engineering college. During a campus placement, Ishan and Vrinda were appointed to work for the new project.

He found the new employees capable, enthusiastic and trustworthy. Aman Chadha was thus, able to focus on objectives and with the help of Ishan and Vrinda, the project was completed on time. Not only this Aman Chadha was also able to extend his area of operations. On the other hand Ishan and Vrinda also got opportunities to develop and exercise initiative.

1. Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives.
2. Also, state any four points of importance of the concept identified in (i) above. (CBSE, Delhi 2017)

Answer:

1. Delegation of authority is the concept used by Aman Chadha in the above case which helped him in focusing on objectives.
Delegation of authority is the process of granting of authority to the subordinates to operate within prescribed limits.
2. The four points of importance of delegation of authority are described below:
 - Effective management:
 - Employee development:
 - Motivation of employees:
 - Facilitation of growth:

Question 9.

What is meant by span of management? (CBSE, Sample Paper, 2017)

Answer:

Span of management refers to the number of subordinates that can be effectively managed by a superior. A narrow span of control would necessitate more number of levels in the organisation or vice versa.

Question 10. (HOTs)

Kiran Industries is a company dealing in office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important, many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives, Sukhvinder, the Managing Director of the company, decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.

1. Name the framework, which the diversified organisation should adopt, to enable it to cope with the emerging complexity? Give one reason in support of your answer.
2. State any two limitations of this framework (CBSE, Sample Paper, 2015-16)

Answer:

1. Divisional structure should be adopted by the diversified organisation to enable it to cope with the emerging complexity.

Reason: It leads to faster decision making, promotes flexibility and initiative because each division functions as an autonomous unit.

2. The two limitations of divisional structure are as follows:
 - There may be conflicts among the different divisions heads as in pursuit of higher profits, each of them may seek maximum allocation of resources at the cost of other divisions.
 - The cost is high as each division is provided with separate set of similar functions.

Question 11. (HOTs)

Ramdas, aged 49 is working in an aviation company. He is the senior most employee in his division. He is even senior to the division manager, Kanaputti. Ramdas is considered one of the most committed, capable and hard-working employees. As a result of his abilities and seniority, he generally received the work assignments of his choice. Although there was no formal designation of various „special’ projects assigned to Ramdas, he handled them as a matter of routine. A problem developed when an able and intelligent person Nagarjuna, aged 33, was appointed by Kanaputti. Nagarjun’s previous three years’ experience in the closely related work, made it possible for him to catch on to the routine work of his new job more rapidly than was customary for a new employee. On several occasions, Kanaputti noticed the tension developing between the two employees. However, he didn’t want to get involved in their personal issues as long as the work was completed effectively and efficiently by them. One day, the tension between them reached the boiling point and Ramdas complained to Kanaputti stating that his duties were being largely taken over by Nagarjun. Kanaputti issued the order stating the clear allocation of the jobs and related duties between the two. He further clarified the working relationship between them by specifying who was to report to whom. This helped in reducing the workload, enhancing productivity and removing ambiguity. (CBSE, Sample Paper, 2017)

1. Identify and state the step of organizing process which has not been carried out properly and contributed to this problem.
2. State the two steps of the organizing process which have been taken by Kanaputti to respond to the complaint of Ramdas.
3. Also state two points of importance of organizing as reflected in the above case.

Answer:

1. The step of organizing process which has not been carried out properly and contributed to this problem is Assignment of duties.
Assignment of Duties: Once departments have been created each of them is placed under the charge of an individual and then jobs are allocated to the members as per their job positions.
2. The two steps of the organizing process which have been taken by Kanaputti to respond to the complaint of Ramdas are listed below:
 - Assigning the duties
 - Establishing reporting relationship.

3. The two points of importance of organizing as reflected in the above case are described below:
 - Optimum utilization of resources:
 - Adaptation to change:

Question 12 (HOTs).

Samir Gupta started a telecommunications 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 the products went up. To increase production, the company decided to recruit additional employees. Samir Gupta, who was earlier taking all the decisions for the company, had to selectively disperse the authority. He believed that subordinates are competent, capable and resourceful and can assume responsibility for the 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.

1. Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights.
2. Also explain any three points of importance of this concept. (CBSE, Delhi 2015)

OR

Neeraj Gupta started a company 'Yo Yo 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 the decisions for the company, had to selectively disperse the authority. He believed that people are competent, capable and resourceful and can assume responsibility for the 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.

1. Identify the concept used by Neeraj Gupta through which he was able to steer his company to greater heights.
2. Also explain any three points of importance of this concept.

Answer:

1. The concept used by Sameer Gupta/ Neeraj Gupta through which he is able to steer his company to greater heights is Decentralisation.
2. The three advantages of using decentralisation are as follows:
 - Decentralisation helps to promote self-reliance and confidence amongst the subordinates:
 - Relief to top management:
 - Quick decision-making:

Question 13.

Ishita works as a corporate event coordinator in an event management company. She has been made an overall official incharge for organizing a painting exhibition for one of the clients of the company. For ensuring that the exhibition takes place successfully, she

identifies the various activities involved and divides the whole work into various task groups like marketing committee, decoration committee and reception committee. In order to facilitate coordination within and among committees, she appoints a supervisor of each group. Each member in the group is asked to report to their respective supervisors and all the supervisors are expected to work as per Ishita's orders.
In context of the above case:

1. Identify the function of management being performed by Ishita.
2. Describe briefly the various steps involved in the performance of the function of management as identified in part (1) of the question.

Answer:

1. The Organising function of management is being performed by Ishita.
2. The steps involved in the process of organizing are as follows:
 - Identification and Division of Work:
 - Departmentalisation:
 - Assignment of Duties:
 - Establishing Reporting Relationship:

Question 14.

After completing a course in travel and tourism, Karan started his own travel agency. In order to ensure smooth functioning of his business, he decided to create fourteen job positions divided into four departments on the basis of functions namely, front office department including online queries, reservations department for airways, railways and roadways, accommodation booking department, and securing payments department. In order to avoid any interdepartmental conflicts he decides to specify clearly the lines of authority and areas of responsibility for each job position.

In the context of the above case:

1. Which function of management is being described in the above lines?
2. Identify the framework created by Karan within which all managerial and operating tasks are to be performed in his organisation.
3. Name the type of the framework as identified in part (1) of the question. Also, give any two of its advantages.

Answer:

1. The Organising function of management is being described in the above lines.
2. Organisational structure is the framework created by Karan within which all managerial and operating tasks are to be performed in his organisation.
3. Karan has created a functional structure as job positions are divided into four departments on the basis of functions namely, front office department including online queries, reservations department for airways, railways and roadways, accommodation booking department, and securing payments department.
The two advantages of functional structure are as follows:

- A functional structure promotes work-related specialisation since it places emphasis on specific functions. This helps to increase efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.
- It facilitates control and coordination within a department because of similarity in the tasks being performed.

4. **Question 15.**

The activities and employees in 'Elegance Pvt. Ltd.', a footwear manufacturing company, can be broadly grouped into five departments namely; production, purchase, marketing, accounts and personnel. Over the years the company has grown and expanded its operations manifolds. The company now intends to diversify into leather bags segment. So its management has decided to restructure its operations. They plan to create separate product divisions for each product line wherein the functioning of each division will be further divided into five departments namely; production, purchase, marketing, accounts and personnel.

In context of the above case:

How is the company's future organisational structures likely to be different from the existing one? State any three points of differences between the two types of organisational structures.

Answer:

At present, the company is following functional structure and it intends to adopt a divisional structure in future.

The difference between Functional organisational structure and Divisional organisational structure is as follows: SEE CHAPTER NOTES.

Question 16. (HOTs)

Smriti works as a marketing manager in a small company. The company has recently launched a new brand of room fresheners through aggressive promotion. However, the product is less in demand and its sales are low. Smriti decides to study the reasons for the poor likability of the product through a market research. Keeping in view the volume of work, she knows it will be impractical for her to handle it all by herself. In order to share her work, she deploys a team of executives. She gives them the necessary authority and assigns them the responsibility to conduct the research and report back to her so that she can make the decisions.

In the context of the above case:

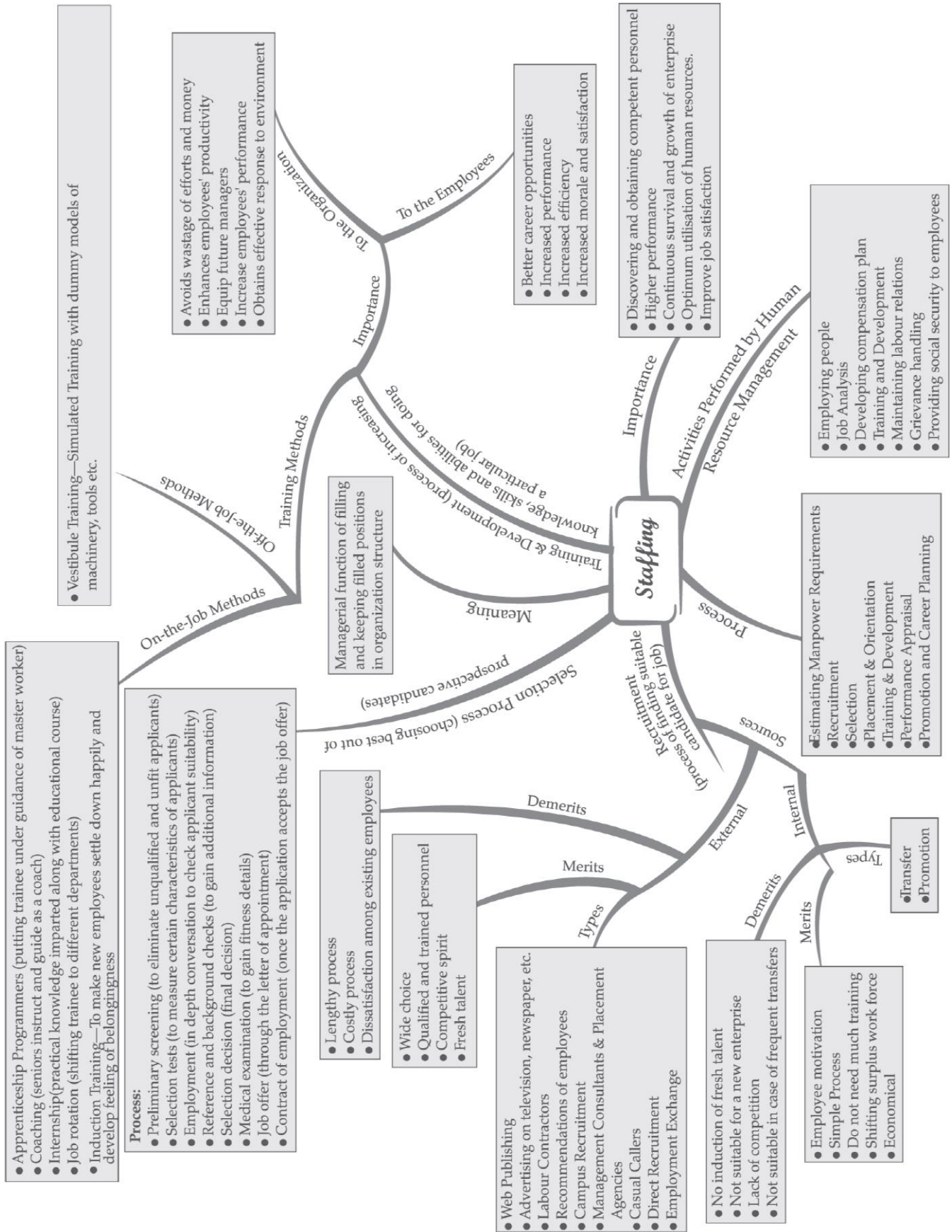
Identify and explain the concept used by Smriti to share her work and authority with her subordinates.

Answer:

The concept used by Smriti to share her work and authority with her subordinates is Delegation of authority.

Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits.

CHAPTER – 6 STAFFING



Staffing

Staffing is concerned with the recruitment, selection, placement, training, growth and development of all the members of the organization

“Placing the right person on the right job at the right time is called staffing”

Importance of Staffing

- 1.Competent personnel:** Staffing helps to find out competent persons for various jobs.
- 2.Higher performance:** Higher performance by placing the right person on the right job.
- 3.Survival and growth:** Survival and growth of the business by providing proper training and development to the future managers
- 4.Optimum utilisation of human resources:** It is possible by ensuring the right number of persons on each job positions
- 5.Job satisfaction:** Job satisfaction and morale of employees can be improved through proper assessment and remuneration policies

Features of Staffing

- 1.Important managerial function:** All other managerial functions such as planning, organising etc. depend on manpower, hence it is very important
- 2.Pervasive:** Managers at all levels and in all organisations perform staffing function
- 3.Continuous:** It continues throughout the life of the organisation
- 4.Placement:** Placing the right person on the right job is the motto of staffing

Steps in Staffing Process

- 1. Estimating manpower requirement:** Planning the number of employees required and their qualifications
- 2. Recruitment:** It is a process of searching for prospective employees and stimulating them to apply for jobs in the organisation
- 3. Selection:** It is a process of choosing and appointing the right persons for various jobs
- 4. Placement and orientation:** These refer to the process of familiarizing the selected candidates with their work units work groups, jobs and the organization and placing the right one on the right job.
- 5. Training and development:** Training intended to improve knowledge, skills and attitudes of the employees regularly so as to enable them to perform better
- 6.Performance appraisal:** It is the periodic assessment of the performance of the employees to ensure that whether they are in conformity with standards
- 7.Promotion:** It means movement of an employee to a higher position.
- 8.Compensation:** It involves the determination of wages or salary and other benefits to the employees on the basis of nature of job, risk factors, responsibility, qualification, experience etc.

Recruitment: Recruitment is the process of searching for perspective employees and stimulating them to apply for jobs in the organisation.

THRE ARE TWO IMPORTANT SOURCE OF RECUITMENT

- 1 Internal sources of recruitment
- 2 External sources of recruitment

Internal Sources of Recruitment: Under the source of recruitment , the vacant job positions are filled by including the existing employee of the organisation.

1.Transfer

2.Promotion

MERITS

1. *it is economical*
2. *it motivates the existing employee*
3. *less amount is spent on training*
4. *through transfer of employee*

DEMERITS

1. *no fresh or new ideas will come in the organising*
2. *there will be limited choice*
3. *not suitable for new organisation*
4. *frequent transfer may reduce the productive of employee*

EXTERNAL SOURCES OF RECRUITMENT

When the candidates from outside the organisation are invited to fill the vacant job position then it is known as external recruitment.

External Sources of Recruitment

- 1.Direct recruitment
- 2.Casual callers from waiting list
- 3.Advertisement
- 4.Employment Exchanges
- 5.Placement Agencies and Personnel Consultants
- 6.Campus interviews
- 7.Recommendations of Present Employees
- 8.Labour Contractors
- 9.Advertising on Television
- 10.Web Publishing

ADVANTAGES AND DISADVANTAGES OF EXTERNAL RECRUITMENT

Merits

- 1 fresh talent
- 2 wider choice
- 3 latest technological knowledge
- 4 Competitive spirit

Demerits

- 1 the morale of existing employee goes down or falls
- 2 lengthy process

- 3 the new employee may not adjust in the rules and regulation
- 4 it is expensive as to invite the outsider to apply for a job .

Differences: Internal and External Sources

Internal Source

Quick Process

Less expensive

Motivating staff members

Limited choice

External Sources

Lengthy Process

Costly

Existing workers dissatisfied

Wide choice of candidates

Selection:

Selection begins where recruitment ends It is the process of identifying the most suitable and promising candidates from the list of recruited persons.

Selection Process

1.Preliminary screening: A careful screening of applications is done by a screening committee to eliminate the under qualified candidates

2.Selection Test: Tests are conducted to know the level of ability, knowledge, interest, aptitude etc. of a particular candidate.

- Intelligence test
- Trade test
- Aptitude test
- Interest test
- Personality test

3.Interview: Detailed interviews are undertaken to seek more information from the candidate

4.Checking References: Reference is a source from which useful information on the candidate can be sought

5.Selection decision: Final decision is made by the concerned manager based on the performance of the candidates in all the above steps

6.Medical Examination: The physical fitness of the candidates is checked through medical examination

7.Job offer: After a candidate has cleared all the above hurdles will be appointed through an appointment letter to join the organisation before a specific date

8.Contract of employment:

After the appointment is accepted by the candidate, certain documents are to be executed by the employer and the candidate, in which all the terms and conditions regarding the employment will be specified such as job title, duties and responsibilities, pay scale, allowances, work rules, termination method etc.

Training & Development:

Training:

“Training is the art of increasing the knowledge and skill of an employee for doing a particular job.”

Its purpose is to enable them to do their jobs better.

Development:

It involves the growth of an employee in all respects, like personality development, motivation for growth, career planning etc.

Thus employee development is more future oriented and concerned with education than employee training

BENIFITS OF TRANING FOR ORGANISATION

1. *Reduced learning time*
2. *better performance*
3. *attitude formation*
4. *aids in or help in solving operational problems*
5. *managing manpower need*
6. *helps to adapt changes*

BENIFITS OF TRANING FOR EMPLOYEE

1. BETTER CAREER OPTION
2. EARNING MORE
3. BOOST UP THE MORALE OF EMPLOYEE
4. LESS CHANCE OF ACCIDENTS .

Training Methods

1.On the Job Training

2.Off the Job Training

On the Job Training: Under this method training is imparted among the employees while they are engaged in their work.

Here the employees learn by doing.

It includes job rotation, apprenticeship, coaching, committee assignments etc.

a. Apprenticeship Programmes: Under this, both knowledge and skills in doing a job are imparted. Here the trainee is put under the supervision of an experienced person in this field .

This method is more suitable in electrical work, mining etc.

b. Internship Training: A vocational institute enters into an arrangement with a business enterprise to provide practical knowledge to its students
It is intended for providing practical experience to the students in their fields

Eg: MBA students undertake project work in business enterprises, engineering students to industrial enterprises, Medical students to hospitalsetc.

Off the Job Training: This is concerned with imparting training to employees outside the actual work place .The employees can concentrate on training alone since they are away from the workplace.

Eg: Class room lectures, conferences, case study methods, films, TV shows, etc.

Vestibule Training: In this case an actual work situation is created in a class room. Employees use the same dummy materials and equipment for training.

VERY SHORT ANSWER QUESTIONS:

1. Our assets walk out of the door each evening. We have to make sure that they come back the next morning. Here the assets refer to _____.

- (a) Vehicles (b) Goods **(c) Employees** (d) Machines

2. Introducing employees to the organisation is called _____ .

- (a) Recruitment (b) Selection **(c) Orientation** (d) Placement

3. At what level of management staffing is needed?

- (a) Top level **(b) Middle level** (c) Lower level (d) At all levels

4. _____ is the internal source of recruitment.

- (a) Transfer (b) Promotion (c) Lay off **(d) All the above**

5. Sending an inefficient employee to a lower position is called _____ .

- (a) Transfer (b) Promotion **(c) Demotion** (d) Lay off

6. _____ is the merit of internal recruitment.

- (a) Increase in motivation** (b) Industrial Peace
(c) Both the above (d) Stopping the entry of young blood

8. Which source of recruitment is not available to the new organisations?

- (a) Internal** (b) External (c) Both the above (d) Direct Recruitment

9. To which source of recruitment the direct recruitment from educational institutions is related?

- (a) Employment Exchange **(b) Campus Recruitment**
(c) Management Consultants (d) Direct Recruitment

10. Which is not included in Internal Source of Recruitment?

- (a) Transfer **(b) Trade Union** (c) Promotion (d) Lay-off

11. _____ is included in Internal Source of Recruitment.

- (a) Promotion (b) Transfer **(c) Both** (d) None of these
12. _____ is included in External Source of Recruitment.
- (a) Advertisement (b) Employment Exchange **(c) Both** (d) None of these
13. _____ is that process of examining the applicants which ensures that only the most appropriate persons have been appointed.
- (a) Recruitment **(b) Selection** (c) Training (d) Management
14. _____ is included in the psychological test.
- (a) Interest Test (b) Intelligence Test
(c) Both the Above (d) General Knowledge Test
15. What is the first step in the process of selection?
- (a) Selection Tests (b) Job Offer **(c) Preliminary Screening** (d) Selection Decision

3-6 MARKS QUESTIONS

Q.1 What kind of tests will primarily be used while selecting these people in an organisation. Give reasons:

- (a) A public dealing officer (b) A computer operator
(c) A school teacher (d) An interior decorator (4 Marks)

Q.2 Resolutions Pvt. Ltd. is a publishing company. Its book on business studies for class XII is in great demand. As a result, employees in the marketing department are always racing against them. The employees have to work overtime and on holidays to cater to the demand. Managers in the marketing department are under stress as they have to handle more than two territories. The work stress has led to dissatisfaction among the employees and managers.

- (a) Name and explain the step of staffing process which has not been performed properly.
- (d) State the next two stages immediately following the step identified in part (a).
- (4)

Q.3 Manu a Chief Engineer in a Co., using highly sophisticated machines and equipments, wants that every employee should be fully trained before using those machines and equipments. Suggest and describe the best method of training that Manu can use. (3)

Q.4 An accountant is sent to learn the new software for accounting to prepare the books of accounts faster and accurately. He was further sent for orientation to improve his motivational and conceptual skills. (5)

- (a) Identify and explain the two concepts explained above.
 - (b) Differentiate these concepts on the basis of suitability, method used and nature.
- Q.5** Under this method employee learn by doing. Employees are trained while they are performing the job and senior worker or mentor provides them technical knowledge. But the biggest disadvantage of this method is wastage of material and accidents.
- (a) Identify the method of training stated in above lines.
 - (b) Explain any two techniques used in above said method of training.
- Q.6** The General Manager of 'Indemnity Ltd' was addressing employees during 'employee recognition program' function. He stressed: "employees should make all efforts to increase their market value. To achieve this objective, they should increase their capacity and efficiency. They should also make such endeavour as to get job satisfaction. Not only that it is equally essential that they should concentrate on minimizing the accidents".

Which concept of management was the General Manager stressing in the function? Explain the importance of the concept in by quoting lines. (4)

- Q.7** Based on "Performance Appraisal Report (2016).", the HR manager of 'Gamma Ltd' adopted the following ways of training for improving the quality of output and providing more job satisfaction to the employees:
- a) Mr. Ganesh- was in the company so that he could practice the theoretical knowledge acquired by him from his college.
 - b) Mr. Rahul- was provided a dummy model of machinery to do practice on it.
 - c) Mr. Shekhar- was asked to work with an expert for specific period of time so that he learns by observation.

Identify the technique of training discussed in above cases (a, b, c). (3)

- Q.8** 'Pure Energy Ltd' imported a new hi-tech machine from Japan for manufacturing high quality and low cost solar panels in India. After a month, the report of Production Manager reflected a decline in quantity and quality of production. On investigation, it was found that there was lack of technical knowledge and skills amongst the employees for using these hi-tech machines. This resulted in high-overhead charges as well as frequent visits of engineers was required from Japan.

- (i) Suggest what should be done to increase the quality and quantity of production. (1)

(ii) Also state, how the employees will be benefited from your suggestion.

(1)

(iii) Identify the functions of management discussed above. (1)

Q.9 Teja Ltd. received 22,495 applications for the post of fifty supervisors. Preliminary, screening was done and 3,545 applications were filtered. Various steps of selection process were taken and finally fifty candidates as supervisors were selected. They were directly posted to their respective posts. After one-month performance appraisal of these candidates was conducted. It was found that out of 50, eight were not able to perform as per standards as they were facing practical problems while handling machines.

(a) In your opinion, what should be done to improve the performance of these eight supervisors.

(b) How an organisation can be benefited by improving the skill level of employees. (5)

Q.10 The workers of 'Vyam Ltd' are unable to work on new and hi-tech machines imported by the company to fulfil 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. (4)

Q.11 A company has its own recruitment policy to fill the vacant posts with suitable employee.

a. Top most positions are being filled by contacting specialised agencies so as to attract the most capable work force from competitive organisation.

b. To foster the spirit of loyalty and motivate the employees the middle level positions are filled from within the organisation.

i) Identify the sources of recruitment referred above? (2)

ii) Also give any one method of each source. (2)

Q.12 Orient Ltd. expanding its business operations. All the departmental heads were asked to fill up "Manpower Requisition form and estimate the annual requirement of – skilled and unskilled workers"

All the departmental heads submitted the requisition forms to HR Manager. HR Manager, compiled all such requisition forms as:

Requirement of skilled workers – 89

Requirement of unskilled workers 265

After this, Recruitment and further selection procedure was followed.

Name and explain the methods of recruitment (three each) for each category which would be most appropriate in the above case. (6)

ANSWER HINTS:

1. (a) Personality Test (b) Aptitude Test
(c) Intelligence Test (d) Interest Test
2. (a) Estimating man power requirements.
(b) Recruitment, selection.
3. Vestibule Training.
4. (a) Off the Job Training, on the Job Training

| (b) Basis of Diff. | On the Job Training | Off the Job Training |
|--------------------|--|------------------------------------|
| Suitability | To handle less sophisticated equipment | To handle sophisticated equipment. |
| Methods | 1. Apprenticeship 2. Internship 3. Induction | Vestibule Training |
| Nature | Learning while doing | Learning before doing. |

5. (a) On the Job Training
(b) Apprenticeship Training
Induction Training
6. (i) Training
(ii) (a) Better earning capacity
employees efficiency
(b) They should satisfaction.
Increases morale of employees
(c) Not only accidents.
Check Accidents.
7. (a) Internship training — On the job training
(b) Vestibule Training — Off the job training

- (c) Apprenticeship Training — On the job training
- 8. (i) Vestibule training
 - (ii) Better career options
 - (iii) Better earning capacity
- 9. (a) Training should be provided
 - (b) Systematic learning
 - Higher Profits
 - Reduce absenteeism and employee turnover
 - Minimise the need of supervision.
- 10. Superior can arrange vestibule training for workers. (By suggesting to HR Mgr)

Benefits to workers :

 - (i) Check accidents
 - (ii) Increases morale of employees
 - (iii) Better earning capacity
 - (iv) Better career options.
- 11. (i) External source in 'a'(Mgt. consultant)
 - Internal source in 'b'(Promotions)
 - (ii) External Source — Campus recruitment
 - Internal source — Transfers.
- 12. For Skilled Workers
 - 1. Advertisements
 - 2. Casual callers
 - 3. Recommendations of employees
- For Unskilled Workers
 - 1. Labour Contractors
 - 2. Direct Recruitment
 - 3. Employment Exchange

Case Studies and application based questions

1. The workers of 'Vyam Ltd.', are unable to work on new & 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 over burdened with the frequent calls of the workers. Suggest how the supervisor, by increasing the skills & 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.

2. Zenith Ltd. is a highly reputed company and many people wanted to join this company. The employees of this organization are very happy & they discussed how they came in contact with this organization. Aman said that he was introduced by his present Sales Manager, Mr. John. Benu said that he had applied through the newspaper and was appointed as H.R. manager. Vaibhav said that he was neither related to any of the employees of the organization nor there was any advertisement in the newspaper. Even then he was directly called from IIM Ahmedabad from where he was about to complete his MBA.

a) The above discussion is indicating an important function of management. Name the function of management.

b) The management function identified in (i) above follows a particular process.State.

c) Identify the source of the process identified in (ii) above

d) Identify the value highlighted by Aman, Venu,& Vaibhav about Zenith Ltd.

3. Nishant the director of a garment company, is planning to manufacture bags for the utilization of waste material from one of his garment units. He has decided that this manufacturing unit will be set up in a rural area of Orissa where people have very few job opportunities and labour is available

at very low rates. He had also thought of giving equal opportunities to men & women. For this he wants four different heads for sales, Accounts, Purchase and Production. He gives an advertisement and shortlists ten candidates per post after conducting different selection tests.

a) Identify & state the next three steps for choosing the best candidate out of the candidates short listed.

b) Identify two values which Nishant wants to communicate to the society by setting up the manufacturing unit.

4. Satnam Ltd. are the manufactures of 'Gents Designer Suits' with their own trade mark. During the year 2013-14 the company employed 30 senior technicians to work on machines imported from America for manufacturing 'Gents Designer Suits'. The technicians were employed on probation of one year. They were put on their respective jobs after one 7 month's on the job training. Because of the faulty selection process, the technicians could not perform well. Ten of them left the job on their own and 12 had to be removed by the company during the probation period. Now the company is in the process of selecting new technicians. Advice the company about any three types of selection tests, describing each in about 20 words, that may be used for selecting the desired

technicians. [3] CBSE,OD COMPTT. 2016

5. Ms. Neelam recently completed her post graduate diploma in Human Resource Management. A few months from now a large steel manufacturing company appointed her as its Human Resource Manager. As of now, the company employs 800 persons & has an expansion plan in hand which

may require another 200 persons for various types of additional requirements. Ms. Neelam has been given complete charge of the company's Human Resource Department. What functions is she supposed to perform.

6. Ashish, the Marketing Head, Raman, the Assistant Manager and Jyoti, the Human Resource Manager of 'Senor Enterprises Ltd.' decided to leave the company. The Chief Executive Officer of the company called Jyoti the Human Resource Manager and requested her to fill up the vacancies before leaving the organisation. Informing that her subordinate Miss Alka Pandit was very competent and trustworthy, Jyoti suggested that if she could be moved up in the hierarchy, she would do the needful. The Chief Executive Officer agreed for the same. Miss Alka Pandit contacted 'Keith Recruiters' who advertised for the post of marketing head for 'Senor Enterprises Ltd.' they were able to recruit a suitable candidate for the company.

Raman's vacancy was filled up by screening the database of unsolicited applications lying in the office.

(a) Name the internal / external sources of recruitment used by 'Senor Enterprises Ltd.' to fill up the above stated vacancies of Jyoti, Ashish and Raman.

(b) Also state any one merit of each of the above identified source of recruitment.

7. Resolutions Pvt. Ltd. is a publishing company. Its book on Business Studies for class XII is in great demand. As a result, the employees in the marketing department are always racing against time. The employees have to work overtime and on holidays to cater to the demand. Managers in the marketing department are under stress as they have to handle more than two territories. The work stress has led to dissatisfaction among the employees and managers.

a) Name and explain the step of staffing process which has not been performed properly.

b) State the next two stages immediately following the step identified in part a.

8. 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 a 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 concept of one of the function of management identified when 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.

(b) Identify the step in the process that function which covers the concept identified in part (a)

(c) Explain next three steps.

9. Mohit Gupta is working with 'Yellow Security Services Ltd.' He is also recruiting security guards for the company. The company provides security services in Delhi and Noida at short notice to various companies. The guards are recruited on temporary basis. The guards provided by this

company are known for their 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 anyone disadvantage of this source of recruitment. (c) What step should be incorporated in selection process by 'Yellow Security Services Ltd.' to check the reliability of candidates while selecting guards. (d) Identify any two values communicated to the society in the above stated case

10. Geetu Ltd. is a big organization having various departments in it. In its marketing department number of employees is much more than requirement whereas, in purchase department some of the posts are lying vacant and there is shortage of staff. Advise the HR manager of the company as to what method he should follow to balance the demand of employees in both departments. An accountant is sent to learn the new software for accounting to prepare the books of accounts faster and accurately. He was further sent for orientation to improve his motivational and conceptual skills.

(a) Identify and explain the two concepts explained above.

(b) Differentiate these concepts on the basis of suitability, method used and nature

SOLUTIONS (CASE STUDIES)

1. Training

Benefits of training to workers:

Promotion and career growth, more earnings, more efficiency to handle machinery, Increased satisfaction and morale, better employment opportunities.

2. (a) function of management : Staffing

(b) Process of Staffing:

Establishing manpower requirements, recruitment and selection, placement and orientation, training and development, performance appraisal, promotion and career planning, compensation.

(c) Source of recruitment : External source

Aman : Recommendation of employee

Benu : Advertisement

Vaibhav Campus Recruitment

(d) Value highlighted : Fair dealing, concern for employees.

3. (a) Next 3 steps of selection are

Employment interview, reference and background check, selection decision.

(b) Values: generation of employment, equality.

4. Selection test:

Trade test, Interest test, Aptitude test.

5. Staffing.

6. Jyoti: Internal source (Promotion)

Ashish: External source (management consultant)

Raman: External source (casual callers)

Merit of Internal source of recruitment

Less cost, motivate employees, simple process, no need for training.

Merit of External source of recruitment

Qualified personal, wider choice, fresh talent, competitive spirit.

- 7. (a) Estimating manpower requirement.
(b) (i) Recruitment (ii) Selection.
- 8. (a) Workload analysis.
(b) Estimating manpower requirement.
(c) Next 3 steps: Recruitment, Selection, Placement and Orientation.
- 9. (a) External source of recruitment.
(b) Reference and background check.
(c) Values: Punctuality, Providing employment opportunities.

CHAPTER : 7 DIRECTING

DIRECTING:

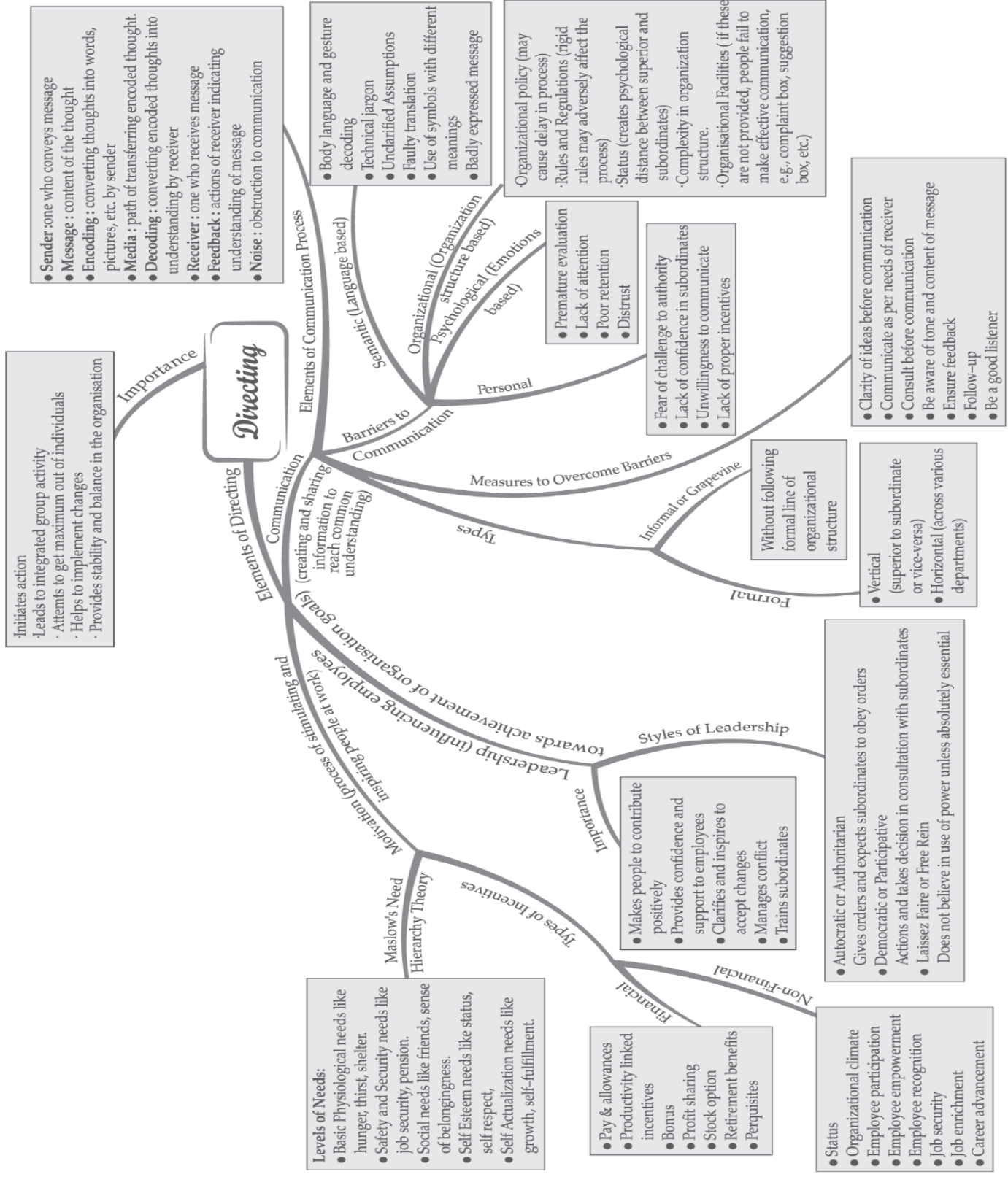
Directing as a function of management, refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.

Features:

1. **Directing initiates action:**
2. **Directing takes place at every level of Management (Pervasive):**
3. **Directing is a continuous process**
4. **Directing flows from top to bottom:**

Importance

1. **Initiates Action:** It helps to initiate action by the people in the organisation towards attainment of desired objectives. The employees start working only when they get instructions and directions from their superiors. It is the directing function which starts actual work to convert plans into results.
2. **Integrates Employee's Efforts:** All the activities of the organisation are interrelated so it is necessary to coordinate all the activities. It integrates the activities of subordinates by supervision, guidance and counselling.
3. **Means of motivation:** It motivates the subordinates to work efficiently and to contribute their maximum efforts towards the achievement of organisational goals by satisfying their needs.
4. **Facilitates change:** Employees often resist changes due to fear of adverse effects on their employment and promotion. Directing facilitates adjustment in the organisation to cope with changes in the environment. Directing instills the spirit of cooperation and commitment among work force.
5. **Stability and balance in the organisation:** Managers while performing directing function instruct, guide, supervise and inspire their subordinates in a manner that they are able to strike a balance between individual and organisational interests.



ELEMENTS OF DIRECTING:

1. **Supervision:**It means observing the subordinates at work to see that they are working in accordance with plans and to help them in solving their problems.. Supervisor's position is immediately above the worker.
2. **Motivation:** In the context of an organisation motivation means stimulating employees of all levels to work with greater enthusiasm and more efficiency for the accomplishment of the objectives of the enterprises.
3. **Leadership:** Leadership is the activity of influencing people to strive willingly for organisational goals. Leadership indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute for achieving organisational objectives.
4. **Communication:**It is the process of exchange of information between two or more persons to reach common understanding.

Motivation

Features

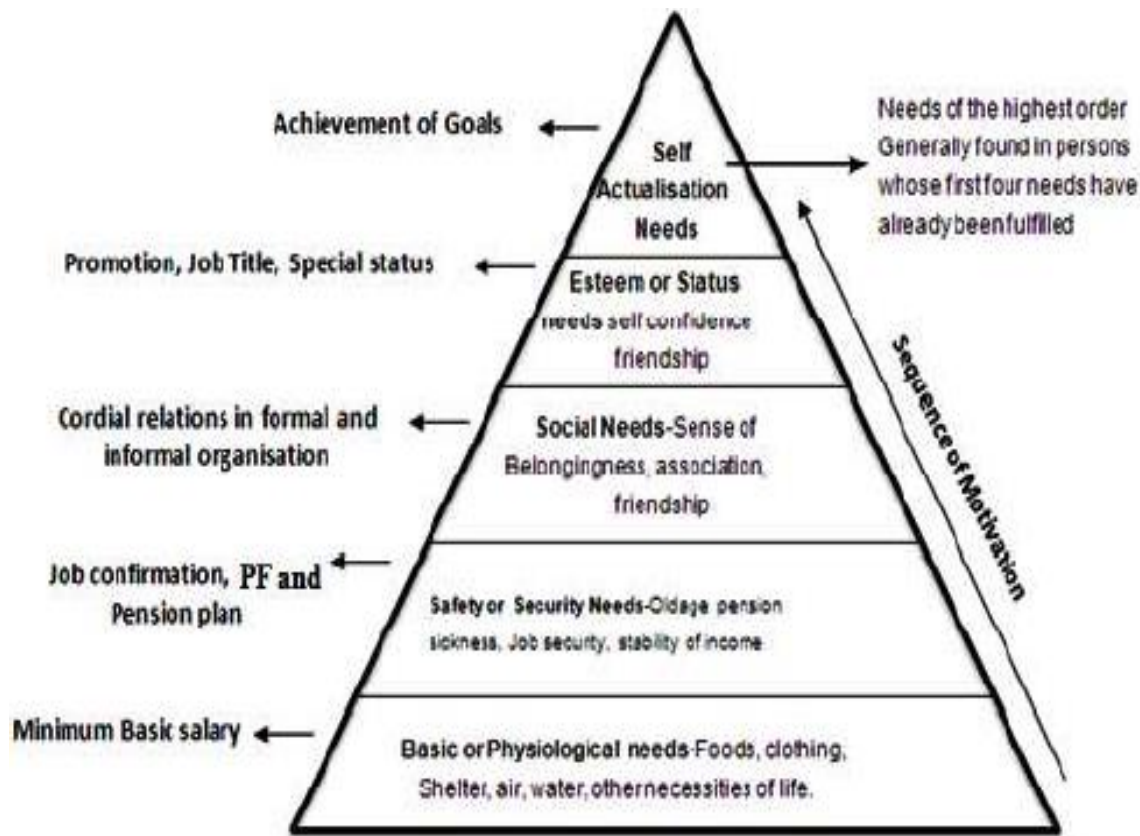
1. **Motivation is an Internal feeling:**Motivation is an internal feeling which means it cannot be forced on employees. The internal feeling such as need, desire, aspiration etc. influence human behaviour to behave in a particular manner.
2. **Goal Directed Behaviour:**It induces people to behave in such a manner so that they can achieve their goals. A motivated person works towards the achievement of desired goals.
3. **Motivation can be either positive or Negative:**Positive motivation means inspiring people to work better and appreciating a work that is well done e.g., pay increase, promotion, recognition.
4. **Complex Process:**It is a complex and difficult process. Individuals differ in their needs and wants and moreover human needs change from time to time.
5. **Continuous Process:** Human needs are unlimited and so they keep on changing continuously, satisfaction of one need gives rise to another.

Maslow's Need Hierarchy-Theory of Motivation:

It is on the needs as the basis for motivation. It classifies human needs into five categories.

It helps managers to realise that need level of employees should be identified to provide motivation to them. It is based on the following assumptions:

- (i) People's behaviour is based on their needs.
- (ii) People's needs are in hierarchical order.
- (iii) A satisfied need can no longer motivate a person.
- (iv) A person moves to the next higher level of hierarchy only when the lower need is satisfied.



Pyramid representing Maslow's Need Hierarchy

Financial and Non-Financial Incentives: Incentive means all measures which are used to motivate people to improve performance.

Financial Incentives (which can be calculated in terms of money)

1. **Pay and allowances:** Salary is the basic monetary incentive. It includes basic pay, dearness allowance and other allowances.
2. **Productivity linked wage incentives:** Aims at linking payment of wages to increase in productivity.
3. **Bonus:** An incentive offered over and above the wages/salary.
4. **Profit sharing:** It means to provide a share to employees in the profits. It creates a feeling of ownership to employees.
5. **Co-partnership/Stock option:** employees are offered company's share at a price which is lower than market price.
6. **Retirement benefits:** Such as provident fund, pension and gratuity etc.

Non-Financial Incentives (which cannot be calculated in terms of money)

1. **Status:** Status means ranking of positions in the organisation. Psychological, social and esteem needs of an individual are satisfied by the status given to their job.
2. **Organisational climate:** Employees can be motivated with favourable atmosphere.
3. **Career advancement opportunity:** Works as a tonic and encourages employees to exhibit improved performance.
4. **Job enrichment:** If jobs are enriched and made interesting, the job itself becomes a source of motivation to the employees.
5. **Employees recognition programmes:** Most employees feel that what they should be recognised by the higher authorities.
6. **Job security:** Employees want their job to be secured and it is a strong motivator but on the other hand it makes the employees lazy.
7. **Employee participation:** It means involving employees in the decision making.
8. **Employee empowerment:** Means giving more autonomy and powers to subordinates.

Leadership: Leadership is the activity of influencing people to strive willingly for

mutual objectives. Managers at all levels are expected to be the leaders of their subordinates.

Features of leadership

- a) Leadership indicates ability of an individual to influence others.
- b) Leadership tries to bring change in the behaviour of others.
- c) Leadership indicates interpersonal relations between leaders and followers.
- d) Leadership is exercised to achieve common goals of the organisation.
- e) Leadership is a continuous process.

Types of leadership

1. Autocratic or Authoritarian Leader

An autocratic leader gives orders and insists that they are obeyed. He determines the policies for the group without consulting them. He does not give information about future plans but simply tells the group what immediate steps they must take. Under this style, all decision making power is centralized in the leader. He does not give the subordinates any freedom to influence his decisions

2. Democratic or Participative Leader

Democratic leader gives order only after consulting the group and works out the policies with the acceptance of the group.

He never asks people to do things without working out the long term plans on which they are working. He favours decision making by the group as shown in the diagram. This improves the attitude of the employees towards their jobs and the organization thereby increasing their morale.

3. Laissez Faire or Free Rein Leader

Free rein leader gives complete freedom to the subordinates. Such a leader avoids use of power. He depends largely upon the group to establish its own goals and work out its own problems. Group members work themselves as per their own choice and competence. The leader exists as a contact man with the outsiders to bring information and the resources which the group requires for accomplishing the job.

Communication

It is the process of exchange of information between two or more persons to reach common understanding.

Communication plays key role in the success of a manager. Directing abilities of manager mainly

depend upon his communication skills. That is why organization always emphasizes on improving communication skills of managers as well as employees.

Elements of Communication Process

1. **Sender:** Who conveys his thoughts or ideas.
2. **Message:** Ideas, feelings, suggestions, order etc.
3. **Encoding:** Converting the message into communication symbols such as words/pictures etc.
4. **Media:** Path/Channel through which encoded message is transmitted to receiver e.g., face to face, phone call, internet etc.
5. **Decoding:** Converting encoded symbols of the sender
6. **Receiver:** Who receives communication of the sender.
7. **Feedback:** All those actions of receiver indicating that he has received and understood the message of the sender.

Importance of Communication

1. **Acts as basis of coordination:** It provides coordination among departments, activities and persons in the organisation.
2. **Helps in smooth working of an enterprise:** communication is basic to an organisation existence right from its birth through its continuing life.
3. **Act as basis of decision making:** Communication provides needed information for decision making.
4. **Increases managerial efficiency:** Communication is essential for quick and effective performance of managerial functions.
5. **Promotes cooperation and Industrial Peace:** The two-way communication promotes cooperation and mutual understanding between the management and workers and brings peace in the organisation.
6. **Establishes effective leadership:** Effective communication helps to influence subordinates. While influencing, a leader should possess good communication skills.

TYPES OF COMMUNICATION:

I. FORMAL COMMUNICATION II. INFORMAL COMMUNICATION

I. Formal Communication: refers to official communication which takes place following the chain of command. Classification of formal communication-

1. **Vertical Communication:** Flows vertically i.e., upwards or downwards through formal channels.

(i) Downward Communication: Higher to lower level like plans, policies, rules etc.

(ii) Upward Communication: Subordinate to superior like suggestions, grievances, reports etc.

2. **Horizontal/lateral Communication:** between persons holding positions at the same level of the organisation e.g., production manager may contact marketing manager about product design, quality etc.

Merits and demerits of formal communication Merits :

1. Orderly flow of information
2. Easy knowledge of source of information
3. Fixation of responsibility
4. Easy in control

Demerits:

- | | |
|------------------------------|---------------------|
| 1. Slow process | 3. Rigidity |
| 2. Lack of personal interest | 4. Overload of work |

II. **Informal Communication:** Communication that takes place without following the formal lines of communication is said to be informal communication. There is no fixed direction or path for the flow of information. It is based on informal relations and arises out of personal and social needs of the employees.

Merits and demerits of Informal communication Merits :

1. Fast communication
2. Improved relation
3. Social satisfaction

4. Fill the gaps

Demerits :

1. Misrepresentation of messages
2. Carry rumours
3. Unorganised and irregular
4. Leakage of important facts

Difference between Formal & Informal Communication

| Basis | Formal Communication | Informal Communication |
|---------------|--|---|
| 1. Meaning | Follows the official chain of command | Between individuals and groups which are not officially recognised. |
| 2. Channel | Through a definite path | No definite path. |
| 3. Speed | Slow: because all information has to pass through an established scalar chain. | Very fast - Cuts across all the official channels. |
| 4. Nature | More rigid and cannot be modified | Flexible and varies from individual to individual. |
| 5. Expression | It is mostly expressed in written form. | It mostly tends to be oral. |
| 6. Purpose | Achieve organisation goals. | Meet personal and social needs of employees. |

MULTIPLE CHOICE QUESTIONS:

1. Directing is _____ function of management.
(a) 3rd (b) 1st (c) 4th (d) 5th
2. One of the following is not an element of Directing.
(a) Communication (b) Motivation
(c) Leadership (d) Division of work
3. Out of the following, identify non-financial incentive.

- (a) Bouns (b) Organisational Climate
(c) Profit sharing (d) Perquisites
4. Cheena wants to have her own house. Which type of need is it?
(a) Esteem (b) Safety
(c) Physiological (d) Social
5. Out of the following, who advocated need— Hierarchy theory in 1943.
(a) Peter F. Drucker (b) Philip Kotler
(c) Abraham Harold Maslow (d) Koontz O' Donnell
6. Bhawna is very bossy and does not listen to any suggestion given by her subordinates. Which type of leader is Bhawna.
(a) Democratic (b) Autocratic
(c) Laissez Faire (d) None of the above
7. Out of the following which is not an example of Noise.
(a) Crossing of a vehicle
(b) Telephone lines going dead in between conversation
(c) Group of people talking nearby
(d) More number of organisational levels
8. Understanding the forms of symbols or diagrams correctly is known as—
(a) Encoding (b) Transmission
(c) Decoding (d) feedback
9. Identify a 'Semantic Barrier' out of the following—
(a) Rules and Regulation
(b) Distrust
(c) Technical Jargon
(d) Complex organisational structure
10. Directing_____action.
(a) Initiates (b) Ends
(c) Supports (d) None of the above

11. _____ is an Internal Driving Force Experience.
- (a) Communication (b) Motive
(c) Trust (d) Command
12. A sense of ownership is provided in one of the following.
- (a) Bonus (b) Perquisites
(c) Co-partnership (d) Profit-sharing

Match Fill in the Blanks:

- Directing flow from _____ to _____.
- _____ is the process that excites people to work for the attainment of desired objective.
- _____ refers of the need for affection, belongingness and friendship.
- _____ Incentives are effective in case of managers.
- _____ communication is within an organisation but not officially sanctioned.

Suggest True/False With Reasons

- Process of communication is never complete without feedback. (T/F)
- A Supervisor does not facilitates control. (T/F)
- Esteem needs are needs for respect, outonomy, status, recognition and attention. (T/F)

ANSWERS

| MCQS | | Fill Ups | Ture/False |
|------|-------|-----------------|------------|
| 1. C | 7.D | 1. Top, bottom | 1. True |
| 2. D | 8.C | 2. Motivation | 2. False |
| 3. B | 9.C | 3. Social Needs | 3. True |
| 4. C | 10. A | 4. Non-monetary | |
| 5. C | 11. B | 5. Informal | |
| 6. B | 12.C | | |

HOTS :

Q. 1. Ayesha Ltd. Assured their employees that in spite of recession no worker will be retrenched from the job.

(i) Name and explain the type of incentive offered to the employees.

(ii) Explain one more incentive of the same category.

Ans. (i) Job security

(ii) Explain one more incentive of the same category.

Employee's recognition.

Organizational climate.

Q. 2. Blue Birds Ltd. Offers to its employees issue of shares at a price which is less than the market price.

(i) Name and explain the type of incentive offered to the employees.

(ii) Explain one more incentive of the same category.

Ans. (i) Co-partnership/Stock option.

(ii) Other incentives: (a) Pay and allowance, (b) Bonus.

Q. 3. ABC Ltd. Is not able to achieve its objective on analyzing, they found that employees were not given their best, so he decided to announce an incentive plan, which offers various incentives to employee workers at different level for achieving their target.

(i) Which element of directing is used by manager?

(ii) Suggest incentive suitable for:

Employees operating at lower level.

Employees operating at higher level.

Ans. (i) Motivation is missing.

(ii) (a) Lower level: offer monetary incentives.

(b) Higher level: non-monetary incentive.

Q. 4. Mr. John faced lot of problems regarding the policy on teaching. He directly consulted the principal about his problem ignoring the Headmistress who is immediate superior of Mr. John as he feels more free to communicate with principal.

(i) Name the pattern of communication followed by Mr. John.

(ii) State any other two patterns.

Ans. (i) Mr. John is following inverted „V“ pattern.

(ii) Other two patterns:

Wheel pattern, (b) Chain pattern.

Q. 5. Is directing required at planning stage? Name the element of directing function under which:

(i) the superiors oversee the activities of their subordinates.

(ii) the superiors assure the subordinates that their needs will be taken care of.

(iii) the superior attempts to influence the behavior of people at work towards the realization of specified goals.

(iv) the superior share information with the subordinates in order to reach common understanding.

(3 Marks)

Ans. No, directing is not required at planning stage since it is an executive function. It initiates action in the organization while other functions of management (planning, organizing, staffing and controlling) just prepare a setting for action.

Supervision (ii) Motivation (iii) Leadership (iv) Communication.

Q. 6. Amit and Mikki are working in the same organization but in different departments. One day at lunch time Mikki informed Amit that due to computerization some people are going to be retrenched from the organization.

Name which type of communication is this. State any two limitations of this type of communication.

(3 Marks)

Ans. Informal Communication

Limitations:

The grapevine/informal communication spreads rapidly and sometimes gets distorted. It is very difficult to detect the source of such communication.

It also leads to generate rumours. People's behavior is affected by rumours and informal discussion and sometimes may hamper work environment.

Q. 7. You are working at the middle level of management. Your superior, a top management personnel, sent a message for you which you received and well understood. Is the communication process complete? Give reason. (3 Marks)

Ans. No, the communication process is not complete unless and until feedback is given to the superior. Feedback includes all those actions of the receiver indicating that he has received and understood the message of sender. So, I must respond to communication to improve its effectiveness, e. g., by giving a reply to letter, giving reactions to the message, etc.

Q.8. Ankur is working as a production manager in an organization. His subordinate Saurabh discussed with him a method of production which will reduce the cost of production. But due to some domestic problems and Ankur's mind being pre-occupied he is not in a position to understand the message. Saurabh got disappointed by this. Identify the factor which acts as a communication barrier. (1 Marks)

Ans. Lack of attention (Psychological/Emotional Barriers to Communication)

Q.9. Rajat a Sales Manager, achieved his sales target one month in advance. This achievement was displayed on the notice board and the CEO of the Company awarded a certificate for the best performance to him. Name the incentive provided to Rajat. (1 Marks)

Ans. The incentive provided to Rajat is – „Recognition“.

Q. 10. A behavior study was done on total of 100 employees of an organization. Group A (of 50 employees) were appreciated by the manager for their work and initiative for new idea. All these employees were given option of flexible working hours and were paid wages at a higher piece rate. On the other hand, Group B (of remaining 50 employees) was criticized for their poor performance. Their increments were stopped and they were paid wages at a lower piece rate.

(a) Identify and explain the feature of motivation highlighted in the above case.

(b) What type of leadership is followed by the manager? Justify your answer. (4 Marks)

Ans. Motivation can be either positive or negative. Positive motivation provides positive rewards like increase in pay, promotion, recognition, etc. Negative motivation uses negative means like punishment, stopping increments, threatening, etc.

Autocratic leadership style. The leader's following is based on the assumption that reward or punishment both can be given depending upon the result.

Q. 11. In a company, Mr. Kshitij always explains management policies to workers and brings workers' problems to the notice of management. At what post does Mr. Kshitij work in this company? (1 Marks)

Ans. Mr. Kshitij is supervisor in the company as he acts as a link between workers and management.

Q. 12. Prachi is working in an MNC. She has been given an option to buy the shares of the company at an amount less than the market price because of her performance as an incentive. Identify which incentive is being given to her. (1 Marks)

Ans. Co-partnership/Stock option.

Q. 14. Huma is working in a company on a permanent basis. As per job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realized that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

(i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfil.

(ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied.

Ans. „Huma is working in a company on a permanent basis“.

According to above line Huma is able to fulfil her following needs:

(a) Physiological needs (b) Safety or Security needs

(ii) Needs of Huma which still remained to be satisfied are:

Affiliation Need: It refers to the need for affection, since to belongingness, acceptance and friendship.

Esteem Need: It refers to the need for self-respect, autonomy, status, recognition and attention.

Q. 15. Mr. Nath, a recently appointed production manager of Suntech Ltd. Has decided to produce jute bags instead of plastic bags as these are banned by the government. He set a target of producing 1000 jute bags a day. It was reported that the employees were not able to achieve the target. After analysis he found that employees were demotivated and not putting in their best for achieving the target. Mr. Nath's behaviour is good towards the employees. His attitude is always positive. So he announced various incentive schemes for the employees like;

Installing award or certificate for best performance.

Rewarding an employee for giving valuable suggestion.

Congratulating the employees for good performance.

Identify the functions of management highlighted in the above paragraph.

State the „incentive“ under which the employees are motivated.

State any two values which the production manager wants to communicate to the society by his work and behavior.

Ans. Directing and Controlling

Employee recognition programme (non-monetary incentive)

Vale:

Sensitivity of environment Good behavior towards employees.

Q. 16. NOTICE

A meeting of all supervisors is scheduled on 20th August, 2016

This notice was placed on the notice board in the reception area of XYZ Ltd. But it did not mention clear specification regarding the time of meeting. Which barrier of communication is referred to here? Explain any two other forms of barriers to effective communication under the same category. (5 Marks)

Ans. Badly expressed message (Semantic barriers) – Use of wrong words, omission of needed words, inadequate vocabulary, etc.

Symbols with different meanings: A word may have several meanings. For example, consider these three sentences where the word „value“ is used:

What is the value of this ring?

I value our friendship.

What is the value of learning computer skills?

Wrong perception by the receiver leads to communication problems.

Faulty translations: Sometimes, the communications originally drafted in one language (say, English) need to be translated to the language understandable to workers (say, Hindi). If the translator is not proficient with both the languages, communication becomes ineffective. .

Q.17.Rajiv is working as Personal Manager in a company. The specialty of the company is that financial position of all the employees is good. The employees working here are honest punctual and hardworking. The CEO of the company asked him to suggest a method of motivation. The CEO asked him to suggest a method which is happily accepted by all the employees.

Rajiv spoke to many employees in this connection. Some employees suggested give more importance to individual autonomy, another suggested good performance should be appreciated another group suggested to award, certificate, trophies to recognize the good performance. Mr. Rajiv mixed all and suggested a method of motivation to CEO. The CEO happily accepted that and it was immediately implemented. With in few days the company"s growth rate appeared to have become fast.

Identify the functions of management indicate in the above paragraph.

Which motivation methods were suggested by different group of employees.

Which motivation method combine all the above stated and was suggested by personal manager.

Ans.

Directing.

(i) Recognition

(ii) Autonomy

Organizational climate.

(i) Ethical behavior

(ii) Motivating employees

(iii) Taking Suggestions from employing.

Q. 18. Pramod was a supervisor at a „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 no interruption in production. He was a good leader who would give orders only after consulting his subordinates and work out the policies with the acceptance of the group.

Identify and describe the leadership style being adopted by Pramod.

Ans. Democratic style of leadership.

A democratic leader favours decision making by the group. This improves the attitude of the employees towards their jobs and the organization thereby increasing their morale.

Using this style is of mutual benefit – it allows them (subordinates) to become part of the team and helps leaders (seniors) to make better decisions.

Q. 19. Smita 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 Smita would be promoted. But to everyone"s surprise the vacant post was filled by an outsider, Mrs. Rita. Smita felt demoralized and her performance started declining. She would abstain herself often and could not meet her targets.

Mrs. Rita was a good leader, who would not only instruct her subordinates but would also guide and inspire them. She noticed Smita"s behaviour and felt that her performance could be improved. She started involving Smita in decision making-issues related to the organization and made her a part of high level joint-management committed. Smita was now punctual in office and her performance started improving.

Identify the function of management being performed by Rita.

Name the element of the above function of management which helped Rita to improve Smita's behavior.

State any three features of the element identified in (ii) above.

Ans.

Directing

Motivation

Features of motivation:

Motivation is an internal feeling: The urge, desires, aspirations or needs of people, which are internal, influence human behavior.

Motivation produces goal-directed behavior: For example, if the employee is interested in promotion, it helps to produce a behavior to improve performance. Motivation can be either positive or negative: Positive motivation provides positive rewards like increase in pay, promotion, recognition, etc. negative motivation uses negative means like punishment, stopping increments, threatening, etc.

Q. 20. Rahim 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 Rahim that are satisfied by the offer of cycle company.

(ii) Also, explain two other needs of Rahim followed by above that are still to be satisfied.

Ans.

Needs of Rahim that are satisfied by the offer of cycle company are Physiological and safety/security needs.

„The cycle company offered him a permanent pensionable job“.

The other needs followed by the above stated needs that are still to be satisfied are:

Affiliation/Belongingness needs: These needs refer to the need for affection, sense of belonging, acceptance and friendship.

Esteem needs: These needs refer to the need for self-respect, autonomy status, recognition, etc.

Q. 21. Y Ltd. Is a bank functioning in India. It is planning to diversify into insurance business. Lately, the government of India has allowed the private sector to gain entry in the insurance business. Previously, it was the prerogative of LIC and GIC to do insurance business. But now with liberalization of the economy and to make the field competitive other companies have been given licences to start insurance business under the regulation of „Insurance regulatory and development Authority“.

Y Ltd. Plans to recruit high quality employees and agents and exercise effective direction to capture a substantial part of life and non-life insurance business.

Identify how the company can supervise its employees and agents effectively.

What financial and non-financial incentives can the company use for employees and agents separately to motivate them?

How can the company ensure that higher order needs i.e., esteem and self actualization as specified by Maslow are met?

How can the company follow formal communication system?

How can informal communication help to supplement formal communication?

Ans. The company will appoint supervisors who will provide on the job training to the employees and agents. They will maintain group unity and ensure that the company gets enough insurance business.

To the employees, the company can give pay and allowances, bonus, retirement benefits, perquisites (e.g., car allowance), recognition, promotion, job security etc. to motivate them for higher performance.

To the agents, the company can give the following incentives:

Profit sharing

Stock option (i.e., giving company's share at a price less than market price)

Productivity linked salary (i.e., higher salary for getting more insurance business)

Participation in decision – making.

By giving recognition, autonomy status, etc. and providing growth and self-fulfillment opportunities, the company ensures that higher order needs-esteem and self actualization needs are met.

The company can follow formal communication system by ensuring that all communication flows through official channels designed in the organization chart (i.e., through Scalar chain).

Information communication network (i.e., grapevine) can be used by the company to transmit information to know the reactions of the employees and agents to the company's decisions and policies. Grapevine channels can carry insurance market information rapidly.

Q. 22. Prateek is working in a multinational company in Noida. He was running a temperature for the last many days. When his blood was tested, he was found to be positive for malaria. He was admitted in a hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his superior, Mr. B. Chatterjee. Mr. B. Chatterjee immediately sent a text message to the employees of the organization requesting them to donate blood for Prateek. When the General Manager came to know about it, he ordered for fumigation in the company premises and cleaning the surroundings.

From the above paragraph, quote lines that indicate formal and informal communication.

State any two features of informal communication.

Identify any two values that are being communicated to society in the above case.

Ans.

(i) *Informal communication*: "One of his colleagues sent a text message to his superior, Mr. B. Chatterjee. Mr. B. Chatterjee immediately sent a text message to the employees of the organization requesting them to donate blood for Prateek."

(ii) *Formal communication*: "When the general manager came to know about it, he ordered for fumigation in the company premises and cleaning surroundings."

The features of informal communication are as follows:

The grapevine/informal communication spreads very fast and sometimes gets distorted. It is very difficult to detect the source of such communication.

The two values that are being communicated to the society are:

Humanity

Cleanliness

Q. 23. Roshan is the chief of „Khidmat" restaurant located in the city of Bangaluru. The place is known for its exquisite Mughlai cuisine especially mutton briyani and kababs. All the food is prepared

under Roshan's purview. The various activities in the kitchen are initiated in accordance to his instructions. He is very clear and specific in issuing instructions to his subordinates in order to ensure smooth working of the department. He personally oversees the method followed by the chefs for preparation of each dish. He misses no opportunity to praise his subordinates for their good work. All his team members feel very happy and satisfied under his direction. He provides constant guidance to them in order to improve upon its taste and presentation and also encourages them to innovate and be more creative in their work.

In the above context:

Identify the various elements of directing mentioned in the above paragraph by quoting lines from the paragraph.

Describe briefly any two points to highlight the importance of directing as a function of management.
Ans.

The various elements of directing mentioned in the above paragraph are as follows:

Communication: „He is very clear and specific in issuing instructions to his subordinates in order to ensure smooth working of the department.”

Supervision: “He personally oversees the method followed by the chefs for preparation of each dish.”

Leadership: “He provides constant guidance to them in order to improve upon its taste and presentation and also encourages them to innovate and be more creative in their work.”

Motivation: “He misses no opportunity to praise his subordinates for their good work.”

The importance of directing as a function of management is described below:

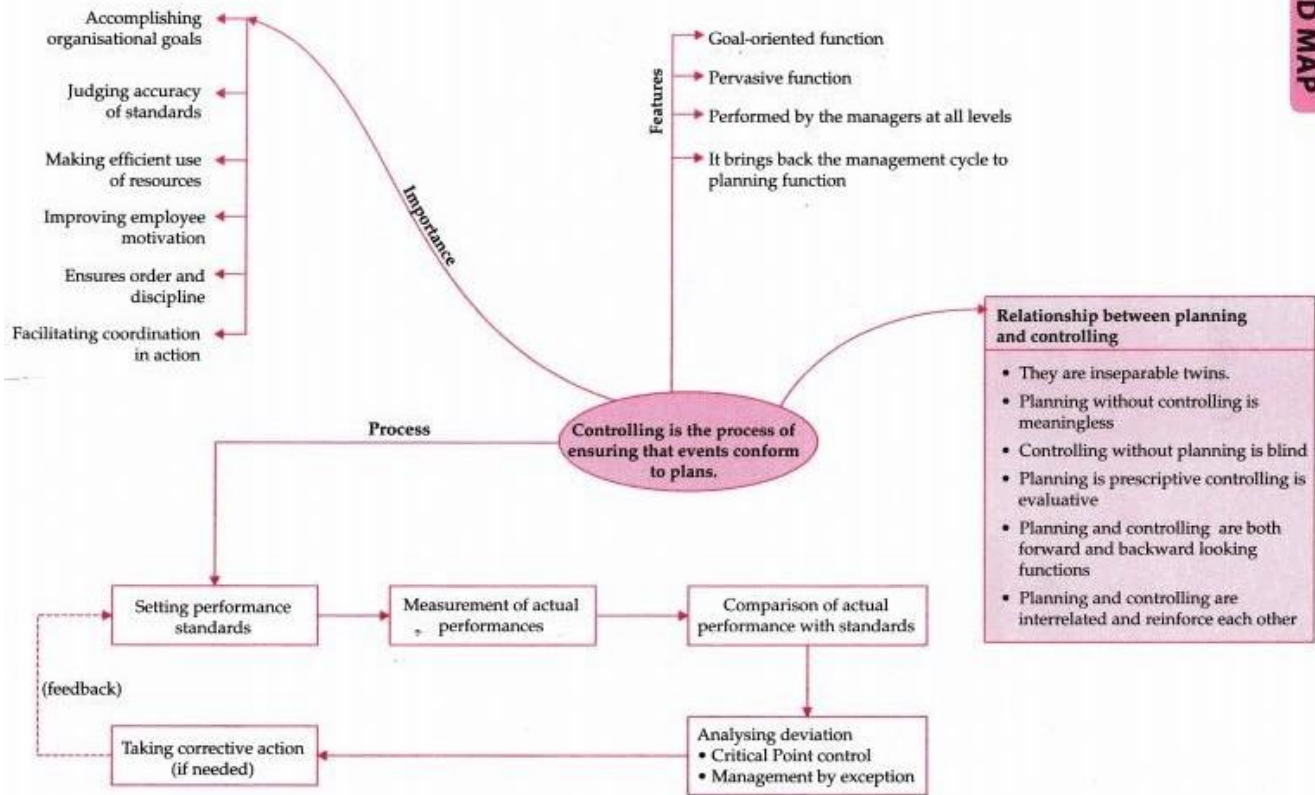
Initiates action: Directing helps to initiate action by people in the organization towards attainment of desired objectives. It is the first execution function of management.

Integrates employees' efforts: Directing seeks to integrate the individual efforts of employees in the organization towards the realization of the organizational goals.

Helps to realize their potential: Directing provides effective guidance, motivation and leadership to the employees so as to enable them to realize their potential and capabilities. (any two)

CHAPTER : 8 CONTROLLING

MIND MAP



CONTROLLING

Meaning & Definition

Controlling means ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively and efficiently for the achievement of predetermined goals.

It can be defined as comparison of actual performance with the planned performance.

. Nature of Controlling/Features of Controlling

1. **Controlling is a goal oriented function:** Controlling as a function of management ensures that the overall directions of individuals and groups are consistent with short and long range plans of the organization.

2. **Controlling is an all pervasive function:** Controlling is a function which is applicable to all types of organizations business and non-business and at all managerial levels.
3. **Controlling is a continuous function:** Control is not a one time activity. Rather, it is a dynamic process that involves constant analysis of actual and planned performance.
4. **Controlling is both a backward looking as well as forward looking function:** Under controlling past performance is analysed, therefore controlling is backward looking. On the basis of this past performance analysis, remedial action is taken to make future performance better, in this way controlling is forward looking.
5. **Controlling is a dynamic process:** Since controlling requires taking reviewable methods, changes have to be made wherever possible.

Importance of Controlling

1. **Controlling helps in achieving organizational goals:** The controlling function measures progress towards the organizational goals and brings to light/indicates corrective action.
2. **For Evaluating/Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate or not by careful check on the changes taking place in the organizational environment.
3. **Making efficient use of resources:** By the process of control, a manager seeks to reduce wastage of resources.
4. **Improves employee's motivation:** A good control system ensures that employees know well in advance what they are expected to do & also the standard of performance. It thus motivates & helps them to give better performance.
5. **Facilitating Coordination in action:** In controlling each department and employee is governed by predetermined standards which are well coordinated with one another. Control provides unity of direction.
6. **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organization by keeping a close check on the activities of its employees.

Q NO 1. If planning is done carefully and accordingly other functions of management are going in the right direction, then there is no need of the controlling function of management. Do you agree with this statement? Give reasons in support of your answer.

[Hint- Controlling is still required to check whether performance is as per plans or not.]

Controlling Process

1. **Setting Performance Standards:** Standards are the criteria against which actual performance would be measured. Thus standards become basis for comparison and the manager insists on following of standards.

Standards can be set in both quantitative as well as qualitative terms. It is important that standards should be flexible enough to be modified whenever required. Standards should be SMART as:

S – Simply Expressed M –

Measurable

A – Attainable

R – Reasonable T – Time

bounded

2. **Measurement of Actual Performance:** Performance should be measured in an objective and reliable manner which includes personal observation, sample checking. Performance should be measured in same terms in which standards have been established, this will facilitate comparison.
3. **Comparing Actual Performance with Standard:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired performance. If the performance matches the standards it may be assumed that everything is under control.
4. **Analysing Deviations:** The deviations from the standards are assessed and analysed to identify the causes of deviations.

Deviations are analysed in the light of pre-determined deviation tolerance limit and key result areas.

- a) **Critical point control (CPC):** It is neither economical nor easy to have a check on all the activities of an organisation. Hence, the manager should pay more attention on those activities which are important and critical to the success of an organisation. These are known as Key Result Areas- KRA's.

Example: 2% increase in stationery cost is not critical. But 2% increase in wages Salaries is critical.

- b) **Management by Exception (MBE):** A manager should take corrective action only when there is exceptional deviation i.e. when they cross the permissible limit or acceptable range. Deviations within acceptable range are ignored.

Example: Wastage within Normal Wastage Range may be ignored. But if wastage crosses this limit and becomes Abnormal then management should control.

5. **Taking Corrective Action:** The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within the acceptable limits. But where significant deviations occur corrective action is taken.

Q NO 2. "Comparing the actual performance with laid standard, finding out deviations and taking corrective action is an important process of a function of management." Name the process.

[Hint- Controlling Process]

Limitations of Controlling

1. **Little control on external factors:** Generally no enterprise can control external factors such as government policies, technological changes, competitions etc.
2. **Resistance from employees:** Control is often resisted by employees. They see it as a restriction on their freedom e.g. Employees may resist and go against the use of cameras to observe them minutely.
3. **Costly affair:** Control is a costly affair as it involves a lot of expenditure of time and efforts.
4. **Difficulty in setting quantitative standards:** Control system loses some of its

effectiveness, when standards cannot be defined in quantitative terms. In the absence of quantitative standards, comparison with standards becomes difficult.

Multiple Choice questions.

1. Which function of management bring back the management cycle back to the planning function.
(a) Directing (b) Organising (c) Controlling (d) Staffing
2. A good control system helps an organisation to.
(a) Accomplishes organisational goals.
(b) Judges accuracy of standards.
(c) Ensure order and discipline
(d) All of the above.
3. Under which step of controlling process certain pieces are checked at random for quality as sample checking.
(a) Measurement of actual performance
(b) Comparing actual performance with standards
(c) Analysing Deviations
(d) Taking corrective action.
4. The plans lay down 2% increase in labour cost as an acceptable range of deviation in a manufacturing organisation, only increase in labour cost beyond 2% Should be brought to the notice of the management.
Which method of controlling deviations is mentioned above.
(a) Budgetary control (b) Critical point control
(c) Management by exception (d) Inventory control.
5. "Employees might object when they are kept under a strict watch with the help of CCTVS." Which Limitation of controlling is indicated here'
(a) Control through CCTVS is as costly affair
(b) Organisation have little control on external factors.
(c) Selection of CCTVS installation points is difficult and time consuming.
(d) Resistance from employees.

6. In case the deviation cannot be corrected through managerial action, what should be done.
- Standards may have to be revised.
 - Control through CCTVS should be ensured
 - Existing controlling process should be changed/modified
 - Sample checking should be done.
7. In a manufacturing organisation an increase of 5% in the labour cost may be more troublesome than a 15% increase in postal charges.
- Which method of controlling Deviations is mentioned in above example.
- Budgetary control
 - Management by exception
 - Critical point control
 - Inventory control
8. "Controlling improves future planning by providing information derived from past experience. "This, controlling function of an organisation based on given feature is.
- Forward looking
 - Backward looking
 - Forward as well as backward looking
 - None of the above.
9. Identify the basis of controlling that are provided by planning.
- Actual performance
 - Key Result areas
 - order and discipline
 - Standard performance
10. Which function of management not only helps in keeping a track on the progress of activities but also ensures that activities conform to the standards set in advance.
- Planning
 - Directing
 - organising
 - controlling

Answer :

- | | | | | |
|-------|-------|-------|-------|--------|
| (1) c | (2) d | (3) a | (4) c | (5) d |
| (6) a | (7) c | (8) c | (9) d | (10) d |

Giving reason in support of your answer, state whether the following are True or False.

- Answer :**

Fill in the blanks with most appropriate word.

- Page 102

(iii) Which concept of management will help the company in meeting the target production (1)

Q.5 Mr. Ankit is the chief manager in a well-known MNC, producing shoes. He called the production manager of his unit and told him to keep a constant watch on all the activities of his respective unit so that there is no possibility of adverse results. As long as the company runs its operation employees at all levels will adopt it to achieve results.

1. Identify the function of management referred above. (1)
2. Describe its three features quoting lines from the para. (3)

Q.6 Polycons Ltd. is a firm manufacturing paper bags in Orissa. It has employed female workers in the company and manufactures paper bags from recycle paper and there after sells them to various firms at economic rates.

Since last 1 month, its customers(firms) are reporting of complaints received from the users that these paper bags are unable to manage heavy weight and get torn easily.

1. Which function of management has been ignored above? (1)
2. Discuss the steps to be undertaken in respect of the ignored function to remedy the situation. (4)

Hints

1. Planning
2. No, because analysis of deviations may leads to revise the standards next year.
3. Increase in cost of labour and raw materials.

4. (i) (ii)

- | | |
|----------------|-----------------------------------|
| 1. Staffing | Recruitment |
| 2. Controlling | Comparing actual performance |
| 3. Directing | Analysiiing causes of deviations. |

(iii) Motivation

5. 1. Controlling
2. Goal oriented "So that adverse results.
Continuous Process "As longco. runs"
Pervasive function "Employees at all levels"
6. .1 Controlling
2. Measuring actual performance
Comparing Actual performance with standards
Analysis Deviations
Taking corrective measures

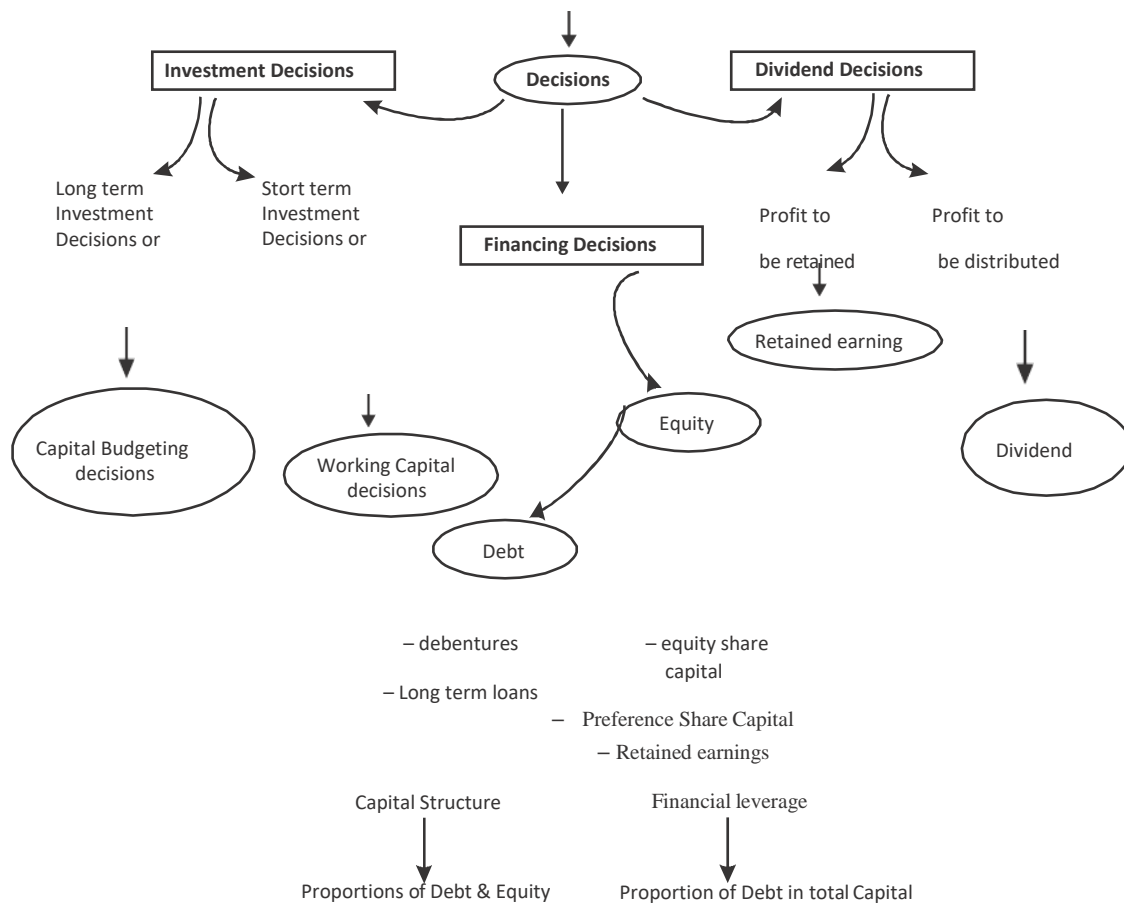
CHAPTER 09 : FINANCIALMANAGEMENT

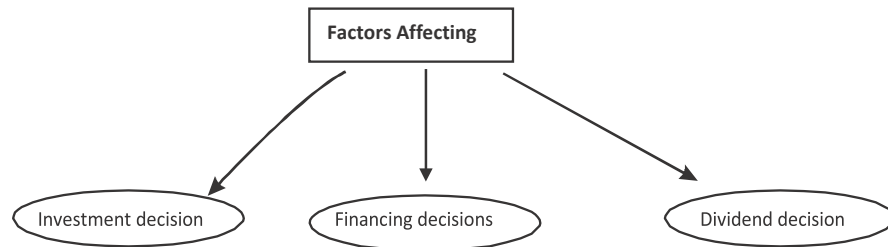
Objective: To Maximizes Shareholders Wealth

FINANCIAL MANAGEMENT

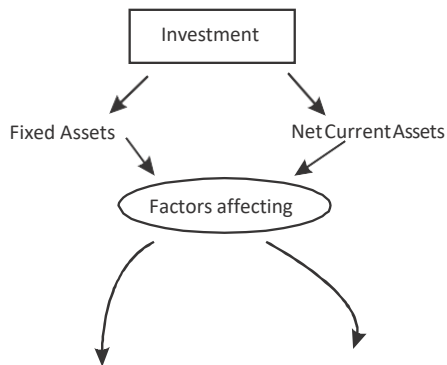
Financial Management is concerned with decisions relating to

1. Procurement of funds (financing decisions)
2. Investment of funds (investing decisions)
3. Distribution of earnings (dividend decision)





- Cash flow of the Project
- Rate of Return
- Investment Criteria innolved



- Trading on Equity
- Cash flow position
- Interest coverage ratio
- Return on investment
- Floatation cost
- Control
- Tax Rate
- Cost
- Risk
- Period of finance

- Earnings
- Stability of dividends
- Growth Prospects
- Cash flow positions
- Preference of shareholders
- Taxation Policy
- Stock market reaction
- Legal constraints

- Nature of business
- Scale of operations
- Choice of techniques
- Technology upgradation
- Diversification
- Financing alternatives
- Collaboration

- Nature of business
- Scale of operations
- Business cycle
- Seasonal factors
- Credit allowed
- Credit availed
- Inflation/Deflation

Meaning of Financial Management

Financial management is the activity concerned with the planning, raising, controlling and administering of funds used in the business. It is concerned with optimal procurement as well as usage of finance. It aims to reduce the cost of funds. It also aims at ensuring availability of enough funds whenever required as well as avoiding idle finance.

Objectives of Financial Management

(A) Primary Objective:

- **Wealth Maximisation:** The main objective of Financial management is to maximise shareholder's wealth. The market price of a company shares is linked to three basic financial decisions and shareholder's wealth maximisation.

Wealth of shareholders = number of shares x market price per share.

(B) Other objectives:

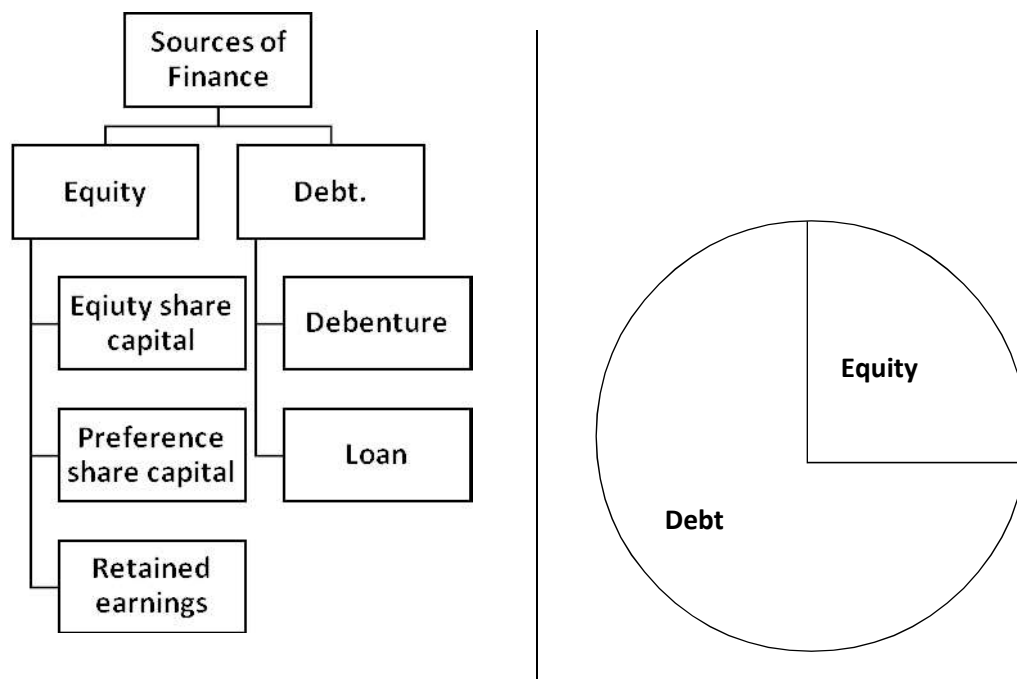
1. **To procure sufficient funds for the organisation:** Adequate and regular supply of funds is to be maintained for smooth operations of the business.
2. To ensure effective utilisation of funds.
3. **To ensure safety of funds :** The chances of risk in investments should be minimum possible.

Financial Decisions:

FINANCING DECISION

Decision is taken at two stages:

1. Estimating overall requirement of funds.
2. Deciding different sources



Deciding how much amount is to be arranged from which source.

FIRST STAGE: FINANCIAL PLANNING

The process of estimating the fund requirement of a business and specifying the sources of funds is called financial planning. It ensures that enough funds are available at right time so that a firm could honour its commitments and carry out its plans. **STEPS**

- (i) Determination of Financial Objectives.
- (ii) Formulation of Financial Policies and Rules.
- (iii) Forecasting the Needs of Finance.
- (iv) Developing Alternative sources of Finance.
- (v) Selection of Best Alternative.
- (vi) Implementing Financial Plans and Policies.

Importance of Financial Planning

1. To ensure availability of adequate funds at right time.
2. To see that the firm does not raise funds unnecessarily.
3. It results in preparation of plans for future. Thus new projects can be under

taken smoothly.

4. It serves as the basis of financial control. The management attempts to ensure utilization of funds in tune with the financial plans.

SECOND STAGE: CAPITAL STRUCTURE

Capital structure refers to the optimal mix between owner's funds and borrowed funds. It will be said to be optimal when the proportion of debt and equity is such that it results in an increase in the value of the equity share. The proportion of debt in the overall capital of a firm is called Financial Leverage or Capital Gearing. When the proportion of debt in the total capital is high then the firm will be called highly levered firm but when the proportion of debts in the total capital is less, then the firm will be called low levered firm

Factors affecting Capital structure or financing decision

1. **Trading on Equity:** It refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest. Trading on equity happens when the rate of earning of an organisation is higher than the cost at which funds have been borrowed and as a result equity shareholders get higher rate of dividend per share.
2. **Cash Flow Position:** In case a company has strong cash flow position then it may raise finance by issuing debts, as they are to be paid back after some time and interest has to be paid on debt.
3. **Interest Coverage Ratio:** It refers to the number of times earning before interest and taxes of a company covers the interest obligation. High interest coverage ratio indicates that company can have more of borrowed funds. Formula for calculating ICR = EBIT/interest.
4. **Return on Investment:** If return on investment is higher than the rate of interest on debt then it will be beneficial for a firm to raise finance through borrowed funds.
5. **Floatation Cost:** The cost involved in issuing securities such as brokers commission, under writer's fees, cost of prospectus etc. is called floatation cost..
6. **Risk:** The risk associated with different sources is different. More risk is associated with borrowed funds as compared to owner's fund as interest is paid on it and it is to be repaid also, after a fixed period of time or on expiry of its tenure

Q.1 State the formula for calculating financial leverage.

(1)

) [Hint: Debt/Equity]

Q.2 What is the impact of business risk on Capital structure.

(1)

) [Increase in risk will decrease use of debt]

Q.3 Under what situation, will an increase in debt decrease the EPS?

(i) When rate of return is less than rate of interest.

(ii) Decrease in earnings.

Q.4 'Cost of debt' is lower than the 'Cost of equity share capital'. Give reason, why even then a company cannot work only with debt. (3)
(Because equity share capital is a permanent source of capital & provides risk capital). (1)

Q.5 What is favourable financial leverage?

(1)

) (When capital structure has more debt than equity)

INVESTMENT DECISION

It relates to how the firm's funds are invested in different assets. Investment decision can be long-term or short-term. Long term investment decision is called capital budgeting decision as they involve huge amounts of funds and are irreversible except at a huge cost.

Factors affecting Investment Decisions

1. **Cash flows of the project** : The series of cash receipts and payments over the life of an investment proposal should be considered and analysed for selecting the best proposal.
2. **Rate of Return** : The expected returns from each proposal and risk involved in them should be taken into account to select the best proposal.
3. **Investment Criteria Involved** : The various investment proposals are evaluated on the basis of capital budgeting techniques. These involve calculations regarding investment amount, interest rate, cash flows, rate of return, risk involved in project etc.

INVESTMENT: 1. FIXED CAPITAL 2. WORKING CAPITAL

Fixed Capital

Fixed capital refers to investment in long-term assets. Investment in fixed assets like land, plant and machinery for longer duration and they must be financed through long-term sources of capital.

Factors Affecting Requirement of Fixed Capital

1. **Nature of Business** : Manufacturing concerns require huge investment in fixed assets & thus huge fixed capital is required for them but trading concerns need less fixed capital as they are not required to purchase plant and machinery etc.
2. **Scale of Operations** : An organisation operating on large scale requires more fixed capital as compared to an organisation operating on small scale.
3. **Choice of Technique** : An organisation using capital intensive techniques requires more investment in plant & machinery as compared to an organisation using labour intensive techniques.
4. **Technology upgradation** : Organisations using assets which become obsolete faster require more fixed capital as compared to other organisations.
5. **Growth Prospects** : Companies having more growth plans require more fixed capital. In order to expand production capacity more plant & machinery are required.

Working Capital

Working Capital refers to the capital required for day to day working of an organisation. Every business organisation needs to invest in current assets, which can be converted into cash or cash equivalents within a period of one year. They provide liquidity to the business. Working capital is of two types - Gross working capital and Net working capital. Investment in all the current assets is called Gross Working Capital whereas the excess of current assets over current liabilities is called Net Working Capital.

Networking Capital = Current Assets- Current Liabilities

| Basis | Fixed Capital | Working Capital |
|-----------------|--|--|
| 1. Nature | The amount of fixed capital remains blocked in business. | The amount of working capital revolves around in the business. |
| 2. Purpose | Buy fixed assets. | Buy current asset. |
| 3. Main Sources | Shares, debentures, loans and retained earnings. | Commercial banks, public deposits etc. |
| 4. Time Period | Required for long term use. | Required for short-term use. |

Factors affecting requirement of working capital:

| Name of the factor | Requirement of More working capital | Requirement of Less working capital |
|---------------------------|---|--|
| Nature of business | Manufacturing concern because of processing work. | Trading concern because of no production. |
| Scale of operation | Large scale operation because of huge inventory. | Small scale operations because of small inventories. |
| Business Cycle | During boom period because of more production. | During depression period because of less production. |
| Seasonal factors | Peak season because of more demand. | Lean season, because of low demand. |

Q.1 'Fixed capital decisions are irreversible'. Why? (Huge funds involved). (1)

Q.2 Name any two seasonal industries.

(Woolen industry, ice-cream industry) (1)

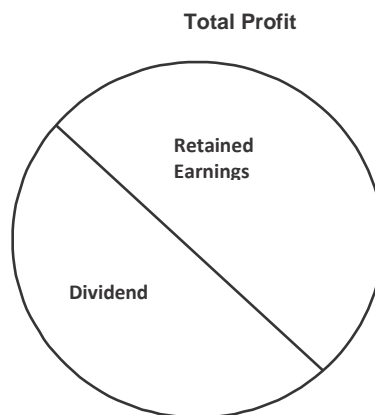
Q.3 How is operating cycle related to requirement of working capital?

(1)

) (Longer operating cycle require more working capital)

Dividend Decision

Dividend refers to that part of the profit which is distributed to shareholders. A company is required to decide how much of the profit earned by it should be distributed among shareholders and how much should be retained.



Factors affecting Dividend Decision

1. **Earnings** : Companies having high and stable earning could declare high rate of dividends as dividends are paid out of current and past earnings.
2. **Stability of Dividends** : Companies generally follow the policy of stable dividend. The dividend per share is not altered/changed in case earnings change by small proportion or increase in earnings is temporary in nature.

3. **Cash Flow Positions:** Dividends involve an outflow of cash and thus, availability of adequate cash is foremost requirement for declaration of dividends.
 4. **Preference of Shareholders :** In case shareholders desire for dividend then company may go for declaring the same. There are always some shareholders who depend upon a regular income from their investments.
 5. **Taxation Policy :** A company is required to pay tax on dividend declared by it. If tax on dividend is higher, company will prefer to pay less by way of dividends
 whereas if tax rates are lower then more dividends can be declared by the company.
- Q.** A Decision is taken to distribute certain parts of profit to shareholders after paying tax. What is this decision called? (1)
 (Dividend decision)
- Q.** Which type of company is in a position to declare high dividends? (1) [Hint: Company with good profits and reserves, steady return]
- Q.** A company is earning good amount of profits since last twelve years. It has good amount of reserves also. But fixed cost burden is also high. Due to credit sales policy, it does not have sufficient amount of cash. Can it declare good rate of dividend? Give reason in support of your answer.(1)

Key terms to Crack Case Studies

Financial Management

1. Financial blueprint of operations — Financial planning.
2. Decisions affecting liquidity and profitability of a business — Short term investment decisions.
3. Decisions affecting financial risk and profitability of a business — Capital structure decisions.
4. Long term investment decisions — Capital budgeting decisions

5. Proportion of debt and equity — Capital structure
6. Cheapest source of finance — Debt
7. Riskfree source of finance — Equity
8. Decisions relating to disposal of profits — Dividend decision
9. Decision relating to quantum of funds to be raised from various long term sources — Financing decision
10. Most suitable combination of owners funds and borrowed funds to generate higher EPS — Trading on equity/Financial leverage.

Multiple Choice Questions

I. ROI of a company is 12%. To finance its project, it has two borrowing options.

- (a) Rate of interest 9%
- (b) Rate of interest 13%

Which option is better. Give reason.

II. Higher debt equity ratio results in

- | | |
|---------------------------|---------------------------|
| (a) Lower financial risk | (b) higher operating risk |
| (c) higher financial risk | (d) higher EPS |

True/False, give reason in support of your answer.

1. Companies with higher growth potential pay lower dividends.
2. An 'Advertising agency' needs to have large fixed capital.
3. Trading on equity takes place when ROI is less than the rate of interest.
4. Capital budgeting decisions are very crucial for any business.
5. If cash flow position of a company is weak more debt financing is not recommended.

Fill in the blanks.

1. Current assets get converted into cash within a period of ____.
2. Inflation will result in an increase in ____ capital requirements.
3. Objective of financial management is ____

Answers MCQ

, I – Option A, II. – c,
True/False

1. True because it needs funds for expansion/growth of company.
2. False because it is a service Co. & need not maintain any inventory.
3. False because E.P.S. will be low. ROI should be more than rate of interest.
4. True because they are irreversible.
5. True. It will be difficult for a company to pay interest on time, hence more risk.

Fill in the blanks:

1. 1 year
2. Working
3. maximisation of shareholders wealth

QUESTIONS FOR PRACTICE

- Q.1** HCL Company's finance manager has decided to retain its entire profit to meet financial requirement for its growth. Name the type of decision involved.(Dividend) (1)
- Q.2** Tata sons has debt equity ratio of 4:1 and Bajaj has 1:1 debt equity ratio. Name the advantage, Tata sons may have over Bajaj.(Trading on equity) (1)
- Q.3** Dabur India has decided to increase credit limit and duration of credit to its customers to boost its sales. Name the type of decision involved. (workingcapital)(1)
- Q.4** Bharti Ltd. is a leading mobile company. It is planning to acquire Queen Ltd's (its close competitor) business worth Rs. 1,000 crore. Which

financial decision is involved in it? Explain it.(Investment)(3)

- Q.5** Chandra Ltd. is a manufacturer of Laptops. It made a profit of 1000 crores. The director have proposed a dividend of 38%. As a finance manager of the company. What factors would you consider while formulating a dividend policy of the company? (Any four)(4)
- Q.6** Pankaj is engaged in Warehousing - Business Identify the working capital requirements of Pankaj stating the reason in support of your answer. Pankaj is also planning to start his Transport business. Explain any two factors that will affect his fixed capital requirements.(2+2)
- Q.7** How is overall financial risk calculated?
- Q.8** How does financial management help in maximisation of shareholders' wealth? (Taking right financial decisions)
- Q.9** How does 'Trading on Equity' affect the Capital structure of a company? Explain with the help of a suitable example. (5)
- Q.10** "During annual general meeting of Prakash Ltd. CEO, Mr. Rajnesh put the expansion plan for the coming year before shareholders and asked for suitable

source of finance to finance manager. Finance manager Mr. Kant proposed issue of debentures than equity with a plan that they can be paid back whenever requirement of funds is over"

In the above paragraph, which component affecting financing decision has been highlighted? Explain the component. (Flexibility) (3)

- Q.11** Jai Bharat Company Ltd. is an auto part supplier company in Guru Gram, Haryana. Its business is spread over several cities. The CEO of company wants to open a factory in Gujrat near Tata Motors Ltd. but due to recession for the last two years, its business is facing slow down. Company needs capital. Rakesh Gupta is CA and financial advisor of the company. He opines that during recession profit falls

and investors prefer to invest debentures to earn fixed income. Therefore, the company should issue debentures.

In this paragraph, which factor affecting financing decision has been highlighted? Explain (State of capital market). (3)

Q.12 How will increase in number of creditors affect the working capital requirements of a company?(1)

Q.13 "Tax benefits are available only in case of payment of interest and not on the payment of preference dividend." Why? (Interest is an expense while dividend is an appropriation)(1)

Q.14 "Ranbaxy Ltd. has been earning handsome profits since last 15 years. Company enjoy fair goodwill in the market, so company can easily arrange debt as well equity from the market, whenever needed. Therefore company decided to declare dividend with a hike of 15% from, last year."

Which two components affecting dividend decision have been highlighted in the above paragraph. (2+2)

(i. Stability of earning ii. Access to capital markets)

Q.15 'REI Agro Food Ltd 'is a famous multinational company. Mr. S.K.Nagi is its finance manager. He is making efforts to increase the market value of capital invested by the equity shareholders. He already knew it could be possible only when price of the shares increases and price of shares increase only if financing, Investment and dividend decisions are taken optimally. He did the same and achieved success.

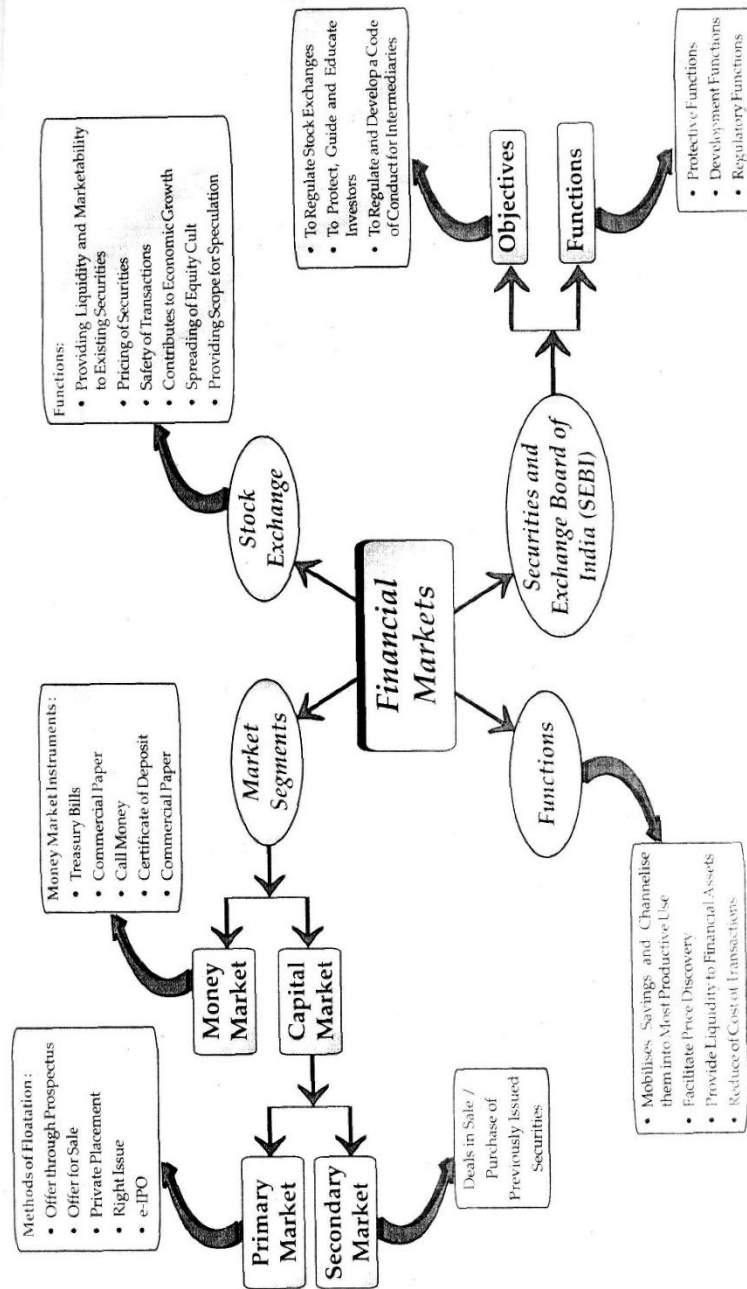
Which objective of financial management has been referred here? Explain.

(3)

Q.16 Name the factor due to which a petro chemical company requires much higher investment in fixed capital than an information technology company. However both may generate same amount of revenue.(Nature of business)

(3)

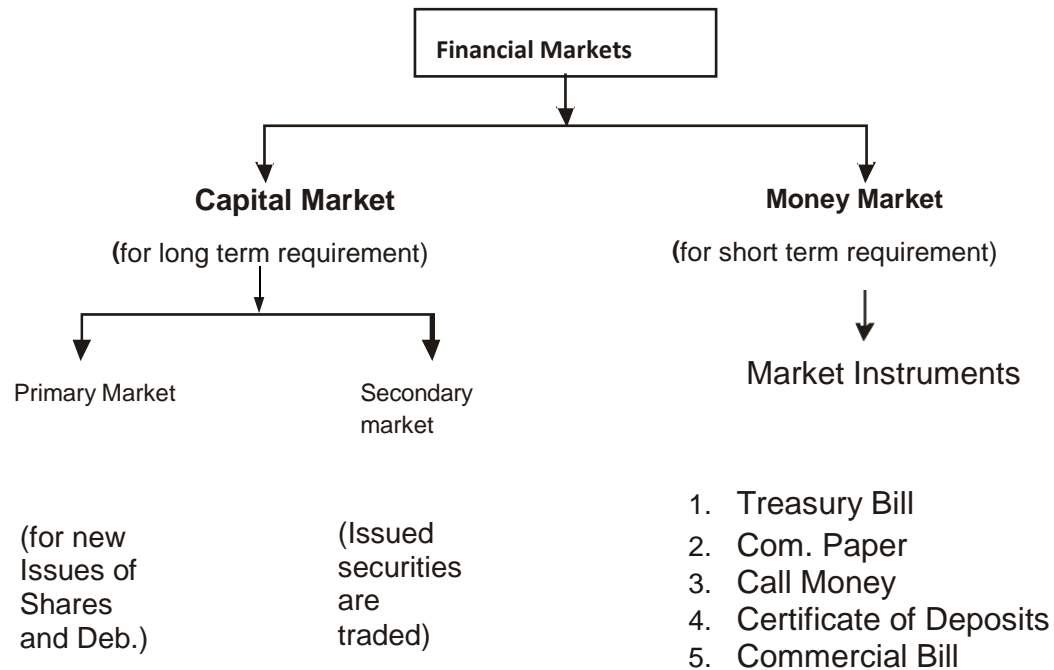
CHAPTER – 10 FINANCIAL MARKETS

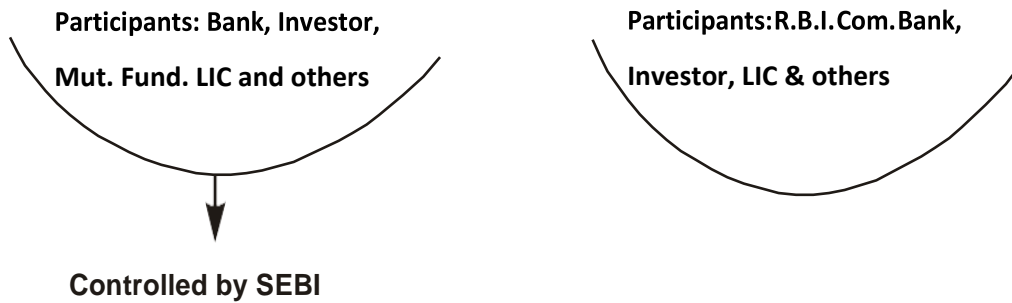


Financial Market is a market for creation and exchange of financial assets like shares, bonds etc. It helps in mobilising savings and channelizing them into the most productive uses.



Types of Financial Markets





Money Market

It is a market for short term funds/securities whose period of maturity is upto one year. The major participants in the money market are RBI, Commercial Banks, Non-Banking Finance Companies, State Government, Large Corporate Houses and Mutual Funds. The main instruments of money market are as follows:

1. **Treasury Bills:** They are issued by the RBI on behalf of the Central Government to meet its short-term requirement of funds. They are issued at a price which is lower than their face value and are repaid at par. They are available for a minimum amount of Rs. 25000 and in multiples thereof. They are also known as Zero Coupon Bonds. They are negotiable instruments i.e. they are freely transferable.
2. **Commercial Paper:** They are short term unsecured promissory notes issued by large credit worthy companies to raise short term funds at lower rates of interest than market rates. They are negotiable instruments transferable by endorsement and delivery with a fixed maturity period of 15 days to one year.

This source is usually used for-

- (i) Working Capital requirements
 - (ii) Seasonal needs
 - (iii) Bridge financing
3. **Call Money:** It is short term finance repayable on demand, with a maturity period of one day to 15 days, used for interbank transactions. Call Money is a method by which banks borrow from each other to be

able to maintain the cash reserve ratio as per RBI. The interest rate paid on call money loans is known as the call rate.

4. **Certificate of Deposit:** It is an unsecured instrument issued in bearer form by Commercial Banks & Financial Institutions. They can be issued to individuals, Corporations and companies for raising money for a short period ranging from 91 days to one year.

5. **Commercial Bill:** It is a bill of exchange used to finance the working capital requirements of business firms. A seller of the goods draws the bill on the buyer when goods are sold on credit. When the bill is accepted by the buyer it becomes marketable instrument and is called a trade bill. These bills can be discounted with a bank if the seller needs funds before the bill maturity

Capital Market

It is a market for long term funds where debt and equity are traded. It consists of development banks, commercial banks and stock exchanges. The capital market can be divided into two parts:

1. Primary Market

It deals with the new securities which are issued for the first time. It is also known as the New Issue Market.

Methods of Floatation of New Issues in Primary Market

1. **Offer through Prospectus/ Initial Public Offer :** It 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.
2. **Offer for Sale:** Under this method security are offered for sale through intermediaries like issuing houses or stock brokers. The company sells securities to intermediary/broker at an agreed price and the broker resells them to investors at a higher price.
3. **Private Placements:** It refers to the process in which securities are allotted to institutional investor and some selected individuals.
4. **Rights Issue :** It refers to the issue in which new shares are offered

to the existing shareholders in proportion to the number of shares they already possess.

5. **e-IPOs** : It is a method of issuing securities through an on-line system of stock exchange. 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..

Secondary Market

It is also known as the stock market or stock exchange where purchase and sale of existing securities takes place. They are located at specified places and both the buying as well as selling of securities takes place.

Difference between Primary and Secondary Market

| Basis | Primary Market | Secondary Market |
|------------------------|---|--|
| 1. Securities | Only new securities are traded. | Existing securities are traded. |
| 2. Price of securities | Prices of securities are determined by the management of the company. | Prices are determined by the forces of demand and supply of thesecurities. |
| 3. Purchase and sale. | Securities are sold to investors directly by the company or through intermediary. | Investor exchange ownership of securities. |
| 4. Place of market | There is no fixed geographical location. | Located at specified places. |
| 5. Buying/selling | Only buying of securities takes place. | Both buying and selling of securities can take place. |

Stock Exchange/Share Market

A Stock Exchange is an institution which provides a platform for buying and selling of existing securities. It facilitates the exchange of a security i.e. share, debenture etc.

. Following are some of the important functions of a Stock Exchange:-

1. **Providing liquidity and Marketability to Existing Securities :** Stock Exchange provides a ready and continuous market for the sale and purchase of securities.
2. **Pricing of Securities :** Stock Exchange helps in constant valuation of securities which provide instant information to both buyers and sellers and thus helps in pricing of securities which is based on the forces of demand & supply.
3. **Safety of Transaction :** The members of a stock exchange are well regulated, who are required to work within the legal framework. This ensures safety of transactions.
4. **Spreading of Equity Culture :** Stock exchange helps in educating public about investments in securities which leads to spreading of Equity culture.
5. **Providing Scope for Speculation :** Stock exchange provides scope within the provisions of law for speculation in a restricted and controlled manner.

Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) are famous stock exchanges in India.

Trading and Settlement Procedure on a Stock Exchange

1. **Selection of Broker:** In order to trade on a Stock Exchange first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange.
2. Opening Demat Account with Depository.
3. **Placing the order:** After selecting a broker, the investors specify the type and number of securities they want to buy or sell.
4. **Executing the order:** The broker will buy or sell the securities as per the instructions of the investor.

Difference between Capital and Money Market.

| S.No. Basis | Capital Market | Money Market |
|-------------|----------------|--------------|
|-------------|----------------|--------------|

| | | |
|-----------------------|--|---|
| 1. Participants | Financial Institutions, Banks, Corporate Entities, foreign investors and individuals | RBI, Banks Financial Institutions & financ ecompanies |
| 2. Instruments Traded | Equity shares, bonds preference shares and debentures. | Treasury Bills, Tradebills, commercial paper, call money etc |
| 3. Outlay Investment | Does not necessarily require a huge financial outlay. | Entail huge sums of money as the instruments are quite expensive. |
| 4. Duration | Deals in medium & long-term securities having maturity period of over one year. | Deals in short termfunds having maturityperiod upto one year. |
| 5. Liquidity | Securities are less Liquid. | Money marketinstruments are highly liquid. |

Depository Services and DEMAT Accounts:.

1. Depository Services: 'Depository is an institution/organization which holds securities (e.g. shares, debentures, bonds, mutual funds etc.) in electronic form, in which trading is done. The services provided by a Depository are termed as 'Depository Services'. At present there are two depositories in India: NSDL. (National Securities Depository Ltd.) and CDSL (Central Depository Services Ltd.).

Services provided by Depository

- (i) Dematerialisation (usually known as demat) is converting physical certificates to electronic form.
- (ii) Rematerialisation, known as remat, is reverse of demat, i.e getting physical certificates from the electronic securities.

- (iii) Transfer of securities, change of beneficial ownership.
Demat Account

Demat account is the abbreviation of 'Dematerialized Account'. Dematerialized account refers to an account which an Indian citizen must open with the depository participant (banks, stockbrokers) to trade in listed securities in electronic form wherein one can hold shares of various companies in the Dematerialized {electronic} form. Access to De-mat account requires an internet password and a transaction password. Transfer and purchase of

Securities and Exchange Board of India (SEBI)

SEBI was established by Government of India on 12 April 1988 as an interim administrative body to promote orderly and healthy growth of securities market and for investor protection. It was given a statutory status on 30 January 1992 through an ordinance which was later replaced by an Act of Parliament known as the SEBI Act, 1992. It seeks to protect the interest of investors in new and second hand securities.

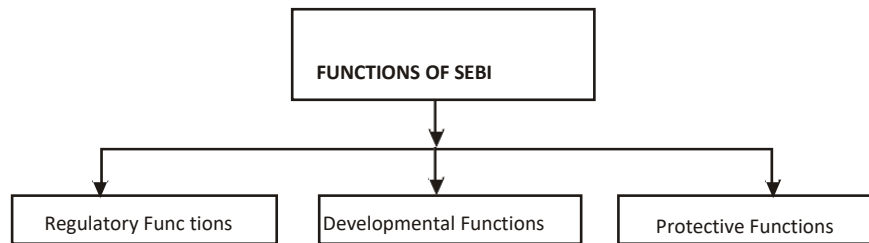
Objectives of SEBI

1. To regulate stock exchange and the securities market to promote their orderly functioning.
2. To protect the rights and interests of investors and to guide & educate them.
3. To prevent mal-practices in trade such as insider trading.
4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc.

Functions of SEBI

The SEBI performs three important functions

1. **Regulatory functions:** These functions are performed by SEBI to regulate the business in stock Exchange.
2. **Developmental functions:** These functions are performed by SEBI to promote and develop activities in stock market.
3. **Protective functions:** These functions are performed by SEBI to protect the interest of investors and provide safety of investments.



Functions of SEBI

- | | | |
|--|---|---|
| 1. Framing Rules & Regulations | 1. Training of intermediaries | 1. Prohibiting of fraudulent & unfair trade practices. |
| 2. Registration of brokers & sub-brokers. | 2. Conducting Research & Publishing useful information. | 2. Check on insider trading. |
| 3. Registration of collective investment schemes & mutual funds. | 3. Undertaking measures to develop capital market by adopting flexible approach | 3. Ensure investors protection. |
| 4. Regulation of stock broker, portfolio exchanges, underwriters & merchant bankers | 4. Educating Investors to broaden their understanding | 4. Promote fair practices & code of conduct in securities market. |
| 5. Regulation of take over bids by companies. Levying fee or other charges as per act. | 5. Permitting Internet trading through registered stock brokers | 5. Check on price rigging. |
| | | 6. Check on preferential allotment. |

Exercise

I. Multiple choice questions.

1. Instruments with a maturity period of less than one year are traded in the

..... .

- (a) capital market
- (b) Bombay stock exchange
- (c) money market
- (d) National stock exchange

2. Which of the following money market instruments are also known as

zero

coupon bond?

- (a) Treasury bills
- (b) Certificates of deposits
- (c) Commercial papers
- (d) Call money

3. Primary and secondary markets

- (b) Compete with each other
- (c) Complement each other
- (d) Function independently
- (e) Control each other.

4. Which of the following is not a function of SEBI?

- (f) Registration of brokers and sub-brokers
- (g) Undertaking measures to develop financial markets
- (h) Prohibition of insider trading
- (i) Holding securities in electronic form.

5. Hari has 200 shares of Reliance industries. Reliance comes out with a fresh issue of share and Hari received an offer to buy 1 more share of

Reliance for

every two shares held by him. Which type of issue is discussed here:

- (j) e-IPO's
- (b) Rights issue
- (c) Private placement
- (d) Offer for sale

6. is the full form of CDSL.

- (a) Central Depository Securities Ltd.
- (b) Control Delhi Services Ltd.
- (c) Central Deposit Services Ltd.
- (d) Central Depository Services Limited.

7. In which year was the SEBI established by the Government of India? (a) 1980

(b) 1988

(c) 1992

(d) 1993

II. Fill in the blanks:

1. Treasury bills are available for a minimum amount of and in multiples there of.
- 2 is a market for the creation and exchange of financial assets.
- 3 is short term finance used for inter bank transactions.
- 4 is an institution which provides a platform for buying and selling of existing securities.
5. In India, there are depositories.

III. Match the following:

- | | |
|------------------------|---|
| (i) Offer for sale | (a) Issue of capital to public through online system of stock exchange |
| (ii) Private placement | (b) Privilege given to existing shareholders |
| (iii) e-IPO's | (c) Issue of securities through intermediaries like issuing houses |
| (iv) Rights issue | (d) Allotment of securities to institutional investors and some selected individuals. |

ANSWER KEY

I. Multiple choice questions.

- | | | | |
|--------|--------|--------|--------|
| 1. (b) | 2. (a) | 3. (b) | 4. (d) |
| 5. (c) | 6. (d) | | 7. (b) |

II. Fill in the blanks:

- | | | |
|-------------------|---------------------|---------------|
| 1. 25,000 | 2. Financial market | 3. Call money |
| 4. Stock exchange | 5. two (2) | |

III. Match the following:

- | | | | |
|----------|----------|----------|----------|
| 1. – (c) | 2. – (d) | 3. – (a) | 4. – (b) |
|----------|----------|----------|----------|

QUESTIONS FOR PRACTICE

Q1. Sudha Ltd. has sold 1 lakh equity shares of Rs. 10 each at Rs. 12 per share to an investment banker, who offered them to the public at Rs. 20 each. Identify the method of floatation.(offer for sale) (1)

Q2. 'Primary market contributes to capital formation directly. Whereas secondary markets do so indirectly'. Explain? (2)

Q3. Mohan wants to sell 50 shares of Tata Motors. Explain the trading procedure of shares. (5)

Q4. Charu is a chartered accountant in Prakash Ltd. During the course of meeting with directors she came to know that as against the previous years, this year company is going to declare handsome dividend offer. It is observed that when such news becomes public then the share-market jumps up. Considering it, Charu purchased large number of company's shares before this news reached the public.

(1) Identify type of malpractice used by Charu. (1)

(2) Name the authority which regulates such behaviour. Write any three other functions of this authority. (4)

Q5. A company wants to set up a new branch in Chennai. For additional capital company is planning to issue equity shares to public as there is boom period in capital market and public will prefer to invest in shares.

While analysing the issue, finance manager found that floatation costs of the issue would be high and company is already in liquidity crunch. Company deemed it proper to depend on money market instruments for about six months.

(i) Identify the method of floatation of capital, mentioned above.(IPO) (1)

(ii) Besides above shares issue method, mention two other methods. (2)

(iii) Use of what kind of instrument will be appropriate for the money market. Clarify.(commercial papers) (2)

- Q.6** Name the institution which is a body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating and controlling the business of buying and selling or dealing in securities. Explain any of its three functions.
- Q.7** The Director of Pico Limited decided to declare bonus issue of equity shares to the shareholders in its Annual General Meeting. Immediately one of the Director purchases 20,000 shares from market @ 30 per share and sold them @ 100 share as bonus issue was declared and made capital gain from it.
- (a) Name the practice used by the Director taking the benefits of internal information. (Insider Trading) (1)
- (b) How does SEBI prohibit such practices? (2)
- Q.8** Name the financial instrument which may be used in the following situations:
- (a) A company needs funds to meet floatation cost in order to issue equity shares in the market.
- (b) The instrument that is issued during the period of tight liquidity when the deposit growth of bank is slow but demand for credit is high.
- (c) These are also known as zero coupon bonds and are issued by RBI on the behalf of central government.
- (d) It is used by one bank having surplus funds to meet the funds requirements of another bank facing shortage of funds.

Q.1 Pavco Ltd. was declared as a SICK UNIT as it was suffering from losses since last 5 years. To rehabilitate the UNIT, overall financial restructuring of a company was initiated. Mr. Rahul was appointed as new Finance Manager of the company. Mr. Rahul analysed and found that company was suffering due to scarcity of capital. He organised new issue of 1,00,000 equity shares of Rs. 1,000 each. Issue was fully subscribed with arranged capital. Mr. Rahul replaced the old plant with new one which was technologically updated and as per the industry demand. Its payback period was 3 years and it was promising a good rate of return. Just after two years, company was turned into a profitable venture.

(a) Which two decisions are taken by Mr. Rahul as finance manager. Explain them.

(2+2)

(b) In which capital market, shares are issued? Explain. **(2)**

(a) Financing decision, Investment decision (b) Primary market.

Q.2 Managing director of a company was reviewing the newly designed capital structure of company which was framed by Finance Manager. He found that debt component was less than equity. Company was earning good return with sound and stable earnings since last 12 years. MD discussed with Finance Manager, that by having comparative less debt component, earning per share have reduced.

(i) Name the concept of Financial Management, mentioned here. Explain it with the help of a suitable example.

(1+3)
)

(ii) In which market, will the New debentures be issued by company. Write any two features of such market. (1) Trading on Equity (2) Primary market)

(1+1)

Q.3 GETO Ltd. is a company that produces school bags. Now it wants to produce water bottles also. For such diversification it needs additional capital of Rs. 50 crores, So company decided to float capital by way of equity shares issue to the general public as it is boom period in market. But company's cash position is not favourable. In order to arrange working capital, company wants to use some money market instruments. It will help in meeting floatation costs.

- (i) Identify the method of floatation of capital as mentioned in the above paragraph.(1)
- (ii) Besides above share issue method, mention two other methods. (2)
- (iii) Which money market instruments will be appropriate? Clarify. (3)

Ans. Hints: (i) Offer through prospectus

(ii) — Offer for sale, private placement

— Commercial Paper - used for bridge financing (explanation)

Q.4 In 2nd five year plan, "Industrialisation" was the "Main Focus". But the major problem was saving and Investment-Household used to invest in GOLD & Property only. Government had to take initiative for establishing Infrastructure and other basic industries. With pace of economic development, small savings were promoted by establishing an organised market. This market is regulated by SEBI and has attributed a lot in economic development.

- (i) Identify the market. (1)
- (ii) Name two functions of this market. (2)
- (iii) (i) Secondary market
(ii) Promoting Savings, Economic development.

Q.5 XYZ Ltd. invited public to subscribe for equity shares of Rs. 100 each.

Before the issue MD of the company had a deal with foreign company to amalgamate just after this issue. MD did not disclose this important fact in prospectus. It was highly objected, later by shareholders. Concerned Regulating Authority took action and MD was punished and penalised as per regulations.

(i) Identify the kind of capital market referred above. (1)

(ii) Name the Regulatory Body, mentioned above. (1)

(iii) Name any three other functions performed by the Regulatory Body. (3)

Ans. (Hints) (i) Primary Market

(ii) Securities Exchange board of India

(iii) To call for information.

- having fee or other charges.

- Training of intermediaries or (Any other)

Q.6 Avantika and Aanchal are close friends. They did their MBA together and got good placement from college campus as finance manager and production manager respectively in highly reputed companies.

Immediately after joining, Avantika found that her company was in dire need of additional production capacity. She arranged funds by issue of debentures and purchased a new plant with - higher production capacity.

- good rate of return.

- Low pay back period.

- less cost & Good pollution control technology.

On the other hand, Aanchal put the workers for production for more hours of work. She did not listen to the workers suggestions and grievances. She did not pay any incentive for good performance.

(i) Name two financial decisions mentioned in para 2. (2)

(ii) Quote the factors from above. Which affect the decision to purchase, fixed assets. (Any Two) (2)

Ans. (Hints) (i) Financing and Investing Decision.

(ii) Rate of Return, Payback period.

CHAPTER 11: MARKETING

Marketing – Concept, functions and philosophies –Product, Price and Standard, Marketing Mix – Concept and elements, Product - branding, labelling and packaging Concept, Price - Concept, Factors determining price, Physical Distribution – concept, Promotion – Concept and elements; Advertising, Personal Selling, Sales Promotion and Public Relations

LEARNING OUTCOME;

- Understand the concept of marketing. • Discuss the functions of marketing.
 - Explain the marketing philosophies. • Understand the concept of marketing mix.
 - Describe the elements of marketing mix. • Understand the concept of product as an element of marketing mix. • Understand the concepts of branding, labelling and packaging.
 - Understand the concept of price as an element of marketing mix. • Describe the factors determining price of a product. • Understand the concept of physical distribution.
 - Understand the concept of promotion as an element of marketing mix. • Describe the elements of promotion mix. • Understand the concept of advertising and personal selling • Understand the concept of sales promotion. • Discuss the concept of public relations.
-
-

Marketing: Definition;

Marketing is a social process by which individual groups obtain what they need and want through creating offerings and freely exchanging products and services of value with others. – Philip Kotler

Marketing management is “the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value”.

– Philip Kotler

Elements of marketing mix

- Product
- Price
- Place
- Promotion

Market: Definition,

A market consists of all the potential customers who have both the ability and willingness to buy a product or service to satisfy their needs or wants

Features of marketing

- It seeks to provide what individuals or groups need or want
- A market offering is created by the marketer.
- It adds value to a product by increasing its utility
- It is facilitated through the exchange mechanism

What can be Marketed?

- Physical product, Services, Ideas, Person, Place, Experience, Properties, Events, Information, Organisations

Functions of Marketing

- Gathering and analysing market information is done to know the taste and preference of the target market.
- Marketing planning is needed to meet the marketing objectives of the firm effectively and efficiently.
- Product designing and development is carried out to make the product innovative and attractive.
- Packaging and labelling are needed for product protection, product identification and product differentiation.
- Branding helps to create a unique identity of the products.
- Customer support services help to create a good image of the marketer in the eyes of consumers.
- Pricing of product is a crucial decision as it may greatly influence the demand for a product.
- Promotion helps to boost the sales of a product.
- Physical distribution ensures the availability of the product at the right place, at the right time and in right condition so as to facilitate its purchase.
- Transportation creates place utility through movement of goods from the production of goods to the place of distribution.
- Warehousing creates time utility by providing for the storage during the time gap between the production and distribution of goods.
- Standardisation helps to produce goods as per predetermined specifications and grading facilitates their classification into groups on the basis of some criterion like quality, size etc.

MARKETING MANAGEMENT PHILOSOPHIES/CONCEPTS

| Basis | The Production Concept | The Product Concept | The Selling Concept | The Marketing Concept | The Societal Marketing Concept |
|----------------|---|--|-----------------------------|--|---|
| Starting point | Factory | Factory | Factory | Market | Market and society |
| Main focus | Quantity of product | Quality performance, features of product | Existing product | Customer needs | Customer needs and society's welfare |
| Means | Availability and affordability of product | Product improvements | Selling and promoting | Integrated marketing | Integrated market |
| Ends | Profit through volume of production | Profit through product quality | Profit through sales volume | Profit through customer's satisfaction | Profit through customer's satisfaction and social welfare |

Product: Definition

A product is anything of value i.e. a product or service offered to a market to satisfy needs or wants.

Important product decisions include

- Determining its layout, features, quality, design etc.
- Branding
- Labelling

- Packaging

A Product includes

- Physical product
- After sale services
- Handling grievances
- Replacement of parts etc.

Types of utilities offered by a product

- Functional utility
- Psychological utility
- Social utility

PACKAGING

Packaging: Definition

Packaging is the process of designing a suitable wrapper or container for a product.

Importance of Packaging

- Rising standards of health and sanitation
- Useful in self service outlets
- Innovative packaging adds value to a product
- Facilitates product differentiation

Levels of Packaging

- Primary package refers to the immediate container of a product.
- Secondary packaging refers to the additional protection provided besides primary package.
- Transportation packaging refers further packaging that helps in storage, identification of transportation of the product.

Functions of Packaging

- Helps in product identification
- Provides protection to the product
- Facilitates the use of product
- Assists in promotion of the product

BRANDING

Branding: Definition

Branding is the process of assigning a name (brand name), sign or symbol (brand mark) or a combination of all to identify the products of a seller or a group of sellers and to distinguish them from those of the competitors.

Brand Mark: Definition

A brand mark is that part of a brand can be recognised but is not utterable.

Brand Name: Definition

A brand name is that part of a brand which can be spoken.

Trade Mark: Definition

Trade mark is used in context of a registered brand.

Advantages of branding to the customers

- Supports in product identification
- Certifies quality
- Considered to be a status symbol

Advantages of branding to the manufacturers

- Facilitates product differentiation
- Assists in advertising and display programmes
- Facilitates differential pricing
- Ease in the launching of new products

Qualities of a good brand name

- Short and easy to pronounce, spell and remember
- Reflects the functions of the product
- Distinctive/easily identifiable
- Adaptable can be used in labelling or packaging
- Versatile can be used for brand extension
- Should not become outdated soon
- Capable of being registered

LABELLING

Labelling: Definition

Labelling refers to the process of designing a label for a product which may vary from a simple tag to a complex graphic.

Functions of labelling

- Describes the product and specifies its contents
- Helps in identification of the product or brand
- Enables grading of products
- Assists in promotion of products
- Provides information required by law

PRICE

Price: Definition

Price is the monetary value paid in consideration for purchase of a product or service by a buyer to its seller.

Factors affecting price determination

- Cost of product
- The utility and demand
- Extent of competition in the market

- Government and legal regulations
- Pricing objectives
- Marketing methods used.
- **PHYSICAL DISTRIBUTION**

Physical Distribution: Definition

Physical distribution includes all those activities that ensure the availability of the product at the right place, at the right time and in right condition so as to facilitate its purchase.

PROMOTION

Promotion: Definition

Promotion refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuading them to make a purchase.

Promotion mix

- Advertising
- Personal selling
- Sales promotion
- Public relations

ADVERTISING

Advertisement: Definition

Advertisement is a paid form of non-personal communication undertaken by the marketers to boost the sale of a product or a service.

Objections to Advertising

- Adds to cost
- Undermines social values
- Encourages sale of inferior products
- Some advertisements are in bad taste
- Confuses the buyers

Features of Advertising

- Paid form
- Impersonality
- Identified sponsor

Role of Advertising

- Enhancing customers awareness about the product
- Helps in creating demand for both old and new products
- Repeated advertisements increases the confidence of the consumers

- Improves the public image of the company
- Helps to create employment opportunities

PERSONAL SELLING

Personal Selling: Definition

Personal selling refers to a personal form of communication between the seller and the prospective buyer.

Merits of personal selling

- It is a flexible tool of promotion
- It seeks to provide direct feedback from the prospective buyers

Features of Personal selling

- Involves personal form of communication
- May lead to the development of long term relationship between the company and a buyer

Qualities of a Good Salesman

- He should have a neat and tidy appearance.
- He should be decently dressed up and carry himself well.
- He should be cheerful and confident in his dealings.
- He should be able to communicate assertively.
- He should be alert and intelligent so that he is able to mould his sales talk as per the need of the situations.
- He should also possess good knowledge about the product that he is selling.

SALES PROMOTION

Sales promotion: Definition

Sales promotion refers to the short term incentives offered by the marketers to promote the sale of their products

Commonly used Sales Promotion activities

- Rebate
- Discount
- Refund

Public Relations: Definition

Public relations refers to the practice of managing communication between an organisation and its public in order to create and maintain a positive image about itself and its products

Roles of Public Relations

- Public relations helps to create a positive image about the company in the eyes of various interest holders like consumers, government, suppliers etc.
- It helps in launching new products as they may be accepted easily because of they may be accepted easily beca

MULTIPLE CHOICE QUESTIONS

1. The concept which focuses on large scale production and minimum cost is called
(a) Production concept (b) Product concept
(c) Selling concept (d) Marketing concept ANS (a) Production concept
2. The concept which forces on quality of product is called
(a) Production concept (b) Product concept
(c) Selling concept (d) Marketing concept ANS (b) Product concept
3. The concept which focuses on customer satisfaction is called
(a) Production concept (b) Product concept
(c) Selling concept (d) Marketing concept ANS (d) Marketing concept
4. The concept which focuses on customer welfare is called
(a) Production concept (b) Product concept
(c) Marketing concept (d) Societal concept ANS (d) Societal concept
5. Product, price, place and promotion are part of
(a) Product mix (b) Price mix
(c) Marketing mix (d) Place mix ANS (c) Marketing mix

6. To reach the mass customer in non personnel manner, the following element of promotion mix is used.

(a) Advertisement (b) Sales Promotion

(c) Personal Selling (d) Public Relation ANS (a) Advertisement

7. To regain the lost reputation and to build goodwill, firm uses

(a) Advertisement (b) Sales Promotion

(c) Personal Selling (d) Public Relation ANS (d) Public Relation

8. To bring rise in sale with immediate effect for short period, firm uses

(a) Advertisement (b) Sales Promotion

(c) Personal Selling (d) Public Relation ANS (b) Sales Promotion

(VSA,SA,LA)

1. Name the term used to describe the combination of variables chosen by a firm to prepare to its market offerings..

Ans: Marketing Mix

2.What is meant by trade mark.

Ans: a brand that is given legal protection against its use by other firm is called trademark.

2. Name two techniques of sales promotion.

Ans:Discount, Rebate

3. Give some innovative ideas of getting information about the trends/demand pattern in market.

Ans: Market Research

4. Sony Ltd. Introduced a television set with new features in the market at a high price but when the same features used by other electronic companies in their television sets then the prices of Sony Ltd's television sets was reduced by the company. Mention the name of strategy the company is following.

Ans: Price Skimming

Question 5. (HOTs)

Sunita took her niece, Aishwarya for shopping to 'Benetton' to buy her a dress on the occasion of her birthday. She was delighted when on payment for the dress she got a discount voucher to get 20% off for a meal of Rs. 500 or above at a famous eating joint.

Identify the technique of sales promotion used by the company in the above situation.

(CBSE, Delhi 2017)

Answer:

Useable benefits is the technique of sales promotion used by the company in the above situation.

Question 6.

Ginika, Tanish and Rohit were friends from college days and now they are doing different kinds of business. They regularly meet and discuss their business ideas and exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques, social concerns etc.

In one of such meetings, Ginika drew the attention of Tanish and Rohit towards the exploitation of consumers. She told that most of the sellers were exploiting the consumers in various ways' and were not paying attention towards the social, ethical and ecological aspects of marketing, whereas she was not doing so.

Tanish told that they were under pressure to satisfy the consumers, but stated that the consumers would not buy or not buy enough unless they were adequately convinced and motivated for the same.

Rohit stressed that a company cannot achieve its objectives without understanding the needs of the customers. It was the duty of the businessmen to keep consumer satisfaction in mind because business is run by the resources made available to them by the society. He further stated that he himself was taking into consideration the needs of the customers.

Identify the various types of thinking that guided Ginika, Tanish and Rohit in the marketing efforts of their business. Also, state one more feature of the various types of thinking identified that is not given in the above para. (CBSE, Delhi 2017)

Answer:

The various types of thinking that guided Ginika, Tanish and Rohit in the marketing efforts of their business are described below:

- (Ginika) Societal marketing concept: The main focus of this philosophy is on both the needs of the potential buyers as well as concern for the society at large. The ends include profit maximisation through customer satisfaction and social welfare.
- (Tanish) Selling concept: The main focus of this philosophy is on existing products. The ends include profit maximisation through sales volume.
- (Rohit) Marketing concept: The main focus of this philosophy is on customers needs. The ends include profit maximisation through customer's satisfaction.

Question 7.

Mansi took her niece Ridhima for shopping to 'Mega Stores' to buy her a bag for her birthday. She was delighted when on payment of the bag she got a pencil box along with the bag free of cost. Identify the technique of sales promotion used by the company. (CBSE, OD 2017)

Answer:

Product combination

Question 8.

“Time Line” watch manufacturing company is a renowned company marketing watches. It performs various activities like, market analysis, product designing or merchandising, packaging, warehousing, branding, pricing, promotion and selling. The company maintains good customer relations through various follow up activities. This helps the company in procuring repeat sales orders.

1. Name the concept related to the activities mentioned in the above paragraph.
2. Explain any two features of the concept identified in part (1) (CBSE, Sample Paper, 2017)

Answer:

1. Marketing is the concept related to the activities mentioned in the above paragraph.
2. The two features of marketing are described below:
 - Needs and wants: Marketing is a social process that seeks to satisfy the needs and wants of individuals and organisations. Needs are basic to human beings like food, clothing and shelter and do not relate to a particular product. Whereas wants are culturally defined human needs which are shaped by multiple factors like personality, religion, culture etc. Needs are limited whereas wants are unlimited. Therefore, the success of marketing lies in the competence of the marketer to identify needs of target customers and develop products to satisfy such needs effectively.
 - Creating a market offering: The complete offer for a product or service possessing certain specific features like size, quality, colour etc. is known as a market offering. Thus, the success of the marketers lies in their proficiency to create a market offering in accordance with the needs and wants of the target market. For example a pack of 100 ml of mango juice is available for ₹ 20.

Question 9. (HOTs)

“Coconut Joy Ltd.” are the manufacturer of vegetarian frozen dessert food products made with coconut milk, agave syrup and other certified ingredients. The founders of the company Lovely and Lalita originally developed this treat to meet their own needs but found that their friends and families around were also keen to use the products. It was not only the vegetarians, but also those who could not get enough environment friendly sustainable food, that appreciated the product. It did not take long for Lovely and Lalita to recognise the potential of their little venture. In the beginning they started from their home with the product being sold through local family parties that enable guests to personally meet the owner. This helped to establish strong connections with the prospective buyers and the company could put

the product on shelves of natural food store. The company used* all marketing activities to grow and expand. The company began sponsoring booths at festivals, drawing attention to its newly created vegetarian products. It also disseminated relevant information to media about its products and the people who helped in building the company's reputation. Lovely and Lalita were invited for an interview with one of the leading TV channels in which they talked about their environment friendly vegetarian products. To show its gratitude to customers, local business and government officials who supported the company from the beginning, "Coconut Joy Ltd." hosted a gala event and involved all of them to raise funds for a few local NGO's. The company also asked its fans and customers to send songs and poetry conveying their impression about "Coconut 'Joy's Ltd." products.

1. Identify and explain the communication tool used by "Coconut Joy Ltd". .
2. Briefly explain the role of the tool identified in (1) above. (CBSE, Sample Paper, 2017)

Answer:

1. Public relations is the communication tool used by "Coconut Joy Ltd". Public relations refers to the practice of managing communication between an organisation and its publics in order to create and maintain a positive image about itself and its products.
2. The role of public relations department is described below:
 - Press Relation: It manages relations with the press to present true and correct information about the company. Thus, public relations helps to create a positive image about the company in the eyes of various interest holders like consumers, government, suppliers etc.
 - Product Publicity: It undertakes product publicity for new products through sponsorships. Thus, it helps in launching new products as they may be accepted easily because of good reputation of business.
 - Corporate Communication: It promotes image of the company through different ways of corporate communication like publication of newsletters, brochures, articles or arranging for talk shows or speeches of high officials of the company.
 - Lobbying: It is proactive in promoting or defending regulations that affect business by maintaining healthy relationships with associations of commerce and industry, government officials and different ministers in charge of corporate affairs etc.

Question 10.

Good Living Ltd. manufactures mosquito repellent tablets tables. These tablets are packed in strips of 12 tablets each. Each of these strips is packed in a cardboard box, 48 such boxes are then placed in a big corrugated box and delivered to various

retailers for sale. State the purpose of packaging the tablets in a corrugated box. (CBSE, Sample Paper 2016)

Answer:

The purpose of packaging the tablets in a corrugated box is to facilitate their transportation, warehousing and easy identification.

Question 11.

Shreemaya Hotel in Indore was facing a problem of low demand for its rooms due to off-season. The Managing Director (MD) of the hotel, Mrs. Sakina was very worried. She called upon the marketing Manager, Mr. Kapoor for his advice. He suggested that the hotel should announce an offer of '3 Days and 2 nights hotel stay package' with free breakfast and one-day religious visit to Omkareshwar and Mahakaleshwar Temples. The MD liked the suggestion very much. Identify the promotional tool which can be used by the hotel through which large number of prospective pilgrimage tourists all over the country and abroad can be reached, informed and persuaded to use the incentive.

(CBSE, Sample Paper 2016)

Answer:

Advertising is the promotion tool that can be used by the hotel.

Question 12.

A company was marketing juicers which were very popular due to their quality and after sales services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits, the company ignored the after sales services. As a result, its relations with customers got spoiled and the image of the company in the public was damaged. The top management became concerned when the profits for the current quarter fell steeply. On analysis, it was revealed that ignoring the after sales services was its reason. Therefore, the company took all possible measures to protect and promote its favourable image. As a result, the goodwill of the company improved in the society.

1. Name and state the communication tool used by the marketer in the above case to improve its image.
2. Also explain the role of the tool as identified in part (1). (CBSE, OD 2016)

OR

A company was marketing water purifiers which were very popular due to their quality and after sales services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits, the company ignored the after sales services. As a result, its relations with customers got spoiled and the image of the company was damaged in the public. The top management became concerned when the profits for the current quarter fell steeply. On analysis, it was revealed that ignoring the after sales services was its

reason. Therefore, the company took all possible measures to protect and promote its favourable image in the eyes of the public. As a result, the goodwill of the company improved in the society.

1. Name and state the communication tool used by the marketer in the above case to improve its image.
2. Also explain role of the tool as identified in part (1). (CBSE, Delhi 2016)

Answer:

1. Public Relations is being used as a promotional tool by the marketer. It refers to the practice of managing communication between an organisation and its publics in order to create and maintain a positive image about itself and its products.
2. The role of public relations as a promotional tool is described below:
 - Public relations helps to create a positive image about the company in the eyes of various interest holders like consumers, government, suppliers etc .
 - It helps in launching new products as they may be accepted easily because of good reputation of business.
 - It helps the business to reinstate itself in the wake of controversies or prejudices etc.

Question 13.

Maruti Vega Ltd. entered into the market with coloured televisions and have now introduced products like audio systems, 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. (CBSE, OD 2015)

Answer:

Product is the element of marketing mix discussed here.

Question 14. (HOTs)

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 in the 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 the 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 predetermined specifications in case of rice because of which it was 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 (CBSE, OD 2015)

Answer:

The three functions of marketing with reference to the above paragraph are described below:

- **Gathering and analyzing market information:** The prime focus of marketing is to 'find wants and fill them'. Therefore, it is absolutely essential for a company to study the needs and preferences of its target market in order to satisfy their needs and wants optimally.
- **Standardisation and grading:** Standardisation refers to the process of manufacturing goods as per predetermined specifications. Grading refers to the process of classifying goods on the basis of certain criteria like quality, size etc. Usually, agricultural products are subject to grading.
- **Branding:** Branding is the process of assigning a name (brand name), sign or symbol (brand mark) or a combination of all to a product. It is considered to be a very important decision by the marketers because it facilitates product differentiation. This helps the company to obtain a desirable market share.

Question 15. (HOTs)

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 the overall protection of the planet. Identify the marketing management philosophy being followed by 'Beauty Product Ltd'.

(CBSE, Delhi 2015)

Answer:

Societal Marketing Concept

Question 14.

'Haryaram' 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 paragraph describes the combination of variables used by Haryaram to prepare its market offering. Identify and explain the variables. (CBSE, Delhi 2015)

Answer:

The combination of variables used by Haryaram to prepare its market offerings are described below:

- **Product:** “Their products include chips, biscuits , sweets and squashes.”
A product is anything of value i.e. a product or service offered to a market to satisfy its needs or wants. A product includes physical product, after ..sale service, handling grievances etc. Every marketer needs to constantly review and revise its products in order to enhance customer’s satisfaction and have a competitive edge.
- **Price:** “It charges a comparatively higher price than its competitors.”
Price is the monetary value paid in consideration for purchase of a product or service by a buyer to its seller. It is a very crucial decision for the marketers as consumers are very sensitive to the pricing. The factors affecting price determination are cost of product, the utility and demand, extent of competition in the market, government and legal regulations, pricing objectives and marketing methods used.
- **Place:** “It has five of its own retail shops.”Or “It also sells its products through various grocery shops.”
It is considered an important element of marketing mix because it includes all those activities that help in making the goods and services available to the prospective buyers in the right quantity, at the right time and in right condition. The two main decisions involved in physical distribution are physical movement of goods from producers to consumers and choice of channels of distribution.
- **Promotion:** “It regularly uses different communication tools to increase its sales.”
Promotion refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuading them to make a purchase. The various components of promotion mix are advertising, sales promotion, personal selling and public relation.”

Question 15.

Radha found a worm crawling out of newly opened tetra pack of juice manufactured by a reputed company, Zest Ltd. She went back to the shopkeeper from whom the pack was purchased who directed her to call up the customer care centre. When all her efforts fell free, she went to a consumer activist, group to seek advice. The group decided to help Radha and take measures to impose restrictions on the sales of the firm’s products of the particular batch and urge customers to refrain from buying the products of the company. Zest Ltd. lost its image in the market. The CEO gave the responsibility of bringing back the lost image of the company to the Manager.

1. Identify the concept of marketing management which will help the Manager to get the firm out of the above crisis.
2. Also explain the role of above identified concept by stating any two points. (CBSE, Sample Question Paper 2015)

Answer:

1. Public relations will help the manager to get the firm out of the above crisis.
2. The role of public relations as a promotional tool is described below:
 - Public relations helps to create a positive image about the company in the eyes of various interest holders like consumers, government, suppliers etc.
 - It helps in launching new products as they may be accepted easily because of good reputation of business.
 - It helps the business to reinstate itself in wake of controversies or prejudices etc.

Question 16.

Zoom Udyog, a car manufacturing company, has started its business with Zoom-800 and slowly launched Zoom-1000, Wagon-Z, Swy-fy etc. and offered various services like after sales services, availability of spare parts, etc. Identify the element of marketing mix referred here.

(CBSE, Sample Question Paper 2015)

Answer:

Product is the element of marketing mix referred here.

Question 17.

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. (CBSE, Annual 2014)

Answer:

1. The company has ignored 'Labelling'. It is an important product-related decision. Labelling refers to the process of designing a label for a product

containing product description and other relevant information which is likely to affect a prospective buyers decision in making a purchase. It may vary from a simple tag to a complex graphic.

2. The two values being violated by the company are:
 - Abiding by law as child labour has been employed
 - Concern for human life as appropriate warnings were not placed on the label.

Question 18. (HOTs)

ABC Crackers Ltd., a fire-cracker manufacturing company, launched some new products on the eve of Diwali in the market which attracted many buyers. To meet the increasing demand, the company employed people from nearby villages where there was a lot of unemployment. Because of the good behaviour of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the products of ABC Crackers Ltd. because of their quality.

1. Identify and explain the product-related decision because of which consumers preferred the products of ABC Crackers Ltd.
2. Also, identify any two values which ABC Crackers Ltd. wanted to communicate to the society. (CBSE, OD 2014)

Answer:

1. Branding is the product-related decision because of which consumers preferred the products of ABC Crackers Ltd.
Branding is the process of assigning a name (brand name), sign or symbol (brand mark) or a combination of all to a product. Branding facilitates product differentiation, assists in advertising and display programmes, facilitates differential pricing, promotes consumers loyalty etc.
2. The two values that ABC Crackers Ltd. wants to communicate to the society are:
 - Generating employment opportunities
 - Providing good working environment.

Question 19.

Mansi, a shoe manufacturer for school students, decided to maximise profits by producing and distributing shoes on a large-scale and thus reducing the average cost of production.

1. Identify the marketing management philosophy adopted by Mansi.

2. Explain this philosophy on the basis of the following:
 - Main Focus
 - Means and Ends (CBSE, OD 2012)

Answer:

1. Mansi has adopted the production philosophy.
2. The main focus of this philosophy is on the quantity of products produced.
Means: The production philosophy can be brought into effect by making products affordable and widely available.
Ends: The production philosophy aims at maximizing profits through high volume of production.

Question 20.

Unilever has found a new way to make ice creams by using an ingredient called 'ice structuring protein' which is widely found in nature especially, in fishes which allows them to survive in freezing arctic waters. Combining ISP with stabiliser technology allows to make ice creams that don't melt so easily thereby making it more convenient for small children and consumers in hot countries.

In the context of above case:

1. Identify the component of marketing mix being taken into consideration by the company.
2. Explain briefly the function of marketing highlighted here.
3. List any two values that the company wants to communicate to the society.

Answer:

1. The component of marketing mix being taken into consideration by the company is 'Product'.
2. Product designing and development: Every marketer strives to achieve his marketing objectives by creating offerings to satisfy a need or a want. Therefore, one of the core functions of marketing is to develop the product in the most effective and efficient way. Every marketer endeavours to add value to his product by introducing constant innovations in the product to enhance both its utility and attractiveness in the eyes of the potential buyers and gain a competitive edge.
3. The two values that the company wants to communicate to the society are:
 - Responsibility towards consumers
 - Technological advancement.

Question 21. (HOTs)

As the number of people making online purchases has increased manifolds, there is

a growing concern about the disposal and management of packaging waste. Every item bought is delivered with excess packaging and sometimes even non-biodegradable materials are used.

In the context of above case:

1. Name the other two levels of packaging that the marketers may be using besides the immediate package.
2. Describe briefly any two points highlighting the functions of packaging.
3. State any two factors that should be kept in mind by the marketers while designing the packaging of its products.

Answer:

1. Secondary packaging and Transportation packaging.
2. The functions of packaging in the marketing of goods and services is explained below:
 - Product Identification: Packaging facilitates the identification of the product with the use of different colours like wrapper of maggi noodles is red whereas yippe noodles are sold in orange colour packaging. Also, the shape of different brands of cold drinks bottles is different.
 - Product Protection: One of the basic purposes of packaging is to safeguard the contents of a product from any kind of damage due to mishandling, adverse weather conditions etc. during the activities related to physical distribution like storing, transportation etc.
 - The marketers should use biodegradable packaging material and packaging should enhance the usability of the products.

Question 22. (HOTs)

Rastro Inc., is a multinational corporation that creates consumer electronics, personal computers, servers and computer software. The company also has a chain of retail stores known as Restro Stores. Despite high competition, Restro has succeeded in creating demand for its products, giving the company power over prices through product differentiation, innovative advertising and ensured brand loyalty.

In the context of above case:

1. What is product differentiation?
2. Name any one function of marketing that facilitates product differentiation.
3. Identify the component of promotion mix being used by the company by quoting lines from the paragraph. .
4. Describe briefly the pricing objective pursued by the company.

Answer:

1. Product differentiation is a strategy used by the marketers to gain an edge over its competitors by creating a distinguished perception of the product in the minds of the potential buyers in terms of its utilities.
2. Branding is a function of marketing that facilitates product differentiation.
3. Advertising is the component of promotion mix being used by the company “giving the company power over prices through product differentiation, innovative advertising and ensured brand loyalty.”
4. Attaining product quality leadership: Besides aiming at profit maximisation as its pricing objective Rastro Inc. seeks to establish a unique place for its products in the market by offering superior quality products which can be easily distinguished from its competitors. As a result, it is able to use differential pricing i.e. fixing up relatively higher prices for its products.

CHAPTER 12: Consumer Protection

Consumer Protection: Concept, Consumer Protection Act 1986: Meaning of consumer Rights and responsibilities of consumers Who can file a complaint? Redressal machinery ,Remedies available.

CONSUMER PROTECTION

Consumer Protection: Definition

Consumer protection refers to not only providing education to consumers about their rights and responsibilities, but also helping them in getting their grievances redressed

Importance of Consumer Protection from Businessman's Point of View

- Long-term Interest of Business is assured.
- Business uses society's resources so they need to safeguard consumer's interests.
- Social Responsibility towards consumers as an important interest group.
- It is the moral obligation of the businessmen to give due consideration to the consumer's interest.
- To avoid government intervention in business.

Importance of Consumer Protection from Consumers's Point of View

- Consumer Ignorance needs to be removed
- Unorganised Consumers need a mechanism to unite themselves.
- Widespread Exploitation of Consumers needs to be checked.

Ways and Means of Consumer Protection

- Self Regulation by enlightened business firms.
- Business Associations have laid down code of conduct for businesses.
- Consumer Awareness promotes consumerism.
- Consumer Organisations provide support to the consumers.
- Government provides necessary framework to safeguard the interest of consumers.

Consumer: Definition

A 'consumer' is generally understood as a person who uses or consumes goods or avails of any service. A person who buys goods for commercial purpose or resale will not be considered to be a consumer.

CONSUMER PROTECTION ACT, 1986

Who can file a complaint?

- Any consumer
- Any registered consumer's association

- The Central Government or any State Government. One or more consumers, on behalf of numerous consumers having the same interest.
- A legal heir or representative of a deceased consumer.

Rights Available to a Consumer

- Right to Information.
- Right to Choose.
- Right to be Heard.
- Right to Seek Redressal.
- Right to Consumer Education.
- Right to Safety.

Reliefs Available to a Consumer

- To remove the defect in goods or deficiency in service.
- To replace the defective product with a new one, free from any defect.
- To refund the price paid for the product, or the charges paid for the service.
- To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- To pay punitive damages in appropriate circumstances.
- To discontinue the unfair/restrictive trade practice and not to repeat it in the future.
- Not to offer hazardous goods for sale.
- To withdraw the hazardous goods from sale.
- To cease manufacture of hazardous goods and to desist from offering hazardous services.
- To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
- To issue corrective advertisement to neutralise the effect of a misleading advertisement.
- To pay adequate costs to the appropriate party.

Responsibilities of a Consumer

- Be aware about various goods and services available in the market.
- Buy only standardised goods and check for standardisation mark.
- Be aware about the risks associated with the products and services and use them prudently.
- Read the labels carefully.
- Assert yourself to ensure that you get a fair deal.
- Be honest in your dealings.

- Ask for a cash memo on purchase of goods or services.
- File a complaint in an appropriate consumer forum in a case of a shortcoming in the quality of goods purchased or services availed.
- Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
- Show concern for the environment

CONSUMER PROTECTION

Role of Consumer Organisations and NGOs in Promoting Consumer Protection

- Educating the general public about consumer rights.
- Educating consumers through various publications.
- Conducting comparative testing of consumer products.
- Encouraging consumers to strongly protest wherever necessary.
- Filing complaints in appropriate consumer courts on behalf of the consumers.
- Providing legal assistance to consumers in seeking legal remedy. ,
- Being proactive in filing cases in consumer courts in the interest of the general public.

Names of a few Consumer Organisations and NGOs

- Consumer Coordination Council, Delhi
- Common Cause, Delhi
- Voluntary Organisation in Interest of Consumer Education (VOICE), Delhi
- Consumers' Association, Kolkata.

REDRESSAL AGENCIES UNDER THE CONSUMER PROTECTION ACT

District Forum

- A complaint can to be made to the appropriate District Forum when the value of the goods or services in question, along with the compensation claimed, does not exceed ? 20 lakhs.
- In case the aggrieved party is not satisfied with the order of the District Forum, he can appeal before the State Commission within 30 days of the passing of the order

State Commission

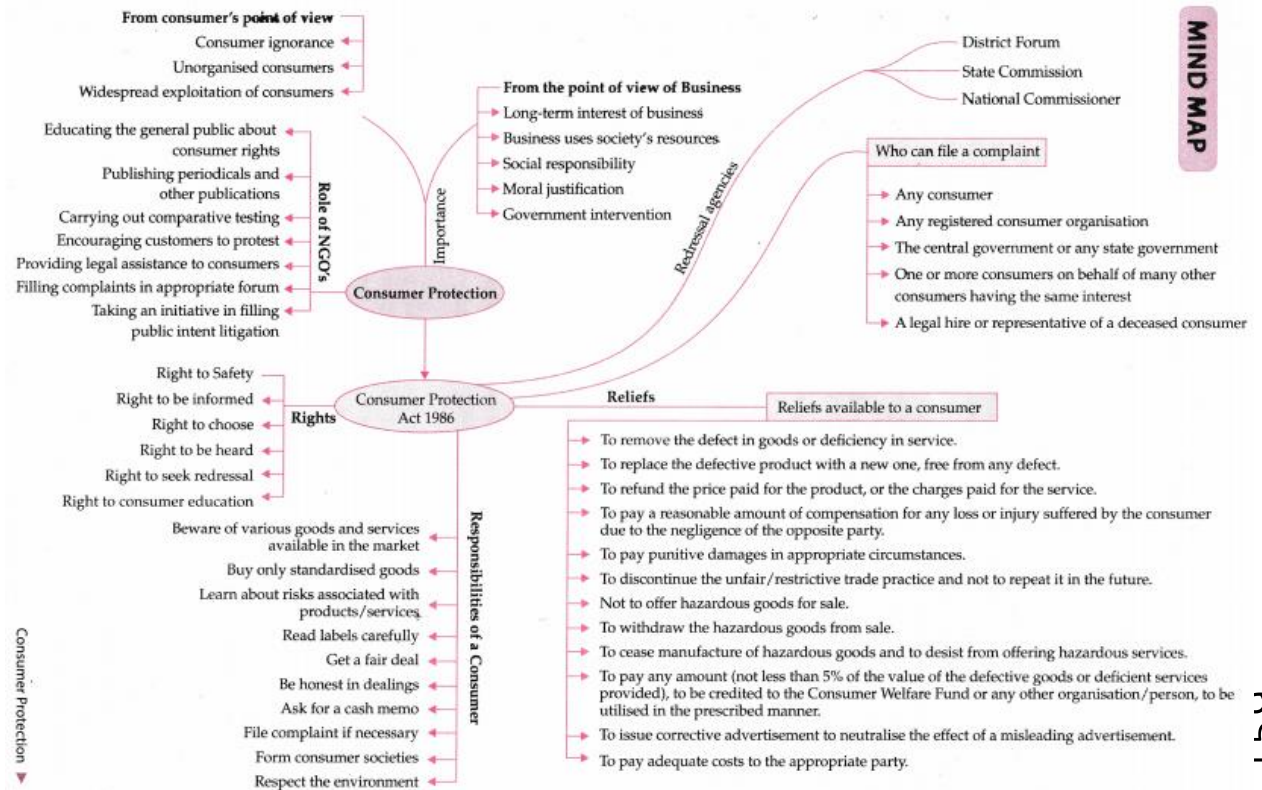
- A complaint can to be made to the appropriate State Commission when the value of the goods or services in question, along with the compensation claimed, exceeds Rs. 20 lakhs but does not exceed Rs. 1 crore.

- The appeals against the orders of a District Forum can also be filed before the State Commission.
- In case the aggrieved party is not satisfied with the order of the State Commission, he can appeal before the National Commission within 30 days of the passing of the order.

National Commission

- The National Commission consists of a President and at least four other members, one of whom should be a woman.
- All the members are appointed by the Central Government.
- A complaint can be made to the National commission when the value of the goods or services in question, alongwith the compensation claimed, exceeds Rs. 1 crore.
- The appeals against the orders of a State Commission can also be filed before the National Commission and no further.
- An order passed by the National Commission in a matter of its original jurisdiction is appealable before the Supreme Court if the aggrieved party was not satisfied with the order of the National Commission.

MIND MAP



MULTIPLE CHOICE QUESTIONS

1. The Provisions of Consumer Protection act came into force from
(a) 1986 (b) 1987
(c) 1988 (d) 1991 ANS (a) 1986
2. Informing consumer about their rights is part of
(a) Right to Safety (b) Right to Information
(c) Right to Consumer Education (d) Right to be Heard ANS (c) Right to Consumer Education
3. Informing consumer about the contents of the product, its usage, etc. is part of
(a) Right to Safety (b) Right to Information
(c) Right to Consumer Education (d) Right to be Heard ANS (b) Right to Information
4. Right to safety
(a) Protects consumer from physical damage or injury
(b) Informs the consumer
(c) Both (a) and (b) (d) None of the above
ANS (a) Protects consumer from physical damage or injury
5. If the value of product is 10 lacs the consumer can file case in
(a) District Forum (b) State Commission
(c) National Commission (d) All of the above ANS (a) District Forum
6. If the value of goods or services is more than 20 lac but less than one crore, then consumer can file case in
(a) District Forum (b) State Commission
(c) National Commission (d) All of the above ANS (b) State Commission
7. If a customer is not satisfied with the judgement of state commission, he can file appeal in
(a) District Forum (b) Supreme Court
(c) High Court (d) National Commission ANS (d) National Commission
8. As per Consumer Protection Act, the retailer or wholeseller is
(a) A consumer (b) Not a consumer
(c) Both (a) and (b) (d) None of the above ANS (b) Not a consumer

(VSA,SA,LA)

1. Which consumer right gives the business firm freedom to set up their own consumer service and grievance cell?

Ans: Right to be heard.

2. Ahmed wants to buy an iron. As an aware customer how can he be sure about the quality of iron?

Ans: Through ISI mark on the iron.

3. Mohit filed a case against 'Domestic Cooling Ltd.' in the 'District Forum', but was not satisfied with the orders of the District Forum. Where can he appeal further against the decisions of District Forum?

Ans: Mohit can further appeal against the decision of District Forum in the 'State Commission' within 30 days.

4. Ram wants to buy ghee. How can he check the quality of product?

Ans: Through 'AGMARK' symbol.

5. Amrit filed a case against 'Volvo Ltd.' in the 'State Commission'. But he was not satisfied with the orders of the 'State Commission'. Name the authority to which he can appeal against the decisions of 'State Commission'.

Ans: Amrit can further appeal in 'National Commission'.

6. Can a consumer file complaint in consumer court without having cash memo?

Ans: No, without cash memo he cannot file a complaint. Cash memo is the proof of the transaction.

7. Name any two consumer rights.

Ans: (i) Right to Safety (ii) Right to Choice.

8. Indian Youth Organisation (IYO) organised a visit of its members to an old age home to inculcate the habit of social work among them. The visit revealed that the living conditions of the inmates of the old age home were not hygienic. So, the IYO members decided to clean the premises. During their cleanliness drive, they realised that the old age home also required pest control. But some of the inmates of old age home were reluctant for it because they believed that the pest control may create health problems for them. IYO, therefore decided to provide ethical, safe and odourless pest control. They showed to the inmates of old age home a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The inmates happily agreed and the pest control was carried out. It worked for a fortnight but to their dismay the effect started wearing off. IYO contacted the pest control company which kept on postponing their visit. After waiting for a month, IYO

filed a case in the consumer court.

The consumer court was satisfied about genuineness of the complaint and issued necessary directions to the pest control company.

1. State the six directions that might have been issued by the court.
2. Also identify any two values that are being communicated by IYO to the society. (CBSE, Delhi 2017)

Answer:

1. The six directions that might have been issued by the court are as follows:

Reliefs available to a consumer

- To remove the deficiency in service.
 - To refund the charges paid for the service.
 - To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
 - To discontinue the unfair/restrictive trade practice and not to repeat it in the future.
 - To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
2. To issue corrective advertisement to neutralise the effect of a misleading advertisement.
 3. The two values that are being communicated by IYO to the society are:
 - Social service
 - Promoting health and hygiene

9. Ronit Raj, a marketing manager is a patient of diabetes for which he takes medicines regularly. One day, on his tour to Patna, he met with an accident and was hospitalised. Due to doctor's negligence a delicate nerve of his right leg was cut rendering him crippled throughout his life. Identify the consumer right that has been violated by the doctors under the Consumer Protection Act, 1986 in the above situation. (CBSE, Sample Paper, 2017)

Answer:

Right to safety is the consumer right that has been violated by the doctors under the Consumer Protection Act, 1986 in the above situation.

10.(HOTs) Sirajuddin purchased a car for Rs. 15 lacs from an automobile company and found that its airbags were defective. After many complaints with the company that went unheard, he filed a case in the District Forum. He was not satisfied with the orders of the District Forum. He then appealed before the State Commission and on being dissatisfied with the orders of State Commission, he appealed before the National Commission. Sirajuddin was not satisfied with the orders of National Commission. Suggest him the highest authority where he could appeal against the

decision of the National Commission.

(CBSE, Sample Paper, 2017)

Answer:

Sirajuddin cannot appeal to any other higher authority. This is because only those matters which have been directly filed in the National Commission and where the value of goods and services in question along with the compensation claimed exceed ? 1 crore are appealable before Supreme Court.

11. (HOTs) “Grahak Shakti”, an N.G.O. organized a workshop to discuss various issues relating to consumers. During the discussion, one of the members drew attention towards exploitation of consumers due to defective and unsafe products, adulteration, black marketing, hoarding etc. To this another member argued that consumers themselves are responsible as they do not raise collective voice against the exploitation. The Chairperson of the organization was of the opinion that it was also the duty of the businessman to take care of the interests of various stakeholders. Business organizations earn money by selling goods and services to consumers. So the interests of the stakeholders have to be well taken care of.

State three points that highlight the need for consumer protection as discussed in “Grahak Shakti’s workshop. (CBSE, Sample Paper, 2017)

Answer:

The three points that highlight the need for consumer protection as discussed in “Grahak Shakti’s workshop are described below:

- Widespread exploitation of consumers
- Unorganized consumers
- Social responsibility.

Question 12. (HOTs)

Manuj bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complained about it to the company. The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available. State the consumer right which Manuj exercised.

(CBSE, Delhi 2016)

Answer:

Right to be heard has been exercised by Manuj.

13. Suman bought a box of cheese of a reputed brand from a local shopkeeper. On opening the box, she found a piece of stone in the cheese. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week, the representative of the company visited Suman’s residence with an apology and as a replacement offered her a new cheese pack with four other varieties of cheese as compensation for the inconvenience to her. State the consumer right with Suman exercised. (CBSE, OD 2016)

Answer:

Right to seek redressal has been exercised by Suman.

Question 14.

Manvendra always went to a specific shop to buy all consumable and non-consumable goods. In this shop, a variety of products of different brands were displayed nicely and the sales person available also gave good sales presentations if required. But this shop was quite far-off from his residence. His friend Annant always wondered why Manvendra wastes so much time in going to that shop whereas there were many big brand shops situated near his residence having consumable and non-consumable goods.

Annant asked Manvendra the reason of going to that particular shop. Manvendra told that he was exercising one of his rights which he could not exercise in nearby big brand shops. State the consumer's right which Manvendra had exercised. (CBSE, Foreign 2016)

Answer:

Right to choose has been exercised by Manvendra.

Question 15.

Vasvi purchased a bottle of pickle from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under the Consumer Protection Act and got the relief.

1. Identify the important aspect neglected by the marketer in the above case.
2. Explain briefly the functions of the aspect identified in (1) above (CBSE, OD 2016)

OR

Ashima purchased a bottle of tomato-sauce from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under the Consumer Protection Act and got the relief.

1. Identify the important aspect neglected by the marketer in the above case.
2. Explain briefly the functions of the aspect identified in (1) above. (CBSE, Delhi 2016)

Answer:

1. The marketer had overlooked the Labelling as it was not done appropriately for the product
 2. The functions of labelling are detailed below:
 - Describes the product and specifies its contents: Labelling provides information about the core function of the product i.e. how and why the product is likely to be beneficial to the prospective buyer. It educates them about the usage and precautions related to the product. It also gives detailed information about the ingredients of the product.
 - Helps in identification of the product or brand: The label contains the logo, brand name, tagline, name and address of the manufacturer etc. of the product which helps in easy identification of the product.
-

KENDRIYA VIDYALAYA SANGATHAN**BLUE PRINT 2021****SUB: BUSINESS STUDIES****CLASS: XII**

| UNITS | 1 MARKS | 3 MARKS | 4 MARKS | 6 MARKS | TOTAL |
|---|------------|------------|------------|------------|-------|
| UNIT 1 | | | | | 6 |
| a) NATURE & SIGNIFICANCE OF MANAGEMENT | 3 | 1 | | | |
| b) PRINCIPLES OF MGT. | | | | 1 | 6 |
| c) BUSINESS ENVIRONMENT | 4 | | | | 4 |
| UNIT 2 | | | | | 6 |
| a) PLANNING | | | | 1 | |
| b) ORGANIZING | 2 | | | 1 | 8 |
| c) | | | | | |
| UNIT 3 | | | | | 7 |
| a) STAFFING | | 1 | 1 | | |
| b) DIRECTING | | | 2 | | 8 |
| c) CONTROLLING | 2 | 1 | | | 5 |
| UNIT 4 | | | | | 8 |
| a) FINANCIAL MANAGEMENT | | | 2 | | |
| b) FINANCIAL MARKETS | 4 | 1 | | | 7 |
| UNIT 5 | | | | | 11 |
| a) MARKETING MANAGEMENT | 5 | | | 1 | |
| b) CONSUMER PROTECTION | | | 1 | | 4 |
| TOTAL | 20*1=20 | 4*3=12 | 6*4=24 | 4*6=24 | 80 |

MODEL QUESTION PAPER 1**KENDRIYA VIDYALAYA SANGATHAN****SESSION: 2020-21****CLASS: XII
STUDIES****M.M. : 80 Marks
HRS****SUB: BUSINESS****TIME ALLOWED: 3**

| Q.NO. | QUESTIONS | MARKS |
|--------------|---|--------------|
| 1 | <p>Akash has recently started a business to sell computers. He hired a shop in Palika Bazaar Chandigarh, where he assembles various components to make computers and supplies them as per order. He performs a series of composite but separate functions simultaneously and ensures that computers are delivered in time as per orders. These functions are performed by all managers at all times.</p> <p>The feature of management highlighted above is :</p> <p>(A) Management is a continuous process. (B) Management is pervasive. (C) Management is dynamic. (D) Management is a group activity.</p> | 1 |
| 2 | <p>Which of the following is a component of economic environment?</p> <p>(A) Concern with quality of life (B) Rates of saving and investment (C) Extent of government intervention in business (D) Birth and death rates</p> | 1 |
| 3 | <p>Which statement is <i>not</i> correct, with respect to 'Organization Structure'?</p> <p>(A) Ensures coordination among human and physical resources. (B) Ensures smooth flow of communication. (C) Specifies relationship between people, work and resources. (D) Establishes standards for controlling</p> | 1 |
| 4 | <p>Facebook, Whatsapp and Twitter is the result of :</p> <p>a) Political environment b) Social environment</p> | 1 |

| | | |
|-----------|---|----------|
| | c) Technological environment d) Legal environment | |
| 5 | Co-ordination acts as a force between various departments to ensure unity of action. | 1 |
| 6 | A network of social relationships that arises spontaneously due to interaction at work is: a) Formal organization b) Delegation c) Decentralization d) Informal organization | 1 |
| 7 | Which function of management is used for preparing plans for future in the light of the problems identified and thereby helping in future period? | 1 |
| 8 | Under controlling function, deviations can be analyzed by: a) Setting performance standards b) Measuring actual performance c) Critical point control d) Taking corrective actions. | 1 |
| 9 | For delegation to be effective, it is necessary that authority granted must be commensurate with assigned _____ | 1 |
| 10 | ‘Sumptuous’ is a food joint in Imperial Mall in Mumbai. It is becoming popular among students and working people due to healthy, on-the-go dishes on its menu like ‘Paneer Wrap’, ‘Chickpeas Salad’, ‘Grilled Sandwiches’, etc. It has now decided to open two new branches in other parts of Mumbai. Which financial decision has been discussed in the above case? (A) Long-term investment decision (B) Short-term investment decision (C) Dividend decision (D) Financing decision | 1 |
| 11 | The process of classification of products into different groups on the basis of their important characteristics refers to which of the following marketing functions? (A) Grading (B) Standardization (C) Product designing (D) Marketing planning | 1 |

| | | |
|----|--|---|
| | | |
| 12 | Primary and secondary markets: <ul style="list-style-type: none"> a) Compete with each other b) Complement with each other c) Both function independently d) Control each other. | 1 |
| 13 | While the product _____ sets the lower limit of the price, the utility provided by the product sets the upper limit of price, which a buyer would be prepared to pay. | 1 |
| 14 | State, giving reason, whether the following statement is true or false : “Advertising refers to short term incentives which are designed to encourage the buyers to make immediate purchase of a product.” | 1 |
| 15 | Out of the instruments given below, which does not relate to money market: <ul style="list-style-type: none"> a) Call money b) Treasury bill c) IPO'S d) Commercial bill | 1 |
| 16 | <p>Amayra purchased a pack of biscuits. When she opened it, she felt the biscuits were stale. She carefully read the label on the pack of biscuits which mentioned :</p> <p>“If you are not satisfied with the product quality, write to our Customer Care Cell at Honey Foods Pvt. Ltd. B/389, Mohali”</p> <p>The biscuit company has set up its own consumer service and grievance cell to promote and protect the following right :</p> <p>(A) Right to Safety (B) Right to be Heard (C) Right to be Informed (D) Right to Consumer Education</p> | 1 |
| 17 | Management by Exception refers to : <ul style="list-style-type: none"> a) Significant deviation which goes beyond the permissible limit should be brought to the notice of the management. b) Focuses on the key result areas. c) Comparison of actual performance with the standard. | 1 |

| | | |
|-----------|--|----------|
| | d) Measurement of Company's and its employees' performance. | |
| 18 | <p>The singing style of Shreya Goshal and Neha Kakkar are different to each other, however they acquired same knowledge of ragas. Identify the feature of art discussed above.</p> <p>a) Based on practice and creativity b) Universal validity c) Existence of theoretical knowledge d) Personalized application</p> | 1 |
| 19 | <p>Giving freedom to Indian business and industries from all unnecessary government controls and restrictions is an example of_____:</p> <p>a. Privatization b. Liberalization c. Globalization d. Demonetization</p> | 1 |
| 20 | <p>An analysis that reveal the number and type of employees available with the organization</p> <p>a)internal source b) workforce analysis c) Interview d) workload analysis</p> | 1 |
| 21 | <p>Each employee of 'Rudvika Ltd.' should manufacture 10 tables per day as per the terms of employment. All the employees met the said target except a few who manufactured between 4 – 6 tables per day. The management took a decision to install Closed Circuit Television (CCTV's) in the factory for monitoring the activities of the employees.</p> <p>(a) Identify the managerial function discussed above. (b) Explain any two steps in the process of the function identified in (a) Above</p> | 3 |
| 22 | <p>X Ltd. was facing the problem of gradual decrease in production. The General manager found that the only remedy is to appoint Plant Superintendent. Mr. Ashish was appointed to overcome this problem. Mr. Ashish wants to gather the information regarding the working of machines, performance appraisal report of all the employees working in the production department, quality of raw material used in production process.</p> <p>a) Identify the level at which Mr. Ashish is working in the company?</p> | 3 |

| | | |
|-----------|--|----------|
| | b) State any two more functions to be performed by Mr. Ashish. | |
| 23 | <p>A company manufactures very sophisticated switch gears used in automatic cars. For this the company uses hi-tech machines. Most of the times the workers of the factory remain idle because of lack of knowledge regarding the use of these hi-tech machines. The frequent visits by the engineers and constant supervision of the foreman results into high overhead charges.</p> <p>a) Explain the way by which this problem can be overcome. Also state any two points highlighting how this helps the employees.</p> | 3 |
| 24 | <p>Stock index measures the movement of prices of securities at a stock exchange. Stock index reflects the day-to-day fluctuations in stock prices and are known as barometers of market behaviour of securities. In the light of this statement, state any three functions of stock exchange.</p> <p>OR</p> <p>To promote orderly and healthy growth of securities market and protection of investors, Securities and Exchange Board of India was set up. In the light of the given statement, state any three regulatory functions of the Securities and Exchange Board of India</p> | 3 |
| 25 | <p>Ayesha Ltd. Assured their employees that in spite of recession no worker will be retrenched from the job.</p> <p>(i) Name and explain the type of incentive offered to the employees.</p> <p>(ii) Explain two more incentive of the same category</p> | 4 |
| 26 | <p>‘MICO Automobiles Ltd.’ is engaged in manufacturing of auto parts for car manufacturing companies. The company enjoys good creditworthiness. It now wants to expand its business by investing in new plant and machinery. For this it requires long terms finance. Arsh, the Finance Manager of the company advised the CEO of the company to raise funds by issuing equity shares. It requires huge floatation cost. To meet the expenses of floatation cost the company decided to tap the money market.</p> <p>(a) Name the money market instrument the company can use for meeting the floatation cost.</p> <p>(b) Differentiate between ‘money market’ and ‘capital market’ on any three basis.</p> | 4 |
| 27 | The Managing Director of ‘Verma Chemicals Pvt. Ltd.’ held a meeting of all the departmental managers. In the meeting, the managing director said that besides doing their current work efficiently, they also had to make themselves capable of shouldering more responsibility in future as the company is going to add an additional product to its existing product line. For the realisation of this objective he invited suggestions from all departmental heads. The Managing Director proposed a plan on the basis | 4 |

| | | |
|----|--|---|
| | <p>of the suggestions received. All the departmental heads carried out the plan.</p> <p>(a) Name the function of management that is involved in the above case?</p> <p>(b) Identify and give the meaning of the style of leadership referred in the above para.</p> <p>(b) Explain the other two styles of leadership.</p> | |
| 28 | <p>Namita purchased a food processing machine for Rs. 3,000 from 'Roscha Machinery Pvt. Ltd.' She found that the machine was not working properly. Despite many complaints, the defect was not rectified by Roscha Machinery Pvt. Ltd.</p> <p>(a) Identify the consumer right that has been violated by Roscha Machinery Pvt. Ltd.</p> <p>(b) Suggest the appropriate forum where Namita can file her complaint.</p> <p>(c) Can she appeal to the Supreme Court if she is not satisfied with the order of the appropriate forum? Also justify your answer by giving appropriate reason..</p> | 4 |
| 29 | <p>Hinduja International Ltd. earned a net profit of Rs 20 crores. Ritesh the finance manager of Hinduja International Ltd. wants to decide how to appropriate these profits. Identify the decision that Ritesh will have to take and also discuss any three factors which help him in taking this decision.</p> | 4 |
| 30 | <p>"Estimating manpower requirement "is first step in process of staffing function. State and explain next two steps in this process</p> | 4 |
| 31 | <p>Explain the following principles of management:</p> <p>(a) Scalar chain (b) unity of command</p> | 6 |
| 32 | <p>Name and explain the function of management which is known as thinking function? Explain any four characteristics of the function identified in (a).</p> | 6 |
| 33 | <p>A Steel Manufacturing Company has the following main jobs:</p> <p>1. Manufacturing, (ii) Finance, (iii) Marketing, (iv) Personal and (v) Research and development.</p> <p>1. Which type of organizational structure will you choose for this type of a company and why?</p> <p>2. State any five advantages that this structure offers to an organization.</p> <p style="text-align: center;">OR</p> <p>Explain the steps in the process of organizing function of management.</p> | 6 |
| 34 | <p>It is necessary that goods and services must be made available to the customers at right place in the right quantity and at right time.</p> <p>(a) Name and explain the concerned element of Marketing Mix given above.</p> <p>(b) Explain the components of this element.</p> | 6 |

ANSWERS:MODEL QUESTION PPAPER: 1

| Q.NO. | EXPECTED ANSWERS | MARKS |
|-------|---|-------|
| 1 | A. Management is a continuous process. | 1 |
| 2 | b. rates of savings and investment | 1 |
| 3 | D. establishes standards for controlling | 1 |
| 4 | B. Technological environment | 1 |
| 5 | Binding force | 1 |
| 6 | C. In formal organization | 1 |
| 7 | Controlling | 1 |
| 8 | C. critical point control | 1 |
| 9 | Responsibility | 1 |
| 10 | a. Long term investment decisions | 1 |
| 11 | a. grading | 1 |
| 12 | b. Complement each other. | 1 |
| 13 | Demand | 1 |
| 14 | False, advertising is communicating about the product and persuading to buy. | 1 |
| 15 | D. IPO's | 1 |
| 16 | C. Right to be heard | 1 |
| 17 | A. Significant deviations which goes beyond permissible limits should be brought to the notice of management. | 1 |
| 18 | D. Based on personal application | 1 |
| 19 | B. liberalization | 1 |
| 20 | B. Workforce analysis | 1 |
| 21 | Controlling function of management. 1 One mark each for correct identification of two steps of controlling. Steps involved are: 1. comparison of actual with standards 2. analyzing deviations 3. taking corrective action. (Any two) | 1+2=3 |
| 22 | Middle level of management 1 One mark each for any two correct functions performed by middle level managers. | 1+2=3 |
| 23 | Training is the process of increasing the abilities, skills and knowledge of employees to do the present job in an effective manner. 1 One mark each for any two correct benefits of training to the employees. | 1+2=3 |
| 24 | One mark each for correct function of a stock exchange OR One mark each for any three correct regulatory functions of SEBI. | 3 |

| | | |
|----|---|---------|
| 25 | Job security a non- financial incentive . 1 mark for correct identification and explanation One mark each for any two correct explanation of the incentives of similar types. | 2+2=4 |
| 26 | Commercial paper 1 mark One mark each for correct difference between money market and capital market. | 1+3=4 |
| 27 | Directing function of management. 1 Democratic style of leadership. One for correct identification and one for explanation. 1 One mark for correct explanation of the other two styles of leadership. 1*2=2 | 1+1+2=4 |
| 28 | a) Right to be heard 1 b) District Forum 1 c) No, she cannot file an appeal in Supreme court as the case originally was filed in district forum. 1+1=2 | 1+1+2=4 |
| 29 | Recruitment and selection 2+2 | 4 |
| 30 | Two marks each for correct name of the step and its correct explanation. | 2+2=4 |
| 31 | 3 marks each for correct explanation of the principle. | 3+3=6 |
| 32 | Planning function. One for correct identification and one for explanation. 2 One mark each for correct explanation of features of planning | 2+4=6 |
| 33 | Functional organization 1 One mark each for every correct heading and explanation of the advantages of functional structure. 5 | 1+5=6 |
| 34 | Physical distribution or place mix 2 1 mark each for every correct element of physical distribution. 1*4= 4 | 2+4=6 |

MODEL Q. P. : 2 KENDRIYA VIDYALAYA SANGATHAN
CLASS – XII

BUSINESS STUDIES

TIME ALLOWED : 3 HOURS

MAXIMUM MARKS : 80

| NO. | Questions | Marks |
|----------|---|----------|
| | PART A | |
| 1 | Just after declaration of Lok Sabha Elections 2019 results, the BSE's Price index (Sensex) rose by 2,100 points in a day. Identify the environment factor which led to the rise. (a) Political environment (b) Economic Environment © Social Environment (d) Legal Environment | 1 |
| 2 | Same gearbox can be used in different models of cars of a particular brand. Which of the following techniques of scientific management is highlighted in aforesaid situation? (a) Standardisation (b) Simplification © Method Study (d) Functional Foremanship | 1 |
| 3 | The principles of management have evolved over a time based on repeated experimentation and observation in different types of organizations. However, since management deals with human beings and human behaviour, the outcomes of these experiments are not capable of being accurately predicted or replicated. Which aspect of management is highlighted in aforesaid statement? (a) Management as a science (b) Management as an art © Management as a science and an art (d) Management as a profession | 1 |
| 4 | "The public sector undertakings have realized that, in order to survive and grow, they will have to be more efficient and generate their own resources for the purpose." Which impact of government policy change on business has been highlighted in aforesaid statement? (a) Increasing competition (b) Need for developing human resources © Market orientation (d) Loss of budgetary support to the public sector | 1 |
| 5 | At times, a business may concentrate more on producing goods with fewer resources i.e., cutting down cost but not achieving the target production. In this case the manager is: (a) Efficient (b) Effective © Efficient as well as effective (d) Neither efficient nor effective | 1 |
| 6 | Which is the objective of standardization? | 1 |

| | | |
|----|---|---|
| | (a)To establish interchange ability to manufactured parts and products (b)To establish standards of performance of men and machines ©To find out one best way of doing a job (d)Both (a) and (b) | |
| 7 | A procedure is a chronological sequence of steps. (True/False) | 1 |
| 8 | Responsibility can be entirely delegated. (True/False) | 1 |
| 9 | Informal organization exhibit more flexibility than the formal organization. (True/False) | 1 |
| 10 | Infosys recruit candidate from 'Kirorimal college' is an example of _____ method of one of the sources of recruitment. | 1 |
| 11 | The negative aspect of _____ incentive is that when the people are assured that their job is secured that may become complacent and lazy. | 1 |
| 12 | _____ should be the 'focus point' for a manager while controlling, as controlling at each and every step is not possible. | 1 |
| 13 | The organization satisfies _____ needs by offering challenging jobs, providing good job titles, etc. | 1 |
| 14 | Standards can be set in both _____ as well as _____ terms. | 1 |
| 15 | When the fixed assets are available on rent the need for fixed capital is _____ (a)More (b)Nil (c)Less (d)Excessive | 1 |
| 16 | This is an important document as it is legally enforceable and helps to settle disputes/claims between the 'investor and the broker'. Identify the term highlighted by this statement: (a)Demat Account (b)Financial Management ©Contract Note (d)Agreement | 1 |
| 17 | Which detail is mandatory to open a demat account? (a)Bank Account Details (b)Client Code Number (c)Depository Account Detail (d)PAN Number | 1 |
| 18 | A lending company X has decided to put some constraints on the company Y to which it has extended loan. The constraints are related loan. The constraints are related to the declaring of dividends by the company Y. They have signed a contract which puts restrictions on company Y. So, unless and until it pays back the amount taken from company X it cannot enjoy freedom in this regard. Which factor affecting dividend decision is highlighted above? (a)Stock market reaction (b)Growth opportunities ©Earnings (d)Contractual constraints | 1 |

| | | |
|-----------|---|----------|
| 19 | <p>Payal purchased a car for Rs. 20 lakhs from an automobile company and found its engine defective. Despite many complaints, the defect was not rectified. She filed a case in the District Forum. But she was not satisfied with the orders of the District Forum and decided to appeal.</p> <p>In which highest authority she could appeal if not satisfied again by the decision of the next higher authority.</p> <p>(a) National Commission (b) State Commission (c) Supreme Court (d) All of these</p> | 1 |
| 20 | <p>When is Consumer day celebrated?</p> <p>(a) 15th March (b) 10th March (c) 18th March (d) 14th March</p> | 1 |
| 21 | <p>Sparkle Chemicals Works Ltd., manufactures detergent powder and bathing soaps. The company decides to enter into construction business. The company has a competent top management who know there are various challenges in the new industry in which they are stepping into. Still the top managers don't put in the needed efforts in planning the diversification. Advice the top managers why they should put in the required effort towards planning before taking the decision further?</p> | 3 |
| 22 | <p>Roasted Coffee Corporation is a coffeehouse chain operating in seven states of India. Through its effective organizational structure, it has grown despite pressure from competitors in the national market. The company has a purchase and production department, supply chain management and logistics department, brand management department and sales department. This structure has facilitated operational efficiency, as employees became specialists within their own realm of expertise. They could be imparted specialized training as the focus was on limited range of skills.</p> <p>Identify the organizational structure of Roasted Coffee Corporation. Also state any two advantages of this structure other than discussed in the above para.</p> <p>OR</p> <p>Samir Gupta 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. Samir Gupta, 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.</p> <p>(a) Identify the concept used by Samir Gupta through which he was able to steer his company to greater heights.</p> | 3 |

| | | |
|-----------|---|----------|
| | (b)Also explain any four points of importance of this concept | |
| 23 | Explain internship training and vestibule training and classify them as on the job and off the job training. | 3 |
| 24 | What is meant by Controlling? Explain any two importance of Controlling. | 3 |
| 25 | Why it is important to understand and study business environment? | 4 |
| 26 | <p>Briefly explain the positive and negative aspects of type of communication that arises out of employees need to exchange the views.</p> <p>OR</p> <p>Umang Gupta is the Managing Director of Denver Ltd. The company had established a good name for itself and had been doing well. It was known for timely completion of orders. The Production Manger, Ms. Kanta was efficiently handling the processing of orders and had a team of fourteen motivated employees working under her. Everything was going on well. Unfortunately she met with an accident. Umang knew that in the absence of Ms. Kanta, the company may not be able to meet the deadlines. He also knew that not meeting the deadlines may lead to customer dissatisfaction with the risk of loss of business and goodwill. So, he had a meeting with his employees in which accurate and speedy processing of orders was planned. Everybody agreed to work as team because the behaviour of Umang Gupta was positive towards the employees of the organization. Hence everyone put in extra time and efforts and the targets were met on time.</p> <p>Not only this, Umang visited Ms. Kanta and advised her to take sufficient rest.</p> <p>Identify the leadership style of Umang Gupta and draw a diagram depicting the style and explain its merits (any two).</p> | 4 |
| 27 | What is meant by Delegation of Authority? Explain its importance (any three points). | 4 |
| 28 | <p>Sandy Shows Ltd. is a profitable business venture that arranges local entertainment events. So far the business has run successful pop concerts, sports events and outdoor theatre, all using local people. Sandy Shows Ltd. uses the local football ground for all the events, which costs Rs. 2,00,000 per day to the company.</p> <p>Lissa, the Operations Manager hires casual labour for cleaning, checking tickets and setting up the stage. The business has its own full time office staff for all of the administration. Local businesses provide catering and sell the tickets for a commission.</p> <p>Alexendra, the Finance Manager, is ambitious and wants to expand the business into bigger entertainment events. Lissa is less sure about expansion on this scale.</p> <p>‘Think of the economies of scale,’ said Alexendra. ‘We will also be able to charge much more for the tickets!’</p> <p>The business faced a major problems on account of more and more events. The first is its staff. As the business has become more successful, the workload on the office staff has increased. All the staff members are</p> | 4 |

| | | |
|-----------|---|----------|
| | <p>unhappy about working long hours without extra pay. ‘Well they get free tickets for the shows’, said Alexendra. ‘I’m fed up with their complaints. If they don’t like it they can go and work in the local supermarket – they’ll earn more!’ This worried Lissa, as the problem would get worse if the business expanded into bigger entertainment events.</p> <p>On the basis of the given information about Sandy Shows Ltd. answer the following question:</p> <p>Identify and explain the methods for improving staff motivation at Sandy Shows Ltd.</p> <p style="text-align: center;">OR</p> <p>Mr. John is working as the Human Resource Consultant in Blue Horizon Pvt. Ltd. The company manufactures squashes and soft drinks. The company is facing a problem of high employee turnover due to which the production and supply situation of its product has been on decline. The personnel manager of the company asks Mr. John to look into the problem of employee turnover.</p> <p>On analyzing the situation Mr. John suggests that the good employees of the organization should be rewarded in a manner that creates feeling of ownership among the employees and thus motivates them to contribute their best towards the organizational goals.</p> <p>On the basis of the given information about Mr. John, the Human resource Consultant in Blue Horizon Pvt. Ltd., answer the following questions:</p> <p>(a) Identify and explain the incentive that has been suggested by Mr. John.</p> <p>(b) Also, explain any three other incentives of the same category.</p> | |
| 29 | <p>As a project work in Business Studies subject, the Commerce students of ‘Knowledge School’ thought of setting up a recycling plant to recycle all the waste papers from the school and prepare registers and exercise books to be used by the school students. They approached their Principal who not only appreciated the idea of the students but also gave them consent for the same. The school also decided to donate 50% of the revenue generated from the sale of registers and exercise books to a nearby blind school.</p> <p>(i) State the product related decisions which the children have to take?</p> <p>(ii) Suggest any three factors the children should keep in mind while choosing the right name for their exercise books and registers.</p> | 4 |
| 30 | <p>Sumit purchased as ISI market washing machine of a famous brand ‘MG’ from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek was very fond of experimenting with new electronics products. He told Sumit that there is no need to wait for the company’s representative to install the machine and that he could do it. So, both of them installed machine without following the manufacturer instructions. Initially the machine worked effectively and the wash was good. But after two days the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit therefore, approached TG</p> | 4 |

| | | |
|-----------|---|----------|
| | <p>Electronics Ltd. which refused to provide any service on the plea that the installation of the machine was not done by the company.</p> <p>(a) State the responsibility which Sumit had to fulfill as an aware consumer to get the services of the company.</p> <p>(b) Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part (a).</p> | |
| 31 | <p>State whether the working capital requirements of business manufacturing the following items are less and more:</p> <p>Justify your statement (a) Milk (b) Steel (c) Room Coolers (d) Industrial Boilers (e) Sign boards manufacturing against orders.</p> <p style="text-align: center;">OR</p> <p>‘G Motors’ is the manufacturer of sophisticated cranes. The Production manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors.</p> <p>(a) Identify the financial decision taken by Ashish Jain.</p> <p>(b) Explain any three factors affecting the decision identified in (a) above.</p> | 6 |
| 32 | <p>Spectra Ltd. is a highly reputed company having many employees performing different functions at different levels. A clear hierarchy exists between people and they are bound by it while performing their diverse tasks.</p> <p>Ms. Ananya is responsible for deciding the overall goals and objectives of the organization and ensures the welfare and survival of the organization.</p> <p>Mr. Shetty ensures the upkeep and maintenance of machinery and tools, takes care of the quality of output and prevents any wastage of materials. He also makes sure that safety standards are maintained.</p> <p>Ms. Rita assigns necessary duties and the responsibilities to the personnel. She motivates them to achieve targets. Also decides about departmental targets.</p> <p>At which levels of management are Ms. Ananya, Mr. Shetty and Ms. Rita working? Explain two functions of each level.</p> <p style="text-align: center;">OR</p> <p>Thomas is working as a manager of United Bearings Ltd. He has the authority to make purchases for the organization and also to appoint employees.</p> <p>Thomas misuses his authority and grants an order of office stationery to his brother's concern while the same products were available at a cheaper rate with other suppliers.</p> | |

| | | |
|-----------|---|----------|
| | <p>While appointing two office executives he gives preference to Michael over Mamta because Michael is a Christian. Like Thomas himself is and also because he prefers male employees over females.</p> <p>Thomas also has a habit of not letting the employees put forward any suggestions for improvement in work and productivity. He expects them to just follow his orders. Employees are also dissatisfied as they don't get fair wages for the work they put in.</p> <p>The production activities of United Bearings Ltd. lead to water pollution as the waste from the factory is disposed off in the nearby river.</p> <p>On the basis of the given information about United Bearings Ltd. answer the following question.</p> <p>Identify and explain various principles of management that are being violated in United Bearings Ltd., by quoting the relevant lines from the case to support your answer</p> | |
| 33 | <p>Divi's Laboratories is manufacturing medicines. The company has reported highest profit ever of Rs. 3.2 billions in 2016, up by 41% as compared to profits of last year. For 2017, Divi's sales have grown by 21% to Rs. 37.1 billions as compared to 2016. The result indicates consistent growth in company's profits and sales figures year after year. Divi's is undertaking aggressive capital expenditure plan of Rs. 11 billions over next 2 years at new site at Kakinada. Entire capital expenditure is being funded through internal cash accruals. Company's cash reserves are high enough to meet the requirements of capital expenditure, revenue expenditure and regular payouts to shareholders to meet shareholders preferences. Strong apex programme is indicative of future growth potential in custom manufacturing for Divi's. Management expects revenues to grow by 15% in 2018 as key focus remains on capacity expansion plans. The company is fully compliant with all regulatory requirements and restrictions.</p> <p>The above discussion about the company leads to various factors which decide how much of profits should be retained by the company and how much to be distributed. Quoting the lines from above passage, identify and explain any four such factors.</p> | 6 |
| 34 | <p>Shivam bought pain relieving ointment after seeing it being displayed in the chemist's shop. The ointment tube was packed in a cardboard box. The tubes were received by the chemist from the wholesaler in corrugated boxes containing 20 units.</p> <p>Identify and explain the different levels of packaging of the pain relieving medicine and explain its functions.</p> <p style="text-align: center;">OR</p> <p>Aryaman, a class XII student was in need of a ball-pen. He went to the nearest stationery shop. The shopkeeper showed him a wide variety of ball-pens having of different prices. He selected a pen and paid Rs. 250, the maximum retail price, and took the cash memo for the same. Aryaman felt dissatisfied on using the pen as its performance doesn't match his expectation.</p> | 6 |

| | | |
|--|---|--|
| | <p>On the basis of the given information about Aryaman, answer the following questions:</p> <p>(a) Identify the right exercised by Aryaman in above case.</p> <p>(b) Identify the right that empowers a consumer to file a complaint and to be heard in case of dissatisfaction with a good or a service.</p> <p>© Briefly explain the importance of consumer protection from the view point of consumer.</p> | |
|--|---|--|

ANSWER : MODEL QP 2

| | | |
|----|--|---|
| 1 | (a) Political environment | 1 |
| 2 | (a) Standardisation | 1 |
| 3 | (a) Management as a science | 1 |
| 4 | (d) Loss of budgetary support to the public sector | 1 |
| 5 | (d) Neither efficient nor effective | 1 |
| 6 | (a) To establish interchange ability to manufactured parts and products | 1 |
| 7 | True | 1 |
| 8 | False | 1 |
| 9 | True | 1 |
| 10 | Campus Recruitment | 1 |
| 11 | Job Security | 1 |
| 12 | Key result areas | 1 |
| 13 | Esteem | 1 |
| 14 | Quantitative, Qualitative | 1 |
| 15 | (c) Less | 1 |
| 16 | © Contract Note | 1 |
| 17 | (d) PAN Number | 1 |
| 18 | (d) Contractual constraints | 1 |
| 19 | (b) State Commission | 1 |
| 20 | (a) 15 th March | 1 |
| 21 | Importance of planning | 3 |
| 22 | <p>Functional organization structure</p> <p>Any two correct advantages</p> <p style="text-align: center;">OR</p> <p>Decentralization</p> <p>Correct explanation of points of importance</p> | 3 |
| 23 | <p>Correct explanation of methods of training 2</p> <p>Identification 1 mark</p> | 3 |
| 24 | Correct meaning, correct importance points | 3 |
| 25 | Correct explanation of points | 4 |
| 26 | <p>Informal communication 2 for merits and 2 for demerits</p> <p style="text-align: center;">OR</p> <p>Democratic leadership style.</p> <p>Correct diagram and correct explanation of points of merits of it</p> | 4 |
| 27 | Correct meaning | 4 |

**KENDRIYA VIDYALAYA
SANGATHAN
SESSION ENDING EXAMINATION
CLASS – XII
BUSINESS STUDIES
2020-2021**

TIME ALLOWED:3 HOURS**M.M.:80**

| Q.NO. | QUESTION | MARKS |
|--------------|--|--------------|
| | General instructions: 1 This question paper contains 34 questions. 2. Marks are indicated against each question. 3. Answer should be brief and to the point. 4. Answers to the questions carrying 3 marks may be from 50 to 75 words. 5. Answers to the questions carrying 4 marks may be about 150 words. 6. Answers to the questions carrying 6 marks may be about 200 words. 7. Attempt all parts of the questions together. | |
| 1 | Policy formulation is the function of - a) Top level managers b) Middle level managers c) Operational management d) All of the above | 1 |
| 2 | Which of the following best indicates the importance of business environment: Identification | 1 |

| | | |
|----------|--|----------|
| | Improvement in performance Coping with rapid changes All of them | |
| 3 | Which of the following is an example of social environment a) Money supply in the economy b) Consumer protection act c) The constitution of the country d) Composition of family | 1 |
| 4 | _____ is considered a major element of the political environment: a. The extent and nature of government intervention in business; b. planned outlay in public and private sectors; c. Expectations from the work force; d. Administrative order issued by government authorities. | 1 |
| 5 | Grouping of activities on the basis of product lines is a part of: a. Delegated organization b. Divisional organization c. Functional organization d. Autonomous organization | 1 |
| 6 | The highest level need in the Need Hierarchy of Abraham Maslow: a. Safety need b. Belongingness need c. Self- actualization need d. Prestige need | 1 |
| 7 | Which of the following does not explain the impact of Government policy changes on business and industry ? a) Market orientation a) More demanding customers b) Increasing competition c) Change in agricultural prices | 1 |
| 8 | Management is a . Science b. An Art c. both science and art d. neither | 1 |

| | | | | | | | | | | |
|------------------------|---|------------------------|---------------------|---------------------|------------------|-----------------------|-----------------------|---------------------|------------|---|
| 9 | <p>Name the function of management which helps in the formulation of future plans, in the light of the problems that were identified and thus, helps in better planning in the future period.</p> <p>A. Planning B. Organizing C. Directing D. Controlling</p> | 1 | | | | | | | | |
| 10 | <p>At what level of management does the Chief Executive Officer operate?</p> <p>a. Top level b. Middle level c.Lower level d. None of the above</p> | 1 | | | | | | | | |
| 11 | <p>_____is the process by which the manager brings order out of chaos, removes conflict among people over work or responsibility sharing and creates an environment suitable for teamwork.</p> <p>a. Planning b. Organizing c. Staffing d. Controlling</p> <p style="text-align: center;">OR</p> <p>----- ensures that the heads of separate business units in the organization are responsible for profit or loss of their unit and have authority over it.</p> <p>a. Span of management b. Divisional Structure c. Functional structure d. Hierarchy of Authority.</p> | 1 | | | | | | | | |
| 12 | <p>Match the following Marketing Mix Philosophies along with their main focus Point.</p> <table border="1"><tr><td>(a) Production Concept</td><td>1. Existing Product</td></tr><tr><td>(b) Product Concept</td><td>2.Customer needs</td></tr><tr><td>(c) Marketing Concept</td><td>3.Quality performance</td></tr><tr><td>(d) Selling Concept</td><td>4.Quantity</td></tr></table> <p>(a) a4 ,b3 ,c2 ,d1</p> | (a) Production Concept | 1. Existing Product | (b) Product Concept | 2.Customer needs | (c) Marketing Concept | 3.Quality performance | (d) Selling Concept | 4.Quantity | 1 |
| (a) Production Concept | 1. Existing Product | | | | | | | | | |
| (b) Product Concept | 2.Customer needs | | | | | | | | | |
| (c) Marketing Concept | 3.Quality performance | | | | | | | | | |
| (d) Selling Concept | 4.Quantity | | | | | | | | | |

| | | |
|-----------|--|----------|
| | <p>customer through internet selling. Identify the decision related to the element of marketing mix being discussed above.</p> <p>a. Storing and assorting products in order to create time utility</p> <p>b. Regarding the channels or using intermediaries</p> <p>c. Both a & b</p> <p>d. One regarding branding, packaging and labelling</p> | |
| 20 | <p>On the advice of VIGYAPAN PVT.LTD, 'Yamuna Ki Bhujia' has also worked upon managing public opinion by developing relation with the masses through sponsoring cultural and sporting events, maintenance of public parks etc. Name the department in the organization which is generally responsible for performing the above important task of managing public opinion.</p> <p>a. Marketing Department</p> <p>b. A separate department created in the firm for the purpose</p> <p>c. An outside agency</p> <p>d. Any of the above.</p> | 1 |
| 21 | State any three functions of operational management. | 3 |
| 22 | Explain " Apprenticeship training" and " Vestibule training" | 3 |
| 23 | <p>How does controlling help in "Judging accuracy of standards" and "Ensuring order and discipline</p> <p style="text-align: center;">OR</p> <p>"Planning is an empty exercise without controlling ". Explain the statement through an example.</p> | 3 |
| 24 | <p>State the Regulatory functions of the SEBI.</p> <p style="text-align: center;">OR</p> <p>State any three money market instruments.</p> | 3 |
| 25 | <p>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</p> | 4 |

| | | |
|-----------|---|----------|
| | <p>arrangements were needed. To meet the increase, demand the company assessed that approximately 88 additional workers were required out of which 8 should 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 form backward and rural areas and persons with special abilities to assume responsible positions in the organization. All effort was made to march the ability of the applicants with the nature of work.</p> <p>(a) Identify the functions of management discussed above.</p> <p>(b)State the two steps in the process of each function discussed in the above para.</p> | |
| 26 | <p>Explain the following rights of consumer as provided under Consumer Protection Act,</p> <ol style="list-style-type: none"> 1. Right to be informed ; and 2. Right to seek redressal | 4 |
| 27 | <p>Shivansh wants to start a business of selling N-95 masks after the outbreak of the global pandemic of COVID-19 .Due to the uncertain market conditions he wants to make a low investment in fixed capital.Suggest how the decisions related to the choice of technique and financing alternatives can help Shivansh in ensuring a low investment in fixed capital requirements.</p> | 4 |
| 28 | <p>Explain any four factors affecting the dividend decision of a company.</p> <p style="text-align: center;">OR</p> <p>Explain any four factors that affect the choice of capital structure of a company.</p> | 4 |
| 29 | <p>Alok is view supervisor of Ram , Rahim and Khan.He consults all his subordinates while framing work schedules.They provide suggestions and Alok considers such suggestions if they are productive .Which</p> | 4 |

| | | |
|-----------|--|----------|
| | leadership style is followed by Alok? What would be the benefits of such leadership style to the organization? | |
| 30 | <p>Identify and explain the elements of directing mentioned below:</p> <p>A) Asha ,a manager has the ability to influence others to bring about a change in their behaviour.</p> <p>B) Neeru, a managing director, declares share in the profits to the manager for their contribution to increase profits of the company.</p> <p style="text-align: center;">OR</p> <p>Distinguish between Formal Communication and Informal Communication.(any four)</p> | 4 |
| 31 | <p>Karan Nath took over ‘D’north Motor Company’ from his ailing father three months ago. In the past of the company was not performing well. Karan was determined to improve the company’s performance. He observed that the methods of production as well as selection of employees in the company were not scientific.</p> <p>He believed that there was only one best method to maximize efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that ‘best method’.</p> <p>He asked the Production Manager to develop the best method and carry out necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organization. It helped in increasing the output, improving the quality and reducing the cost and wastage.</p> <p>Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case.</p> | 6 |
| 32 | <p>“Planning is worth the huge costs involved”? Do you agree?Explain any four reasons in support of your answer.</p> <p style="text-align: center;">OR</p> <p>“If the project is important then more alternatives should be generated and thoroughly discussed amongst the members of the</p> | 6 |

| | | |
|-----------|--|----------|
| | organization”Identify and explain the step in the process of planning being discussed above .Also explain the remaining steps which will have to be carried out to complete the process. | |
| 33 | “Put simply, decentralization refers to delegation of authority throughout all the levels of the organization.” In the light of the above statement give the meaning of and difference between Delegation of authority and decentralization. | 6 |
| 34 | Explain the factors which are kept in mind while fixing the price of a product. OR Explain different elements or components of marketing mix. | 6 |

ANSWER : MODEL QP 3

**KENDRIYA VIDYALAYA
SANGATHAN
SESSION ENDING EXAMINATION
CLASS – XII
BUSINESS STUDIES
2020-2021**

TIME ALLOWED:3 HOURS

M.M.:80

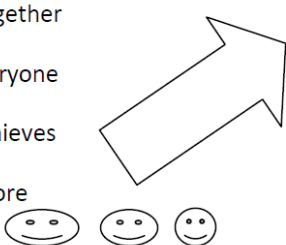
| Q.NO. | ANSWER | MARKS |
|--------------|--|--------------|
| 1 | e) Top level managers | 1 |
| 2 | d) All of them | 1 |
| 3 | d) Composition of family | 1 |
| 4 | a.) The extent and nature of government intervention in business | 1 |
| 5 | b. Divisional organization | 1 |
| 6 | c) Self- actualization need | 1 |
| 7 | d.) Change in agricultural prices | 1 |
| 8 | c.) both science and art | 1 |
| 9 | d. Controlling | 1 |
| 10 | Top level | 1 |
| 11 | b. Organizing OR b. Divisional Structure | 1 |
| 12 | (a) a4 ,b3 ,c2 ,d1 OR c) Marketing mix | 1 |
| 13 | c.Creates and Exchange | 1 |
| 14 | a. Protective | 1 |

| | | |
|----|---|---------------|
| 15 | c.Purchase-Sale | 1 |
| 16 | b. New | 1 |
| 17 | b.Trade Mark | 1 |
| 18 | a. Marketing method used | 1 |
| 19 | b. Regarding the channels or using intermediaries | 1 |
| 20 | d. Any of the above. | 1 |
| 21 | Any 3 functions of operational management(one mark for each function) | 3 |
| 22 | Apprenticeship training - Training under the guidance of a master worker or experience guide or trainer. It is suitable for acquiring higher level skill.Eg Plumbers,Electricians Vestibule training -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 class room and employees use the same material, files and equipment. | 11/2 *2= 3 |
| 23 | “Judging accuracy of standards” and “Ensuring order and discipline (1.5 marks each with correct explanation) OR “Planning is an empty exercise without controlling “(3 Marks with correct explanation) | 3 |
| 24 | The Regulatory functions of the SEBI.(any 3) 1 mark each OR Three money market instruments.(any 3) 1 mark each | 3 |
| 25 | Staffing and controlling (1mark) Steps in staffing (any two) 11/2 marks Steps in controlling (any two) 11/2 marks | 4 |
| 26 | Right to be informed: Seller or manufacturer must give complete information regarding the content or use of product .Is violated when complete information is not given to consumer or wrong information is given to consumer about the product.(2 marks) Right to seek redressal : Consumer has the right to get compensation for the damage he suffered due to wrong product /service. a. Exchange of product/service b. Repairs of product/service c. Paying compensation d. Withdrawn of goods from market.(2 marks) | 4 |
| 27 | Choice of Technique: As he wishes to stick to a low investment model, we may suggest him to go with the labour-intensive approach to manufacture N-95 masks. Since better technology would cost him much and his risk appetite is not conducive for capital intensive techniques of production.(2 marks) Financial Alternatives: As he wishes to stick to a low investment model, we may suggest him to go with the lease option for fixed assets | 4 |

| | | |
|-----------|--|---------------------------------|
| | like building, heavy machinery etc. as this may reduce his investments requirement in the business..(2 marks) | |
| 28 | <p>Any four) with explanation</p> <p>a.) Amount of earnings b) Stability of earnings c) Stability of dividend d) Growth opportunities e) Cash flow position f) Shareholders' preference</p> <p>OR</p> <p>(Any four) with explanation</p> <p>1. Cash Flow Position 2. Interest Coverage Ratio (ICR) 3. Debt Service Coverage Ratio (DSCR) 4. Cost of debt 5. Tax Rate 6. Floatation cost 7. Risk Consideration</p> | 4 |
| 29 | <p>Democratic Leadership style (1 mark)</p> <p>Any three benefits of Democratic Leadership style(3 mark)</p> | 4 |
| 30 | <p>(2 marks each)</p> <p>(a). Leadership- Leadership is the process of influencing the behaviour of people by making them strive voluntarily towards achievement of organisational goals. Leadership indicates the ability of an individual to maintain good interpersonal relations with followers and motivate them to contribute for achieving organisational objectives.</p> <p>(b). Motivation- Motivation means incitement or inducement to act or move. In the context of an organization. It means the process of making subordinates to act in a desired manner to achieve certain organizational goals.</p> <p>OR</p> <p>Difference between Formal Communication and Informal Communication.(any four)(1 marks each)</p> | 4 |
| 31 | <p>Principles of management followed in the above case: (2 marks each)</p> <p>(a) Science not rule of thumb (b) Development of each and every person to his greatest efficiency and prosperity</p> <p>Technique of scientific management followed in the above case :</p> <p>(a) Method Study</p> | 6 |
| 32 | <p>1. Planning provides direction: Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding</p> | 11/2x4) (1/2 mark for |

| | | |
|--|---|--|
| | <p>what action should be taken and in which direction. If goals are well defined, employees are aware of what the organization has to do and what they must do to achieve those goals.</p> <p>2. Planning reduces the risks of uncertainty: Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance, the tasks to be performed, planning shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed.</p> <p>3. Planning reduces overlapping and wasteful activities: Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimized or eliminated.</p> <p>4. Planning promotes innovative ideas: Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.</p> <p>5. Planning facilitates decision making: Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action. The manager has to evaluate each alternative and select the most viable proposition. Planning involves setting targets and predicting future conditions thus helping in taking rational decisions.</p> <p>6. Planning establishes standards for controlling: Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. Therefore, we can say that planning is a prerequisite for controlling.</p> <p style="text-align: center;">OR</p> <p>Identifying alternative courses of action: Once objectives are set assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas.(2 marks)</p> | <p>the heading and 1 mark for the explanation) = 6</p> |
|--|---|--|

| | | |
|-----------|---|----------|
| | <p>Remaining steps to carried out to complete the process are as follows:(1/2 mark for the heading and 1/2 mark for the explanation) 1*4</p> <p>1. Evaluating alternative courses: The next step is to weigh pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved.</p> <p>2. Selecting an alternative: This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis.</p> <p>3. Implementing the plan: This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action.</p> <p>4. Follow up action: To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved.</p> | |
| 33 | <p>Meaning of Decentralization (1 mark) (Any 5) difference between Delegation of Authority and Decentralization (1*5)Marks</p> | 6 |
| 34 | <p>Factors affecting price of a product :(Any four factors) (1/2 mark for the heading and 1 mark for the explanation)</p> <ol style="list-style-type: none"> 1. Product Cost 2. Utility and Demand 3. Extent of competition in the market 4. Government and Legal Regulations 5. Pricing Objectives 6. Marketing Methods used <p style="text-align: center;">OR</p> <p>Elements or components of marketing mix (11/2x4) (1/2 mark for the heading and 1 mark for the explanation)</p> <ol style="list-style-type: none"> 1. Product 2. Price 3. Place/Physical Distribution 4. Promotion | 6 |

| | | | | | | | | | |
|--|-----------------------------------|----------------------------------|----------------|----------------------------------|-------------------------------|-----------------------------------|--|---------------------|---|
| <p>MODEL QUESTION PAPER NO 4</p> <p>KENDRIYA VIDYALAYA SANGATHAN</p> <p>SAMPLE PAPER FOR AISSCE – 2020-2021</p> <p>BUSINESS STUDIES (054)</p> <p>TIME : 3 HOURS.</p> <p>FM : 80</p> | | | | | | | | | |
| <p>General instructions:</p> <ol style="list-style-type: none"> 1 This question paper contains 34 questions. 2. Marks are indicated against each question. 3. Answer should be brief and to the point. 4. Answers to the questions carrying 3 marks may be from 50 to 75 words. 5. Answers to the questions carrying 4 marks may be about 150 words. 6. Answers to the questions carrying 6 marks may be about 200 words. 7. Attempt all parts of the questions together. | | | | | | | | | |
| <p>1.The welfare and survival of an organization are the main functions performed by level of management. (Fill the gap)</p> <p style="text-align: center;">Or,</p> <p>In order to survive an organization must earn enough revenue to cover cost. Which management objective is highlighted?</p> <ol style="list-style-type: none"> a) Organistional objective b) Growth objective c) Social objective d) Individual objective | 1 | | | | | | | | |
| <p>2. Highlight the feature of management depicted by the image given here</p> <div style="border: 1px solid black; padding: 10px; display: inline-block;"> <p>T- Together</p> <p>E-Everyone</p> <p>A-Achieves</p> <p>M-More</p>  </div> <ol style="list-style-type: none"> a) Group activity b) Goal oriented c) Pervasive d) Dynamic | 1 | | | | | | | | |
| <p>3. Match the following on the basis of effect-</p> <table style="width: 100%;"> <tr> <td>(a) Division of work</td> <td>(i) ensures congenial atmosphere</td> </tr> <tr> <td>(b) Discipline</td> <td>(ii) Employees suggestion system</td> </tr> <tr> <td>(c) Remuneration of Employees</td> <td>(iii) Invites penalty if violated</td> </tr> <tr> <td></td> <td>(iv) Specialization</td> </tr> </table> | (a) Division of work | (i) ensures congenial atmosphere | (b) Discipline | (ii) Employees suggestion system | (c) Remuneration of Employees | (iii) Invites penalty if violated | | (iv) Specialization | 1 |
| (a) Division of work | (i) ensures congenial atmosphere | | | | | | | | |
| (b) Discipline | (ii) Employees suggestion system | | | | | | | | |
| (c) Remuneration of Employees | (iii) Invites penalty if violated | | | | | | | | |
| | (iv) Specialization | | | | | | | | |
| <p>4.In ABC Ltd an employee has an objective of getting more salary but the organizations main</p> | 1 | | | | | | | | |

| | |
|---|---|
| objective is to maximize profit at economic cost. There was some dispute for a while. Eventually, organizations interest was given priority. Name the principle related to this principle. | |
| 5."free flow of goods and services between different countries of the world is an example of. a)Gobalisation b)privatisation c)liberalisation d)demonetisation | 1 |
| 6.The Uttarakhand government has developed surveillance network using latest satellite technology. Under this system, the state's mining department would be in a position to check illegal mining activities across the state. The state government is also considering the use of drones in its proposed campaign against illegal mining. Identify the related dimensions of business environment. (a) Economic dimension and Legal dimension (b) Social dimension and Economic dimension (c) Technological dimension and Political dimension (d) Political dimension and Economic dimension | 1 |
| 7.State how planning reduces creativity? Or, Identify the correct sequence of steps involved in the planning process. (a) Evaluating alternative courses, Identifying alternative course of actions, Setting objectives, Developing premises (b) Setting objectives, Identifying alternative course of actions, Evaluating alternative courses, Developing premises (c) Setting objectives, Developing premises, Identifying alternative course of actions, Evaluating alternative courses (d) Setting objectives, Developing premises, Identifying alternative course of actions, Evaluating alternative courses | 1 |
| 8.One of the functions of Management is considered as base' for all other functions?Name that function. | 1 |
| 9.Match with the concept of management given below. (i). All manager's dreams of it and strive to achieve it (a) Directing (ii). involves the grouping of required tasks into manageable department (b) planning (c) organising (i) i-a,ii-b (ii) i-c,ii-a (iii) i-b,ii-a (iv) i-b,ii-c | 1 |
| 10 Fill in the blank:- It is the process of ----- where in we decide in advance what and how to do. | 1 |
| 11.The management of ABC Ltd. set up the target of selling 10,000 units per week and made all their plans based on this target. But due to change in technology | 1 |

| | |
|--|---|
| adapted by competitors which reduced their cost, the ABC Ltd. could not achieve their target. (i) Identify the limitation of planning discussed in the above para. | |
| 12. Which of the following is not an external source of recruitment (a) Campus recruitment (b) Promotion (c) Casual callers (d) Direct recruitment | 1 |
| 13. Many big organisations maintain a close liaison with the universities, vocational schools and management institutes to recruit qualified personnel for various jobs. This is known as (a) Placement agencies and management consultants (b) Direct recruitment (c) Labour contractors (d) Campus recruitment | 1 |
| 14. Which of the following is not an assumption of Maslow's theory? (a) People's behaviour is not based on their needs. (b) Satisfaction of such needs influences their behaviour. (c) A satisfied need can no longer motivate a person; only next higher level need can motivate him. (d) A person moves to the next higher level of the hierarchy only when the lower need is satisfied. | 1 |
| 15. Identify the style of leadership in which the superior uses force from within the groups in order to establish control. (a) Autocratic leadership (b) Democratic leadership (c) Laissez-faire leadership (d) Authoritarian leadership | 1 |
| 16. Fill in the blanks:- Controlling ensures that an organization's resources are being used and for the achievement of pre-determined goals. | 1 |
| 17. Return on investment is computed as? a. Total Investment * EBIT b. EBIT * EBT c. EBIT / Total Investment d. EBT / Total Investment | 1 |
| 18. Maturity period to call money is- a. 1 to 15 days b. 15 to 90 days c. 15 to 1 years d. 1 to 30 days | 1 |
| 19. In order to get feedback about its new product launch, Taggi Limited conducted an online survey through a short questionnaire. Identify the marketing function being mentioned in the given line. (a) Gathering and analysing market information (b) Marketing planning | 1 |

| | |
|---|---|
| (c) Product designing and development (d) Packaging and labelling | |
| 20 . _____ is the standardized mark on jewellery (a) ISI (b) FPO (c) Hallmark (d) CERC | 1 |
| <p>21. Mr. Ajay after completing MBA from USA comes to India to start a new business under the banner Ecom Creations Ltd. He launches a new product in a e-learning for senior Secondary School students in Commerce stream, which already has n established market in UK and USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with other subjects also. Identify and quote the lines from above para which highlight the significance of understanding business environment.</p> <p style="text-align: center;">OR,</p> <p>Eco-friendly products are gaining power as the consumers“ awareness about environmental issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now more conscious about the carbon emission and climate change effects, and want themselves to be „seen“ as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have to not only meet the needs of the consumers but also ensure that their products are safe and environment friendly. At a result, there is growing need for better and advanced technologies to works as a catalyst in this regard.</p> <p>1. Identify the relevant feature of business environment being discussed above. 2. Describe briefly any two points which highlight the importance of business environment and its understanding by managers.</p> | 3 |
| <p>22. Anubhav has set up an export house after completing his masters in fashion designing. As the quality of the garment depends on the quality of raw materials used, he assures that the fabric meets the requirements by conducting a series of tests for the fabrics like shrinkage test, testing colour fastness to washing, colour fastness to light, colour fastness to perspiration etc. through laboratory tests. Later on, at the production areas, fabric inspection is also conducted by stopping the production process. The tests help to detect the deviations and also take corrective action. Moreover, the ensures that complete training about production work was given to every worker at the time of joining his export house.</p> <p>In context of the above case:</p> <p>1. Identify the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house. 2. Briefly explain the term „deviations.“</p> | 3 |
| <p>23. Supriya“s grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificates inside. Her grandmother told her that they had been left behind by her late grandfather. As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates.</p> | 3 |

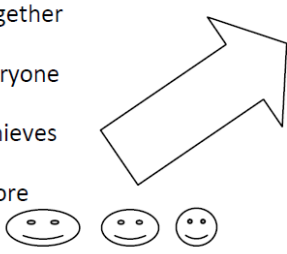
| | |
|--|---|
| 1. Identify and state the process. 2. Also give two reasons to Supriya why dealing with shares in physical form had been stopped. | |
| <p>24. As a project work in Business Studies, the Commerce students of KV Bengdubi, West Bengal thought of preparing apple jam from the apples grown in their school premises and sell it in the school annual fete. They approached the Principal who not only appreciated the students but also gave her consent for the same. The school decided to donate 50% of the revenue generated from the sale to a nearby orphanage. After the school fete, the school also decided to extend this project by providing employment to visually challenged and disadvantaged sections of society on regular basis.</p> <p>1. Explain any two product-related decisions which the students had to take. 2. Suggest any one functions that the “label” of the jam-bottle must perform.</p> <p style="text-align: center;">OR,</p> <p>Unilever has found a new way to make ice creams by using an ingredient called “ice structuring protein” which is widely found in nature especially, in fishes which allows them to survive in freezing arctic waters. Combining ISP with stabilizer technology allows to make ice creams that don’t melt so easily thereby making it more convenient for small children and consumer in hot countries.</p> <p>In the context of above case:</p> <p>1. Identify the component of marketing mix being taken into consideration by the company. 2. Explain briefly the function of marketing highlighted here.</p> | 3 |
| <p>25. The management of Vrinda Ltd. strongly believes that the members of an organization should work towards fulfilling the common organizational goals. This requires team work and integration of efforts of all individuals, departments and specialists. This is because all the individuals and departments depend on each other for information and resources to perform their respective activities. Managers need to reconcile differences in approach, timing, effort or interest. At the same time it should enable all its members to grow and develop. Thus, there is a need to harmonize individual goals and organizational goals.</p> <p>1. Identify the concept of management discussed above. 2. State any three features of the concept identified in (a).</p> | 4 |
| <p>26. Explain Fayol’s principles of ‘equity’ and ‘order’ with examples.</p> <p style="text-align: center;">OR,</p> <p>Explain in brief any four features of Principles of management?</p> | 4 |
| <p>27. An established firm has fifty years of experience in shipping industry. The company time and again proves itself as one of the dominant figures in the market. The plan for the whole year is given a lot of importance. According to the owner of the company their plans are the basic structures upon which other important functions of management rest. It is important that the plans are communicated to the employees. The top management ensures that the plans are communicated and implemented at all</p> | 4 |

| | |
|--|---|
| <p>levels and in all departments. To learn from past mistakes is a habit of this successful company. They prepare plans for short term as well as long term where it can be seen that throughout the year the plans are prepared one after another. Shipping industry needs such dedicated companies. The goals are specific and the activities to achieve these specific goals are undertaken. The company has planned a growth of 20% in revenue this year. Let's see how much it's possible for it to achieve it by the end of the year.</p> <p>In the above case identify and explain in brief the various features of planning highlighted.</p> | |
| <p>28. 'Rats & Fleas' is a pesticide producing company. The company identifies the various types of activities to be done. For this it divides the work into various departments. The company then gets involved in its business with a lot of zeal. After one year of successful run the company decides to transfer the decision making authority to the lower most level of the employees. For this a major policy decision is taken.</p> <p>(i) Identify the function of management highlighted above and another concept also. (ii) Give the next two steps of this function.</p> | 4 |
| <p>29. Explain any four factor affecting requirement of Working Capital.</p> | 4 |
| <p>30. Prakhar purchased an ISI mark electric iron from Bharat Electricals. While using it, he found that it was not working properly. He approached the seller and complained about the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace the iron. The manufacturer refused to replace and Bharat Electricals decided to file a complaint in the consumer court.</p> <p>Can Bharat Electricals do this? Why? Also explain who is a consumer as per Consumer Protection Act, 1986.</p> <p style="text-align: center;">OR,</p> <p>'Vastra Ltd.' is engaged in the manufacturing of apparel. Over the years, it has became a popular brand due to its good product quality and exclusive designing. The company plans to open its own retail showrooms in metropolitan cities in India. In order to meet its financial needs it has offered for subscription an IPO of Rs. 4 lakh equity shares in the price band of Rs. 430 – Rs. 445 each. As per the guidelines of SEBI, the company has provided a complete disclosure of the relevant details in its prospectus.</p> <ol style="list-style-type: none"> 1. Identify and explain the right of the consumer being fulfilled by the directives of SEBI in the above mentioned case. 2. Briefly explain any two points highlighting the importance of consumer protection from the point of view of the businessmen. | 4 |
| <p>31. Anjana chemicals is looking for qualified and talented people to apply for vacant jobs in the organisation. With the passage of time the organisation has learned a lot with its experience. It knows when it goes for final selection of candidates, it will have to design different tests. They want to test the employees on the basis of their learning and decision making ability. The company wants to ensure proper testing of the recruited candidates. After this the candidates will be judged on the basis of in-depth</p> | 6 |

| | |
|---|----------|
| <p>formal conversation.</p> <p>After the selection the candidates are placed and trained. Employees have to be trained on the equipment they will be using but this training will take place away from the workplace.</p> <ol style="list-style-type: none"> 1. Which type of recruitment should the company depend upon? 2. Which type of test should be conducted done by the organisation to suit their need? 3. Which stage in the selection process is highlighted after the written test? 4. What type of training is given to the candidates? | |
| <p>32. Identify the elements of directing in the following cases:</p> <ol style="list-style-type: none"> 1. Arun who is the departmental head of his organisation decides to improve the performance of his department. He decides to give some financial and non financial incentives to his subordinates. He knows these incentives will satisfy their needs. Therefore they will be stimulated to take actions from their side. 2. Rajeev is an HR manager leading a team of 12 people. He knows that the duties and responsibilities of an HR employee are challenging. He knows in order to make his team work with a positive frame of mind, he will have to set a personal example as a role model and influence their behaviour and working style to increase the output of his team. 3. Priya and Raghav are discussing about an element of directing. They say that without this element no group or people can achieve a common understanding. This element requires effort from both the sides and consumes 90% of the time of a manager. 4. Rajesh who works at the shop floor is a lower level manager. He is heading a team of 25 workers. He oversees and guides their efforts on a regular basis and tries to maximize the output of his unit by timely giving them feedback. His team has group unity and works with dedication to complete their targets on time. 5. Kavita is a CEO. She has recently replaced Mr. Anuj who was an unsuccessful CEO. The profits of the company fell to a new low during his time. Kavita has a lot of challenges in front of her, major being the lack of enthusiasm in the organisation. In order to set things right she is trying to set a personal example in front of the employees by working with dedication and putting 16 to 17 hours in her job on a daily basis. 6. Akash works in a telecom company. He is leading a team of more than 100 employees. Daily he drops messages to them, convenes meeting and arranges a suggestion box in his department. He listens to the advices and suggestions of his subordinates very carefully and tries to | <p>6</p> |

| | |
|---|---|
| implement them where ever possible. He is quite clear in his delivery of messages and conveys his thoughts properly. | |
| <p>33. State and explain any four factors affecting Dividend decision.</p> <p style="text-align: center;">OR,</p> <p>Well being Ltd. is a company engaged in production of organic foods. Presently, it sells its products through indirect channels of distribution. But, considering the sudden surge in the demand for organic products, the company is now inclined to start its online portal for direct marketing. The financial mangers of the company are planning to use debt in order to take advantage of trading on equity. In order to finance its expansion plans, it is planning to raise a debt capital of Rs.40 lakhs through a loan @ 19% from an industrial bank. The present capital base of the company comprises of Rs.9 lakh equity shares of Rs.10 each. The rate of tax is 30%. In context of the above case:</p> <p>(a) What are the two conditions necessary for taking advantage of trading on equity?</p> <p>(b) Assuming the expected rate of return on investment to be same as it was for the current year i.e. 15%, do you think the financial managers will be able to meet their goal. Show your workings clearly</p> | 6 |
| <p>34. Identify the marketing management philosophy involved in the following cases:</p> <ol style="list-style-type: none"> 1. Geetika scooters are the leading manufacturers of scooters in the industry. They have the first mover advantage in the industry. When they started manufacturing scooters no other company was doing it. They manufacture scooters and the middle class purchases them in a high number. With each passing year the number of scooters sold is increasing. The company's main concern usually is to produce maximum number of scooters. Company's profit is governed by the maximum number of scooters they produce. 2. Aman microwaves produce microwaves but they do not try to understand the needs of the customers. Their main focus is always on the quality of the product but never on customer requirement. They try' to include as many features as possible in their product. This year they have added a special type of alarm in their product which is a unique feature. The alarm is available in ten varieties. However, the customers say that the product is not of much use to them as it consumes a lot of electricity. 3. Ravi coolers is a very progressive company. The owners of the company feel that unless and until they contribute to society it is worthless to exist as a company. In a recent move by the government the organisation has decided to help it. The organisation will be making five teams of hired environmentalists from foreign countries. This team will help the local people clean the portions of a polluted river in the country. The costs of this project will be borne by the company. | 6 |

- | | |
|---|--|
| <p>4. A company which deals in apparels has decided to clear its stock. The company has a huge pile of clothes to be cleared across its various branches. The company has decided to give discount on its products. It even has decided to go for various fashion shows in different colleges. It has also decided to sponsor a few events. However, people say that the clothes are not much of current fashion and the company is not considering the choice of the customers.</p> <p>5. An automobile company is a leading manufacturing company in its segment. The company has decided to launch fully solar charged vehicles. This technology will cost the company ₹2000 crores annually. When the relationship manager of the company was asked about the reason of bearing so much extra cost he replied that the company considered environmental friendly techniques as the only solution to increasing pollution. The company feels by bearing extra cost it is fulfilling its responsibility.</p> <p style="text-align: center;">OR,</p> <p>Ashima purchased a bottle of tomato-sauce from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under Consumer Protection Act and got the relief.</p> <p>(i) Identify the important aspect neglected by the marketer in the above case.</p> <p>(ii) Explain briefly any five functions of the aspect identified in (a) above.</p> | |
|---|--|

| | |
|-----|--|
| | <p style="text-align: center;">KENDRIYA VIDYALAYA SANGATHAN ANSWER MODEL Q NO 4 SAMPLE PAPER FOR AISSCE – 2020-2021 BUSINESS STUDIES (054)</p> <p>TIME : 3 HOURS FM :</p> <p style="text-align: center;">80</p> |
| | <p>General instructions:</p> <ol style="list-style-type: none"> 1 This question paper contains 34 questions. 2. Marks are indicated against each question. 3. Answer should be brief and to the point. 4. Answers to the questions carrying 3 marks may be from 50 to 75 words. 5. Answers to the questions carrying 4 marks may be about 150 words. 6. Answers to the questions carrying 6 marks may be about 200 words. 7. Attempt all parts of the questions together. |
| 1 | <p>The welfare and survival of an organization are the main functions performed by level of management. (Fill the gap)</p> <p style="text-align: center;">Or,</p> <p>In order to survive an organization must earn enough revenue to cover cost. Which management objective is highlighted?</p> <ol style="list-style-type: none"> a) Organisational objective b) Growth objective c) Social objective d) Individual objective |
| Ans | a) Organisational objective |
| 2 | <p>Highlight the feature of management depicted by the image given here</p> <div style="border: 1px solid black; padding: 10px; width: fit-content;"> <p>T- Together</p> <p>E-Everyone</p> <p>A-Achieves</p> <p>M-More</p>  </div> <ol style="list-style-type: none"> a) Group activity b) Goal oriented c) Pervasive d) Dynamic |
| Ans | a) Group activity |
| 3 | <p>Match the following on the basis of effect-</p> <p>(a) Division of work (i) ensures congenial atmosphere</p> |

| | |
|-----|---|
| | (b) Discipline (c) Remuneration of Employees (ii) Employees suggestion system (iii) Invites penalty if violated (iv) Specialization |
| Ans | a-(iv) b-(iii) c-(i) |
| 4 | In ABC Ltd an employee has an objective of getting more salary but the organizations main objective is to maximize profit at economic cost. There was some dispute for a while. Eventually, organizations interest was given priority. Name the principle related to this principle. |
| Ans | Subordination of individual interest to general interest. |
| 5 | "free flow of goods and services between different countries of the world is an example of. a)Gobalisation b)privatisation c)liberalisation d)demonetisation |
| Ans | a)Gobalisation |
| 6 | he Uttarakhand government has developed surveillance network using latest satellite technology. Under this system, the state's mining department would be in a position to check illegal mining activities across the state. The state government is also considering the use of drones in its proposed campaign against illegal mining. Identify the related dimensions of business environment. (a) Economic dimension and Legal dimension (b) Social dimension and Economic dimension (c) Technological dimension and Political dimension (d) Political dimension and Economic dimension |
| Ans | (c) Technological dimension and Political dimension |
| 7 | State how planning reduces creativity? Or, Identify the correct sequence of steps involved in the planning process. (a) Evaluating alternative courses, Identifying alternative course of actions, Setting objectives, Developing premises (b) Setting objectives, Identifying alternative course of actions, Evaluating alternative courses, Developing premises (c) Setting objectives, Developing premises, Identifying alternative course of actions, Evaluating alternative courses (d) Setting objectives, Developing premises, Identifying alternative course of actions, Evaluating alternative courses |
| Ans | Planning makes managers and workers a puppet. They are expected to follow the guidelines laid down in plans. Everything is pre determined. This discourages the creative thinking and initiative on the part of people working at various levels in the organisation. Or, |

| | |
|-----|--|
| | (c) Setting objectives, Developing premises, Identifying alternative course of actions, Evaluating alternative courses |
| 8 | One of the functions of Management is considered as base' for all other functions?Name that function. |
| Ans | Planning |
| 9 | Match with the concept of management given below. (i). All manager's dreams of it and strive to achieve it (a) Directing (ii). involves the grouping of required tasks into manageable department (b) planning (c) organising (i) i-a,ii-b (ii) i-c,ii-a (iii) i-b,ii-a (iv) i-b,ii-c |
| Ans | (iv) i-b,ii-c |
| 10 | Fill in the blank:- It is the process of ----- where in we decide in advance what and how to do. |
| Ans | Planning. |
| 11 | The management of ABC Ltd. set up the target of selling 10,000 units per week and made all their plans based on this target. But due to change in technology adapted by competitors which reduced their cost, the ABC Ltd. could not achieve their target. (i) Identify the limitation of planning discussed in the above para. |
| Ans | Planning may not work in dynamic environment. |
| 12 | Which of the following is not an external source of recruitment (a) Campus recruitment (b) Promotion (c) Casual callers (d) Direct recruitment |
| Ans | (b) Promotion |
| 13 | Many big organisations maintain a close liaison with the universities, vocational schools and management institutes to recruit qualified personnel for various jobs. This is known as (a) Placement agencies and management consultants (b) Direct recruitment (c) Labour contractors (d) Campus recruitment |
| Ans | (d) Campus recruitment |
| 14 | Which of the following is not an assumption of Maslow's theory? (a) People's behaviour is not based on their needs. (b) Satisfaction of such needs influences their behaviour. (c) A satisfied need can no longer motivate a person; only next higher level need can motivate him. (d) A person moves to the next higher level of the hierarchy only when the lower need is satisfied. |
| Ans | (a) People's behaviour is not based on their needs. _____ |

| | |
|-----|--|
| 15 | Identify the style of leadership in which the superior uses file forces from within the groups in order to establish control. (a) Autocratic leadership (b) Democratic leadership (c) Laissez-faire leadership (d) Authoritarian leadership |
| Ans | (b) Democratic leadership |
| 16 | Fill in the blanks:- Controlling ensures that an organization's resources are being used and for the achievement of pre-determined goals. |
| Ans | effectively and efficiently ($\frac{1}{2} + \frac{1}{2} = 1$) |
| 17 | Return on investment is computed as? a. Total Investment * EBIT b. EBIT * EBT c. EBIT / Total Investment d. EBT / Total Investment |
| Ans | c. EBIT / Total Investment |
| 18 | Maturity period to call money is- a. 1 to 15 days b. 15 to 90 days c. 15 to 1 years d. 1 to 30 days |
| Ans | a. 1 to 15 days |
| 19 | In order to get feedback about its new product launch, Taggi Limited conducted an online survey through a short questionnaire. Identify the marketing function being mentioned in the given line. (a) Gathering and analysing market information (b) Marketing planning (c) Product designing and development (d) Packaging and labelling |
| Ans | (a) Gathering and analysing market information |
| 20 | _____ is the standardized mark on jewellery (a) ISI (b) FPO (c) Hallmark (d) CERC |
| Ans | (c) Hallmark |
| 21 | Mr. Ajay after completing MBA from USA comes to India to start a new business under the banner Ecom Creations Ltd. He launches a new product in a e-learning for senior Secondary School students in Commerce stream, which already has n established market in UK and USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with other subjects also. |

| | |
|-----|--|
| | <p>Identify and quote the lines from above para which highlight the significance of understanding business environment.</p> <p style="text-align: center;">OR,</p> <p>Eco-friendly products are gaining power as the consumers' awareness about environmental issues has increased over the years and they are conscious about choosing products that do not have adverse effects on the environment. They are now more conscious about the carbon emission and climate change effects, and want themselves to be „seen“ as a green advocate among their peers. In such a scenario, it has become a challenge for the companies as they have to not only meet the needs of the consumers but also ensure that their products are safe and environment friendly. At a result, there is growing need for better and advanced technologies to work as a catalyst in this regard.</p> <ol style="list-style-type: none"> 1. Identify the relevant feature of business environment being discussed above. 2. Describe briefly any two points which highlight the importance of business environment and its understanding by managers. |
| Ans | <p>(i) “Comes to India to start a new business ... launches a new product in e-learning for Senior secondary school students in Commerce stream.”</p> <ol style="list-style-type: none"> 1. It helps in assisting in planning and policy formulation. 2. It helps the firm to identify opportunities and get the first mover advantage. <p>(ii) “His business starts flourishing in India.”</p> <ol style="list-style-type: none"> 1. It helps in improving performance. <p>(iii) “Now more Indian companies entered into the market with different subjects also.”</p> <ol style="list-style-type: none"> 1. It helps the firm to identify threats and early warning signals. <p style="text-align: center;">OR,</p> <ol style="list-style-type: none"> 1. Inter-relatedness is the relevant feature of business environment which is being discussed above. 2. The two points which highlighted the importance of business environment and its understanding by managers are described below: (Any two) <ol style="list-style-type: none"> 1. It enables the firm to identify opportunities and getting the first mover advantage: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors. 2. It helps the firm to identify threats and early warning signals: sometimes the changes in the external environment may pose as a threat and hinder a firm's performance. An awareness about the business environment helps the managers to identify such threats on time and take necessary decisions and action. 3. It helps in tapping useful resources as the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires. |
| 22 | <p>Anubhav has set up an export house after completing his masters in fashion designing. As the quality of the garment depends on the quality of raw materials used, he assures</p> |

| | |
|-----|---|
| | <p>that the fabric meets the requirements by conducting a series of tests for the fabrics like shrinkage test, testing colour fastness to washing, colour fastness to light, colour fastness to perspiration etc. through laboratory tests. Later on, at the production areas, fabric inspection is also conducted by stopping the production process. The tests help to detect the deviations and also take corrective action. Moreover, the ensures that complete training about production work was given to every worker at the time of joining his export house.</p> <p>In context of the above case:</p> <ol style="list-style-type: none"> 1. Identify the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house. 2. Briefly explain the term „deviations.“ |
| Ans | <ol style="list-style-type: none"> 1. Controlling is the function of management being performed by Anubhav by conducting tests to assure for the quality of the garments manufactured in his export house. 2. The term „deviations“ refers to the difference between the actual performance and planning performance. If the actual performance is more than the planned performance, it may be said to be positive in nature or vice-versa. <p>(1+2=3)</p> |
| 23 | <p>Supriya’s grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificates inside. Her grandmother told her that they had been left behind by her late grandfather.</p> <p>As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates.</p> <ol style="list-style-type: none"> 1. Identify and state the process. 2. Also give two reasons to Supriya why dealing with shares in physical form had been stopped. |
| Ans | <ol style="list-style-type: none"> 1. Dematerialization – It is a process where securities held by the investor in physical form are cancelled and the investor gives an electronic entry or number so that she/he can hold it as an electronic balance in an account 2. Problems with dealing in physical form - (any two) <ol style="list-style-type: none"> 1. Theft 2. Fake/forged transfers 3. Transfer delays 4. Paper work associated with share certificates or debentures held in physical form. <p>(1+2=3)</p> |
| 24 | <p>As a project work in Business Studies, the Commerce students of KV Bengdubi, West Bengal thought of preparing apple jam from the apples grown in their school premises and sell it in the school annual fete. They approached the Principal who not only appreciated the students but also gave her consent for the same. The school decided to donate 50% of the revenue generated from the sale to a nearby orphanage. After the school fete, the school also decided to extend this project by providing employment to visually challenged and disadvantaged sections of society on regular basis.</p> <p><u>1. Explain any two product-related decisions which the students had to take.</u></p> |

| | |
|-----|---|
| | <p>2. Suggest any one functions that the “label” of the jam-bottle must perform.</p> <p style="text-align: center;">OR,</p> <p>Unilever has found a new way to make ice creams by using an ingredient called “ice structuring protein” which is widely found in nature especially, in fishes which allows them to survive in freezing arctic waters. Combining ISP with stabilizer technology allows to make ice creams that don’t melt so easily thereby making it more convenient for small children and consumer in hot countries.</p> <p>In the context of above case:</p> <ol style="list-style-type: none"> 1. Identify the component of marketing mix being taken into consideration by the company. 2. Explain briefly the function of marketing highlighted here. |
| Ans | <ol style="list-style-type: none"> 1. The two product-related decisions which the students had to take are branding and packaging. 2. The two important functions that the label of the jam – bottle must perform are: (any one) <ul style="list-style-type: none"> <input type="checkbox"/> Describe the product and specify its contents: <input type="checkbox"/> Helps in identification of the product or brand: (2+2=3) <p style="text-align: center;">OR,</p> <ol style="list-style-type: none"> 1. The component of marketing mix being taken into consideration by the company is „Product“. 2. Product designing and development: Every marketer strives to achieve his marketing objectives by creating offerings to satisfy a need or a want. Therefore one of the core functions of marketing is to develop the product in the most effective and efficient way. Every marketer endeavours to add value to his product by introducing constant innovations in the product to enhance both its utility and attractiveness in the eyes of the potential buyers and gain a competitive edge. (1+2=3) |
| 25 | <p>The management of Vrinda Ltd. strongly believes that the members of an organization should work towards fulfilling the common organizational goals. This requires team work and integration of efforts of all individuals, departments and specialists. This is because all the individuals and departments depend on each other for information and resources to perform their respective activities. Managers need to reconcile differences in approach, timing, effort or interest. At the same time it should enable all its members to grow and develop. Thus, there is a need to harmonize individual goals and organizational goals.</p> <ol style="list-style-type: none"> 1. Identify the concept of management discussed above. 2. State any three features of the concept identified in (a). |
| Ans | <ol style="list-style-type: none"> 1. Coordination 2. Features of coordination: <ol style="list-style-type: none"> 1. Coordination integrates group efforts by unifying diverse interest. 2. Coordination ensures unity of action by acting as a binding force between departments. |

| | |
|-----|--|
| | 3. Coordination is a continuous process as it begins at planning stage and continues till controlling. |
| 26 | <p>Explain Fayol's principles of 'equity' and 'order' with examples.</p> <p>OR,</p> <p>Explain in brief any four features of Principles of management?</p> |
| Ans | <p>(i) Equity The principle of equity implies a sense of fairness and justice to all workers working in an organisation. Observance of equity alone would make workers loyal and devoted to the organisation. Equity does not mean equal salary to a peon and supervisor. But equity means application of same disciplinary rules, leave rules, etc irrespective of their grade, position and gender, language, religion or nationality, etc. For example, the rules for granting medical leave to an employee should be same irrespective of their position grade or gender.</p> <p>(ii) Order According to Fayol, 'People and material must be in suitable place at appropriate time for maximum efficiency'. This principle states that there should be a place for everything and everyone in an organisation and that thing or person should be found at its allotted place. This will lead to increased productivity and efficiency. For example, raw material should be available at the place prescribed for it. (2+2=4)</p> <p>OR,</p> <p>Principles of management are the statements of fundamental truth, which possess the capability to anticipate the outcome of managerial pursuits. Below mentioned are the features:</p> <ul style="list-style-type: none"> • Universal applicability: Management principles are relevant to all sorts of establishments – business & non-business. They are applicable to all levels of management. Every business must make the best potential effectiveness by the use of management principles. Hence, they are universal or all-pervasive. • Principles of Management have a Cause & Effect Relationship: Principles of management mean cause and effect relationship between associated variables. They imply what will be the outcome or result of some actions. Consequently, if one is known, the other can be determined. • Principles of Management – Aims at Influencing Human Behavior: Human behaviour is complicated and unpredictable. Management principles are aimed towards controlling human behaviour so that people can contribute their best to the organization. Management is concerned with combining efforts and harmonizing them towards a purpose. But in situations, even these principles fail to understand human behaviour. • Principles of Management are Flexible: Management principles are effective guidelines and not inactive rules. There is enough room for managerial responsibility i.e. they can be altered as per the necessities of the situation. Modification & development is a perpetual phenomenon in case of principles of management. |
| 27 | An established firm has fifty years of experience in shipping industry. The company time and again proves itself as one of the dominant figures in the market. The plan for |

| | |
|-----|--|
| | <p>the whole year is given a lot of importance. According to the owner of the company their plans are the basic structures upon which other important functions of management rest. It is important that the plans are communicated to the employees. The top management ensures that the plans are communicated and implemented at all levels and in all departments. To learn from past mistakes is a habit of this successful company. They prepare plans for short term as well as long term where it can be seen that throughout the year the plans are prepared one after another. Shipping industry needs such dedicated companies. The goals are specific and the activities to achieve these specific goals are undertaken. The company has planned a growth of 20% in revenue this year. Let's see how much it's possible for it to achieve it by the end of the year. In the above case identify and explain in brief the various features of planning highlighted.</p> |
| Ans | <p>The features of planning highlighted above are:</p> <ol style="list-style-type: none"> 1. Planning is a primary function of management. According to the owner of the company their plans are the basic structures upon which other important functions of management rest. 2. Planning is pervasive. The top management ensures that the plans are communicated and implemented at all levels and in all departments. 3. Planning is continuous. They prepare plans for short term as well as long term where it can be seen that throughout the year the plans are prepared one after the other. 4. Planning focuses on achieving objectives. Goals are specific and the activities to achieve these specific goals are undertaken. |
| 28 | <p>'Rats & Fleas' is a pesticide producing company. The company identifies the various types of activities to be done. For this it divides the work into various departments. The company then gets involved in its business with a lot of zeal. After one year of successful run the company decides to transfer the decision making authority to the lower most level of the employees. For this a major policy decision is taken.</p> <p>(i)Identify the function of management highlighted above and another concept also. (ii)Give the next two steps of this function.</p> |
| Ans | <p>(i)The function of management highlighted in the above case is 'Organising'. This can be seen in the first paragraph. The other concept of management which is highlighted in the second paragraph is 'Decentralisation'. After one year of successful run the company decides to transfer the decision making authority to the lower most level of the employees. For this a major policy decision is taken. (ii)The next two steps of this function 'Organising' is</p> <ul style="list-style-type: none"> • Assignment of duties and |

| | |
|-----|---|
| | <ul style="list-style-type: none"> Establishing reporting relationships. <p>(2+2=4)</p> |
| 29 | Explain any four factor affecting requirement of Working Capital. |
| Ans | <p>Factors affecting the requirement of Working Capital:(any four)</p> <ol style="list-style-type: none"> 1. Nature of business. Nature of business is an important factor that influences the requirement of working capital. For example: Public utility services like transport concerns, electricity undertakings where much of the investment is in a fixed form, require less amount of working capital. On the other hand, trading or manufacturing concerns have to invest large amounts in raw materials, wages, etc., hence these require a large amount of working capital. 2. Scale of operation. An organisation which operates on a higher scale, requires large amount of working capital as compared to the organisation which operates on a lower scale. 3. Business cycle. Different phases of business cycle affect the requirement of working capital of a firm. During boom period, sales as well as production are likely to be higher, therefore more working capital is needed. During depression, sales and production are low, as a result the requirement of working capital would be lower. 4. Seasonal factors. Industries, which produce and sell seasonal goods, require large working capital during off-season, as this is the period when production is carried on to prepare for the season when the products would be sold in comparison to industries with regular production and sales. 5. Rapidity of turnover. Business units, which sell their products quickly, such as newspapers, retail shops, bakeries, etc., require a lesser amount of working capital. |
| 30 | <p>Prakhar purchased an ISI mark electric iron from Bharat Electricals. While using it, he found that it was not working properly. He approached the seller and complained about the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace the iron. The manufacturer refused to replace and Bharat Electricals decided to file a complaint in the consumer court.</p> <p>Can Bharat Electricals do this? Why? Also explain who is a consumer as per Consumer Protection Act, 1986.</p> <p style="text-align: center;">OR,</p> <p>‘Vastra Ltd.’ is engaged in the manufacturing of apparel. Over the years, it has become a popular brand due to its good product quality and exclusive designing. The company plans to open its own retail showrooms in metropolitan cities in India. In order to meet its financial needs it has offered for subscription an IPO of Rs. 4 lakh equity shares in the price band of Rs. 430 – Rs. 445 each. As per the guidelines of SEBI, the company has provided a complete disclosure of the relevant details in its prospectus.</p> |

| | |
|-----|---|
| | <ol style="list-style-type: none"> 3. Identify and explain the right of the consumer being fulfilled by the directives of SEBI in the above mentioned case. 4. Briefly explain any two points highlighting the importance of consumer protection from the point of view of the businessmen. |
| Ans | <p>No, Bharat Electricals will not be able to file a complaint under Consumer Protection Act 1986 because according to this act a person is not deemed to be a customer if he buys goods for resale or commercial purpose.</p> <p>Under the Consumer Protection Act 1986, a consumer is defined as:</p> <ul style="list-style-type: none"> • Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised or under any scheme of deferred payment. It includes any uses of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose. • Any person who hires or avails of any service, for a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment. It includes any beneficiary of services when such services are avails of such services for any commercial purposes. <p style="text-align: center;">OR,</p> <ol style="list-style-type: none"> 1. The Right to information is being fulfilled by the directives of SEBI in the above mentioned case. According to the Right to information, the consumer has the right to get complete information about the product that he/she may propose to buy including its contents, date of manufacture and expiry, maximum retail price, quantity, directions for use etc. Moreover, as per law, it is mandatory for the marketers to provide complete information about the product/service to buyers. 2. The importance of consumer protection from businessmen's point of view is outlined below: <ul style="list-style-type: none"> ○ Long-term interest of business: In order to ensure long term interest of business it is important that businessmen strive to earn profits only through consumer satisfaction. This will not only ensure the survival of business but also lead to its growth in the future. ○ Business uses society's resources: Since a business employs society's resources to create offerings so they need to safeguard the consumer's interests. |

| | |
|-----|--|
| 31 | <p>Anjana chemicals is looking for qualified and talented people to apply for vacant jobs in the organisation. With the passage of time the organisation has learned a lot with its experience. It knows when it goes for final selection of candidates, it will have to design different tests. They want to test the employees on the basis of their learning and decision making ability. The company wants to ensure proper testing of the recruited candidates. After this the candidates will be judged on the basis of in-depth formal conversation.</p> <p>After the selection the candidates are placed and trained. Employees have to be trained on the equipment they will be using but this training will take place away from the workplace.</p> <ol style="list-style-type: none"> 5. Which type of recruitment should the company depend upon? 6. Which type of test should be conducted done by the organisation to suit their need? 7. Which stage in the selection process is highlighted after the written test? 8. What type of training is given to the candidates? |
| Ans | <ol style="list-style-type: none"> 1. The company should depend upon external recruitment to meet its needs. Anjana chemicals is looking for qualified and talented people to apply for vacant jobs in the organisation. 2. The type of test needed by the organisation to suit their need is intelligence test. They want to test the employees on the basis of their learning and decision making ability. 3. The stage in the selection process which is highlighted after the written test is employee interview. After this a stage in the selection process will come when the candidates will be judged on the basis of in-depth formal Conversation. 4. The type of training given to the candidates is vestibule training. Employees have to be trained on the equipment they will be using but this training will take place away from the workplace. |
| 32 | <p>Identify the elements of directing in the following cases:</p> <ol style="list-style-type: none"> 7. Arun who is the departmental head of his organisation decides to improve the performance of his department. He decides to give some financial and non financial incentives to his subordinates. He knows these incentives will satisfy their needs. Therefore they will be stimulated to take actions from their side. 8. Rajeev is an HR manager leading a team of 12 people. He knows that the duties and responsibilities of an HR employee are challenging. He knows in order to make his team work with a positive frame of mind, he |

| | |
|-----|--|
| | <p>will have to set a personal example as a role model and influence their behaviour and working style to increase the output of his team.</p> <p>9. Priya and Raghav are discussing about an element of directing. They say that without this element no group or people can achieve a common understanding. This element requires effort from both the sides and consumes 90% of the time of a manager.</p> <p>10. Rajesh who works at the shop floor is a lower level manager. He is heading a team of 25 workers. He oversees and guides their efforts on a regular basis and tries to maximize the output of his unit by timely giving them feedback. His team has group unity and works with dedication to complete their targets on time.</p> <p>11. Kavita is a CEO. She has recently replaced Mr. Anuj who was an unsuccessful CEO. The profits of the company fell to a new low during his time. Kavita has a lot of challenges in front of her, major being the lack of enthusiasm in the organisation. In order to set things right she is trying to set a personal example in front of the employees by working with dedication and putting 16 to 17 hours in her job on a daily basis.</p> <p>12. Akash works in a telecom company. He is leading a team of more than 100 employees. Daily he drops messages to them, convenes meeting and arranges a suggestion box in his department. He listens to the advices and suggestions of his subordinates very carefully and tries to implement them where ever possible. He is quite clear in his delivery of messages and conveys his thoughts properly.</p> |
| Ans | <p>The elements of directing identified in respective cases are:</p> <ol style="list-style-type: none"> 1. Motivation 2. Leadership 3. Communication 4. Supervision 5. Leadership 6. Communication |
| 33 | <p>State and explain any four factors affecting Dividend decision.</p> <p style="text-align: center;">OR,</p> <p>Well being Ltd. is a company engaged in production of organic foods. Presently, it sells its products through indirect channels of distribution. But, considering the sudden surge in the demand for organic products, the company is now inclined to start its online portal for direct marketing. The financial managers of the company are planning to use debt in order to take advantage of trading on equity. In order to finance its expansion plans, it is planning to raise a debt capital of Rs.40 lakhs through a loan @ 19% from an industrial bank. The present capital base of the company comprises of Rs.9 lakh equity shares of Rs.10 each. The rate of tax is 30%.</p> <p>In context of the above case:</p> |

| | <p>(b) What are the two conditions necessary for taking advantage of trading on equity?</p> <p>(b) Assuming the expected rate of return on investment to be same as it was for the current year i.e. 15%, do you think the financial managers will be able to meet their goal. Show your workings clearly</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|---|-------------|-------------|-------------|---------------|-----------|-----------|----------------|-----|-----------|---------------|-----------|-------------|------|-----------|-----------|----------------|-------|------------|-----|-----------|-----------|-----------------|------------|------------|-----|----------|-----------|-----------------------------|----------|----------|
| Ans | <p>Factors affecting dividend decision:</p> <ol style="list-style-type: none">1. 'Consistently earning good profits'. It relates to the stability of earnings of the company as a company having stable income is always in a better position to pay higher dividend. Companies having inconsistent and unstable earnings do not prefer declaring high rate of dividend.2. 'There is availability of enough cash in the company'. The above line reflects the cash flow position of the business which is another major factor influencing the dividend decision. In order to declare higher rate of dividend the company should have enough cash. A company remaining short of cash finds it difficult to pay dividend.3. 'It has many shareholders who prefer to receive a regular income'. Shareholders' preference is highlighted in the above statement. The management of the company should keep in mind the preferences of shareholders while they declare dividend. Some shareholders prefer to receive a regular income in the form of dividend.4. 'It has taken a loan of Rs.50 lakhs from I.C.I.C.I Bank and is bound by certain restrictions on the payment of dividend'. The above statement highlights contractual constraints due to which the company is bound by certain restrictions on the payment of dividend. If a company has taken loan, the lender may impose few restrictions on the declaration of dividend in future. The dividend policy of the firm should not violate the terms and conditions of the loan agreement. ($1.5 \times 4 = 6$) <p style="text-align: center;">OR,</p> <p>(a) The two conditions necessary for taking advantage of trading on equity are:</p> <ol style="list-style-type: none">(i) The rate of return on investment should be more than the rate of interest.(ii) The amount of interest paid should be tax deductible. <p>(b)</p> <table><tr><th>Sources</th><th>Situation 1</th><th>Situation 2</th></tr><tr><td>Equity shares</td><td>90,00,000</td><td>90,00,000</td></tr><tr><td>10% Debentures</td><td>NIL</td><td>40,00,000</td></tr><tr><td>Total capital</td><td>90,00,000</td><td>1,30,00,000</td></tr><tr><td>EBIT</td><td>13,50,000</td><td>19,50,000</td></tr><tr><td>Less: Interest</td><td>-----</td><td>(4,00,000)</td></tr><tr><td>EBT</td><td>13,50,000</td><td>15,50,000</td></tr><tr><td>Less: Tax @ 30%</td><td>(4,05,000)</td><td>(4,65,000)</td></tr><tr><td>EAT</td><td>9,45,000</td><td>10,85,000</td></tr><tr><td>No. of shares of Rs.10 each</td><td>9,00,000</td><td>9,00,000</td></tr></table> | Sources | Situation 1 | Situation 2 | Equity shares | 90,00,000 | 90,00,000 | 10% Debentures | NIL | 40,00,000 | Total capital | 90,00,000 | 1,30,00,000 | EBIT | 13,50,000 | 19,50,000 | Less: Interest | ----- | (4,00,000) | EBT | 13,50,000 | 15,50,000 | Less: Tax @ 30% | (4,05,000) | (4,65,000) | EAT | 9,45,000 | 10,85,000 | No. of shares of Rs.10 each | 9,00,000 | 9,00,000 |
| Sources | Situation 1 | Situation 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity shares | 90,00,000 | 90,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10% Debentures | NIL | 40,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total capital | 90,00,000 | 1,30,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBIT | 13,50,000 | 19,50,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Interest | ----- | (4,00,000) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EBT | 13,50,000 | 15,50,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Tax @ 30% | (4,05,000) | (4,65,000) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EAT | 9,45,000 | 10,85,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No. of shares of Rs.10 each | 9,00,000 | 9,00,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | |
|----|--|------|------|
| | EPS | 1.05 | 1.21 |
| | Hence, it can be said that being increase in the EPS, the financial managers will be able to meet their goal. | | |
| 34 | <p>Identify the marketing management philosophy involved in the following cases:</p> <ol style="list-style-type: none"> 6. Geetika scooters are the leading manufacturers of scooters in the industry. They have the first mover advantage in the industry. When they started manufacturing scooters no other company was doing it. They manufacture scooters and the middle class purchases them in a high number. With each passing year the number of scooters sold is increasing. The company's main concern usually is to produce maximum number of scooters. Company's profit is governed by the maximum number of scooters they produce. 7. Aman microwaves produce microwaves but they do not try to understand the needs of the customers. Their main focus is always on the quality of the product but never on customer requirement. They try' to include as many features as possible in their product. This year they have added a special type of alarm in their product which is a unique feature. The alarm is available in ten varieties. However, the customers say that the product is not of much use to them as it consumes a lot of electricity. 8. Ravi coolers is a very progressive company. The owners of the company feel that unless and until they contribute to society it is worthless to exist as a company. In a recent move by the government the organisation has decided to help it. The organisation will be making five teams of hired environmentalists from foreign countries. This team will help the local people clean the portions of a polluted river in the country. The costs of this project will be borne by the company. 9. A company which deals in apparels has decided to clear its stock. The company has a huge pile of clothes to be cleared across its various branches. The company has decided to give discount on its products. It even has decided to go for various fashion shows in different colleges. It has also decided to sponsor a few events. However, people say that the clothes are not much of current fashion and the company is not considering the choice of the customers. 10. An automobile company is a leading manufacturing company in its segment. The company has decided to launch fully solar charged vehicles. This technology will cost the company ?2000 crores annually. When the relationship manager of the company was asked about the reason of bearing so much extra cost he replied that the company considered environmental friendly techniques as the only solution to increasing pollution. The company feels by bearing extra cost it is fulfilling its responsibility. <p style="text-align: center;">OR,</p> | | |

| | |
|-----|---|
| | <p>Ashima purchased a bottle of tomato-sauce from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District Forum under Consumer Protection Act and got the relief.</p> <p>(iii) Identify the important aspect neglected by the marketer in the above case. (iv) Explain briefly any five functions of the aspect identified in (a) above.</p> |
| Ans | <ol style="list-style-type: none"> 1. Production concept 2. Product concept 3. Societal marketing concept 4. Selling concept 5. Societal marketing concept <p style="text-align: center;">Or,</p> <ol style="list-style-type: none"> 1. Labelling 2. Functions of Labelling: <ul style="list-style-type: none"> ○ Describes the product and specifies its contents. One of the most important functions of labels is to describe the product, its usage, cautions in use and to specify its contents. ○ Identification of product/brand. A label helps in identifying and differentiating the product or brand from other similar types of products or brands produced by the company as well as by the competitors. ○ Helps in product promotion. An attractively designed label entices the customers to buy the product. This is particularly true for fast moving consumer products like toothpastes, salt, butter, jams, soaps, etc. ○ Grading of products. With the help of labels, products can be graded and put in different categories. For example, Brooke Bond Red Label Tea, Brooke Bond Yellow Label Tea, Green Label Tea, etc. Marketers assign different grades to different features or different qualities of the product. ○ Providing information required by Law. Labelling also provides statutory warning or important information as required by law. |