

Business Studies 2013 (Outside Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 90

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]

Answer : "Follow up action" is the step of planning process discussed above.

2. Define organising as a function of management. [1]

Answer : Organising as a function of management refers to the procedure of implementing the activities in a certain order. It contains designing the roles and directing the people towards accomplishment of goals and objective in an organisation. It makes people to work together and implementing the plans by clarifying their jobs and working relationship for successful attainment of goals and objectives.

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

Answer : Functional structure is a suitable organisation structure for a large organisation having diversified activities requiring high degree of specialisation in operations.

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

Answer : Principles of management are the statement of fundamental truth, they serve as a guide to thoughts and actions for managerial decision, actions and their execution.

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

Answer : Staffing refers to the function of finding the right person for the right job in the organisation. It ensures continuous survival and growth of an enterprise by ensuring that the right person with the desired qualifications are chosen for the work. It also takes into account that the vacancies are filled and always remain occupied in the organisation.

6. Name and state the 'on-the-job method of

training' that is used to give training to the electricians. [1]

Answer : The type of on-the-job method of training is apprenticeship training. Under such training, the trainee is put under the trainer who guides the trainee to acquire higher level of skills and knowledge that the used to give tramma to the eletricians for a specified time.

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

Answer : Under Democratic style of leadership, the leader takes decisions in consultation with the subordinates. He/she takes inputs and suggestions from the members of the group and encourages them to participate in the decision-making process in the organisation.

8. What is meant by 'Motivation' ? [1]

Answer : Motivation refers to the process of encouraging and suggesting an individual to act in a certain specified manner. In the context of an organisation, motivation implies encouraging and influencing the employees to perform to the best of their capabilities and knowledge so as to achieve the desired goals and objectives of the organisation.

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

Answer : Primary market is the market where securities are issued for the first time. The essential function of such a market is to support and facilitate the transfer of funds from the savers to the investors through the issue of securities. Here, the investors are the entrepreneurs who either want to establish a new business or want to expand the existing one.

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

Answer : The two alternative mechanisms through which allocation of funds can be done are given below :

- (a) Financial markets and (b) Banks

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

Answer : The basic advantage of registering a trade mark is that one gets an exclusive and legal right to use it. In other words, no other person can use that trade mark except for the person who has registered it or has permission of the owner thus trade mark must be registered.

12. State the meaning of 'Product Identification' function of packaging. [1]

Answer : The packaging performs the 'product

identification' function by helping the suppliers and the consumers for easy identification of the product through its unique style and unique code of packaging. It is essential for the organisation for smooth conduct of business.

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

Answer : The principle of 'Management by Exception', emphasize on the fact that an effort to control everything may end up in controlling nothing, *i.e.*, everything cannot be controlled effectively and efficiently. According to it, rather than controlling each and every deviation in performance, an acceptable limit of deviations in various activities should be set and only those deviations that go beyond the acceptable range should be brought to the notice of the managers and it must be controlled. In other words, only the major deviations which are beyond permissible limit should be acknowledged. Thus, by emphasizing on controlling only the major things, management by exception helps in the controlling process in the organisation.

14. Explain how controlling helps in :

(a) Accomplishing organisational goals

(b) Judging accuracy of standards [3]

Answer : (i) **Accomplishing organisational goals :** Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and the corrective actions which are to be taken. It helps to move in the right direction for attaining the set organisational goal and objectives.

(ii) **Judging accuracy of standards :** Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the standards according to the changing business environment feasible.

15. Explain any three functions of financial market. [3]

Answer : A financial market is a market where the creation and exchange of financial assets such as a shares and debentures take place. The following are the three functions of financial market :

(i) **Facilitates transfer of savings and alternatives for investment :** A financial market acts as a link between savers and investors. It provides a platform for the transfer of savings between them. It also provides savers with various alternatives

for investment and thereby directs the funds to the most productive investment i.e. project with positive net present value.

(ii) Establishes the price : Just as in the case of the price of a commodity, the price of a financial asset is established through the forces of demand for and supply of funds and other macro factor like interest rate, inflation, government policy etc. A financial market provides a platform for the interaction of the demand for funds (represented by the business firms) and the supply of funds (represented by the households). Thereby, it helps in determining the price of the asset being traded.

(iii) Facilitates liquidity : An asset or a security can be easily purchased and sold in a financial market. This provides liquidity to assets. In other words, through trading in the financial market, assets can be easily converted into cash.

16. State any three 'development functions' of Securities and Exchange Board of India (SEBI). [3]

Answer : The following are the three development functions performed by Securities and Exchange Board of India:

(i) Training : SEBI promotes the training and development of the intermediaries of the security market in order to promote healthy growth of the security market and proper control over it.

(ii) Research : By conducting research in the required and important areas of the securities market, Securities and Exchange Board of India publishes useful information. This helps the investors and other market players to make prudent investment decisions.

(iii) Flexible approach : SEBI has adopted a flexible and adaptive approach such as permitting internet trading, IPOs, etc. Such measures promote the development of capital market.

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

Answer : Consumer protection refers to the act of making consumers aware of their rights and responsibilities and educating them how they can seek redressal of their grievances and complaints.

The following points highlight the importance of consumer protection from the point of view of consumers :

(i) Ignorance of consumers : As consumers are

generally ignorant about their rights and various forms of relief available to them, it is important to make them aware of their rights and responsibilities and thus awareness program are also conducted.

(ii) Exploitation of consumers : Consumers often face exploitation in the form of unfair trade practices such as adulteration, black marketing and hoarding, and it is necessary to protect them from such misconduct and consumer can file complaint.

(iii) Unorganised consumers : In order to protect the interests of consumers, they must be organised in the form of consumer organisations. These organisations will help them to raise a united voice against any misconduct and unfair trade practices.

18. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods. [3]

Answer : The following are six responsibilities of a consumer which he should keep in mind while purchasing the goods:

(i) Awareness : A consumer should be well aware of the availability of various goods and services so that he can choose carefully and prudently.

(ii) Looking for quality marks : A consumer must always look for the quality certification marks before purchase of the goods such as ISI in case of electrical goods, AGMARK in case of agricultural goods, etc. It means quality inspection are done.

(iii) Asking for cash memo : A consumer should always ask for cash memo or bills for the goods and services purchased. The bill acts as a proof of purchase and can be used for future references.

(iv) Reading labels : Labels on goods provide information regarding price, weight, expiry date of the product. The labels must be read carefully.

(v) Honest transactions : A consumer must always choose legal dealings and discourage illegal trade practices such as black marketing and hoarding and file complaint if anybody found engaged in all these activities.

(vi) Ensure safety : A consumer must carefully read the manuals and instructions provided by the manufacturer so as to ensure safe use of the product.

19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material of 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 thought 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 follow in the staffing process after selecting the above heads.

(ii) Also, identify two values which Sahil wants to communicate to the society by setting up this manufacturing unit** [4]

Answer : (i) The following are the next two steps that Sahil should follow after selecting the heads:

(a) **Induction and placement :** Once the selection is done Sahil should make the selected employees familiar with the working environment of the organisation. In this regard, induction involves giving a brief overview about the workplace, introducing them to other employees and the managers and making them comfortable with the work environment. Placement refers to occupying the position by the employee for which he/she has been selected.

(b) **Training and development :** Next step in the staffing process is training and development of the employee. Both the process emphasize on improving the employee skill and competence. Training is a process of increasing the employee's capabilities and skills required for performing the particular job. Development, on the other hand, focuses on the overall growth of the employee by enhancing his thinking and understanding capabilities. Thus, Sahil should provide training to the workers to upgrade their knowledge and increase their efficiency and effectiveness along with providing them opportunities for growth and career development.

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

Answer : Financial management refers to the effective and efficient acquisition, allocation and use of company funds. It mainly deals in procuring resources optimally from various identified resources. These funds are invested in order to earn the maximum returns on them.

Financial management ensures that these funds are procured at minimum cost and minimum risk and are set up efficiently.

The supreme objective of financial management is to maximise the wealth of the shareholders of a company by choosing for those financial decisions that prove profitable from the point of view of the shareholders. The shareholders are said to gain when the market value of their shares rise. The market value of shares increases when the benefits from a financial decision justify the cost involved in making the decision. Thus, a company makes financial decisions so that some value addition takes place, thereby increasing the price of its equity shares and shareholder wealth. When a financial decision fulfils the primary objective of wealth maximization, then other objectives such as proper utilization of funds, maintenance of liquidity, profit maximization and meeting the financial commitments are automatically achieved.

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

Answer : The following factors affect the fixed capital requirement of a company.

(i) **Scale of operations :** A factor determining the fixed capital requirement is the scale of operations. If an organisation operates on a relatively large scale, then the requirement of fixed capital, i.e., plants, land or building increases. This is because such firms would need to maintain high stock of inventory for their large scale operations. In contrast, if an organisation is working on a smaller scale, then the requirement of fixed capital will be less.

(ii) **Alternative techniques :** There are generally two types of techniques that a company can choose for capital intensive or labour intensive. The choice of these techniques differs from company to company. Here company that follows a capital intensive technique would require a larger amount of fixed capital. This is because such a company would require higher investment in plants and machineries rather than manual labour. In contrast to this, a company follows labour intensive techniques would require a relatively lower amount of fixed capital.

(iii) **Growth prospects:** Every company has growth

plans as its long term objectives. Higher growth and expansion is related to higher production, more sales, more inputs, etc. This requires a higher level of machinery and equipments. Thus, it is clear that companies with higher growth prospects would require higher amount of fixed capital. In compare, the companies that have lesser focus on growth and expansion would require a lesser amount of fixed capital.

(iv) Regular up-gradation of technology : Technology plays an important role in the fixed capital requirement of a company. This is because it continuously changes or becomes obsolete over the period of time. Thus, the companies that work with machinery or equipments that become obsolete faster, require a high amount of investment in fixed capital. For instance, equipments such as computers become obsolete much sooner than the other assets such as furniture, requiring regular upgradation. In such cases, a higher amount of fixed capital is required for the company.

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

Answer : Investment decisions refer to the decisions regarding where to invest so as to earn the highest possible returns on investment. Investment decisions can be taken for both long term as well as short term.

Long term investment decisions also known as Capital Budgeting decisions. It affect long term earning capacity and profitability. Short term investment decisions, on the other hand, also known as working capital decisions which affect day to day working operations of the business.

The following factors affect the investment decisions :

1. Cash flows : Whenever a project involves the investment of huge funds, the organisation expects some amount of regular cash flow from the investment so as to meet its daily requirements. The amount of such cash flows must be properly analysed before taking the investment decision if expected cash flow is lower than initial investment than, those project must be ignored.

2. Rate of return : The rate of return forms the most important criteria for investment in any project. The returns that a project is expected to bring in the form of income to the organization must be carefully analysed. In this regard,

investment projects associated with greater rate of return are preferred over those that offer less rate of return. If the expected rate of return for any project is sufficient than, the project is accepted.

3. Investment criteria : Before selecting a particular project for investment, a company undertakes evaluation of the various other projects based on different criteria such as total amount of investment, expected rate of return, expected cash flows and interest rate. This involves a series of calculations that must be carefully considered. This helps to take final decision to invest in a project.

23. State any five features of 'Co-ordination'. [5]

Answer : The following are the five features of coordination :

(i) Unifies the efforts : Coordination is said to be a group activity as it integrates the efforts of individuals in a group in order to attain set objectives and goals.

(ii) Ensures unity : The main purpose of coordination is to join the actions of all the individuals in a group or all the departments of an organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organisational goals and objectives.

(iii) Creates a channel for cooperation : Coordination is a continuous process. It creates a channel between the different functions of management. Coordination starts from planning and continues till controlling, after which it restarts with planning.

(iv) All Pervasive function : Coordination is a pervasive function. This means that it is performed at all the three levels of management. It is practiced by the managers of every department in order to ensure unity of action.

(v) Involves all managers : Coordination of activities is one of the responsibilities of managers. The top-level managers ensure coordination in the interest of the overall welfare of the organisation. The middle-level managers maintain coordination between the top-level and lower level managers. Finally, the operational level managers perform it to ensure that work is done as per the directions and the objectives of the organisation.

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

are 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]

Answer : (i) The principle of management that is being violated in the given context is 'Equity'. This principle focuses on treating each employee fairly and equally *i.e.*, it states that each employee should be equal in the eyes of the manager. In addition the workers should be regarded as equal on the grounds of religion, language, gender, caste, etc. However, in this case the boss is discriminating between Nikita and Salman on the basis of gender, despite the fact that Nikita has done better than Salman, the principle of Equity is being violated by the company.

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]

Answer : The following are the different dimensions of business environment that can be identified from the given particulars:

(i) **Economic environment :** It comprises economic variables, such as interest rates, income and stock market indices, which affect the functioning of enterprises. The line that depicts this dimension is 'Incomes are rising and people can afford to buy these bags.'

(ii) **Social environment :** Social environment

refers to social forces such as customs, traditions, values, trends, etc. The line that shows this dimension is 'Society, in general, is more concerned about the quality of life.'

(iii) **Technological environment :** Technological environment includes technological changes and improvements. The line that depicts this dimension is 'Innovative techniques are being developed to manufacture jute bags at low rates.'

(iv) **Legal environment :** It comprises the laws and rules passed by the government, such as the Companies Act, the Trade union Act, etc. These legislations govern how an enterprise should function and behave. The line that depicts this dimension is 'The court passed an order to ban polythene bags and all the organisation must follow it otherwise it should be penalised.'

(v) **Political environment :** Political conditions such as peace, stability, law and order compose the political business environment. It directly affects the functioning of enterprises. The line that shows this dimension is 'The government decided to give subsidy to jute industry to promote this business.'

26. Explain any five features of planning. [5]

Answer : Planning anticipates what is to be done and how it is to be done. It is an essential activity that provides the basis for undertaking policies with the aim of achieving goals. The following are the features of planning :

(i) **Objective-oriented :** Planning serves the guidelines for the goals to be achieved by an organisation. It also defines how these goals are to be achieved. These guidelines ensure that the objectives of an organisation are achieved on time. For this, the management formulates plans keeping in mind specific goals and the managers make sure that the plans are purposeful and satisfied need of the organisation. For example, if a sales target is to be achieved, then the organisational plans must reflect this objective.

(ii) **Stepping stone :** Planning serves as the stepping stone for other functions of an organisation. It precedes other functions such as organising, directing, staffing and controlling. This is because plans state the objectives of an organisation along with the means to achieve them. Other functions are planned in accordance with the objectives. Once the plans are determined, the roles of other interrelated functions fall into place. Thus, planning sets the basis for the other functions of management.

(iii) **Pervasive** : Planning is a function that needs to be performed at all the three levels in an organisation. It is performed not just by the top-level managers but also by the people at the low level of management and middle level of management. However, its scope differs according to the various department of business. For example, the top-level managers have to check out policies regarding the overall management, the middle-level managers plan the authority to be assigned to their subordinates and the low-level managers set smaller targets for the day-to-day functioning of the organisation.

(iv) **Continuous** : Planning is a continuous process. This is because, after the implementation of one plan, the need arises for formulating the next plan, keeping in view the new objectives and circumstances. Moreover, within a plan period, the need arises to modify the plan as per changing needs and requirements.

(v) **Choice-making** : Planning is a process of making choices from the various alternatives available to achieve the desired goals and objectives. These alternatives are related to the strategies or policies for achieving organisational objectives. Managers need to evaluate these choices thoroughly and select the most rational scheme to achieve objectives.

27. Give the meaning of 'Informal Organisation' and state any five features of it. [6]

OR

Give the meaning of essential elements of 'Delegation'

Answer : Informal organisation refers to a spontaneous network of relations that arise out of the social interactions outside the office. They originate from within the formal organisation rather than being deliberately created by the management. Such relations are based on friendship that develops between the working personnel on the basis of like nature.

The following are the features of an informal organisation:

(i) Informal organisation evolves from within a formal organisation as a result of personal interactions among employees.

(ii) The behaviour of individuals in an informal organization is governed by the norms of particular groups and is not dictated by official rules.

(iii) Informal organisation emerges spontaneously. It allows the workers to interact freely outside the organization.

(iv) Informal organisation facilitates the free flow

of communication.

(v) Informal organisation does not have a definite structure; it is quite complex.

OR

Delegation implies transfer of authority and responsibility by a superior official to subordinates. The following are the basic elements of delegation :

(i) **Authority** : Authority means the power given to an individual to command and direct the subordinates. It gives the right to make decisions regarding what is to be done and by whom it is to be done. In a formal organisation, the scalar chain gives rise to authority. Authority flows downwards i.e. the superior official commands authority over the subordinates. The extent of authority becomes less and less as one goes down the hierarchy. That is, the top-level management commands the highest authority. Authority is less at the middle level management and is the lowest at the lower level management. Assigning appropriate authority to individuals helps in maintaining obedience and compliance in an organisation.

(ii) **Responsibility** : Responsibility is the adherence of the subordinate to complete a given task within schedule time. Once a task has been assigned to a subordinate, it becomes his/her official's responsibility to get the task done. The subordinate should perform the duty assigned obediently. As against authority, responsibility moves up the hierarchy—that is, the subordinate is accountable to his superior. However, along with assigning responsibility to a subordinate, this official should also be given a certain degree of authority. This is because authority without responsibility may lead to the misuse of power. On the other hand, responsibility without authority may lead to inefficiency and ineffective. Thus, there should be a proper balance between authority and responsibility.

(iii) **Accountability** : Accountability implies the answerability to the superior for the final outcome of the work officially is assigned. Though the superior official delegates the work to a subordinate, this higher official will continue to be responsible for the final outcome. For this the superior, provides regular feedback and improvement ideas to the subordinate so as to ensure that the subordinate performs the tasks satisfactorily. One can say that the concept of being accountable arises out of responsibility itself. Everyone working in the organisation must have some accountability.

28. Explain the following non-financial incentives.

- (i) Status
- (ii) Organisational climate
- (iii) Career advancement opportunities [6]

OR

Explain any four psychological barriers to effective communication.

Answer : The following are some of the non-financial incentives:

(i) **Status :** Rise in status in terms of power, authority, responsibility provides a psychological boost to the employees. These factors act as a major incentive to motivate them and work are done in effective and efficient manner. For example, a promotion may satisfy the esteem and self-actualization needs of an individual.

(ii) **Organizational climate :** Certain organizational characteristics such as employee freedom, recognition of performance, incentives and rewards play an important role in influencing the behaviour of employees. They serve as an incentive for employees to put in greater efforts in work. For example, if the employees get due recognition for their performance, it encourages them to work more effectively and efficiently.

(iii) **Career advancement opportunities :** Many times, a challenging job with greater responsibility and requiring higher knowledge and skills to enhances the interest of the employee. It provides him with the prospects for higher personal growth and development. Thus, it proves to be a good source of motivation for him.

OR

Sometimes psychological factors such as frustration, anger and fright may also hinders the effective communication. The following are some of the psychological barriers in communication :

(i) **Preconceived notions ideas :** Sometimes, due to preconceived notions regarding a conversation, an individual might derive conclusions even before the information is completed. This acts or barrier in effective communication. Thus, it adversely affect the communication.

(ii) **Lack of attention :** At times the individual is preoccupied with something else and therefore remains inattentive while communicating. As a result, he is not able to effectively grasp the information provided to him. This also results in ineffective communication. Thus, communication is attractive so that it can be attentively heard.

(iii) **Poor retention :** When communication passes through multiple stages, there may occur a loss of information in the process. Moreover, in cases where the information is communicated orally, it might happen that the recipient may not be able to retain the information or retain in wrong sense. Thus, act as a factor adversely affecting communication.

(iv) **Lack of trust :** In case where the communicator and the recipient do not trust each other, the message may not be perceived in the original sense by either of the two. This in turn adversely affects the communication.

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 weapon in marketing which depends upon various factors. Explain any three such factors. [6]

Answer : Choice of an appropriate channel of distribution is a very important marketing decision, which depends on various factors. These factors are given below :

(i) **Characteristics of the company :** The two important characteristics of a company that affect the choice of channel of distribution are its financial strength and the degree of control that the company wishes to have over the intermediaries. Shorter channels require more funds than longer channels. It also offers greater control over the members of the channel (intermediaries). Thus, companies which are financially strong or wish to command greater control over the channel of distribution opt for shorter channels of distribution.

(ii) **Competitive factors :** The degree of competition and the channels choose by other competitors affect the choice of distribution channel. Depending on its policies, a company may adopt a similar channel as adopted by its competitors or choose for a different channel. For example, if competitors of a company choose for sales through retail stores, it may also do the same or it can choose for a different channel such as direct sales.

(iii) **Market factors :** Many of the market factors that affect the choice of channels of distribution include size of the market, geographical concentration of the buyers and

size of the purchase. For instance, in case of large markets where there are a large number of potential customers and potential buyers are located in a large geographical area, then a large number of intermediaries are required. Thus, in this case long channels of distribution are opted for rather than short ones. Similarly, if the product is purchased in large quantities, then the organisation can supply the product directly without the use of intermediaries. On the other hand, if small quantities of the product are purchased, the organisation may prefer the involvement of intermediaries such as retailers.

OR

The following are the three important factors that affect the determination of the price of a product :

1. Cost of product : The cost of bringing a product to the market plays an important role in determining its price. It consists of the costs of production, distribution cost and selling cost. The cost of a product can be classified into three broad categories.

(i) Fixed cost : Fixed cost does not vary with the number of units produced. Fixed costs remain constant at all levels of output. A few examples of fixed costs are the costs of machinery, land and building. Thus, if production is less than cost per unit can increase and vice-versa.

(ii) Variable cost : Variable cost varies in direct proportion to changes in the levels of output. If a higher number of units are produced, then higher variable costs are to be incurred and vice versa. A few examples of variable costs are labour and raw material costs. But cost per unit is same in this case.

(iii) Semi-variable cost : Semi-variable cost varies with the level of output (similar to variable cost) but not in direct proportion to it. It means some part are fixed and some part are variable in nature. For example, the commission paid to intermediaries for the sale of a product is a semi-variable cost.

Generally, firms determine the price of their products in such a way that they are able to cover all the costs and ensure a profit margin.

2. Demand for product : While determining the price of a product, a firm must also consider the demand for the product. Here, the elasticity of demand plays an important role. In case of elastic demand, a firm cannot charge a higher price as this would lead to a big fall in the demand for its

product. Thus, if price fall then demand increase and vice-versa. On the other hand, if the demand for the product is inelastic, then the firm can charge a higher price, as even at a higher price, the demand would not fall as much. Thus, depending on the elasticity of demand, firms fix lower prices for their goods with elastic demand and higher prices for goods with inelastic demand.

3. Degree of competition in the market : Generally, the higher the degree of competition in the market, the lower is the price that a firm charges for its product. This is because, in case of high competition, if a firm attempts to charge a higher price, then it would lose its customers to its competitors. On the other hand, if a firm faces very little competition for its product, then it can charge a higher price.

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

OR

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

Answer : Advertising refers to an impersonal, paid form of communication that is used by the marketers for the promotion of goods and services. It is an important and essential tool for promotions as it covers a wide mass of geographical area and reaches out to the maximum number of people.

The following points highlight the role of advertising :

(i) Wide reach : Advertising plays an important role in marketing as it helps in the promotion of the product by reaching out to the masses. For instance, advertising in newspapers, television and daily magazines helps in attracting customers over a large geographical area.

(ii) Enhances customer's confidence : With advertising, consumers feel safer and are assured about the quality of the product. This encourages them to buy the product and feel satisfied. Hence, advertising enhances consumer confidence and satisfaction about the product.

(iii) Product expressiveness : With evolving technology and the new ways of creating graphics, designs and art, the advertising has moved onto a different level. Today, with advertisements, even simple products can be displayed as attractive, thus advertisement playing an important role in marketing of a product.

(iv) **Cost-effective** : Advertising is a cheaper source of communication if the supplier wants to reach out to a large number of consumers. This is because the total cost of advertising is divided and gets spread over the communications links that are established. This in turn lowers down the per-unit cost of advertising thus maximum companies advertise their product.

OR

Public relations refer to the activities undertaken by an organisation to promote and protect its image or its products. It aims at strengthening the relations of the company with its customers, shareholders, employees, investors and various other players that are a part of the company directly or indirectly. Under this method, the company can use a wide variety of tactics to manage and promote its reputation.

The following points highlight the role of public relations in marketing management.

(i) **Maintaining press relations** : For any organisation, it is very important to maintain and spread positive news about the organisation to the outside world so that good relationship developed. For this, it requires to maintain good relations with the press which is in maintained

through the public relations department of the company.

(ii) **Publicity of the product** : In case the company wants to launch a new product, the public relations department plays an important role in conducting seminars and events so as to facilitate the promotion and publicity of the product so that consumer can become aware about the product.

(iii) **Maintaining corporate communication** : In order to maintain goodwill and reach the target markets an organisation needs to communicate with public and employees. For this, it takes help of the newsletters, articles, brochures, etc.

(iv) **Lobbying** : Organisations have to deal with government officials in regards with policies in finance and trade related matters. Here also, the public relations department plays a role in promoting or defeating the regulations that affect the organisation.

(v) **Counselling** : The public relations department plays an advisory role by providing counselling to the management on general issues. These issues may pertain to contributing money for social causes such as education, environment and much more. It also plays an important role in the organisation.

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Business Studies 2013 (Outside Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 90

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

13. Explain how 'critical point control' helps in controlling process. [3]

Answer : An organisation cannot keep a check on all the activities of the management. Thus, the 'critical point control' technique aims at focusing on only the key result areas (KRAs) that affect the entire organisation.

For example, rise in input cost would be more important than rise in stationary cost. Thus, in this way, by emphasizing on controlling of only the key result areas, critical point control helps in the controlling process.

14. Explain how controlling helps in :
(a) Making efficient use of resources
(b) Improving employee's motivation [3]

Answer : (i) **Making efficient use of resources**: Controlling helps to the organisation to make sure that the plans are working as expected and it also helps in the use of efficient and maximum utilisation of resources. While each work is done according to the pre-determined standard, there is less wastage and spoilage of resources.

(ii) **Improving employee's motivation** : Controlling helps to motivate employees. By this employee get to know that how much the organisation is expecting from them and also the set of standards on which their performance will be decided.

15. Explain any three functions of stock exchange. [3]

Answer : The following are the three functions of a stock exchange :

(i) **Provides liquidity and marketability** : The main function of stock market is to provide ready market for sale and purchase of securities. The presence of stock exchange market gives

assurance to investors that their investment can be converted into cash whenever they want.

(ii) Pricing of securities : The stock market helps to value the securities on the basis of demand and supply factors. The securities of profitable and growth oriented companies are valued higher as there is more demand for such securities. The valuation of securities is useful for investors, government and creditors.

(iii) Ensure safety of transaction : In stock market only the listed securities are traded and stock exchange authorities include the companies name in the trade list only after verifying the soundness of the company. The company which is listed they also have to operate within the strict rules and regulations. Therefore, it ensures safety and fairness in transaction.

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

[3]

Answer : The following are the protective functions performed by SEBI :

(i) Checks price rigging : Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of the securities. SEBI prohibits such practice because this can defraud and cheat the investors.

(ii) Checks on insider trading : Insider is any person connected with the company such as directors, promoters etc. These insiders have sensitive information which affects the prices of the securities. This information is not available to people at large but insider get this privileged information by working inside. SEBI keeps a strict check when insider buys the securities of the company.

(iii) Regulatory functions : These functions are performed by SEBI to regulate the business in stock exchange. SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries. These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.

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

[3]

Answer : The following are some of the reliefs available to a consumer when the consumer court is satisfied with the genuineness of the

compliant :

1. Refund The price of the goods paid by the consumer;
2. Payment of compensation in cash for the loss or injury suffered due to the use of hazardous products;
3. Ceasing the manufacturing of hazardous goods;
4. Payment of punitive damages;
5. Removal of the hazardous goods from sale;
6. Remove the defect in the goods or replacement of the defective product.

23. State any five characteristics of management. [5]

Answer : The following are five characteristics of management :

(i) It is pervasive : Management is pervasive and exists in all types of organisations irrespective of their size, characteristics, geographical location, etc. All types of organisations need management. The only difference lies in the scope of management *i.e.*, how it is practiced by different organisations in different regions based on cultures and traditions.

(ii) It is a continuous process : Management is a continuous process. The various functions of management (planning, organizing, directing, staffing and controlling) are performed simultaneously by managers. However, their focus and priority may differ on a daily basis. On a particular day, the managers might devote more time to planning, and the next day they might invest more time in controlling.

(iii) It is multi-dimensional : Management is regarded as a multi-dimensional concept. This is because it is a complex process involving various dimensions. Broadly, the dimensions of management can be classified as :

- (a) Managing the work
- (b) Managing the people
- (c) Managing the operations

(iv) It is dynamic in nature : Management helps an organisation to adapt to an ever-changing environment. With the help of effective planning, management insulates an organisation against external changes such as changes in political, environmental and government policies and changes in technology. For example, management helps an organisation to adapt easily to any technological changes by planning and

continuously updating its information about future technologies.

(v) **It is intangible** : Management is intangible and cannot be seen. Management includes what managers think, how they carry out plans, how they handle various activities, how they coordinate their individual efforts and what their organisation achieves. Thus, only the presence of management can be felt in organisations.

25. Explain any five limitations of planning. [5]

Answer : The following are the five limitations of planning :

(i) **Rigidness** : Planning is rigid in nature. Once a plan regarding the objectives to be achieved and the course of action to be followed is formulated, the manager may not be able to change it. Such rigidity creates hurdles, particularly at times of unforeseen changes. At times of unexpected changes, the managers may require certain degree of flexibility so as to cope up with the changes in an appropriate manner. Thus, rigidity in plans sometimes creates obstacles in the accomplishment of organisational objectives.

(ii) **Cannot deal with dynamic environment**: Business environment is dynamic and uncertain. However, planning cannot foresee such changes and fails at times of changes and uncertainties. This may lead to failure in the accomplishment of objectives. An organisation must adapt its functioning to the changing environment.

(iii) **Reduced creativity** : In any organisation, planning is often done by the top management, while the lower and middle management just

follow these plans. They are not allowed to deviate from the pre-defined course. They just implement and execute the plans as stated. Thus, they tend to follow the same thinking pattern as others and lose their own creativity. It is possible that they might have better ideas for the accomplishment of the objectives; however, due to lack of involvement in decision making, they remains unheard.

(iv) **Huge costs** : Formulation of plans involves huge costs in terms of time and money. As planning is based on future predictions, it requires a lot of thinking and analyzing. Planning involves scientific calculations along with facts and figures, which are to be used in formulating the course of action. This involves high costs. Moreover, sometimes it might also happen that the benefits derived from planning fall short of the costs incurred.

(v) **False security** : Good planning may not guarantee success of an organisation. Often, managers tend to rely on pre-tested plans that have worked well in the past. However, it is not always true that if a plan had worked well in the past, it will also be successful in the future. Many unforeseen changes may crop up that may leads to failure of plan. Sometimes managers think that planning can prevent problems from occurring. However, they neglect the fact that planning just provides a base for predicting the future. It does not give straight away Answers to the problems.

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Business Studies 2013 (Outside Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 90

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]

Answer : The packaging is one of the 'product promotion' functions, which help the suppliers to promote the product. An attractive packaging helps to attract a large number of consumers.

13. After setting the performance standards the next step in the controlling process is the

'measurement of actual performance'. Explain this step in the process of controlling. [3]

Answer : Once the standards are set, the next step is to evaluate the actual performance of the activities. There are various techniques to measure the performance such as personal observation, sample checking, performance reports, etc. The checking should be done in reliable manner so that correct measurement is taken for comparison. Measurement can be done after the completion of work or during the work in progress. For example, while assembling

small parts of a bigger machine, the parts can be checked before assembling. This would ensure the continuous monitoring of the small parts as well as the final bigger machine.

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

Answer : Financial planning involves designing the blueprint of a company's financial functions. This ensures availability of fund within time, thereby confirming the smooth functioning of the company.

The following points highlight the importance of financial planning in an organization :

(i) Forecasting : The future financial requirements and finance availability can be forecasted with the help of financial planning. This helps the company to identify the probable future obstacles. It also clearly defines as to what are the steps must be follow in different situations. Thus, in this way, financial planning enables smooth functioning of the business.

(ii) Provides cushion against adversities : Through financial planning, managers attempt to see the future requirements. If any adverse situations such as economic fluctuations takes place then plans are drafted in a way to overcome the business operations from the adverse situations.

(iii) Promotes coordination : Financial planning promotes coordination between the activities and operations of various departments of a company. In this way, it identifies the chances of clashes or coincidence of financial needs among the different departments. Hence, financial planning provides a clear framework and promotes cooperation and coordination within organisation.

21. Explain any four factors which affect the working capital requirement of a company. [4]

Answer : The following are four factors that affect the working capital requirement of a company.

(i) Nature of business : Working capital requirement of an organisation depends upon its nature of business. An organization that deals in services or trading will not require much of working capital. This is because such organisations involve small operating cycle and there is no processing done. Herein, the raw materials are the same as the outputs and the sales transaction takes place immediately. On the other hand, a manufacturing company involves large operating cycle and the raw materials need to be converted into finished goods before

the final sale transaction takes place. Therefore, manufacturing concern required more working capital than trading concern.

(ii) Scale of operations : A factor determining the working capital requirement is the scale of operations. If a company operates on a large scale, the requirement of the working capital increases. This is because such company would need to maintain high stock of inventory and debtors. In contrast to this, if the scale of operation is small, the requirement of the working capital will be less.

(iii) Fluctuations in business cycle : Different phases of business cycle alter the working capital requirements by a company. During boom period, the market flourishes and thereby, there is high sale, high production, high stock and debtors. Thus, during this period requirement of working capital increases. As against this, in a period of depression there is low demand, lesser production and sale, etc. Thus, the working capital requirement reduces.

(iv) Production cycle : The time period between the conversions of raw materials into finished goods is referred as production cycle. The period of production cycle is different for different organisations depending on which the requirement of working capital is determined. If a organization has a longer period of production cycle, *i.e.*, if there is time gap between the receipt of raw materials and their conversion into final finished goods is long, than the requirement of working capital will be high due to inventories and related expenses. On the other hand, shorter the production period lower the working capital requirement.

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

Answer : Dividend decision of a company refers with what portion of the profits is to be distributed as dividends between the shareholders and what portion is to be kept as retained earnings. The following are four factors that affect the dividend decision.

(i) Quantity of earning : A company pays dividends out of its current and the past earnings. This implies that earnings play a major role in the dividend decision. A company having higher earnings may pay a higher amount of dividend to its shareholders. In contrast to this, a company having low or limited earnings would pay lower amount of dividend.

(ii) Constant earnings : When a company has

a constant and a smooth earning, they are in a position to pay dividend at higher rate as compared to the companies who have an unstable earning. In other words, a company having consistent and stable earnings can distribute higher amount of dividends.

(iii) Stable dividends : Companies normally follow the practice of stabilizing their dividends. Company should avoid frequent changes in dividend per share. Increase or decrease the value only when there is a consistent rise or fall in the earnings of the company.

(iv) Growth prospects : Companies always try for a higher growth level or expansion of business operation to retain a higher portion of the earnings with itself for re-investment. Thus, dividend of such a company is smaller as compared to the companies with lower growth opportunities.

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

Answer : Management is an integral part of all types of organisations irrespective of their size, nature of operation, geographical location, production line, etc. The following points underline the importance of management :

(i) Helps to achieve goals : Management aims at achieving the overall goals of an organisation. It control and direct the efforts of all the employees in one common direction. Besides organizational goals, management also helps in achieving the personal goals of individuals. Without good management organisation is not able better achieve the desire goal.

(ii) Increases efficiency : While aiming at achieving goals, management works to increase efficiency. Increasing efficiency and effectiveness helps to control costs and increase productivity through the best use of the resources available.

(iii) Creates an active organisation : Management helps an organisation to adapt to the changing business environment needs. With the help of better effective planning, management insulate an organisation against external changes such as changes in political environmental and government policies and technology changes. For example, management helps an organisation to adapt easily to technological changes by effective planning and by securing continuous updates about future technologies in advance.

(iv) Development of Society : Management enables an organisation to contribute to the development of society. Management ensure that organisation provide good quality products at fair prices and generate employment, thereby promoting economic growth and society's welfare.

(v) Helps to achieve personal objectives : Every individual working in an organisation has his or her own personal goals in terms of their career. Management motivates the individuals to achieve not only the organisational objectives but also their personal goals.

26. Explain any five points of importance of planning. [5]

Answer : Planning as a function of management. It plays an important role in large business enterprises. The following points support this statement :

(i) Renders direction : Planning clearly states the goals and objectives to be achieved. Thus, it acts as a guide for different actions in the organisation. In other words, it gives direction to the tasks and activities of different departments of the organisation. It guides the managers about tasks to be performed, what route to be taken and how the objectives are to be achieved. In this way, it ensures that the path taken for the accomplishment of goals is rightly chosen and various departments of the organization work in a line towards the achievement of the desired objectives.

(ii) Subdued risk : Planning peeps into the future and accredits managers to analyse and anticipate various changes well in advance. This leads to a reduction in uncertainty of foreseen events. However, it should be keep in mind that although planning shows how to deal with various situations that may arise in the due course of management, it does not eliminate the problems.

(iii) Minimizes overlapping : As the managers are well comprehended with the policies and plans of the organisation, they can work towards coordinating their activities in a better manner so as to achieve the goal and objectives in a better way. In this way, planning helps in reducing the overlapping and duplication of work. Moreover, any wastage of resources that takes place due to repeatedness is also reduced. To work smoothly without any confusion and misunderstanding, planning is very important.

(iv) Helps in decision making : Planning serves

as the basis for decision making. It involves analyzing various alternatives, evaluating the various courses of action and choosing the best alternative as per the goals and objectives. Thus, following a proper planning process helps managers in taking better decisions towards the benefits of the organisation as a whole.

(v) **Essential for controlling** : Planning clearly defines the objectives that are to be achieved.

These objectives form the standards against which the work performance is evaluated. Without planning the managers would not know what the final objective is and they may not have any standard against which they can judge the current performance and deficiencies. In this way, planning forms the base for the process of controlling. Without standards and objectives, there is nothing to control.

Business Studies 2013 (Delhi)

Set I

Time allowed : 3 hours

Maximum marks : 90

1. Define "Recruitment". [1]

Answer : Recruitment refers to the procedure of finding and stimulating the prospective candidates to apply for a particular job. It involves persuading as many persons as possible to apply for a particular job. The main purpose of recruitment is to filling the vacancy in the organisation.

2. Why motivation is called a complex process ? [1]

Answer : Motivation is a complex process because it involves dealing with many individuals with various natures. Every individual differs from another in various aspects such as nature, thinking pattern and observation. Therefore, different individuals require different types of motivation techniques because motivation technique that works on one person may not work on others which make this process complex.

3. At which level of management directing takes place ? [1]

Answer : Directing takes place at all the levels of management which are as follows :

- (1) Top level management,
- (2) Middle level management and
- (3) Lower level management.

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]

Answer : Immediate managerial attention is required if the deviations go beyond the acceptable vary in important areas. After the analysis of deviations and their causes, the task to remove the burdles from the actual work plan, the purpose of this step is to bring the actual performance upo the level of expectations by opting corrective action.

5. State how 'Growth Prospectus' affect the working capital requirements of a company ?

Answer : Higher growth prospects and expansion are related to higher scale of production, higher sales, higher input requirements, etc. Thus, companies with higher growth prospects require a higher amount of working capital and Lower growth prospectus which require lower amount of working capital.

6. What is the primary objective of 'Financial Management' ? [1]

Answer : The primary objective of 'financial management' in a company is to maximize the shareholders' wealth i.e. financial management in a company should involve financial decisions that are beneficial to the shareholders of the company.

7. Give the meaning of the 'Money Market'. [1]

Answer : The money market means where short-term securities and funds are traded. The securities traded in the money market have a very short maturity period ranging from one day to one year. These financial instruments are highly liquid and are a very close substitute to cash. It is a short term financing.

8. State any one consequence of a well performed 'allocative function' of financial market. [1]

Answer : One of the benefits of a well-performed allocative function of the financial market is high returns to households on their investments in the company.

9. Why is 'Marketing' called a social process ? [1]

Answer : In today's time, marketing is not restricted only to selling activities. In fact, it refers to a process by which sellers educate buyers regarding the types of goods and services available in the market, and influence them to make purchases as per their needs. Marketing

is not an activity to force buyers to purchase products; rather it is to make them aware of the benefits of products. Therefore, in today's time, marketing is regarded as a social process.

10. Distinguish between 'Selling Concept' and 'Marketing Concept' of Marketing Management Philosophies on the basis of 'main focus.' [1]

Answer : The main difference between the 'selling concept' and the 'marketing concept' are as follow:

Selling concept focuses on selling the existing products by using various promotional techniques, while the marketing concept focuses on maximizing customer satisfaction even after the actual sale has taken place. In other sense, selling concept is mainly concerned with the sale. On the other hand, marketing has a much wider scope than selling because it includes pre-sale and post-sale activities.

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]

Answer : If the compensation claim is ₹ 25 lakh, then the legal heir or representative of a deceased consumer can file a complaint with the state commission.

12. Pragma bought an iron of a reputed brand for ₹ 1,500 but it caused an electric shock while it was being used. Pragma wants to exercise her 'Right'. Identify the 'Right' under which she can be protected. [1]

Answer : In this case pragma can be protected under the 'right to safety'. If it is genuine and pragma followed the instruction.

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]

Answer : The principle is '*esprit de corps*'. This principle recommends that the employees of an organisation should work in a spirit of unity and common interests so that organisational goals can be achieved. They should work as a team. This spirit proves useful especially in large organisations, where achievement of objectives becomes difficult without teamwork. If a manager uses 'we' instead of 'I', then it evokes in each of his or her subordinates a greater sense of belongingness. The word 'we' enhances team

spirit by increasing mutual coordination and understanding among the employees, which in turn improves efficiency and easy achievement of the organisational goals and objectives.

14. Explain 'Harmony Not Discord' as a principle of Scientific Management. [3]

Answer : 'Harmony, not discord' means a principal where the managers and workers of an organisation should maintain a harmonious work environment. They should realise that they are dependent on each other. Only if they work in unity they will be able to perform better. Frederick Taylor, emphasized a complete mental revolution i.e. the workers should change their attitude and each should realise others' importance in the business. The management should take care of the needs of the workers on the one hand, and on the other hand, the workers should work to the best of their efficiency. Both the managers and the workers should work in harmony to achieve the common goals and objective in the organisation.

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

Answer : Objectives are defined as the ends that management desires to accomplish. They state what is to be done and how the organisation concerned would complete its tasks in a given specified period of time by employing the resources available. The main focus of the objectives is on the general and broader issues of an organisation. These are generally set by the top-level management and are more or less inflexible and followed in an organisation. The objectives of an organisation also act as a guide for managerial actions and for planning the overall future of the business.

16. Explain the following as features of Planning : [3]

(a) Planning is continuous process; and

(b) Planning is futuristic.

Answer : (a) **Planning is a continuous process:** Planning should be done continuously. This is because, after the successful implementation of a plan, the need arises for the formulation of a new plan with new objectives to take care of changed circumstances. Besides, it may so happen that within a plan period, the actual scenario turns out to be different from what was expected while framing the plan, and the existing plan has to be modified accordingly. Thus, the planning process does not conclude.

It is a continuous process all along the life of a business enterprise. It is dynamic in nature.

(b) Planning is futuristic : Planning is futuristic and is an attempt to see into the future, forecasting future conditions and framing plans accordingly. Planning helps an organisation to forecast its future projects and prepare for future conditions in the best possible manner. Further, the growth prospects of an organisation fully depend on how well and how accurately it frames its plans as per future conditions.

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 every month to the school. [3]

(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.

Answer : (i) Ajay should choose 'zero level channel of distribution' because, if he choose for any other distribution channel, then all school children may not get equal access to toothbrushes and toothpaste. There is also a chance of black marketing as more intermediaries enter the distribution channel thus zero level distribution channel is maore appropriate in this case.

(ii) The following are the values involved in the given scenario :

- (a) Helping the economically deprived students
- (b) Spreading health awareness and promoting hygienic and healthy habits

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. [3]

Answer : The advantages of branding from the customers' point of view are as follows :

- (i) Branding helps the customers to differentiate a particular product from the another product of other firms.
- (ii) By using branded goods, consumers are ensured of the authenticity of the product.

Branding helps to ensure the supply of good quality products to consumers.

(iii) Famous brands often act as status symbols.

19. State the steps in the organising process. [4]

Answer : The various steps involved in a successful process of organising are as follows :

(i) **Identifying and dividing the work :** The first step of organising is to identify and divide the work among the employees, so that everyone aware of his/her works. Then the work is further divided into different activity which helps in avoiding duplication and overlapping of work.

(ii) **Creating departments :** After distributing the work into activities, these activities are further classified into smaller sets which is based on their similarity and each group have some responsibility. Therefore, similar activities are grouped together. This grouping process is termed departmentalization.

(iii) **Assigning duties :** The next step in the process is to assign roles and responsibilities to different personnel. Each department allocates work to its employees as per their skills and abilities. At this stage, the main aim is to assign a particular task to the person with the right skills and abilities.

(iv) **Establishing relationships :** Any organisation needs a proper hierarchical structure to function efficiently. Every person should know whom he or she is working under and to whom he or she needs to report. Clear establishment of such relationships helps to ensure the smooth functioning of an organisation and avoid chaos.

20. Distinguish between 'Delegation' and 'Decentralizations' on the basis of the following: [4]

(i) Purpose;

(ii) Scope;

(iii) Status; and

(iv) Nature.

Answer : The difference between 'Delegation' and 'Decentralisation' are as follows :

Basis of difference	Delegation	Decentralisation
Purpose	It reduces the burden of managers.	It communicates a greater role and autonomy to subordinates.
Scope	As it is limited to just superiors and their immediate subordinates, it is relatively narrow in scope.	As it involves delegation to the lower level management, it is relatively wider in scope.

Status	It involves sharing authority to perform tasks.	It arises from the policy decisions taken by the top-level management.
Nature	It is compulsory because a single person cannot perform all the tasks on his own.	It is optional because it arises out of the policy decisions of the top-level management.

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

Answer : Long-term investment decisions, also known as capital budgeting decisions, refer to the decisions regarding the allocation of fixed capital to different competent projects. It involve investment decisions regarding acquisition of new assets, expansion, modernization and replacement. The following are the factors that affect long-term investment decisions :

1. Cash flows : Whenever a project involves the investment of huge funds, the organisation expects some amount of regular cash flow from the investment so as to meet its daily requirements. The amount of such cash flows must be properly analysed before taking the investment decision if expected cash flow is lower than initial investment than, those project must be ignored.

2. Rate of return : The rate of return forms the most important criteria for investment in any project. The returns that a project is expected to bring in the form of income to the organisation must be carefully analysed. In this regard, investment projects associated with higher rate of return are preferred over those that offer lesser rate of return. If the project expected return is sufficient than, that project is accepted.

3. Investment criteria : Before selecting a particular project for investment, a company evaluates various projects based on criteria such as total amount of investment, expected rate of return, expected cash flows and interest rate. Thus, the final decision to invest in a project involves a series of meticulous calculations.

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

Answer : The following points highlight the importance of consumer protection from the point of view of business :

1. Long-term interest : With the increasing

competition among companies and to survive in the market , there is need for consumer satisfaction and interest. If a business continues to take care of its customers' interest, it helps them to earns goodwill and reputation. Thus, it is advisable for a business to protect the interest of its consumers in order to enjoy long-term benefits of the organisation.

2. Use of resources : A business organisation uses society's resources for producing various goods and services. Through the sale of these goods and services to society, the organisation earns profits. Thus, it is its social obligation to supply quality goods and services for enhancing society's welfare.

3. Ethical reasoning : Moral values and ethical value play an important role in today's highly competitive business environment. Adherence to moral values and ethics, on the one hand, protects the consumers' interests and, on the other hand, helps the business organisation to earn goodwill. Thus, it becomes a moral duty of every business to avoid exploitation of consumers in any form like unfair trade practices and adulteration.

4. Responsibility to society : Without society a business organisation cannot survive and grow on its own. Society provides resources and also a demand and a market for its business. Therefore, every business organization must fulfill its social obligations, one of which is to take care of the interests and satisfaction of its consumers so that profit of the organisation can increase.

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

Answer : Management is important in todays world because it requires in every work. It forms an integral part of all types of organisations irrespective of their size, geographical location, production line, etc. Following are the reasons that clarifies that management is gaining importance day by day.

(i) Helps in achieving goals : Management aims at achieving the overall goals of an organisation because it organises and directs the efforts of all the employees in one common direction. Besides organisational goals management also helps in achieving the personal goals of individuals.

(ii) Increases efficiency : Management increase efficiency to achieve their goals. Increasing efficiency and effectiveness helps in reducing costs and increasing productivity through the optimum utilization of the resources available.

(iii) Creates a dynamic organisation : Management helps an organisation to adapt new environment changes as per the requirements in the market. With the help of effective planning, management insulates an organisation against external changes such as changes in political, environmental and government policies, and technology changes.

(iv) Develops society : It also enables an organisation to contribute to society's development. It helps an organisation to provide good quality products at fair prices and generate employment, thereby promoting economic growth and society's welfare.

(v) Helps in achieving personal objectives : Every individual working in an organisation has his/her own personal goals. Management motivates the individuals to achieve not only the organisational objectives but also their respective personal goals so that overall objective can be achieved.

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. The Government is also showing positive attitude towards the water purifier business.

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

[5]

Answer : (i) **Society in general is more concerned about the quality of life :** This statement involves the social dimension of the business environment. Social environment refers to social forces such as quality of life and standard of living of the product. As society gets more concerned about the quality of life, the demand for quality products increases, which in turn increases business opportunities for the manufacturers of such products.

(ii) **Innovative techniques are being developed to manufacture water purifiers at competitive rates :** This statement involves the technological dimension of the business environment. The technological environment consists of technological changes and improvements in the organisation. Continuous improvements and innovations in the technologies used in production improve the quality of products.

These improvements in technology provide new business opportunities for companies.

(iii) Incomes are rising and children are drinking purified water at home. The government is also showing a positive attitude towards the water purifier business : This statement involves the economic dimension of the business environment. It consists of economic variables such as income and interest rate. An increase in the income of consumers increases the demand for products that raise the overall quality of life. Hence, in this way, an increase in economic variables (income and health) makes the government to take the positive steps and provide a favourable environment and new opportunities to the new entrants in the water purifier business so that consumer has more option to buy and quality of product also increase.

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 this manufacturing unit will be set-up in a rural area of Orissa where people have very few job-opportunities and labour is available at very low rates. He has also thought of giving equal opportunities to men and women. [5]

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 to the society by setting up this manufacturing unit.

Answer : (i) The following are the three steps for choosing the best candidate out of the shortlisted candidates :

1. **Personal interview :** The personal interview is an integral part of the selection process it is most important and necessary for the organisation. After the initial round of selection tests, the successful candidates are taken to the subsequent round of personal interviews. This round of screening includes a conversation between the candidate and a manager. An in-depth conversation is conducted to judge the suitability of the candidate for the job. It also helps the manager to assess the candidate in all the major aspects such as attitude, aptitude, thought process and spirit to cope with challenging tasks.

2. Background check : Once a candidate is successful in the personal interview, his or her documents are verified so that his/her background can be easily identified. In this round, the work experience and reference given by the candidate in the curriculum vitae are checked. The verification of documents and references (from the previous employer of the candidate) helps in getting additional information about the candidate, which might not have been collected at the personal interview.

3. Selection decision : After the personal interview and the background check are completed, the best and most suitable candidate is selected.

(ii) The following are the two values involved in the given situation :

1. Employment opportunity: Promoting equality and providing employment opportunities.

2. Economic development : Working towards the upliftment and economic development of the rural people.

26. 'Planning and Controlling are inseparable twins of management.' How ? [5]

Answer : Planning and controlling are two closely interrelated functions of management. Planning is the psychological process of thinking about and deciding what is to be done and how it is to be done, while on the other side, controlling is a process of managing and evaluating the work done. In case of any deviations from the planned targets, then controlling prompts corrective measures on time. The planned targets and the standards which is the basis of controlling are provided by planning. Thus, controlling without planning is meaningless, so there is a close and reciprocal relationship between planning and controlling. If there are no standards and no objectives, then there is nothing to control.

Similarly, planning without controlling holds no meaning. Once the plans are formulated, it becomes necessary to monitor and evaluate whether the performance and the work is correct or not. Controlling is the only technique through which the adherence to the plans can be measured and any deviations from the planned targets identified. If there exists any deviation, then controlling prompts timely corrective measures, which ensures the achievement of the planned objectives. If there is no controlling, planning cannot be accomplished. Thereby, planning without controlling is of no use they complement each other and are the inseparable twins of management.

27. 'The barriers to effective communication exist in all organisations to a greater or lesser degree.' State any six measures to overcome these barriers. [6]

OR

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

Answer : The following are six measures that can be adopted to overcome various barriers of communication :

(i) Communication should take place as per the level of understanding and capabilities of the receiver. The receiver should be able to clearly understand the information to be communicated.

(ii) The language, tone and content of the information communicated should be appropriately chosen. It should be easily understandable and should not harm anybody's sentiments.

(iii) In order to make communication effective, regular feedback regarding the information communicated must be taken from the receiver. During the communication process, the communicator must encourage the receiver to respond and ask questions in case of any doubt. Thus, regular feedback is necessary.

(iv) The communicator should also be a patient listener. He or she should be open to receiving communication from the receiver.

(v) The information communicated should be complete in all respects; nothing should be left ambiguous and incomplete.

(vi) The core idea of the communication must be clear to both the sender and the receiver. Before starting a communication process, both the parties involved should have a general idea of the communication.

OR

The following are the six basic functions of a supervisor :

1. Facilitates optimum utilization of resources : Continuous supervision of the workers ensures the optimum utilization of the resources available. This is because continuous monitoring encourages the workers to use the resources in the best possible manner so that goal and objective can be achieved.

2. Gathers feedback from the subordinates : As the supervisor work in a direct contact with the subordinates, he/she is in a position to receive their feedback and ascertain their grievances. The supervisor works on the feedback and tries to eliminate the problems.

3. Maintains unity : The supervisor plays an important role in maintaining unity among the workers in the organization. He/she helps in ensuring a cordial and harmonious working environment.

4. Ensures discipline : Under effective supervision, the employees work in a disciplined environment. This in turn helps in the better execution of plans, increasing efficiency in the organisation.

5. Acts as a link : The supervisor acts as a link between the subordinates and the superior officials in the organisation. On the one hand, the supervisor passes on the instructions from his superior officials to his subordinates and, on the other hand, communicates the subordinates' grievances to his superiors.

6. Maintains control : The supervisor keeps a close check on the work of the employees. He or she ensures that the output is as per the target. In case of failure to achieve the target, the supervisor takes corrective actions immediately.

28. What is meant by 'Dividend Decision' ? Explain any four factors which affect the dividend decision of a company. [6]

OR

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

Answer : The dividend decision of a company involves the decision regarding the distribution of its profit to shareholder. A company can distribute its profit to the equity shareholders in the form of dividends or retain it with itself if there is project with positive net present value. Through the dividend decision, a company decides what proportion of the surplus funds to be distributed as dividend and what proportion to be kept as retained earnings.

The following are the factors that affect the dividend decision of a company.

(i) Amount of earnings : A firm pays dividends out of its current and past earnings. This implies that earnings play a key role in the dividend decision. A company with higher earnings will be in a position to pay a higher dividend to its shareholders, and one with low or limited earnings will only be able to distribute a low dividend.

(ii) Stable earnings : When a company has stable earnings, it is in a position to distribute a higher

dividend as compared to one with unstable earnings.

(iii) Stable dividends : Companies generally follow the practice of stabilizing their dividends. They try to avoid frequent fluctuations in the dividend per share and opt for increasing (or decreasing) the value only when there is a consistent rise (or fall) in their earnings.

(iv) Growth prospects : Companies aiming for a higher level of growth or expansion of operations retain a higher portion of their earnings with themselves for reinvestment. Thus, the dividends of such companies are smaller than those of companies with lower growth opportunities.

OR

The process that enables a business enterprise to tackle the uncertainties regarding the availability of funds is called '**financial planning**'. Financial planning involves designing a blueprint of the financial operations of a firm. It ensures that just the right amount of funds is available for organizational operations at the right time, thereby ensuring the smooth functioning of the organization :

The following points highlight the importance of financial planning in an organisation.

(i) Financial planning helps to forecast the future. It involves planning and analyzing the blueprint of the future financial operations of a business. Therefore, it helps in the smooth functioning of the business by defining clearly what must be done in different situations.

(ii) Financial planning enables an organisation to anticipate and avoid shocks or surprises. It also prepares the managers for adverse situations well in advance.

(iii) It helps improve coordination between various business activities and functions in the organisation. By providing a clear framework, it promotes co-operation and enables smooth work flow.

(iv) Financial planning provides clearly defined policies and procedures for carrying out tasks. This helps to reduce wastage of time and effort, which in turn avoids duplication and overlapping of tasks thus revenue of the organisation can increase.

(v) By aiming at fuller and judicious utilisation of funds, financial planning ensures that situations of inadequate funds and excess funds are avoided. Thus, financial planning ensures that

funds are properly, optimally and judiciously utilized.

29. Explain any four functions of stock exchange. [6]

OR

Explain the following money market instruments :

- (a) Call Money
- (b) Treasury Bill and
- (c) Commercial Paper
- (d) Certificate of Deposit

Answer : The following are the four functions of a stock exchange :

(i) Provides liquidity and marketability : A stock exchange provides a ready platform for trading in existing securities. It provides a continuous market for the sale and purchase of securities. Through a stock exchange, securities can be easily converted into cash when required.

(ii) Helps to determine prices : A stock exchange helps in establishing the price of the monetary assets that are traded in the market. Similar to the case of a commodity, the price of a financial asset is established through the forces of demand and supply for funds. In this regard, financial markets provide a platform for the interaction of the demand of the funds (represented by the business firms) and the supply of funds (represented by the households), it is done with demand and supply forces. Thus, they help in determining the price of the asset being traded.

(iii) Ensures a fair and safe market : The stock exchange is a legal and well-regulated market. It trades within the defined and existing legal framework. Therefore, it ensures safety and fairness in transactions.

(iv) Facilitates economic growth : In a stock exchange, securities are continuously brought and sold. This continuous process of disinvestment and reinvestment helps channel savings and investments to the most productive use. It also increases the capital formation and economic growth.

OR

(a) Call money : It is an instrument to raise fund for short-term finance, which is also termed as 'inter-bank call money'. It is repayable on demand, and its maturity period varies from one day to fifteen days. Call money is highly liquid and is used for inter-bank transactions. The need for call money exists because of shortfall in compulsory cash reserves ratio

(CRR) that are to be maintained by commercial banks. In any deficit cash balance in the bank, these call money is used to raise funds and bridge the deficit. The interests paid on such loans are highly volatile and are known as 'call rate'.

(b) Treasury bills : They are also known as T-bills. It is mainly refer to promissory notes that are used for short-term borrowing by the Union Government. They are auctioned and issued by the Reserve Bank of India on behalf of the government. T-bills are available for a minimum of ₹ 25,000 and in multiples thereof. T-bills, which are also called zero-coupon bonds, help to meet the government's short-term requirements of funds. They are highly liquid with assured returns and bear negligible risk. They are issued at a discount and are redeemed at par. Normally, the Union Government issues three types of T-bills with terms of 91 days, 182 days and 364 days.

(c) Commercial paper : Commercial paper is a borrowing instrument used by banks and other financial companies to raise capital for short time period which is usually less than a year. The purchaser of a commercial paper buys it at the discounted rate, while he gets face value on maturity.

(d) Certificate of deposits : Certificate of deposits (CDs) is time deposits which are negotiable and unsecured instrument. They are bearer instruments for a short term and specified time period ranging from one month to five years. They are a secured form of investment, which are issued to individuals and corporations by commercial banks and financial institutions. Higher interests rate are offered for higher deposits. It is also secured and less risky.

30. Explain the concept of personal selling and any four qualities of a good salesman. [6]

OR

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

Answer : Personal selling is a personal form of promoting and selling a product by which the seller directly communicates with potential customers. It involves direct, face-to-face communication between the seller and the customer for the purpose of making a sale. The basic objective of personal selling is to create awareness about the product and induce the customer's decision making. It is more suitable in a situation where a product is to be marketed to a few and selected consumers.

The following are the four main qualities of a good sales person :

(i) **Amiability** : Good sales persons should be friendly and amiable in the sense that they should be able to create a pleasant environment to gain consumer attention and interest. They should be patient and friendly while talking to buyers and speak in a style suitable to particular customers and it differs from consumer to consumer.

(ii) **Knowledge** : Good salespersons should have the required basic and updated knowledge about the product they are selling. They must know the product holistically, in terms of its features, use, availability, etc. They must also have a good knowledge about the company in which they are working.

(iii) **Communication skills** : Good communication skills are a 'must-have' quality for good salespersons. They must know how to strike the right conversation with customers in order to secure their attention and interest. They should be convincing and confident while answering customer queries. It is said that salespersons with good communication skills can convince even uninterested consumers and complete a sale.

(iv) **Courtesy** : Good salespersons should know how to gain the buyer's confidence. They should be courteous and liberal to convince the customer to buy the product. They should be polite and should not be dominant so that product sales can be increase.

OR

The following are the four important factors that affect the determination of the price of a product:

1. **Cost of product** : The cost of bringing a product to the market plays an important role in determining its price. It consists of the costs of production, distribution and selling. The cost of a product can be classified into three broad categories :

(i) **Fixed cost** : Fixed cost does not vary with the number of units produced. Fixed costs remain constant at all levels of output but it may change if output produces beyond certain specified level. A few examples of fixed costs are the costs of machinery, land and building.

(ii) **Variable cost** : Variable cost varies in direct proportion to changes in the levels of output. If a higher number of units are produced, then higher variable costs are to be incurred and vice versa.

(iii) **Semi-variable cost** : Semi-variable cost means cost in which some portions are fixed and some portions are variable in nature. Generally, firms determine the price of their products in such a way that they are able to cover all the costs and ensure a profit margin.

2. **Demand for product** : While determining the price of a product, a firm must also consider the demand for the product. Here, the elasticity of demand plays an important role. In case of elastic demand, a firm cannot charge a higher price as this would lead to a big fall in the demand for its product because if price increases than demand falls and vice-versa. On the other hand, if the demand for the product is inelastic, then the firm can charge a higher price, as even at a higher price, the demand would not fall much. Thus, depending on the elasticity of demand, firms fix lower prices for their goods with elastic demand and higher prices for goods with inelastic demand.

3. **Degree of competition in the market** : Generally, the higher the degree of competition in the market, the lower is the price that a firm charges for its product. This is because, in case of high competition, if a firm attempts to charge a higher price, then it would lose its customers to its competitors. On the other hand, if a firm faces very little competition for its product, then it can charge a higher price.

4. **Government regulations** : With the motive to promote social welfare and to protect the interest of the people, the government needs to intervene in the price-determination process. For example, in the case of the essential commodities, the government declares a maximum price that can be charged. Thus, government regulations act as one of the factors determining the price of a product.

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Business Studies 2013 (Delhi)

Set II

Time allowed : 3 hours

Maximum marks : 90

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

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

Answer : The capital market mainly deals with the securities like long term and medium term securities which have a maturity of more than one year. Capital market consists of various financial instruments like equity shares, preference shares, debentures, bonds and other long-term securities.

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

Answer : Science not Rule of Thumb : According to this principle decisions should be based on facts rather than rule of thumb. Rule of thumb is based on intuition, experiences, personal opinion and/or prejudice. This principle requires development and application of scientific method. Taylor advocated that the traditional 'Rule of Thumb' method should be replaced by scientific methods.

Scientific methods should be used for the following purposes :

- (i) To determine standard time required to do a job.
- (ii) To determine a fair day's work for the workers.
- (iii) To determine the best way of doing the work.
- (iv) To select standard tools and equipments etc.

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

Answer : Method is the prescribed way or manner in which a task has to be performed or it can be said that it prescribes a course of action to accomplish the desired job. It deals with a task comprising one step of a procedure. It is limited in scope than procedure. Selection of right method increases efficiency in completion of a task. Example:- Method of stock valuation.

16. Explain the following as features of Planning :

- (a) Planning focuses on achieving objectives, and
- (b) Planning is a mental-exercise. [3]

Answer : (a) Planning focuses on achieving objectives : Planning is basically an approach for achieving

the goals of the organisation. The management of an organisation should make plans considering the definite goals that are to be achieved. Planning should be based on a purpose it should not be vague. For instance-: if target sale of ₹ 1 crore is to be achieved, then the sales plans must be drafted with a view to achieving the proposed target.

(b) Planning is a mental exercise : Planning is a mental phenomenon in which managers decide how the goals to be achieved along with the alternate course of action. They will also be deciding that which objective to be achieve and how that objective will be achieved. For drafting plans, managers need to employ a thinking process that is organised and consistent.

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. [3]

Answer : The following are the three major advantages that branding brings to marketers :

(i) Helps in advertising products : Branding a term through which a firm can introduce his product. Unless branding is done, a product cannot be advertised. Advertisement basically creates understanding regarding the class of the product but it cannot promptly attract the customers towards the product. Hence, branding makes advertisement impactful. Advertising a branded product enables the producer to highlight the specific qualities and features of the product, besides distinguishing the product from those of the competitors.

(ii) Enables differential pricing : Good branding helps to create reliable consumers. A reliable consumer will not be affected by the price as price will change but their taste and preference will not change. This enables the firm to charge a different price from that of its competitors. E.g, if a consumer uses a particular product regularly (say, Pepsodent), then he or she would continue to buy the product despite any slight increase in price.

(iii) Facilitates introduction of new products : Good branding leads to a great opportunities for introducing of new product. A well-known company having a good brand name in the market can easily introduce another new product

under the similar brand name. The new product gets an initial boost due to branding of the product. This helps the new product to retain the existing customers (loyal to the same brand) and attract new customers. Currently, big companies such as ITC and Dabur have multiple products under a single brand name.

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

Answer : As per the Consumer Protection Act, consumer protection means the act of making consumers aware of their rights and responsibilities and educating them to redress of their grievances and complaints.

The following points highlight the importance of consumer protection from the point of view of consumers :

(i) **Ignorance of consumers :** Consumers are not aware to the rights and remedy available to them, it is very important to make them aware of their rights and responsibilities.

(ii) **Exploitation of consumers :** Consumers are often facing exploitation in the form of unfair trade practices such as adulteration, black marketing and hoarding, and it is very important to protect them from such exploitation..

(iii) **Unorganized consumers :** To protect the interests of consumers, they must be organised in the form of consumer organisations, which will help them to raise a combined voice against any bad practices and unfair trade practices.

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

Answer : The five characteristics of co-ordination are as follows :

(1) **Integration of group efforts:** All business activities are interdependent. Therefore these shall be coordination among them. Coordination enable the busines to make efficient use of its available resources.

(2) **Ensures unity :** The main purpose of coordination is to identify the unity of all the individuals in a group and all the departments in the organisation. It ensures that the collective individual efforts are channeled for the accomplishment of common organisational goals.

(3) **Creates a channel for cooperation :** Coordination is continuous process. It creates a channel between the different functions of management. Coordination starts from planning

and continues till controlling, after which it restarts with planning.

(4) **Pervades all levels :** Coordination is a pervasive function. This means that it is performed at all levels of management. It is practiced by the managers of every department in order to ensure unity of action.

(5) **Involves all managers :** Coordination of activities is one of the responsibilities of managers. It involves all the level of management together. The top-level managers ensure coordination in the interest of the overall welfare of the organisation. The middle-level managers maintain coordination between the top-level and lower level managers. Finally, the operational level managers perform it to ensure that work is done as per the directions and the objectives.

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

Answer : The following are the steps involved in the controlling process.

(i) **Setting standards :** Standards have to be set through which actual performance can be measured. Standards can be set in both qualitative as well as quantitative terms. Qualitative benchmarks can be in the form of improvement in coordination and creation of goodwill, etc. Quantitative benchmarks can be sales targets, production targets or time to be spent on a particular action, etc.

(ii) **Measuring actual performance :** After setting the standards the next step to measure the actual performance. It can be done by using various techniques such as personal observation, sample checking and evaluation using performance reports. Performance should be measured in an exact and reliable manner so that the correct figures are available for comparison. Performance can only be measured after the completion of an activity or while it is in progress.

(iii) **Comparing performances :** After measuring the performance, it is compared with pre-established standards. This comparison helps in assessing deviations. The comparison is easier when quantitative standards are used. E.g. efficiency in work in terms of cost incurred can be measured against the standard cost.

(iv) **Analysing deviation :** Every organisation detects deviations when actual performance is compared with set standards. Thus, it is important to find whether the deviations detected are in the tolerable range. For analyzing deviations,

managers generally use the techniques 'critical point control' and 'management by exception'.

(a) **Critical point control** : An organisation cannot keep a check on all the activities of the management. Thus, the 'critical point control' technique aims at focusing on only the key result areas (KRAs) that affect the entire organisation and also focus on the areas to be focused.

(b) **Management by exception** : The 'management by exception' technique is based on the belief that 'an attempt to control everything results in controlling nothing'. According to this

technique, only the vital and major deviations that are outside the acceptable limits should be taken into account. Once these deviations are considered, it is necessary to acknowledge the causes, as a number of problems can cause deviations.

(v) **Taking corrective measures** : When deviations are beyond the tolerance limits, it becomes necessary for the management to take corrective actions. This is the final step of controlling, and it aims to correct the deficiencies of the organisation so that the errors do not occur again.



Business Studies 2013 (Delhi)

Set III

Time allowed : 3 hours

Maximum marks : 90

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

1. Give the meaning of 'Secondary Market.' [1]

Answer : Secondary market means sale and purchase of existing financial securities *i.e.*, only those securities that were initially issued in the primary market are traded.

14. Explain 'Co-operation, Not Individualism' as a principle of Scientific Management. [3]

Answer : The principle of 'cooperation, not individualism' suggests that there should be a good degree of cooperation among the workers and management of a company. The workers and the management should realize that they complement each other in order to carry out the company's operations successfully. The management should follow some suggestions given by the employees and are suitable for them and also reward them back. The management should encourage the workers to participate in the decision-making process which create motivation in them. On the other hand, the workers should also cooperate with the management by refraining from going on strikes and by not making unreasonable demands. Both the managers and the workers should work in harmony to achieve the common goals and objective in the organisation.

15. Explain 'Strategy' as one of the types of plans. [3]

Answer : A strategy provides a comprehensive plan in order to achieve organisational goal and

objectives in the organisation. It involves the following three dimensions :

(i) Determining the long term objectives and goal of the organisation concerned

(ii) Determining the course of action to be taken.

(iii) Allocating the resources which is required to attain the objectives. Strategies usually form the identity of the company. Some of the major strategic decisions include deciding whether the organisation would continue in the same line of business or enter a new business line or not, what would be the target customer base, etc.

16. Explain the following features of planning : [3]

(a) Planning involves decision making; and

(b) Planning is pervasive.

Answer : (a) **Planning involves decision making**: Planning is an attempt to peep into the future, analyzing future conditions, evaluating various course of action and choosing the best alternative as per the objectives and goal of the organisation. While drafting plans, managers need to evaluate various course of action, and on the basis of their rationale and logic, opt for the best alternative. Similarly, they also need to decide which objectives should be given priority and which decisions to be taken in the interest of their organisation. Planning involves a high degree of application of the mind and analytical power as various functions of management are carried out on the basis of plans.

(b) **Planning is pervasive** : Planning is required at

all the three levels of an organisation. However, the scope of planning differs at the different management levels. For example, the top-level managers have to chalk out the policies regarding the overall management, whereas the middle-level managers plan the authority to be assigned to their subordinates and the lower level managers set small targets for day-to-day operations. Thus, planning is carried out at all levels of management.

18. 'Packaging has acquired great significance in the marketing of goods.' In the light of this statement state any three functions of packaging. [3]

Answer : The following are the functions performed by packaging :

(i) **Facilitates identification :** An important function that is performed by packaging is identification and differentiation. In this regard, packaging helps the consumers to differentiate favourable products from the others.

(ii) **Protects the contents :** A good packaging performs the function of protecting the product from external damages. That is, it helps in protecting the contents of the product from spoilage, breakage, leakage or any other kind of damage.

(iii) **Facilitates use :** The packaging of a product facilitates its usage such that it is convenient to open. It ensures that the product is packed in a certain way so as to be handy while using.

22. Distinguish between 'Formal and Informal Organisation' on the basis of [4]

- (i) Meaning;
- (ii) Authority;
- (iii) Flow of communication

Answer : The following differences between formal and informal organisation are as follows :

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 in the organization.
Origin	The structure originates from the rules and policies of the top level management.	The structure originates from the social interactions among the employees.

Basis of difference	Formal organization	Informal organization
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 hierarchy.	No planned route of communication is followed.

23. Explain any five features of management. [5]

Answer : The following are five features of management :

(i) **It is pervasive :** Management is pervasive and exists in all types of organisations irrespective of their size, uniqueness, geographical location, etc. All types of organisations need management. The only difference lies in the scope of management i.e. how it is practiced by different organisations in different regions based on cultures and traditions of the country.

(ii) **It is a continuous process :** Management is a continuous and ongoing process. The various functions of management (planning, organising, directing, staffing and controlling) are performed simultaneously by managers. However, their focus and priority may differ on a daily basis. On a particular day, the managers might devote more time to planning, and the next day they might invest more time in controlling.

(iii) **It is multi-dimensional :** Management is regarded as a multi-dimensional concept. This is because it is a complex process involving various dimensions. Broadly, the dimensions of management can be classified as :

- (a) Managing the work
- (b) Managing the people
- (c) Managing the operations

(iv) **It is dynamic :** Management is dynamic in nature i.e. helps an organisation to adapt to an ever-changing environment. With the help of effective planning, management insulates an organisation against external changes such as changes in political, environmental and government policies and changes in technology. For example, management helps an organisation to adapt easily to any technological changes by planning and continuously updating its information about future technologies.

(v) **It is intangible:** Management, as a force, is intangible and cannot be seen. Management

includes what managers think, how they carry out plans, how they handle various activities, how they coordinate their individual efforts and what their organisation achieves. Thus, it is intangible.

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

Answer : The following points highlight the significance of effective controlling.

(a) Achieving organisational goals : Controlling aims at the accomplishment of organisational goals by indicating the deficiencies and the corrective actions which are to be taken. It provides checks on deviations, thereby ensuring that the organisation is moving in the right direction for achieving the set objectives.

(b) Evaluating standards : Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling technique enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the

standards according to the changing business environment and the need of the hour.

(c) Optimally utilising resources : A continuous control and monitoring system ensures efficient and optimum utilisation of the resources available. By aiming at full utilisation of funds, financial planning ensures that situations of excess and shortage of funds are avoided. Thus, it ensures that the funds are properly and optimally utilised.

(d) Motivating employees : By exercising effective control, employees get to know well in advance, what is expected from them and the standards against which their performances will be assessed. This motivates them to achieve the assigned targets in a better and orderly manner.

(e) Maintaining order and discipline : An efficient controlling system helps in creating an atmosphere of order and discipline in an organisation. As the employees are made aware that their performances are being continuously observed, the probability of dishonesty and inefficiency is minimized thus revenue can be increase.

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