

Solved Paper 2014

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 – 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 a question together.

Delhi Set I

Code No. 2/1/1

1. What is meant by 'management of people'? 1

Ans. 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.

2. What is the objective of 'Method Study' as a technique of scientific management? 1

Ans. The objective of method study is to find out one best way of doing the job.

3. What is included in the 'political environment' of business? State. 1

Ans. It consists of the political conditions including the nation's overall stability and peace as well as the viewpoints that elected officials have towards the business community.

Example: Political stability fosters trust among business people, but political instability and poor law-and-order conditions may create uncertainty in business enterprises.

4. Give the meaning of 'policy' as a type of plan. 1

Ans. Policies are broad statements that guide thinking or focus energy in a specific direction. Policies serve as a foundation for interpreting strategy, which is typically expressed in general terms. There are major policies and minor policies for all the levels and departments inside an organization.

5. Give the meaning of 'Authority' as an element of delegation. 1

Ans. The ability to make decisions to direct the actions of others is referred to as having authority. The superior-subordinate relationship is based on

authority. Authorities are restricted by laws and the organisation's rules and regulations. The flow of authority is downward.

6. State any one advantage of 'Formal organisation'. 1

Ans. Advantages of formal organisation:

- (i) It assists in preventing job duplication and maintaining unity of command.
- (ii) Due to the clarity of the mutual relationships, accountability can be fixed more easily. (Any one)

7. Why employees become lethargic when the organisation uses internal sources of recruitment? State. 1

Ans. When an organisation uses internal sources of recruitment, employees become lethargic due to a lack of external competition. Because no new employees are hired from outside, employees within the organisation believe that whether they work or not, they will be promoted and their position will be secure.

8. 'Recruitment' is one of the specialised activities performed by human resource management. Mention any two other specialised activities of human resource management. 1

Ans. Two other specialized activities of human resource management are:

- (i) Handling grievances
- (ii) Training and development of employees.

9. Give an example of 'Employee Recognition Programmes' as a non-financial incentive. 1

Ans. Employee recognition programmes: Nearly all employees have a desire or urge to be acknowledged for the work they have done. In this type of incentive plan, employees are motivated to perform at their best when they receive praise or recognition for their efforts.

10. What is meant by 'Encoding' as an element of communication? 1

Ans. Encoding involves transforming the message into communication symbols like words, pictures, gestures, etc.

11. Define 'Capital Structure'. 1

Ans. Capital structure of a company is the ratio of share to debt capital that makes up its overall capital. The capital structure of the company has an impact on its financial risk and profitability. Borrowed funds and owner's funds are the two main categories of sources of funds.

12. How does 'Inflation' affect the working capital requirements of a company? State. 1

Ans. Inflation means a rise in prices. In such a situation more capital is required than before in order to maintain the previous scale of production and sales. Therefore, with the increasing rate of inflation, there is a corresponding increase in working capital.

13. 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. 3

Ans. (i) Line: "The cycle company offered him a permanent pensionable job". The cycle company fulfilled the following needs of Rahim-

- (a) Physiological Needs
- (b) Safety or Security Needs

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

- (a) **Affiliation need:** It refers to the need for affection, sense of belongingness, acceptance and friendship.
- (b) **Esteem need:** It refers to the need for self-respect, autonomy, status, recognition and attention.

14. How directing helps in the efficient and effective functioning of the organisation? Explain by giving any three points. 3

Ans. Directing helps in efficient and effective functioning of the organisation:

(i) **Directing initiates action:** All organisational activities are initiated through directing. Along with planning, organising and staffing managers must stimulate action by issuing instructions to subordinates and by supervising their work. The aim of directing is to activate employees to work towards the realisation of predetermined goals of the organisation.

(ii) **Integrates employee's efforts:** At all levels of management there are subordinates under the managers. The work entrusted to these individuals is interrelated. Thus, individual efforts need to be integrated so that the organisation achieves its goals. The directing function integrates the activities of the subordinates by guidance and counseling.

(iii) **Means of motivation:** The organisational objectives cannot be realized unless people working in an organisation are motivated to work willingly and perform well to the best of their abilities. Directing helps in motivating employees to contribute their efforts towards the achievement of organisational goals.

15. 'Financial market plays an important role in the allocation of scarce resources in an economy by performing various functions.' Explain any three functions of financial market. 3

Ans. Functions of financial markets:

(i) **Mobilization of Savings and Channelising Them into the most Productive Uses:** A financial market provides it easier for investors to transfer savings from savers. It provides investors with a variety of investment options, allowing savers to put their extra money to the best possible use.

(ii) **Facilitating Price Determination:** The demand for money is represented by business firms, while the supply is represented by households. The interaction between supply and demand influences the price of a financial asset that is traded on a particular market.

(iii) **Providing Liquidity to Financial Assets:** Financial markets make buying and selling financial assets simple. By doing this, they give financial assets liquidity, enabling them to be quickly changed into cash at any time. Asset owners have easy access to the financial market's selling mechanism for their financial assets.

16. Crackers Ltd., a firecracker-manufacturing company, launched some new products on the 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.

(i) Identify and explain the important product-related decision that was not taken into consideration by the company.

* (ii) Also, identify any two values that were violated by the company. 3

Ans. (i) **Labelling:** Labeling is the process of placing information about a product on its packaging in the form of a tag or label. These tags or labels include details on a product's name, manufacturing date, quality, price, contents, manner of use, and other information. A product's label provides information about it, including a description of what it is made of and other relevant details like what it contains and how to use it.

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

Ans. Importance of consumer protection from consumer's point of view:

- (i) **Consumers Ignorance:** Most consumers are frequently taken advantage of because they are ignorant of their rights and remedies. To protect customers from such unscrupulous acts, consumer protection is necessary.
- (ii) **Widespread Exploitation of Consumers:** Unscrupulous, exploitative, and unfair business activities including adulteration, fraudulent and misleading advertising, hoarding, black marketing, and faulty and unsafe product sales may take advantage of consumers. Consumers must be protected from such seller misconduct.
- (iii) **Unorganised Consumers:** To protect their interests, consumers need to organize into consumer organizations. Consumer protection is required in India due to a lack of consumer organisations to promote and safeguard consumer interests.

18. Explain the following rights of consumers:

- (i) **Right to be Informed**
- (ii) **Right to Safety** 4

Ans. (i) **Right to be Informed:** The consumer has a right to get full disclosure about any product he plans to purchase, including information on its components, production date, cost, quantity, and usage instructions. Due to this, the legal system in India mandates that manufacturers provide such information on the product's package and label.

(ii) **Right to Safety:** The right of consumers to be protected from goods and services that are harmful to their health and well-being. Customers have a right to get high-quality goods, and they have the right to ask the seller for quality assurance. Quality marks for industrial goods, food, agriculture, and gold include ISI, FPO, AGMARK, Hallmark, and others.

19. XYZ Power Ltd., set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.

(i) Identify and explain the objectives of management discussed above.

* (ii) State any two values which the company wanted to communicate to the society. 4

Ans. (i) The objectives of the management discussed above are:

(a) Organisational objectives of management:

- Survival and growth of the organisation.
- Profit maximisation

(b) Social objectives of management:

- Supply of quality products at a reasonable rate.
- Contribution towards desirable civic activities.

20. Why is the understanding of business-environment important for managers? Explain with the help of any four points. 4

Ans. Importance of Business Environment

(i) **Enables to identify business opportunities:** There are many opportunities for business success in the environment. Understanding it enables a company to spot profitable opportunities and gain advantages before rivals.

(ii) **Helps the firm to identify threats and early warning signals:** Environmental awareness can aid organisational managers in quickly seeing potential dangers and acting as an early warning system. For instance, Bajaj Auto significantly enhanced its two-wheelers as new businesses entered the auto market.

(iii) **Helps in tapping useful resources:** A business firm can obtain a variety of resources from the business environment, including people, machines, finance, raw materials, power, etc. An enterprise can establish policies to obtain the necessary resources and transform them into output.

(iv) **Helps in coping with rapid changes:** The business world is a highly dynamic place where changes happen quickly. Changes like volatile market conditions, a decline in brand loyalty, etc. Managers must understand, consider, and create a proper plan of action to deal with substantial changes.

21. How is training of employees beneficial for the organisation? State by giving any four reasons. 4

Ans. The following are some advantages of providing training to the employees:

(i) **Better career opportunities:** Training helps employees enhance their job-related skills and knowledge, which opens up better career opportunities for them.

(ii) **Increased income:** Employees that receive training perform better, which increases their income.

(iii) **Efficiency gain:** Employees who have received training are better at using machinery and are less likely to have accidents.

(iv) **Improved motivation:** Training raises employees' contentment and morale, which inspires them to work more ardently.

22. Explain any four points that highlight the importance of financial planning. 4

Ans. 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.

23. Describe any five limitations of planning. 5

- Ans. (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

24. Differentiate between money market and capital market on the following basis:

- | | |
|-------------------------|------------------|
| (i) Participants | (ii) Instruments |
| (iii) Investment outlay | (iv) Duration |
| (v) Liquidity | |

Ans.

Basic	Money market	Capital market
Participants	Major participants are RBI, commercial banks, financial institutions and finance companies.	Participants of capital market are financial institutions, banks, corporate entities, foreign investors and ordinary retail investors from the members of public.
Instruments	Instruments traded are T-bills, commercial bills, certificate of deposits, etc.	Main instruments traded are shares, debentures, bonds, preferences, shares, etc.
Investment outlay	In money market, instruments require huge sums of money, because these are quite expensive.	It does not require huge capital outlay, as the value of units of securities is generally low, i.e., ₹ 10 or ₹ 100. Even the trading lot is kept low at 5, 50, 100.
Duration	They have a tenure of maximum one year and may even be traded for a single day.	Deals with medium term and long-term securities with a maturity period of more than one year.
Liquidity	They are highly liquid and have an arrangement for providing liquidity, which is provided by Discount and Finance House of India (DFHI).	They are less liquid, e.g. a person wanting to sell shares may not get a buyer.

25. Explain 'Price' as an element of marketing-mix. Also, explain any four factors that affect the fixation of price of a product. 5

- Ans.** Price is the amount of money that a customer spends to purchase a product. Because products need a price tag or other means of establishing the price before being sold in the market, pricing plays a significant part in marketing. It has a significant role in shaping a product's demand. Marketers must appropriately choose a price by thoroughly analysing a variety of connected elements,

in an economic environment. Conditions in the economic, political, and legal environment 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 old plans. 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 becomes 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) Does not Guarantee Success:** Only when strategies are properly created and carried out, a business success feasible. Managers frequently implement tried-and-tested strategies, but not every situation will benefit from a strategy that has been successful in the past.

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including the target customers, pricing strategies of rivals and company objectives.

Factors Determining Fixation of Price:

- (i) Pricing Objectives:** Profit maximisation 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 the 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.

26. Principles of Taylor and Fayol are mutually complementary. One believed that, management should not close its ears to constructive suggestions made by the employees, while the other suggested that a good company should have an employee suggestion system, whereby suggestions which result in substantial time or cost reduction should be rewarded. Identify and explain the principles of Taylor and Fayol referred in the above para. 5

Ans. Cooperation and individualism: Management should not close its ears to constructive suggestions made by the employees', is related with the principle of Taylor, i.e. 'cooperation not individualism'. This principle is an extension of principle of harmony. Competition should be replaced by cooperation. Management and workers both should realise that they need each other. For this management should entertain the constructive suggestions of employees and at the same time, workers should also cooperate with management.

Initiative: The another principle related with Fayol was 'initiative' in which he suggested that employees at all levels should take initiative or action without any force or boundations. This will help to motivate them and they will work hard for the betterment of the organisation. He stressed that a good company should have an employee suggestion system where by initiatives/suggestions which result in substantial cost/time reduction should be awarded.

27. Organising involves a series of steps in order to achieve the desired goals. Explain these steps. 6

OR

With the help of any four roles explain the crucial role that organising plays in an enterprise. 6

Ans. Process of organising:

- (i) **Identification & Division of Work:** Identification and division of the work into appropriate groups in accordance with the planned plans comprise the initial step in the organising process. The work is divided into smaller tasks to prevent duplication of effort and to distribute the workload among the staff members.
- (ii) **Departmentalising:** After the work has been divided into smaller, more manageable tasks, similar tasks are grouped. These groupings make

specialisation easier. Departmentalisation is a term used to describe this grouping process. Several criteria can be used as the foundation for creating departments.

- (iii) **Assignment of Duties:** It is crucial to describe the duties of various job roles in detail and assign tasks to employees in accordance with that information. Individual department heads are chosen for each department after it has been organised into departments. The tasks must be given to people who are most qualified to complete them successfully.
- (iv) **Establishing Reporting Relationships:** Establishing authority and responsibility relationships assists in the development of a hierarchical structure and help in departmental coordination. It is important to establish superior-subordinate relationships among various individuals and job roles so that everyone is aware of who can give them commands and from whom they should accept them.

OR

Role of organising in an enterprise:

- (i) **Specialization:** The workforce's jobs are systematically allocated as a result of organising. The fact that the particular personnel is performing a certain job regularly, decreases the workload and increases production. A worker can specialize by gaining experience in a certain field by performing the same task repeatedly.
- (ii) **Clarity in Working Management:** Clarifying lines of communication and identifying who is to report to whom are two benefits of creating working relationships. This clears up any ambiguity in the transmission of knowledge and instructions.
- (iii) **Effective Administration:** Clear descriptions of jobs and related responsibilities are provided through organising. Confusion and duplication are reduced as a result. Effective work execution is made possible by clear working relationships.
- (iv) **Optimum Utilisation of Resources:** Through organising, all human, financial, and material resources are used effectively. The most effective use of resources is made possible by the right job assignment, which also prevents work from overlapping.

28. Explain the various steps in the process of controlling. 6

OR

Explain any four points that highlight the importance of controlling. 6

Ans. Refer to Question 28 (OR part) Outside Delhi Set-I, 2014.

OR

Importance of Controlling:

- (i) **Achieving Organisational Objectives:** It analyses organisational objective progress and identifies deviations. Activities might not go as planned in the absence of a control system. We may therefore conclude that it directs the organisation and keeps it on the right path so that it can accomplish its objectives.

- (ii) **Evaluating the Accuracy of Standards:** A strong control system helps management to carefully monitor changes occurring in the organisational environment in order to determine if the standards established are correct or not.
- (iii) **Using Resources Effectively:** A manager tries to minimise resource waste and spoilage by exercising control. Each task is carried out in accordance with established standards and guidelines, allowing for the effective and efficient use of resources.
- (iv) **Increasing Employee Motivation:** It enables employees in understanding what is expected of them and the performance criteria that serve as the basis for their evaluation. This encourages them to work better.

29. Explain the following as factors affecting the requirements of fixed capital:

- (i) Scale of operations
 (ii) Choice of technique
 (iii) Technology upgradation
 (iv) Financing alternatives

6

OR

Explain the following as factors affecting dividend decision:

- (i) Stability of earning
 (ii) Growth opportunities
 (iii) Cash flow position
 (iv) Taxation policy.

6

Ans. (i) **Scale of Operations:** When compared to a small organisation, a larger organisation operating at a large scale requires larger equipment, more space, etc., and as a result, requires a higher investment in fixed assets.

(ii) **Choice of technique:** While some organisations are labour-intensive, others are capital-intensive. A business that relies heavily on capital must invest more in machinery and plant since it uses less physical labour. For such organisations, a higher level of fixed capital would be required. On the other hand, businesses that rely heavily on labour need to invest less in fixed assets. As a result, they need less fixed capital.

(iii) **Technology Upgradation:** In some industries, equipment becomes obsolete more quickly. As a result, their replacements are needed sooner. Therefore, greater fixed asset investment may be necessary in these circumstances. For instance, compared to, say, furniture, computers obsolete more quickly and are replaced more frequently. As a result, organisations that use assets that are subject to obsolescence need more fixed capital to buy those assets.

(iv) **Financing alternatives:** Leasing facilities may be available in a financial sector that has emerged as an alternative to outright purchase. When a company leases an asset, it uses it and pays the lease rentals. It saves the large amounts of money needed to buy it by doing this. Thus, the availability of leasing facilities may result in a reduction in the amount of money needed to invest in fixed assets

and a corresponding reduction in fixed capital requirements. In high-risk business sectors, this approach is particularly suitable.

OR

(i) **Stability of Earning:** Dividends are paid from both current and past earnings. Earnings therefore play a significant role in deciding whether to pay dividend or not.

(ii) **Growth Opportunities:** Businesses with good growth prospects keep more of their earnings to pay for the necessary investments. As a result, the dividend paid by growth companies is lower than the dividend paid by non-growth corporations.

(iii) **Cash Flow Position:** The distribution of dividends results in a cash outflow. Despite making a profit, a corporation could lack cash. The corporation must have access to enough cash in order to declare a dividend.

(iv) **Taxation Policy:** The distinction between the tax treatment of dividends and capital gains influences the decision of whether to pay a dividend or keep the earnings to some extent. It is better to pay less in dividends if the tax rate is greater. Higher dividends may be declared in contrast to this if tax rates are comparatively lower. Although dividends are tax-free in the hands of shareholders, firms must pay a dividend distribution tax.

30. Explain the following functions of marketing:

- (i) Gathering and analysing market information
 (ii) Marketing planning
 (iii) Customer support services
 (iv) Physical distribution.

6

OR

*'Though advertising is one of the most frequently used media of promotion of goods and services, yet it attracts lot of objections.' Explain any four such objections.

6

Ans. (i) **Gathering and Analysing Market Information:** Collecting and analyzing market information is essential for determining customer needs and making key decisions for the effective marketing of goods and services. This is crucial in determining what possibilities it can pursue most successfully.

(ii) **Marketing Planning:** Planning for marketing includes methods for boosting output, promoting goods, etc. To meet the organization's marketing goals, marketing planning is required.

(iii) **Customer Support Services:** To increase sales from potential customers and foster brand loyalty for a product, customer support services are very beneficial.

(iv) **Physical Distribution:** It is necessary to choose the distribution channels that will convey goods from the point of production to the point of consumption. It involves activities including inventory management, storage, and warehousing.

Delhi Set II **Code No. 2/1/1**

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

17. State any three points of importance of consumer protection from the point of view of business. 3

Ans. Importance of consumer protection from the point of view of business:

- (i) **Long-term Business Interest:** Progressive companies understand that keeping customers happy is in their best interests over the long run. Consumers that are happy not only make more purchases in the future, but they also give positive feedback to potential customers, which helps grow a company's customer base. Business organizations

should therefore focus on maximizing long-term profits through customer happiness.

- (ii) **Business uses Society's Resources:** Business organisations use resources that are owned by society. They, therefore, have a duty to provide goods and services that serve the public interest and do not undermine public confidence in them.

- (iii) **Social Responsibility:** Businesses have obligations to a variety of interest groups in terms of social responsibility. Businesses generate revenue by offering consumers products and services. Thus, consumers are an essential group among the various stakeholders in business, and their interests, like those of other stakeholders, must be carefully protected.

26. Differentiate between 'capital-market' and 'money-market' on the basis of:

- (i) Safety;
- (ii) Expected return;
- (iii) Meaning;

5

Ans.

Basis	Capital market	Money market
Safety	Capital market instruments are riskier both with respect to returns and principal repayment. Issuing companies may fail to perform as per projections and promoters may defraud investors.	Money market is generally much safer with a minimum risk of default. This is due to the shorter duration of investment and also to financial soundness of the issuers, which primarily are the government, banks and highly rated companies.
Expected returns	The investment in capital markets generally yield a higher return for investors than the money markets.	The investment in money markets generally yield a lesser return for investors than the capital markets.
Meaning	The term capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.	The money market is a market for short term funds which deals in monetary assets whose period of maturity is upto one year.

29. With the help of any four points, explain the importance of 'delegation' in an organisation. 6

Ans. Importance of delegation:

- (i) **Effective management:** The managers can work more effectively since they have more time to focus on crucial issues, thanks to the employees' empowerment. They have the chance to flourish in new areas because they are not forced to perform regular tasks.

- (ii) **Employee development:** Delegation gives employees greater opportunities to use their skills, which may help them develop hidden talents. It enables students to acquire the abilities necessary to carry out challenging jobs and take on responsibilities that will enhance their professional chances. They become better decision-makers and leaders as a result. Thus, delegation benefits by making future managers more effective. By giving them the chance to put their skills to use, gain experience, and prepare themselves for higher positions, delegation gives workers more influence.

- (iii) **Motivation of employees:** Employee talent development benefits from delegation. It has

psychological advantages as well. When a superior assigns a task to a subordinate, it includes more than just the sharing of work; it also requires confidence on both sides—commitment from the subordinate and trust from the superior. Employees who take ownership of their work develop a higher sense of self-worth and confidence. He is inspired and makes an effort to raise his level of performance.

- (iv) **Facilitation of growth:** By supplying a workforce that is ready to assume leadership roles in new projects, delegation aids in an organisation's growth. By transferring the work ethics they have absorbed from current units to the newly established branches, trained and experienced employees can play key roles in the launch of new projects.

30. Explain the following as factors affecting the requirements of fixed capital:

- (i) Nature of business
- (ii) Growth prospects
- (iii) Diversification and
- (iv) Level of collaboration

6

OR

Explain the following as factors affecting dividend decision:

- (i) Stability of dividends
- (ii) Shareholder's preferences
- (iii) Access to capital market and
- (iv) Legal constraints

6

Ans. (i) Nature of business: The kind of business affects the fixed capital requirements. In contrast to a manufacturing company, a trading company, for instance, requires less investment in fixed assets because it is not necessary to purchase equipment, machinery, etc.

(ii) Growth prospects: An organisation that is growing more quickly typically has to invest more on fixed assets. Even when such growth is predicted, a business may decide to build more capacity in order to fulfill the anticipated increased demand more quickly. This entails larger investment in fixed assets and consequently larger fixed capital.

(iii) Diversification: There are several reasons why a company can decide to diversify its business. Fixed capital requirements increase as a consequence of diversification, such as when a textile company diversifies by opening a cement producing factory. It will undoubtedly raise its fixed capital investment.

(iv) Level of collaboration: Sometimes multiple companies use each other's facilities. For example, a telecom company shares a tower with another telecom company. One bank can use another bank's Automated Teller Machine (ATM). Such a situation

occurs only when the scale of operation of each of them is not large enough to take full advantage of that facility on its own. Such collaborations help in reducing the level of investment in fixed assets.

OR

(i) Stability of dividends: Companies typically adhere to a policy of stabilising the dividend per share. Increase in dividends are typically made when there is optimism about their future profits potential, not just the earnings for the current year. In other words, if the change in earnings is slight or deemed to be short-term in nature, the dividend per share is unaffected.

(ii) Shareholders' Preference: Managements shall take the preferences of the shareholders into consideration when making dividend declarations. The corporations are likely to declare the same if the shareholders as a whole prefer that at least a specified amount be paid as dividend. There will always be stockholders who rely on their investments for a steady income.

(iii) Access to capital market: Large, well-known businesses typically have easy access to the capital market and may therefore rely less on retained earnings to fund their growth. In comparison to smaller businesses with less market access, these corporations frequently pay bigger dividends.

(iv) Legal Constraints: The Companies Act has limitations that limit dividend payouts. When declaring the dividend, certain rules must be followed.

Delhi Set III

Code No. 2/1/1

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

17. State any three responsibilities that a consumer should keep in mind while purchasing, using and consuming goods and services. 3

Ans. (i) Be aware about 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. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery, etc.

(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.

(Any three)

25. State any five points of importance of planning. 5

Ans. Refer to answer 26, Outside Delhi Set III, 2013.

* 26. Explain the factors that determine the choice of channels of distribution. 5

29. Explain the concept of 'Divisional Structure'. Also, explain any four advantages of divisional structure. 6

Ans. A divisional structure is one in which the organisational structure consists of various corporate divisions or units. A divisional manager who has control over the unit and is accountable for performance oversees each unit. Typically, labour is divided into categories based on the many goods produced. Each division performs multiple tasks because they work together to accomplish a shared objective. Examples of these tasks include production, marketing, finance, and purchasing. As each division gains proficiency in all tasks associated with a particular product line, it becomes independent.

Advantages of divisional structure:

(i) A divisional head's ability to build a variety of talents through product specialisation helps to position him for higher roles. This is because he obtains knowledge of every aspect of a certain product's operation.

- (ii) Since revenues and expenses associated with various divisions can be readily identified and attributed to them, divisional heads are responsible for profitability. This offers a reliable foundation for performance evaluation. Additionally, it aids in determining accountability in situations where the division performs poorly so that necessary corrective action can be implemented.
- (iii) Because each division operates as an independent unit, it encourages initiative and flexibility, which speeds up decision-making.
- (iv) As new divisions may be introduced without disrupting current operations by merely adding another divisional head and personnel for the new product line, it supports expansion and growth.

30. Explain the following as factors affecting the requirements of working capital:

- (i) Business cycle
- (ii) Operating efficiency
- (iii) Availability of raw materials and
- (iv) Level of competition

6

OR

Explain the following as factors affecting 'financing decision'.

- (i) Cash flow position of the business
- (ii) Level of fixed operating cost
- (iii) Control consideration and
- (iv) State of capital markets

6

Ans. (i) **Business Cycle:** A firm's need for working capital varies depending on the phase of the business cycle. In the event of boom, sales and production are likely to be higher, necessitating a higher level of working capital. In contrast, because sales and production will be low during the depression, the need for working capital will be smaller.

(ii) **Operating Efficiency:** Businesses manage their operations to varying degrees of effectiveness. For instance, a company that effectively manages its

raw materials can be able to operate with a lower balance. As a result, the inventory turnover ratio is higher. Similar to this, lowering the quantity held in receivables can improve the debtor's turnover ratio. The average amount of time that finished goods inventory is held could be decreased with better sales efforts.

- (iii) **Availability of Raw Material:** Lower stock levels might be sufficient if all necessary goods, including raw materials, are freely and constantly available. Higher stock levels may be required if raw materials do not have a track record of continuous availability.
- (iv) **Level of Competition:** Higher level of competitiveness may necessitate larger stocks of finished goods to meet urgent orders from customers. This increases the working capital requirement. Competition may also force the firm to extend liberal credit terms discussed earlier.

OR

(i) **Cash Flow Position of the Company:** Equity fund raising may be less practical than debt financing if the company has a stronger cash flow position.

(ii) **Fixed Operating costs:** A company must lower fixed financing costs if it has high fixed operating costs (such as building rent, insurance premiums, salaries, etc.). Lower debt financing is therefore preferable. Similar to this, more debt financing may be preferable if fixed operating costs are lower.

(iii) **Control considerations:** Increased equity concerns could result in less managerial influence over the company. Such a thing is not implied by debt financing. Debt is preferred over stock by businesses afraid of takeover offers.

(iv) **State of capital market:** The state of the capital market may also have an impact on the choice of source of fund. More people invest in equity while the stock market is growing. However, any corporation may find it challenging to issue equity shares due to the weak capital market.

Outside Delhi Set I

Code No. 2/1/1

1. What is meant by 'Management of Work'? 1

Ans. **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.

2. What is determined by 'Time-study'? 1

Ans. **Time Study:** Determine standard time required to perform a well-defined job.

3. What is included in 'legal Environment' of Business? State. 1

Ans. Legal Environment includes various legislations passed by the Government, administrative orders, court judgments, etc.

4. Give the meaning of 'Method' as a type of plan. 1

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

5. Give the meaning of 'Responsibility' as an element of delegation. 1

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

6. 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).

7. How are employees motivated to improve their performance when the organisation uses internal sources of recruitment? State. 1

Ans. Employees are motivated as promotion at a higher level may lead to a chain of promotions at lower levels in the organisation.

8. 'Providing the social security and welfare of employees' is one of the specialised activities performed by Human Resource Management. Mention any two other specialized activities of Human Resource Management. 1

Ans. Maintaining labour relations by handling complaints and grievances of employees and Handling lawsuits and legal complications of company.

9. What is meant by 'Decoding' as an element of communication? 1

Ans. Decoding means Translating encoded message into language.

10. Give any two characteristics of 'Organisational Climate' that influence the behaviour of individuals and act as a non-financial incentive. 1

Ans. Some of the characteristics of organisational climate are—individual autonomy, reward orientation, consideration to employees, risk-tasking, etc.

11. What is meant by 'Financial Risk'? 1

Ans. Financial risk refers to a position when a company is unable to meet its fixed financial charges namely interest payment, preference dividend and repayment obligations.

12. State the objective of 'Financial Management'. 1

Ans. The primary objective of financial management is to maximise shareholders' wealth. It means maximisation of the market value of equity shares.

13. Huma is working in a company on a permanent basis. As per the 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 realised 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 fulfill.

(ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied. 3

Ans. (i) 'Huma is working in a company on a permanent basis.' Safety / Security needs.

(ii) 'she fell ill and had to take leave from her work. No one showed concern and enquired about her health.' Affiliation / Belongingness needs.

*** 14. Explain any three functions performed by a supervisor that are vital to any organisation. 3**

15. 'Stock Exchange not only contributes to the economic growth, but performs many other functions'. Explain any three such functions. 3

Ans. Functions of stock market:

(i) Ensures safety of transaction: The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market.

(ii) Helps in deciding pricing of securities: Share prices on a stock exchange are determined by the forces of demand and supply. A stock exchange is a mechanism of constant valuation through which the prices of securities are determined. Such a valuation provides important instant information to both buyers and sellers in the market.

(iii) Helps in contributing to the economic growth: A stock exchange is a market in which existing securities are resold or traded. Through this process of disinvestment and reinvestment savings get channelised into their most productive investment avenues. This leads to capital formation and economic growth.

16. 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 increased demand, the company employed people from near by villages where there is 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.

(i) Identify and explain the product-related decision because of which consumers preferred the products of ABC Crackers Ltd.

*** (ii) Also, identify any two values which ABC Crackers Ltd. wanted to communicate to the society.** 3**

Ans. (i) Branding Through branding a firm can distinguish its product from that of its competitors.

*** 17. State any six reliefs available to a consumer under the Consumer Protection Act, 1986. 3**

18. Explain the following Rights of Consumers:

(i) Right to Consumer Education,

(ii) Right to Choose. 3

Ans. (i) Right to Consumer education: The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life.

(ii) Right to Choose: According to this right, every consumer has the right to choose the goods or services of his or her likings.

19. Mega Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenue. After analysis, the company decided 4

(i) To reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.

(ii) To start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.

This will not only help in covering the risks, but also help in meeting other objectives too.

(a) Identify and explain the objectives of management discussed above.

* (b) State any two values which the company wanted to communicate to the society. 4

Ans. (a) **Organisational Objectives:** Utilising human and material resources to the maximum possible advantage, which is to fulfill economic objectives of a business i.e., survival, profit and growth.

20. Explain the concept of 'Business Environment' and any three features of it. 4

Ans. **Business Environment:** The term 'business environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

Features of Business Environment:

(i) **Totality of external forces:** Business environment is the sum total of all things external to business firms and, as such, is aggregative in nature.

(ii) **Specific and general forces:** Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly.

(iii) **Inter-relatedness:** Different elements of business environment are closely inter-related.

(iv) **Dynamic nature:** It keeps on changing due to changes in its various components.

(v) **Uncertainty:** It is very difficult to predict future happenings in business environment with accuracy.

(vi) **Complexity:** It is relatively easier to understand in parts but difficult to grasp in totality.

(vii) **Relativity:** It differs from country to country and region to region.

21. State any four advantages of external sources of recruitment. 4

Ans. **Advantages fo external sources of recruitment:**

(i) Attracts qualified personnel to apply for the jobs

(ii) Gives a wider choice to management while selection

(iii) Brings fresh talent in the organisation

(iv) Develops competitive spirit among the existing staff

22. Give the meaning of 'Investment' and 'Financing' decisions of financial management. 4

Ans. **Investment Decision:** It is concerned with investment of firm's funds in different assets.

(i) A long-term investment decision in fixed assets is called as capital budgeting decision.

(ii) A short-term investment decision in cash, inventory, and debtors is called as working capital decision.

Financing Decision: It deals with the quantum of finance to be raised from various longterm sources viz. debt and equity. It involves identification of various available sources. The main sources of funds for a firm are shareholders' funds and borrowed funds.

23. State any five features of planning. 5

Ans. **Features of planning are:**

Planning focuses on achieving objectives:

Refer to answer 26, Outside Delhi Set-I (2013)

24. Differentiate between 'Capital Market' and 'Money Market' on the basis of the following:

(i) Meaning

(ii) Liquidity

(iii) Safety

(iv) Expected Return

(v) Duration

5

Ans.

Basis	Capital Market	Money Market
Meaning	The capital market refers to the market or the institutional facilities through which long-term funds are raised and invested.	The money market refers to the market where trading in short-term securities of maturity periods varying from one day to a maximum of one year takes place.
Liquidity	Capital market securities are liquid in nature as they are tradable on stock exchanges, but they are less liquid in comparison to money market securities.	The securities traded are highly liquid in nature. DFHI discounts money market securities and offers a ready market for them.
Safety	Securities involve a greater risk in terms of repayment of the principal amount.	Securities are less risky due to the shorter duration of the instruments.
Expected Return	The expected return are higher due to the possibility of capital gains in the long term and regular dividends or bonus.	The expected returns are lower due to the shorter duration of the instruments.
Duration	Securities traded are of medium term and long term wherein the maturity period is more than one year.	Securities traded are of short term only wherein the maturity period can vary from one day to a maximum of one year.

25. What is meant by 'Personal Selling'? * Explain any three qualities of a good salesman. 5

Ans. Personal Selling: Personal selling involves face-to-face interaction or conversation with one or more potential customers for the purpose of convincing customer to make a purchase. A sales person, appointed by the company, gives oral presentation to the perspective consumers to create awareness about the product.

26. 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 employee's 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. 5

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

(i) **'Harmony, Not Discord' by Taylor:** This can be inferred from the line that 'management should share gains with the workers'. Herein, Taylor emphasised that the managers and the workers should maintain a harmonious work environment. They should realise their interdependence and work in amity.

(ii) **Remuneration of Employees by Fayol:** This can be inferred from the line that 'the employees compensation should depends on the earning capacity of the company and should give them a reasonable standard of living'. According to this principle, the compensation paid to the employees should be fair and just.

27. Differentiate between formal and informal organisation on the basis of the following:

- (i) Meaning (iii) Authority
- (ii) Origin (iv) Behaviour
- (v) Flow of communication (vi) Nature 6

OR

With the help of any four points, explain the importance of 'Decentralisation' in an organisation. 6

Ans.

Basis of difference	Formal organization	Informal organization
Meaning	'Formal organization' refers to the relationship between authorities as defined by the management.	Refers to the relationship based on personal and informal relationship among the employees.
Origin	The structure originates from the rules and policies of the management.	The structure originates from the social interactions among the employees.

Authority	Authority is defined by the profile and managerial positions.	Authority is defined by the personal qualities of the employees.
Flow of communication	Communication flows through the scalar chain.	No planned route of communication is followed.
Nature	Formal organisations are rigid	Informal organisations are flexible

OR

Decentralisation refers to the dispersal of the decision making power among the middle and lower level managers. The following points highlight the importance of decentralisation.

- (i) **Initiative:** Decentralisation allows a sense of freedom to the lower managerial levels as it lets them take their own decisions. It gives them a higher degree of autonomy to take initiative.
- (ii) **Managerial competence:** Once the authority is delegated to the managers at lower levels, it provides them the needed opportunity to develop themselves. It provides them with the opportunity to gain experience and thereby, develop the skills and knowledge to face new challenges.
- (iii) **Control:** Decentralisation helps in evaluating the performance of the organisation in a better manner.
- (iv) **Active decision making:** Since through decentralisation, the authority of making decision is passed on to lower levels of management, decision are taken quickly and timely.

28. Explain the relationship between planning and controlling. 6

OR

Explain the various steps in the process of controlling. 6

Ans. Planning and Controlling are inter-related within any organisation. Planning sets the goals for the organisation and controlling ensures its accomplishment. Planning decides the control process and controlling provides sound basis for planning. In simple words, planning and controlling are basically dependent on each other.

OR

- (i) **Establishing performance standards:** Although setting of goals and standards are part of the planning process, it also plays an important role in controlling.
- (ii) **Measuring actual performance against the set standards:** The immediate action that managers need to take after being made aware of the goals, is to measure their actual performance and compare that with the standards already set.
- (iii) **Determining if the performance matches with the standard:** Checking if the performance matches with the standards is very important. It is an important step in controlling. In this step, the results are measured with the already set standards.

Taking corrective action and re-evaluating the standard: Corrective measures need to be taken when there is a discrepancy. Correct actions provide protection against loss and stop them from reappearing in future.

29. Explain the following as factors affecting the requirements of working capital:

- (i) Nature of business
- (ii) Scale of operations
- (iii) Seasonal factors
- (iv) Production cycle 6

OR

Explain the following as factors affecting choice of capital structure:

- (i) Cash flow position
- (ii) Cost of equity
- (iii) Floatation costs
- (iv) Stock-market conditions 6

Ans. (i) Nature of business: An organisation that deals in services or trading will not require much of working capital.

(ii) Scale of operations: If a firm operates on a large scale, the requirement of the working capital increases.

(iii) Seasonal factors: During the period of high sale, there is higher production, higher stock and more debtors.

(iv) Production cycle: If a firm has a longer span of production cycle or there is a long term gap between the receipt of raw material and their conversion into finished goods, then there will be high requirement of working capital due to inventories and related expenses.

OR

Capital structure refers to the proportion of debt and equity held by a company.

(i) Cash flow position: The cash flow position should be such that a company must be able to fulfill its

cash obligations and is also left with some buffer. The capital structure of the company should be decided taking this factors into consideration.

(ii) Cost of equity: Higher the cost of equity, in terms of divided payments, lower is its proportion in the total capital and vice-versa.

(iii) Floatation cost: Costs involved in raising funds from various sources affect the choices of the capital structure by a company. Higher the costs related to public issue of shares or debentures, higher is the use of debts rather than equity.

(iv) Stock-market conditions: Favourable stock market conditions makes equity more attractive, increasing its proportion in the total capital and vice-versa.

30. Explain the following functions of marketing:

- (i) Product designing and development
- (ii) Standardisation and Grading
- (iii) Customer Support Services
- (iv) Pricing of products 6

OR

*** 'Though advertising is one of the most frequently used media of promotion of goods and services, yet it attracts lot of objections.' Explain any four such objections.** 6

Ans. The following are the functions of marketing:

(i) Designing and developing the product: The products should bear in mind that the design of a product acts as a vital factor for attracting the customers to the product.

(ii) Standardising and grading the product: Standardisation implies the production of goods with certain specific qualities such as durability, safety and utility so that a uniformity is maintained in the output.

(iii) Customer support services: It involves handing complaints and feedback of the customers.

(iv) Pricing of the product: Price refers to the amount of money that is to be paid by the consumers for purchasing the commodity.

Outside Delhi Set II

Code No. 2/1/1

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

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

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

(i) Consumer awareness: In the light of widespread ignorance of consumers about their rights and reliefs available to them, it becomes necessary to educate them about the same so as to achieve consumer awareness.

(ii) To organise consumer in the form of consumer organisations: Consumers need to be organised in the form of consumer organisations which would take care of their interests. Though, in India, we do have consumer organisations which are working in this direction, adequate protection is required to be given to consumers till these organisations become powerful enough to protect and promote the interests of consumers.

(iii) Protection against malpractices or exploitation of sellers: Consumers might get compensated for impurities in cold drinks exploited by unscrupulous, exploitative and unfair trade practices like defective and unsafe products, adulteration, false and misleading advertising, hoarding, black-marketing etc.

18. Explain the following Rights of Consumers: 3

(i) Right to Safety

(ii) Right to be Heard

Ans. (i) Right to Safety: Means right to be protected against the marketing of goods and services, which are hazardous to life and property. The purchased goods and services availed of should not only meet their immediate needs, but also fulfil long term interests.

(ii) Right to be Heard: The consumer has a right to file a complain and to be heard in case of dissatisfaction with a good or service.

25. Define 'Planning'. State any four points of importance of planning. 5

Ans. Planning is ascertaining prior to what to do and how to do. It is one of the primary managerial duties. Before doing something, the manager must form an opinion on how to work on a specific job. Hence, planning is firmly correlated with discovery and creativity.

Importance of Planning

(i) Planning provides directions: Planning assures that the objectives are certainly asserted so that they serve as a model for determining what action should be taken and in which direction.

(ii) Planning decreases the chances of risk: Planning is an activity which permits a manager to look forward and predict changes.

(iii) Planning decreases overlapping and wasteful activities: Planning works as the foundation of organising the activities and purposes of distinct branches, departments, and people.

(iv) Planning encourages innovative ideas: Since it is the primary function of management, new approaches can take the form of actual plans

26. The difference between 'Primary Market' and 'Secondary Market' on any five basis. 5

Ans.

Basis	Primary Market	Secondary Market
Meaning	A marketplace for new shares	A marketplace where formerly issued securities are traded
Another Name	New Issue Market (NIM)	After Market
Products	IPO and FPO	Shares, debentures, warrants, derivatives, etc.
Type of Purchasing	Direct	Indirect
Parties of buying and selling	Buying and selling takes place between the company and investors	Buying and selling takes place between the investors

29. Explain, with the help of any four points, the importance of 'Delegation' in an Organisation. 6

OR

'Organising involves a series of steps in order to achieve the desired goals.' Explain these steps.

Ans. Importance of Delegation:

(i) Effective management: In the delegation process, managers pass routine work to the subordinates. So, they are free to concentrate on other important matters.

(ii) Employees' development: As a result of delegation employees get more opportunities to utilise their talents. It allows them to develop those skills which help them to perform complex task.

(iii) Motivation of employees: In the delegation when the manager is sharing his responsibilities and authority with the subordinates it motivates the subordinates as they develop the feeling of belonging and trust which is shown to them by their superiors.

(iv) Facilitates organisational growth: In the process of delegation, when the managers are passing their responsibility and authority to the subordinates they keep in mind the qualification and capability of all the subordinates.

OR

Various steps of organising process are as follows.

(i) Identification of tasks: All the relevant activities and tasks are identified. Number of activities depends upon the objectives of the organisation. It should be done effectively such that no important activity is omitted or repeated.

(ii) Grouping jobs: Once all the activities are identified the next step is grouping of the related jobs. This leads to set up of the departments and divisions in the organisation like production department, finance department, marketing department, and personnel department.

(iii) Assigning work: When activities are divided among departments the next step would be to appoint suitable persons for the various tasks. Experts in their fields are appointed as heads of their departments and for lower positions peoples are appointed.

(iv) Delegation of authority: When some work is assigned to someone then he must be given some authority to do that work effectively. Assigning work and delegation goes parallel to each other. Assigning work without proper authority is meaningless.

(v) Coordination: As all activities in organisation are distinct but they are interdependent so their must be coordination among the departments.

30. Explain the following as factors affecting the requirements of fixed capital: 6

(i) Scale of operations

(ii) Choice of technique

(iii) Technology upgradation

(iv) Financing alternatives

OR

Explain the following as factors affecting 'dividend decision':

- (i) Stability of dividend
- (ii) Shareholders' preference
- (iii) Legal constraints
- (iv) Access to capital market 6

Ans. (i) Scale of Operation: The companies which are operating at a large scale require more fixed capital as they need more machinery and other assets whereas small-scale enterprises need less amount of fixed capital.

(ii) Choice of Technique: Companies using capital-intensive techniques require more fixed capital whereas companies using labour-intensive techniques require less capital because capital-intensive techniques make use of plant and machinery and the company needs more fixed capital to buy plants and machinery.

(iii) Technology Up-gradation: Industries in which technology up-gradation is fast need more amount of fixed capital as when new technology is invented old machines become obsolete and they need to buy new plants and machinery whereas companies where technological up-gradation is slow they

require less fixed capital as they can manage with old machines.

(iv) Financing alternative: If company can arrange finance easily then it requires less fixed capital.

OR

(i) Stability Earnings: Other things remaining the same, a company having stable earning is in a better position to declare higher dividends. As against this, a company having unstable earnings is likely to pay smaller dividend.

(ii) Shareholders' Preference: While declaring dividends, management must keep in mind the preferences of the shareholders. Some shareholder have general desire that atleast a certain amount is paid as dividend. The companies should consider the preferences of such shareholders .

(iii) Legal Constraints: Certain provisions of the Companies Act, place restrictions on payouts as dividend. Such provisions must be adhered to, while declaring the 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. These companies tend to pay higher dividends than the smaller companies.

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.

17. State any three functions performed by consumers organisation for protection and promotion of interests of consumers. 3

Ans. Functions performed by consumer organisations and non-government organisations are as follows:

- (i) Accelerating consumer awareness/Educating consumers
- (ii) Collecting data on different products and testing them.
- (iii) Filing suit on behalf of consumers
- (iv) Organising protests against adulteration etc.
- (v) Helping educational institutions (any three)

18. Explain the following Rights of Consumers:

- (i) Right to be Informed
- (ii) Right to Seek Redressal 3

Ans. (i) Right to be Informed: Consumer has a right to be informed about the quality, quantity, price and standards of the goods as to protect against any mal practice.

(ii) Right to Seek Redressal: This right assures justice to consumers against exploitation and includes compensation for any loss or injury suffered by the consumers, replacement of goods or repair of defects in the goods in order to provide satisfaction to consumers.

25. Explain any five limitations of planning. 5

Ans. Limitations of Planning:

Refer to Ans. 25, Outside Delhi Set-II, 2013

26. Differentiate between 'Capital Market' and 'Money Market' on the basis of the following:

- (i) Participants (ii) Instruments
- (iii) Duration (iv) Investment outlay
- (v) Liquidity 5

Ans.

Basis	Capital Market	Money Market
Liquidity	Capital market securities are considered liquid because of stock exchange but compared to money market instruments these are less liquid.	Money market securities enjoy higher degree of liquidity.
Investment outlays	The investment in capital market does not require huge financial investment	The money market instruments are quite expensive so huge financial investment is required.

Participants	The participants of capital market are financial institutions, banks, public and private companies, foreign and ordinary retail investors from public.	The participants of money market are banks, private and public companies but foreign and ordinary retail investors do not participate in money market.
Safety	The instruments of the capital market are riskier .	The instruments in the money market are safe and less risky due to short duration.
Instruments	The instruments dealt in this market are bonds, debentures, equity shares and stock.	The instruments dealt in the market are bills of exchange, treasury bills, banker's acceptance, etc

29. With the help of any four points, explain the crucial role that organising plays in an enterprise.

6

OR

Explain the concept of 'Functional Structure' of an organisation. Also, explain any four disadvantages of functional structure.

6

Ans. (i) It facilitates the systematic allocation of work. This reduces the workload as well as enhances productivity, as each task is repetitively performed by a worker which helps him to gain experience and attain specialisation.

(ii) Clarity in Working Relationships: The establishment of working relationships clarifies the lines of communication and specifies who is accountable to whom.

Thus, there is no confusion regarding the performance of work, fixation of responsibility and communication.

(iii) Optimum Utilisation of Resources: It leads to proper usage of all materials, financial and human resources by proper assignment of jobs. Assignment of jobs to workers reduces duplication of work, prevents confusion, minimises wastages and allows the best possible use of resources.

(iv) Adaptation to Change: It facilitates modification in organisational structure and revision of inter-relationships among people in order to adapt to environmental changes.

It also helps to provide stability and growth, despite external changes occurring in the business environment.

(v) Effective Administration: It gives a clear description of the duties and responsibilities of each individual. This helps to avoid confusion regarding work and avoids duplication of activities. Thus, it helps in bringing efficiency in administration.

(vi) Development of Personnel: It stimulates creativity amongst the managers. Effective delegation allows the managers to reduce their workload by assigning routine jobs to their subordinates.

OR

This is the simplest and the most prevalent form of organisational structure. Functional organisational structure refers to the structure in which different departments are created on the basis of major functions performed in the organisation.

Disadvantages of functional structure are as under:

(i) Hindrance in Organisational Objectives: Under functional structure, more emphasis is given on achieving of departmental objectives rather than the overall organisational objectives. Such a practice leads to functional empires and places hindrance in the interaction between two or more departments. Hence, organisational objectives may not get achieved.

(ii) Ineffective Coordination: Establishing coordination in functionally differentiated departments becomes very difficult.

(iii) Conflicts: Sometimes, interests of two or more departments may not be compatible. In such situation, it leads to conflicts among different departments.

(iv) Inflexibility: It leads to inflexibility in the organisation since people with same skills and knowledge develop a narrow outlook and face difficulty in understanding and appreciating other jobs.

30. Explain the following as factors affecting the requirement of working capital:

(i) Business cycle

(ii) Availability of raw material

(iii) Level of competition

6

OR

Explain the following as factors affecting dividend decision:

(i) Stability of earnings

(ii) Growth opportunities

(iii) Cash flow position

(iv) Taxation policy

6

Ans. (i) Business cycle: During boom period, when sales are high, higher amount of working capital is required as compared to the depression period.

(ii) Availability of raw material: Higher lead time (i.e. time lag between the placement of order and actual receipt of the materials) and interrupted availability of raw materials will raise the requirement of working capital.

(iii) Level of competition: Working capital requirements will be more if level of competition is high.

OR

- (i) **Stability of earnings:** If a firm has stable earnings then it pays higher dividends as compared to those firms which have fluctuations in earnings.
- (ii) **Growth Opportunities:** Companies having good growth opportunities retain more money out of their earnings so as to finance the required investment. Therefore the dividend declared in growth companies is smaller than that in the non-growth companies.

(iii) **Cash Flow Position:** Dividend involves an outflow of cash. Availability of enough cash is necessary for payment or declaration of dividends.

(iv) **Taxation Policy:** If the tax on dividends is higher, it is better to pay less by way of dividends. But if the tax rates are lower, higher dividends may be declared. This is because as per the current taxation policy, a dividend distribution tax is levied on companies.

