

# Solved Paper 2013

## BUSINESS STUDIES

### Class-XII

Time : 3 Hours

Max. Marks : 100

#### General Instructions:

- (i) Answers to questions carrying 1 mark may be from **one** word to **one** sentence.
- (ii) Answers to questions carrying 3 marks may be from **50 to 75** words.
- (iii) Answers to questions carrying 4 – 5 marks may be about **150** words.
- (iv) Answers to questions carrying 6 marks may be about **200** words.
- (v) Attempt all parts of the question together.

#### Delhi Set I

Code No. 2/1/1

- 1. Define "Recruitment".** 1  
**Ans. Recruitment:** It is a process where the organisation searches for its prospective employees. It stimulates them to apply for job openings in the organisation. There are two sources of recruitment – Internal and External. Recruitment from within the company is an internal source e.g., transfers and promotions. A company has to explore the external sources as well for different positions because all the vacant positions cannot be filled through internal sources e.g., direct recruitment, campus recruitment, etc.
- 2. Why motivation is called a complex process?** 1  
**Ans.** Motivation is a complex process as the individuals are heterogeneous in their expectations, perceptions and reactions. Any type of motivation may not have uniform effect on all the members.
- 3. At which level of management directing takes place?** 1  
**Ans.** Top level
- 4. What should be done while 'taking corrective action' in process of controlling, when especially in the important areas deviations go beyond the acceptable range?** 1  
**Ans.** When deviations in critical areas exceed acceptable limits, management must address the issue immediately and take corrective action on a priority basis.
- 5. State how 'Growth Prospectus' affect the working capital requirements of a company?** 1  
**Ans.** Higher growth prospects will require larger amounts of working capital so that the firm is able to meet higher production and sales targets.
- 6. What is the primary objective of 'Financial Management'?** 1  
**Ans.** Wealth maximisation
- 7. Give the meaning of the 'Money Market'.** 1  
**Ans. Money Market:** The money market is a market for short term funds which deals in monetary assets whose period of maturity is up to one year.
- 8. State any one consequence of a well performed 'allocative function' of financial market.** 1  
**Ans.** When the allocative function is performed well in a financial market then the rate of return offered to the investors would be higher.
- 9. Why is 'Marketing' called a social process?** 1  
**Ans.** Marketing is called a social process where in people interact with others, in order to persuade them to act in a particular way, say to purchase a product or a service, rather than forcing them to do so.
- 10. Distinguish between 'Selling Concept' and 'Marketing Concept' of Marketing management philosophies on the basis of 'main focus'.** 1  
**Ans.** The focus in selling concept is on 'product' whereas in marketing concept it is on 'customer needs'
- 11. Under three-tier machinery where can a legal heir or representative of a deceased consumer file a complaint where the compensation claim is ₹ 25 lakhs.** 1  
**Ans.** District commission
- 12. Pragya bought an iron of a reputed brand for ₹ 1,500 but it caused an electric shock while it was being used. Pragya wants to exercise her 'Right'. Identify the 'Right' under which she can be protected.** 1  
**Ans.** Right to safety
- 13. Name and explain the principle of management according to which a manager should replace 'I' with 'We' in all his conversations with workers.** 3  
**Ans.** Cooperation not Individualism
- 14. Explain 'Harmony Not Discord' as a principle of Scientific Management.** 3  
**Ans. Harmony, not discord:** Eliminate class-conflict and develop harmony between the management and workers. Both should realise that each one is

important. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers.

**15. Explain 'objectives' as one of the types of plans.** 3

**Ans. Objectives:** Objectives are very basic to the organisation and they are defined as ends which the management seeks to achieve by its operations.

**16. Explain the following as features of Planning:**

(i) Planning is continuous process; and

(ii) Planning is futuristic. 3

**Ans. Features of Planning**

(i) **Planning is continuous:** Plans are mostly prepared for a particular period of time, e.g., monthly plans, quarterly plans or annual plans.

At the end of that specific period, there is a need for a new plan to be laid down on the basis of new requirements and emerging future conditions. Thus, planning is a continuous process because when a plan is formulated and implemented, it is followed by another plan.

(ii) **Planning is futuristic:** Planning fundamentally involves looking ahead and preparing for the future. The objective of planning is to effectively meet the future events to the advantage of an organisation. It implies looking into the future, analysing and predicting it. Therefore, it is regarded as a forward-looking function based on forecasting which helps to anticipate the future and draw out plans accordingly e.g., sales forecasting.

**17. Ajay was appointed a marketing head of 'Alfa Enterprise' manufacturers of toothpaste and toothbrushes. His target sale was 2,000 units a month. Apart from thinking about various channels of distribution to achieve the target he himself started visiting schools in backward areas. He found that even after taking various steps and counseling, some school children had not started brushing their teeth. He investigated and found that they could not afford to buy toothbrush and toothpaste. So, with due permission he started donating 200 toothbrushes and toothpastes very month to the school.**

(i) Identify the channel of distribution 'Ajay would adopt for distribution of toothpaste and toothbrushes and justify it by giving one reason'.

\* (ii) State any two values which Ajay wants to communicate to the society. 3

**Ans.** As per the above case Direct Channels adopted by Ajay. In direct channel, the manufacturer directly sells his products to the customers and no middleman is included.

\* **18. 'Though branding adds to the cost, it provides several advantages to the consumers'. In the light of the statement, state any three advantages of branding to customers.** 4

**19. State the steps in the organising process.** 4

**Ans.** Steps in the process of organising are:

(i) **Identification and division of work:** The total work is identified and divided into various activities.

(ii) **Departmentalisation:** Work of same nature is grouped together and assigned to a particular department.

(iii) **Assignment of duties:** The responsibility of each individual or post is decided.

(iv) **Establishing reporting relationships:** Each individual should know from whom he has to take orders and to whom he is accountable. It helps in coordination among various departments.

**20. Distinguish between 'Delegation' and Decentralisations' on the basis of the following:**

(i) Purpose;

(ii) Scope;

(iii) Status; and

(iv) Nature. 4

**Ans. Difference between 'Delegation' and Decentralisations':**

Basis	Delegation	Decentralization
Nature	Delegation is a compulsory.	Decentralisation is an optional act.
Status	It is a process followed also result of the policy to share tasks.	It is the result of the policy decision of the top management.
Scope	It has a narrow scope as it involves the superior and immediate subordinate only.	It has a wide scope as it involves all the levels of management.
Purpose	The main purpose is to lessen the burden of the manager.	The main purpose is to increase the role of subordinates in the organisation by giving them the authority to decision making.

**21. What is meant by a 'long-term investment decision'? State any three factors which affect the long term investment decisions.** 4

**Ans.** These decisions are sometimes referred to as capital budgeting decisions. It influences a company's long-term earning potential and profitability as well as having long-term effects on the enterprise.

**Factors affecting capital budgeting decisions:**

(i) **Cashflow of the project:** A company expects regular and reasonable cash inflows from an investment when it makes a significant financial investment to a particular project. Analysis of operating cash flow is done before choosing the desired project.

(ii) **Rate of return:** Each project is chosen after considering the level of risk and potential profits of various ventures.

(iii) **The investment criteria involved:** Calculations on the investment amount, interest rate, cash flows, and rate of return must be made before deciding whether to fund a certain project.

**22. Explain any four points of importance of consumer protection from the point of view of business.** 4

**Ans. Importance of Consumer Protection from the point of view of business:**

(i) **Long term interest of the business:** In the competitive environment, the businessman can win and capture a big share in the market only through consumer satisfaction. Those who ignore the interest and satisfaction of consumers may lose their goodwill and clients.

(ii) **Business uses society's resources:** As a business uses social resources, it is bound to serve the society by using its resources through adoption of fair trade practices which ensures consumer protection.

(iii) **Social responsibility:** Just like other stakeholders, towards consumers also, businessmen have got social responsibility to provide quality goods at reasonable prices. Consumer protection guides businessmen to fulfil social responsibility towards consumers.

(iv) **Government intervention:** If businessmen want to avoid intervention of Government, then they should not involve in unfair trade practices and exploitative practices towards consumers.

(v) **Moral justification:** Business ethics advocates adoption of moral principles in conducting business affairs. A business is required to adopt consumer protection as its moral duty.

**23. Describe any five reasons which clarify that management is gaining importance day-by-day.** 5

**Ans. Importance of Management:**

(i) **Helps in achieving group goals:** Gives a common direction to diverse individual efforts.

(ii) **Increases efficiency:** Reduces cost and increases productivity.

(iii) **Creates a dynamic organisation:** Helps people to adjust with the changing environment.

(iv) **Helps in achieving personal objectives:** Helps individuals to achieve personal goals along with overall organisational goals.

(v) **Helps in the development of the society:** To provides good quality products, generates employment, etc

**24. The court passed an order that all schools must have water purifier for the school children as**

(i) **Society in general is more concerned about quality of life.**

(ii) **Innovative techniques are being developed to manufacture water purifier at competitive rates.**

(iii) **Incomes are rising and children at home are also drinking purified water.**

(iv) **The government is also showing positive attitude towards the water purifier business.**

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

5

**Ans.** The different dimensions of business environment from the above details are as follows:

(i) 'The court passed an order that all schools must have water purifier'- legal environment.

(ii) 'Society, in general, is more concerned about the quality of life' - social environment.

(iii) 'Innovative techniques are being developed to manufacture water purifier at competitive rates'- technological environment.

(iv) 'Incomes are rising and children at home are also drinking purified water'- economic environment.

(v) 'The government is also showing a positive attitude towards the water purifier business'-political environment.

**25. Nishant, the director of a garments company, is planning to manufacture bags for the utilisation of waste material from one of his garment units. He has decided that his 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 has also through of giving equal opportunities to men and women.**

**For this he wants four different heads for Sales, Account, Purchase and Production. He gives an advertisement and shortlists ten candidates per post after conducting different selection-tests.**

(i) **Identify and state the next three steps for choosing the best candidate out of the candidates short-listed.**

\* (ii) **Also identify two values which Nishant wants to communicate the society by setting up this manufacturing unit.** 5

**Ans.** Next three steps after the selection test in the process of selection are:

(1) **Employment Interview:** In-depth conversation to evaluate applicant's suitability.

(2) **Reference and Background Check:** Verify and gain additional information about an applicant.

(3) **Selection Decision:** Candidates who pass tests, interviews and reference checks are finally selected.

**26. Planning and Controlling are inseparable twins of management. How?** 5

**Ans.** Planning and Controlling are inseparable twins of management.

A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans. Without planning, there is no predetermined understanding of the desired performance. Planning seeks consistent, integrated and articulated programmes while controlling

seeks to compel events to conform to plans. Plans are prepared for future and are based on forecasts about future conditions. Therefore, planning involves looking ahead and is called a forward-looking function. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense, controlling is a backward looking function.

27. **The barriers to effective communication exist in all organisations to a greater or lesser degree.' State any six measures to overcome these barriers.**

OR

\* **The Supervisor performs a very important role in an organisation by performing multiple functions.' State any six such functions.** 6

**Ans. Measures to overcome Communication Barriers are:**

- (i) **Simple language:** The sender of the message should use uncomplicated language and familiar words. It is beneficial for sender to use that language which is already known to the receiver.
- (ii) **Clarify the idea before communication:** The entire problem or message to be communicated by sender should be studied in detail and expressed in such a manner that there is no scope of doubt when the message is conveyed to subordinate or receiver.
- (iii) **Consult others before communication:** It is always advantageous to involve subordinates i.e., the receiver to get their acceptance or willing co-operation easily available, before communicating the message to them.
- (iv) **Ensure proper feedback:** Communication is said to be effective when the desired feedback is received by the sender after it is understood by the receiver. So, the receiver should be encouraged to give his feedback and to be more responsive regarding the message sent.
- (v) **Communicate for present as well as future:** Generally communication is done to meet the present needs and commitment. But in order to maintain consistency, communication should be aimed at future goals of the organisation as well.
- (vi) **Follow up communication:** There should be regular follow-up and review of the information and instructions given to the subordinate i.e., the receiver. Such follow up helps in maintaining ongoing clarity and in removing hurdles in implementing the instructions.
- (vii) **Communicate according to the needs of the receiver:** Manager should adjust his communication message as per the education and understanding level of the subordinates.
- (viii) **Be careful about language and content of message:** The content of the message, tone, language and manner in which the message is to be imparted are some important aspects of effective communication that need to be paid attention to. The language should be easily and clearly understandable to the receiver.

28. **What is meant by 'Dividend Decision'? Explain any four factors which affect the dividend decision of a company.**

OR

**What is meant by 'Financial Planning'? Explain any five points which highlight its importance.** 6

**Ans.** Dividends are the portions of distributable profits given to shareholders. The stockholders receive current income as a result. Reinvestment as retained earnings boosts the company's potential for future profits. The dividend decision involves deciding whether to pay out earnings as dividends to shareholders or to keep them in order to fund the company's long-term ambitions. Decisions about dividends are made to maximize shareholder value in mind.

**Factors affecting Dividend Decision:**

- (i) **Earnings:** As dividends are paid from profits, a company's earnings are a key consideration in choosing whether to pay them. Businesses with high and consistent earnings could declare high dividend rates.
- (ii) **Stability of Dividends:** Businesses often keep to a stable dividend policy. In the event of a modest or temporary increase in earnings, the dividend per share remains unchanged.
- (iii) **Growth Possibilities:** If the company has strong growth potential in the near future, it will likely hold onto its earnings and pay little to no dividends.
- (iv) **Cash Flow Positions:** Since dividend payments require cash outflow, dividend declarations must be made with enough cash in hand.

OR

Refer to answer 20, outside Delhi Set-III, 2013

29. **Explain any four functions of stock exchange.**

OR

\* **Explain the following money market instruments:**

- (i) **Call Money**
- (ii) **Treasure Bill and**
- (iii) **Commercial Paper**
- (iv) **Certificate of Deposit** 6

**Ans.** Refer to answer 15, outside Delhi Set-III, 2013

\* 30. **Explain the concept of personal selling and any four qualities of a good salesman.**

OR

**Explain any four factors which affect the determination of price of a product.** 6

**Ans.** OR

**Factors Determining Fixation of Price:**

- (i) **Pricing Objectives:** Profit maximization is the objective of the marketing company. Price objectives can be established both in the short and long terms.
- (ii) **Cost of Product:** The price establishes the floor price at which a product may be sold. Pricing should cover all expenses (both fixed and variable), plus a profit margin.

(iii) **Competition:** A company has unlimited freedom to set its pricing when there is no competition (a monopoly situation). On contrary, a company should set lower prices for its products when there is intense competition. While setting the price of a product, competitors' prices and anticipated responses must be taken into account.

(iv) **Utility and demand:** The maximum price that a customer would be willing to pay is determined by the utility that the product offers and the level of demand from the consumer. A company may set a higher price when there is an inflexible demand for the product. However, lower prices should be fixed when the demand is elastic.

## Delhi Set II

Code No. 2/1/1

**Note :** Except for the following questions, all the remaining questions have been asked in previous sets.

12. Give the meaning of 'Capital Market'. 1

**Ans. Capital Market:** Capital market includes all those organisations, institutions and instruments that provide long-term and medium-term funds through shares, bonds, debentures, etc.

14. Explain 'Science-not Rule of Thumb' as a principle of Scientific Management. 3

**Ans. Science-not rule of thumb:** Taylor pioneered the introduction of the method of scientific inquiry into the domain of management practice. Taylor believed that there was only one best method to maximise efficiency. This method can be developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organisation. Scientific method involved investigation of traditional methods through work study, unifying the best practices and developing a standard method, which would be followed throughout the organisation.

15. Explain 'method' as one of the types of plans. 3

**Ans. Methods:** Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.

16. Explain the following as features of Planning:

- (i) Planning focuses on achieving objectives, and
- (ii) Planning is a mental-exercise.

**Ans. Features of planning:**

(i) **Planning focuses on achieving objectives:**

Organisations are set up with a general purpose in view. Specific goals and objectives are laid down in the plans along with the activities to be undertaken to achieve them.

(ii) **Planning is a mental exercise:** Planning necessitates application of the mind. It involves foresight, intelligent imagination, creativity and sound judgment during formulation of plans. It is thus an intellectual activity of thinking rather than doing because planning determines the action to be taken.

\* 18. 'Though branding adds to the cost, it provides several advantages to the marketers'. In the light of the statement state any three advantages of branding to marketers. 4

22. Explain the concept of 'Consumer Protection' and any three points of its importance from the point of view of consumers. 4

**Ans.** The goal of consumer protection is to protect the interests of consumers. It enacts measures to protect consumers from unethical business practices and to quickly resolve their complaints.

The importance of consumer protection from the consumers' point of view can be understood from the following points:

(i) **Consumer Ignorance:** Given the widespread ignorance of consumers about their rights and available remedies, it is necessary to educate them in order to achieve consumer awareness.

(ii) **Unorganized Consumers:** Consumers must be organized into consumer organizations that represent their interests.

(iii) **Widespread Exploitation of Consumers:** Consumers may be exploited by unscrupulous, exploitative, and unfair trade practices such as defective and unsafe products, adulteration, false and misleading advertising, hoarding, black-marketing, and so on.

23. Explain any five characteristics of co-ordination. 5

**Ans. Features of Coordination:**

(i) **Integration of group efforts:** All business activities are interdependent. Therefore, there should be coordination among them. Coordination enables the business to make efficient use of its available resources.

(ii) **Unity of action:** It enables the manager to secure unity of action in the direction of a common purpose.

(iii) **Continuous process:** It is a continuous process and not a one-time task. A manager has to continuously coordinate the activities of different departments in order to meet the targets by using the available resources efficiently.

(iv) **All pervasive function:** It is an all pervasive function, which runs through all managerial functions from planning till controlling. It is not only needed among different departments but also within the departments at all levels.

(v) **Deliberate function:** A manager has to coordinate the efforts of different individuals working in an organisation in a conscious and deliberate manner.

26. Explain the various steps in the process of controlling. 5

**Ans. Controlling Process:**

(i) **Setting performance standards:** Against which actual performance will be measured.

- (ii) **Measurement of actual performance:** Through personal observation, sample checking, performance reports, etc.
- (iii) **Comparing actual performance with standards:** To reveal the deviations between actual and desired results.

- (iv) **Analysing deviations:** By using critical point control and management by exception techniques.
- (v) **Taking corrective action:** Involves training of employees, replacement of machinery, etc.

<b>Delhi Set III</b>	<b>Code No. 2/1/1</b>
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**Note :** Except for the following questions, all the remaining questions have been asked in previous sets.

- 1. Give the meaning of 'Secondary Market.' 1  
**Ans. Secondary Market:** It is a market for the purchase and sale of existing securities.
- 14. Explain 'Co-operation, Not Individualism; as a principle of Scientific Management.' 3  
**Ans. Co-operation, not individualism:** Competition should be replaced by co-operation. Management and workers should realise that they need each other.
- 15. Explain 'Strategy' as one of the types of plans. 3  
**Ans. Strategy:** A strategy provides the broad contours of an organisation's business. It will also refer to future decisions defining the organisations direction and scope in the long run.
- 16. Explain the following features of planning: 3
  - (i) **Planning is pervasive.** 3  
**Ans. (i) Planning is pervasive:** Planning is required throughout the organisation across all the levels of management as well as in all the departments. It is not exclusively meant for top management or of any particular department, though the scope of planning differs at these levels and among different departments. For instance, top management undertakes organisational planning, whereas middle management does it at the departmental level only. The lowest level is involved in day-to-day operational planning.
- \* 18. 'Packaging has acquired great significance in the marketing of goods.' In the light of this statement State any three functions of packaging. 4
- 22. Distinguish between 'Formal and Informal Organisation' on the basis of 4
  - (i) **Meaning;**
  - (ii) **Authority;**
  - (iii) **Flow of communication** 4**Ans.** Difference between formal and informal organisation:
 

Basis	Formal Organisation	Informal Organisation
Meaning	Structure of authority relationships created by the management	Network of social relationships arising out of interaction among employees.

Authority	Arises by virtue of position in management.	Arises out of personal qualities
Flow of communication	Communication takes place through the scalar chain.	Flow of communication is not through a planned route. It can take place in any direction.

- 23. Explain any five features of management. 5  
**Ans. (i) Management is a goal-oriented process:** An organisation has a set of basic goals which are the reason for its existence. These should be simple and clearly stated. Different organisations have different goals. For example, the goal of a retail store may be to increase sales, but the goal of the Spastics Society of India is to impart education to children with special needs. Management unites the efforts of different individuals in the organisation towards achieving these goals.
- (ii) **Management is multidimensional:** Management is a complex activity that has three main dimensions. These are:
  - (a) **Management of work:** All organisations exist for the performance of some work. Management translates this work in terms of goals to be achieved and assigns the means to achieve it. This is done in terms of problems to be solved, decisions to be made, plans to be established, budgets to be prepared, responsibilities to be assigned and authority to be delegated.
  - (b) **Management of people:** Human resources of people are the organisation's greatest asset. Managing people has two dimensions viz. dealing with employees as individuals with diverse needs and behaviour and dealing with individuals as a group of people. The task of management is to make people work towards achieving the organisation's goals, by making their strength effective and their weaknesses irrelevant.
  - (c) **Management of operations:** No matter which type of organisation it is, it has some basic products or services to provide in order to survive. This requires a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption. This is interlinked with both the management of work and the management of people.

\* Out of Syllabus

(iii) **Management is a continuous process:** The process of management is a series of continuous, composite but separate functions. These functions are simultaneously performed by all managers all the time. The task of a manager consists of an ongoing series of functions.

(iv) **Management is a group activity:** An organisation is a collection of diverse individuals with different needs. Every member of the group has a different purpose for joining the organization but as members of the organisation, they work towards fulfilling the common organisational goal. This requires team work and coordination of individual efforts in a common direction. At the same time, management should enable all its members to grow and develop as needs and opportunities change.

(v) **Management is a dynamic function:** Management is a dynamic function and has to adapt itself to the changing environment. An organisation interacts with its external environment which consists of various social, economic, political and legal factors. In order to be successful, an organisation must change itself and its goals according to the needs of the environment.

26. Explain any five points which highlight the importance of 'controlling' function in management. 5

**Ans. Importance of Controlling:**

(i) **Accomplishing organisational goals:** The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action.

(ii) **Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective.

(iii) **Making efficient use of resources:** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms.

(iv) **Improving employee motivation:** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they are appraised.

(v) **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organisation.

(vi) **Facilitating coordination in action:** Controlling provides direction to all activities and efforts for achieving organisational goals.

### Outside Delhi Set I

Code No. 2/1/1

1. 'To see whether plans are implemented and activities are being performed according to the schedule', is a step of planning process. Identify the step. 1

Ans. Follow-up action

2. Define organising as a function of management. 1

Ans. Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).

3. Identify the type of suitable organisation structure for a large organisation having diversified activities requiring high degree of specialisation in operations. 1

Ans. Functional structure

4. What is meant by 'Principles of Management'? 1

Ans. Principles are guidelines to take decisions or actions while practicing techniques.

5. State how staffing ensures 'continuous survival and growth of the enterprise'? 1

Ans. Staffing ensures continuous survival and growth through succession planning and continuous training and development of the managers.

6. Name and state the 'on-the-job method of training' that is used to give training to the electricians. 1

Ans. Apprenticeship training

7. What is meant by 'Democratic style of leadership'? 1

Ans. **Democratic/Participative Leadership:** A style in which the leader consults the subordinates in the decision-making process and encourages them to give suggestions.

8. What is meant by 'Motivation'? 1

Ans. Motivation refers to a process of stimulating and inspiring people in the organisation to contribute to the best of their ability for the achievement of organisational goals and objectives.

9. State the essential function of a 'primary market'. 1

Ans. The essential function of a primary market is to facilitate the transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or to expand existing ones through the issue of securities for the first time.

10. Name two alternative mechanisms through which allocation of funds can be done. 1

Ans. There are two major alternative mechanisms through which allocation of funds can be done: via banks and financial markets.

11. What is the advantage of registering 'trade mark'? 1

Ans. A brand or part of a brand that is given legal protection is called trademark. The protection is given against its use by other firms. Thus, the firm, which got its brand registered, gets the exclusive right for its use.

\* 12. State the meaning of 'Product Identification' function of packaging. 1

**13. Explain how 'management by exception' helps in controlling process.** 3

**Ans.** Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management.

**14. Explain how controlling helps in:**

(i) Accomplishing organisational goals

(ii) Judging accuracy of standards 3

**Ans. (i) Accomplishing organisational goals:** The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action

**(ii) Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective.

\* 15. Explain any three functions of financial market. 3

**16. State any three 'development functions' of Securities and Exchange board of India (SEBI).** 3

**Ans.** The development functions of SEBI include:

- (i) Training of intermediaries of the securities market.
- (ii) Conducting research and publishing information useful to all market participants.
- (iii) Undertaking measures to develop the capital markets by adapting a flexible approach.

**17. Explain any three points of importance of consumer protection from the point of view of consumers.** 3

**Ans. (i)** Educate consumers to avoid consumer ignorance.

**(ii)** Protect and promote interests of unorganised consumers.

**(iii)** Safeguard from widespread exploitation of consumers.

**18. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods.** 4

**Ans.** Responsibilities of a consumer under the Consumer Protection Act, 2019:

**(i)** Be aware of various goods and services available in the market so that an intelligent and wise choice can be made.

**(ii)** Buy only standardised goods as they provide quality assurance.

**(iii)** Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.

**(iv)** Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.

**(v)** Assert yourself to ensure that you get a fair deal.

**(vi)** Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices.

**19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material for one of his garments units. He decided that this manufacturing unit will be set up in a rural area of Odisha where people have very less job opportunities and labour is available at very low rate. He also through of giving equal opportunities to men and women.**

**For this, he selected S. Chatterjee, Inderjeet kaur, Aslam and Sarabjeet as heads of Sales, Accounts, Purchase and production departments.**

**(i) Identify and state the next two steps that sahil has to follows in the staffing process after selecting the above heads.**

\* **(ii) Also, identify two values which Sahil wants to communicate to the society by getting up this manufacturing unit.** 4

**Ans. (i) Next two steps after selection are:**

**Placement and Orientation:** Employee occupies the post and gets familiar with the organisation.

**Training and Development:** Improve the job knowledge and competence of employees.

**20. Explain the concept and the objective of 'Financial Management'.** 4

**Ans. Financial Management:** Financial management is concerned with optimal procurement as well as the usage of finance.

**Objectives of Financial Management:** The primary objective of financial management is to maximise shareholders' wealth.

**21. Explain any four factors which affect the fixed capital requirement of a company.** 4

**Ans.** Factors affecting the requirements of fixed capital:

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

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



(iii) **Choice of technique:** Some organisations are capital intensive whereas others are labour intensive. A capital-intensive organisation requires higher investment in plant and machinery as it relies less on manual labour. The requirement of fixed capital for such organisations would be higher. Labour intensive organisations on the other hand require less investment in fixed assets. Hence, their fixed capital requirement is lower.

(iv) **Technology upgradation:** In certain industries, assets become obsolete sooner. Consequently, their replacements become due faster. Higher investment in fixed assets may, therefore, be required in such cases. For example, computers become obsolete faster and are replaced much sooner than say, furniture. Thus, such organisations which use assets which are prone to obsolescence require higher fixed capital to purchase such assets.

**22. What is meant by 'Investment Decisions'? State any three factors which affect the 'investment decision'.** 4

**Ans.** Investment decisions relate to how the firm's funds are invested in different assets. Investment decision can be long term or short-term. A long-term investment decision is also called a Capital Budgeting decision. It involves committing the finance on a long-term basis. For example, making investment in a new machine to replace an existing one or acquiring a new fixed asset or opening a new branch, etc. Short-term investment decisions (also called working capital decisions) are concerned with the decisions about the levels of cash, inventory and receivables. These decisions affect the day-to-day working of a business.

**Factors affecting Investment decision/ Capital Budgeting/ Long-term Investment decision:**

- (i) Growth prospects
  - (ii) Level of collaboration
  - (iii) Cash flows of the project
  - (iv) Rate of return
  - (v) Investment criteria involved
- 23. State any five features of 'Co-ordination'.** 5

**Ans. Nature/Features of Co-ordination:**

- (i) All pervasive
- (ii) Integrates group efforts
- (iii) Continuous process
- (iv) Ensures unity of action
- (v) Responsibility of all managers
- (vi) Deliberate function

**24. Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both are working hard and**

**happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal, the performance of Nikita was judged better than Salman. Even then their boss, Mohammad Sharif, decided to promote Salman, stating that being a female, Nikita will not be able to handle the complications of the higher post.**

**(i) Identify and explain the principle of management which was not followed by this multinational company.**

**\* (ii) Identify the values which are being ignored quoting the lines from the above para.** 5

**Ans. (i)** The principle violated is EQUITY.

- It advocates that there should be no discrimination against anyone on account of sex, religion, language, caste, belief, nationality, etc.
- It emphasises kindness and justice in the behaviour of managers towards the workers to ensure loyalty and devotion.

**25. The court passed an order to ban polythene bags as:**

- (i) **These bags are creating many environmental problems, which affect the life of people in general.**
- (ii) **Society, in general, is more concerned about the 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.** 5

**Ans. Legal environment.**

'The Court passed an order to ban polythene bags.'  
Social environment.

'The bags are creating environmental problems which affect the life of people in general.'

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

Political environment.

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

Technological environment.

'Innovative techniques are being developed to manufacture jute bags at low rates.'

Economic environment.

'Incomes are rising and people can afford to buy these bags.'

[CBSE marking Scheme, 2013]

26. Explain any five features of planning. 5

**Ans. (i) Planning focuses on achieving objectives:**

Planning is meaningless unless it helps the organisation achieve its planned objectives. Organisations have plans and activities to carry out to accomplish their general and specific goals.

**(ii) Planning is a primary function of management:**

The foundation for other management activities is laid by planning. The plans that have been drawn serve as the framework for all other managerial tasks. Planning, therefore, comes before other tasks. This is also known as the primacy of planning.

**(iii) Planning is pervasive:** Planning is necessary at all management levels and in all organizational departments. The extent of planning varies depending on the department and the level.

**(iv) Planning is continuous:** Plans are created for a predetermined time frame, such as a month, quarter, or year. The planning cycle and continuity of planning are related. It entails that a plan is created, carried out, and then accompanied by another plan, and so forth.

**(v) Planning is futuristic:** Planning generally includes forecasting the future and making plans accordingly. The goal of planning is to prepare an organisation as best you can to deal with upcoming circumstances.

**(vi) Planning involves decision-making:** Making decisions during planning essentially means selecting from a number of alternatives and actions. Planning is not necessary if there is just one feasible objective or course of action because there is no other option. **(Any five)**

27. Give the meaning of 'Informal Organisation' and state any five features of it.

OR

Give the meaning of essential elements of 'Delegation' 6

**Ans.** An informal organisation is a "network of social interactions among employees" that develops as a result of workplace interaction. This organisational structure's primary goal is to give its employees with similar interests a sense of psychological fulfillment. For instance, workers who have interests in the same literature, movies, religions, etc., may organise own their informal groups.

**Features:**

- (i) It comes from the direct interactions between workers within an organisation.
- (ii) Group norms influence behaviour standards.
- (iii) It lacks established communication channels.
- (iv) It appears naturally and wasn't planned by management.

(v) Its members are connected in a complicated web of social interactions.

OR

Elements of Delegation

**(i) Authority:** It is the right of an individual to command his subordinates and to take decisions and actions within the scope of his position.

**(ii) Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty.

**(iii) Accountability:** It means being answerable for the final outcome.

28. Explain the following non-financial incentives.

(i) Status

(ii) Organisational climate

(iii) Careers advancement opportunities

OR

Explain any four psychological barriers to effective communication. 6

**Ans. (i) Status:** In the organisational context, status means ranking of positions in the organisation. The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. Psychological, social and esteem needs of an individual are satisfied by status given to their job.

**(ii) Organisational Climate:** Organisational climate indicates the characteristics which describe an organisation and distinguish one organisation from the other. These characteristics influence the behaviour of individuals in the organisation. Some of these characteristics are—individual autonomy, reward orientation, consideration to employees, risk-tasking, etc.,. If managers take positive measures regarding these aspects, it helps to develop better organisational climate.

**(iii) Career Advancement Opportunity:** Every individual wants to grow to the higher level in the organisation. Managers should provide opportunity to employees to improve their skills and be promoted to the higher-level jobs. Appropriate skill development programmes, and sound promotion policy will help employees to achieve promotions. Promotion works as a tonic and encourages employees to exhibit improved performance.

OR

Some of the Psychological Barriers are as follows:

**(i) Premature evaluation:** When some people form a judgment before listening the entire message then it is known as premature evaluation. This type of an early evaluation distorts the proper understanding of the message and acts as a barrier to the effective communication.

(ii) **Lack of attention:** Communication becomes less effective on account of inadequate attention to the message and the message is likely to be misunderstood. Lack of attention may be on account of the preoccupied mind of receiver or may be the result of not listening the message properly.

(iii) **Loss by transmission and poor retention:** Loss by transmission happens when the message passes through various levels in the organisation, then the result is inaccurate information and happens more often in case of oral communication. Poor retention is another issue when people cannot retain the information for a long period of time in case they have been inattentive or disinterested.

(iv) **Distrust:** Lack of mutual trust between the message sender and its receiver acts as a barrier to effective communication. When the parties do not believe

each other due to any reason then they cannot understand each other's message as it is meant to be.

\* 29. **'Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors. Explain any three such factors.**

OR

**Pricing of a product is an important and effective competitive weapons in marketing which depends upon various factors. Explain any three such factors.** 6

\* 30. **Explain the role of 'Advertising' in marketing management.**

OR

**Explain the role of 'Public Relations' in marketing management.** 6

### Outside Delhi Set II

Code No. 2/1/1

**Note :** Except for the following questions, all the remaining questions have been asked in previous set. 3

13. **Explain how 'critical point control' helps in controlling process.**

**Ans. Critical Point Control:** It is neither economical nor easy to keep a check on each and every activity in an organization. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers. For instance, in a manufacturing organisation, an increase of 5 per cent in the labour cost may be more troublesome than a 15 per cent increase in postal charges.

14. **Explain how controlling helps in:**

(a) **Making efficient use of resources**

(b) **Improving employee's motivation** 3

**Ans. Controlling helps in the following ways:**

(a) **Making efficient use of resources:** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms.

(b) **Improving employee motivation:** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they are appraised.

15. **Explain any three functions of stock exchange.** 3

**Ans. (i) Providing Existing Securities with Liquidity and Marketability:** Existing equities can be purchased

and sold on the stock exchange's platform. It makes it easier to convert securities into cash as needed. It gives investors the chance to withdraw and reinvest their money.

(ii) **Securities Pricing:** The forces of supply and demand control share prices on a stock exchange. The prices of securities are determined through a stock exchange, which functions as a constant valuation mechanism.

(iii) **Security of the Transaction:** According to the existing legal framework, a stock exchange's dealings and membership are both tightly controlled. This guarantees that investors receive a secure and equitable deal on the market.

(iv) **Increases Economic Growth:** A market where existing securities are purchased and sold is a stock exchange. Savings are directed towards their most profitable investment opportunities through this process of disinvestment and reinvestment. Economic growth and capital formation are the results of this.

16. **State any three 'protective functions' of Securities and Exchange Board of India (SEBI)** 3

**Ans. Protective functions of SEBI:**

(i) It prohibits fraudulent and unfair trade practices like misleading statements, manipulations, price rigging, etc.

(ii) It controls insider trading and imposes penalties for such practices.

(iii) It undertakes steps for investor protection.

(iv) It promotes fair practices and code of conduct in securities market.

**18. State any six reliefs available to a consumer when the consumer court is satisfied with the genuineness of the complaint.** 4

**Ans.** The Consumer Protection Act, 2019 provides the following reliefs to the consumers:

- (i) To remove the defect in goods or deficiency in service.
- (ii) To replace the defective product with a new one, free from any defect.
- (iii) To refund the price paid for the product, or the charges paid for the service.
- (iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- (v) To pay punitive damages in appropriate circumstances.
- (vi) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.
- (vii) Not to offer hazardous goods for sale

**23. State any five characteristics of management.** 5

**Ans.** The features of management are:

- (i) **Continuous process:** Managers at all levels of management perform some functions simultaneously. These functions are planning, organising, staffing, directing and controlling. The task of a manager consists of an ongoing series of functions.
- (ii) **Group activity:** Management requires team work and coordination of individual effort in a common direction to achieve the organisational goals. It always refers to a group of people involved in managerial activities.
- (iii) **Dynamic function:** Since management is a dynamic process, it must adapt to the changing environment. Management must adjust goals, objectives, and other operations in response to changes in the environment.

(iv) **Goal oriented process:** Management always aims at achieving the goals of the organisation. The achievement of the predetermined goals or objectives serves as a gauge for the effectiveness of any management action. Thus, it is considered as a goal oriented process.

(v) **Pervasive:** Management is essentially required in all types of organizations whether it is political, social, cultural, business, non-business, profit or non-profit.

**25. Explain any five limitations of planning.** 5

**Ans.** Limitation of planning:

(i) **Leads to Rigidity:** The manager typically only follows the plan when the planning function is complete and the action plan is established. Depending on the situation, the manager might not be able to change the strategy. For a company, this level of rigidity is not ideal.

(ii) **Not Work in a Dynamic Environment:** There are very few things that are static or stationary in an economic environment. Conditions in the economic, political, environment, and legal are always changing. It becomes difficult to foresee future changes in such a dynamic setting. The plan might not succeed if a manager is unable to make accurate forecasts.

(iii) **Reduces Creativity:** While creating a plan requires innovation, managers blindly execute the plan. Despite the dynamic nature of the business, they do not modify the plan. Sometimes they even fail to offer the right advice to senior management. The tasks grow repetitive.

(iv) **Involves Huge Costs:** The plan's creation involves huge expenses. Scientific calculations are necessary to determine data for detailed plans. Sometimes the costs of preparing don't outweigh the returns received.

(v) **Time-Consuming:** Making a plan takes a lot of time because there are many factors to take into account.

**Outside Delhi Set III**

**Code No. 2/1/1**

**Note :** Except for the following questions, all the remaining questions have been asked in previous sets.

\* 12. State the meaning of 'Product promotion' function of packaging. 1

13. After setting the performance standard the next step in the controlling process is the 'measurement of actual performance'. Explain this step in the process of controlling. 3

**Ans.** Actual performance should be measured in an objective and reliable manner. To facilitate comparison, performance should be measured in the same units as the standards. Measurement should take place during performance whenever possible.

**20. What is meant by financial planning? State any three points of its importance.** 4

**Ans.** Financial Planning includes establishing an organization's financial blueprint. It is the process

of evaluating a business's funding needs and identifying potential sources from which it might be raised.

**Importance of Financial Planning:**

- (i) It helps in predicting future events in a variety of circumstances.
- (ii) It helps in preventing business surprises, shocks, and volatility and assists the business in planning for the future.
- (iii) It facilitates the coordination of numerous business processes, including sales, marketing, production, etc.
- (iv) Financial planning produces comprehensive action plans, minimize wastage, overlapping, and planning omissions.
- (v) It makes an attempt to connect the present to the future.
- (vi) It continuously establishes a relationship between investment and financing decisions.
- (vii) It facilitates the evaluation of real performance by laying out specific objectives for distinct business areas. (any three)

**21. Explain any four factors which effect the working capital requirement of a company.** 4

**Ans. Factors affecting the working capital requirements:**

- (i) **Nature of Business:** The amount of working capital needed by a business company depends on its core aspects. A trading business, for instance, requires less working capital than a manufacturing organisation.
- (ii) **Scale of Operations:** The amount of inventory and debtors needed by large-scale organisations is typically substantial. As a result, these organisations needs more working capital than organisations that operate on a smaller scale.
- (iii) **Business Cycle:** Various business cycle phases have an impact on how much working capital a firm need. In the event of a boom, sales and production are likely to be higher, necessitating a higher level of working capital, and vice versa.
- (iv) **Seasonal factors:** Seasonal activities are used by some companies. Due to the increased level of activity during the peak season, a bigger quantity of working capital is needed. In contrast, during the lean season, activity levels and the need for working capital will be lower.

**22. Explain any four factors which affect the 'Dividend Decision' of a company.** 4

**Ans. Factors affecting dividend decisions:**

- (i) **Amount of Earnings:** Dividends are paid out of current and past earnings. Therefore, earnings are a major determinant of the decision about dividend.

- (ii) **Growth Opportunities:** Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. The dividend in growth companies is, therefore, smaller, than that in the non-growth companies.

- (iii) **Cash Flow Position:** The payment of dividend involves an outflow of cash. A company may be earning profit but may be short on cash. Availability of enough cash in the company is necessary for declaration of dividend.

- (iv) **Access to Capital Market:** Large and reputed companies generally have easy access to the capital market and, therefore, may depend less on retained earnings to finance their growth.

**23. State any five points which highlight the importance of management.** 5

**Ans. Importance of Management:**

- (i) **Management helps in achieving group goals:** Management aims at achieving individual goals along with organisational goals. Success of an organisation depends on the achievement of group goals. Management creates team and coordinates it for achievement of these goals.

- (ii) **Increases efficiency:** Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity. They create and maintain an environment conducive to higher productivity.

- (iii) **Creates dynamic organisation:** Business environment is dynamic. Management helps to create a dynamic organisation by helping the employees to overcome their resistance to change and adapt as per changing situation to ensure its survival, growth and its competitive edge.

- (iv) **Achieving personal objectives:** Through motivation and leadership management helps the individuals in achieving personal goals while working towards organisational objectives.

- (v) **Development of society:** Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technologies.

**26. Explain any five points of importance of planning.** 5

**Ans. Importance of planning:**

- (i) **Provides direction:** To plan is to develop a predetermined course of action for the organization. It specifies in advance what must be done and how. This contributes to giving the management and employees a sense of direction, or guidance, in a manner. Without planning, their actions would be disorganized and lack coordination.

- (ii) **Reduces the risks of uncertainty:** Planning not only identifies goals but also foresees potential changes to the business or organization. As a result, it enables the management to deal with uncertainties and get ready for these developments. Planning allows managers to deal with any uncertain situations by taking into account prior events and patterns.
- (iii) **Reducing wasteful activities:** The elaborate plans are created to consider the requirements of all the departments. This makes sure that every department is on the same goal. The goal describes the strategy and how all of its actions are coordinated. There is mental clarity, which produces mental clarity in behaviour. Every task is without interruption, without wasting time or resources.

- (iv) **Promotes innovative ideas:** In reality, managers must innovate a lot during the planning process. Being the initial task in management, it is a highly challenging task. It challenges the manager to think differently and encourages them to widen their perspectives. Therefore, managers need to be imaginative, perceptive, and innovative.
- (v) **Facilitates decision-making:** In business planning, the organization's objectives are determined, an action plan is created, and even future events are predicted. All managers at all levels now have an improved ability to make decisions. Additionally, decision-making becomes speedier.



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