

CBSE Sample Paper 1

Class XII 2022-23

Business Studies

Time: 3 Hours

Max. Marks: 80

General Instructions:

1. This question paper contains 34 questions.
 2. Marks are indicated against each question.
 3. Answers should be brief and to the point.
 4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
 5. Answers to the questions carrying 4 marks may be about 150 words.
 6. Answers to the questions carrying 6 marks may be about 200 words.
 7. Attempt all parts of the questions together.
-

1. Shikha purchased a bottle of tomato sauce from the local grocery shop. The information provided on the bottle was not clear. She fell sick on consuming it. She filed a case in the District forum under the Consumer Protection Act and got the relief.
Identify the important aspect of marketing neglected by marketer in the above para.
(a) Pricing (b) Branding
(c) Labeling (d) None of these
2. Which of the following is not an assumption of Maslow's Need Hierarchy Theory?
(a) A satisfied need can no longer motivate.
(b) People's behaviour is based on their needs.
(c) Self-actualisation is the highest order need.
(d) A person moves to the next higher level of the hierarchy only when lower need is satisfied.
3. Taking corrective action is the _____ step in the process of controlling.
(a) Last (b) Continuous
(c) First (d) Both (a) and (b)
4. One of Taylor's technique overlook the principle of 'Unity of Command' advocated by Fayol is:
(a) Fatigue study
(b) Functional foremanship
(c) Standardisation of work
(d) Differential piece wage system

5. Arrange the steps involved in process of controlling in correct sequence:
- (i) Comparison of actual performance with standards
 - (ii) Setting performance standards
 - (iii) Taking corrective action
 - (iv) Measurement of actual performance
 - (v) Analysing deviations
- (a) (iii), (i), (iv), (ii), (v) (b) (ii), (iv), (i), (v), (iii)
- (c) (ii), (v), (iv), (iii), (ii) (d) (ii), (i), (v), (iii), (iv)
6. Element of marketing mix which aims at making the goods and services available to customers at right place, right time and in right quantity is _____.
- (a) Product mix (b) Place mix
- (c) Price mix (d) Promotion mix
7. Varsha bought a box of chocolate of a reputed brand from a local shopkeeper. On opening the box, she found small piece of stone in the chocolate. She reported the matter to the shopkeeper who forwarded her complaint to the concerned company. Within a week, the representative of the company visited Varsha's residence with an apology and as a replacement offered her a new chocolate pack with four other varieties of chocolate as compensation for the inconvenience to her.
- State the consumer right which Suman exercised.
- (a) Right to be heard
- (b) Right to safety
- (c) Both (a) and (b)
- (d) Right to seek redressal
8. Nitin said that his employer provides him with all types of retirement benefits like pension plans, provident funds, etc. because of which he is not worried about his future financial security."
- Which type of incentive has been referred here by Nitin?
- (a) Non-financial incentive
- (b) Financial incentive
- (c) Neither (a) nor (b)
- (d) Both (a) and (b)

9. Loyola AgroTech Limited has started the business of dairy products. The company is initially marketed its products in Jaipur and Pune. Due to several complaints of adulteration of the products, the company decided to pack milk in a tetra pack sealed with hologram to ensure that the product is not tampered with.

Identify the type of decision taken under one of the elements of marketing mix.

- (a) Sales promotion (b) Advertising decision
(c) Packaging decision (d) None of there

10. The process of staffing includes:

- (a) Medical examination
(b) Selection decision
(c) Employment interview
(d) Estimating manpower requirement

11. Match the principles of management in Column I with their correct statements in Column II.

	Column I		Column II
A.	Order	(i)	Use of 'We' instead of 'I'
B.	Equity	(ii)	A place for everything and everything at its place
C.	Espirit de Corps	(iii)	Equal wages for similar jobs

- (a) (ii), (iii), (i) (b) (i), (iii), (ii)
(c) (iii), (i), (ii) (d) (iii), (i), (ii)

12. "Harvinder said that his organisation provides a very cordial working environment where the employees can discuss their problems with each other as a result he has made many good friends there too."

Which need of Mahesh, as per Maslow's Need Hierarchy is fulfilled here?

- (a) Affiliation need
(b) Esteem need
(c) Self-actualisation need
(d) All of these

13. Humands Private Limited has been founded in the belief that the first sign of success of a modern nation lies in the ability of its citizen to celebrate. India's young working population and economic growth has led to rising incomes which combined with increasing global exposure, are empowering many latent wants to morph into demands. The company believes, if the quality of goods/services is superior then the customer can easily be attracted. Therefore, the company always direct their marketing efforts towards improving the quality of product. Identify the marketing management philosophy adopted by the Humands Private Limited.
- (a) Selling concept (b) Production concept
(c) Product concept (d) Societal marketing concept

14. Consider the follwoing image.



Identify the business dimension of the business environment illustrated by the picture given above in which National Green Tribunal banned ten year old diesel cars to protect environment.

- (a) Economic Environment
(b) Legal Environment
(c) Technological Environment
(d) Political Environment
15. As a result of major government initiatives, more and more people are going 'green'. In order to keep in line with the trend, 'Clap away' a carpet cleaning company has advertised that they only use natural cleaners that come from renewable resources and that all their service vehicles are hybrid vehicles that use both gas and electricity. Identify one of the points related to the importance of business environment and its understanding by a manager which is being highlighted in the above case.
- (a) It helps in assisting in planning and policy formulation.
(b) It helps in improving performance.
(c) It helps in coping with rapid changes.
(d) It enables the firm to identify opportunities and getting the first mover advantage.

16. GarmExpo Private Limited is engaged in the business of exports of garments. In the past, the performance of the company had been upto the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Arvind estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decision on a continuous basis. Arvind began with the preparation of a sales forecast for the next two years. He also collected the relevant data about the project estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds, he is trying to find, out alternative sources from outside.

Identify the financial concept discussed in the above para.

- (a) Procurement of funds
- (b) Financial planning
- (c) Allocation of funds
- (d) All of these

17. For the following two statements choose the correct option:

Statement I: Demat Account is the common name of Beneficiary Owner Account.

Statement II: PAN Number is mandatory to be provided by the investor to the broker while filling a client registration form.

Choose the correct option from the options given below:

- (a) Both the statements are true
- (b) Both the statements are false
- (c) Statement II is true and I is false
- (d) Statement I is true and II is false

18. Mr. Patel bought four ceiling fans from a shop. He paid ₹ 4,000 for it by cheque. Since he bought these for his newly constructed house, so he asked the shopkeeper to get them installed at his residence. The shopkeeper told him that he will have to pay ₹ 100 to the person who will come to fix them up. Next day, the electrician came and fixed the fans to the ceiling. He asked Mr. Santosh to pay him ₹ 400 as the charges were ₹ 100 per fan and not ₹ 100 for four fans. Which consumer right was violated by the shopkeeper?

- (a) Right to be heard
- (b) Right to seek redressal
- (c) Right to be informed
- (d) Right to consumer education

- 19.** Burger Raja ensured the food they send out to their customers has the same high standards of excellence and level of quality in every chain or franchise. Which technique of scientific management is reflected here?
- (a) Development of each and every person to his/her greatest efficiency and prosperity
 - (b) Standardisation and simplification of work
 - (c) Motion study
 - (d) Time study
- 20.** Lavanya is one of the most successful managers of her company Rose Private limited. She uses her creativity and initiative in handling challenging situations at work. The knowledge gained by her during her student days at a renowned management institute as well as through her observation and experience over the years is applied by Lavanya in a skillful manner in the context of the realities of a given situation. She often reads books and other literature in various fields of management to keep her knowledge updated. An aspect of the nature of management is being highlighted in the above description. Identify the aspect.
- (a) Management is a Profession
 - (b) Management is an Art
 - (c) Management is a Science
 - (d) None of these
- 21.** Recent years have seen a high rise in the number of fraudulent fund raising operations by different companies. They are making their way into the poor and middle class people by luring them with offers of high interest rates and returns. People are falling prey to such companies and their schemes. They face such risks that extend from loss of personal savings to loss of their jewellery and homes. Such frauds also have a considerable impact on economies and markets by reducing the consumer's trust and confidence in legitimate businesses. Such companies are witty and quick to alter their modus operandi to reduce the risks of law enforcement detection and investigation.
- (a) Which organisation has been set up to regulate such companies and their offers?
 - (b) What are its objectives?
- 22.** Why decentralisation is important in an organisation. Explain by giving any three reasons,
- 23.** Explain the meaning of 'gathering and analysing market information' as a function of marketing.

OR

What is meant by 'marketing concept'?

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

OR

Taniya is of the view that Planning promotes innovative ideas whereas her colleague Lavanya says that Planning reduces creativity. Who do you think is correct? Give reason.

25. Describe the first four steps involved in the process of selection of an employee.

OR

Discuss the importance of the Controlling function of management.

26. What is informal communication ? How is it different from formal communication on the basis of natural relationship among the members and speed of communication ?

OR

‘Supervision is an important element of directing function’. Explain any four reasons in support of the above statement.

27. Ramesh Bikanerwala was running a famous sweet shop in Chandni Chowk in the late seventies. His sweets ranging from barfi and gulab jamuns to jalebi and rabri were famous throughout Delhi. During marriage season, he had no time to close down his shop due to the excessive orders. He produced the sweets with best quality raw material and was totally against the adulteration. He was doing so well that he had to increase his scale of operations. In the nineties, the Government of India announced the policy of LPG. This enabled many foreign brands to enter India that gave the customers more choice by offering them the international sweets and desserts. Ramesh Bikanerwala realised that the customer is no longer going to stick to their traditional sweets. To stay in the market, they now had to study and analyse the market and then decide their new offering.

What advantages Ramesh Bikanerwala will get by understanding the business environment?

28. Differentiate between ‘Money Market’ and ‘Capital Market’ on any four basis.

29. JBC Instrumentation Private Limited is in the business of manufacturing and exporting transformer. It has a share capital of ₹ 1.2 crore at the face value of ₹ 100 each. Company is considering a major expansion of its production facilities and wants to raise ₹ 80 lacs. The finance manager of the company Mr. Patel has recommended that the company can raise funds of the same amount by issuing 10 % debentures. Given that earning per share of the company after expansion is ₹ 28 and tax rate is 30%, did Mr. Patel give a justified recommendation? Show the working.

- 30.** Listenware Private Limited (LPT) deals in a wide range of products that includes games consoles, MP3 players and bluetooth speakers. The market in which it operates is highly competitive and price sensitive. To distinguish itself from the competitors, LPT decided to lay stress on the development of customer relations. They laid down their group mission as 'To be the Best'. The key points of their philosophy would be:
- (a) giving outstanding services to the customers.
 - (b) be adaptable to the changes in the customers demand.
 - (c) working together as a team.

The CEO of LPT however knows that to achieve its mission they need to quantify their mission in terms of the specific type of services to be provided to the customers, changes they need to introduce, etc. They also need to identify the different ways in which they can achieve their mission.

- (a) Which function of management is being performed by LPT?
 - (b) Explain the last three steps of the process of the aforesaid function.
- 31.** Training is a life long necessity both for the employees as well as for the organisation. Justify the statement by giving three arguments each in favour of the employees and the organisation.

OR

Explain 'staffing' as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.

- 32.** Discuss the principles of Scientific Management.

OR

Name the concept of management that binds together all the functions of management. Discuss its features.

- 33.** Timed is a leading brand of watch. Recently, it is facing increasing competition in the market. The customer's taste and preferences has also been changing. To cater the market, the company is planning to launch a smart watch that have all the features of a mobile phone. It can be used for viewing notification and sending messages through it. It can track your activities and fitness goal. It is a GPS enabled device which can be used for listening music or giving instruction to Google Assistant. This product will be launched under a new logo. The pricing of the product is also done so as to obtain market share leadership. The company is planning to launch this product with aggressive promotion or newspaper, magazines, television and press releases.
- (a) State and briefly explain the concept discussed in the meeting in the given case.
 - (b) Discuss the elements of the above concept discussed in the above passage.

- 34.** A reputed company had called for the Annual General Meeting of its shareholders. In the meeting, the Board of Directors laid before the shareholders the Financial Statements disclosing the fact that the profits of the company have increased by 5% in the current financial year and they have maintained stable growth rate of 2-3% in earnings since the last six years. It was also brought to the notice of the investors that the Cash Flow Statement has shown an improvement in the Cash Flow position with major inflow from their operating activities. Their Stock is doing well in the Capital Market as is visible from the increase in its price over the past few years, so raising additional funds, if required, from the capital market will not be a problem at all. Since, the company has to redeem some debentures in the next accounting year, so they have to transfer the required amount to Debenture Redemption Reserve. The Board also laid before the shareholders the proposal to set up a new production capacity in Madhya Pradesh as they intend to increase their scale of operations. Identify by quoting the lines, the factors which the Finance Manager needs to consider from this meeting while deciding the amount of profits to be distributed as dividend.

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Sample Paper 1 Solutions

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- (a) Pricing
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- (c) Labeling
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Ans :

- (c) Labeling

2. Which of the following is not an assumption of Maslow's Need Hierarchy Theory?

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Ans :

- (c) Self-actualisation is the highest order need.

3. Taking corrective action is the _____ step in the process of controlling.

- (a) Last
- (b) Continuous
- (c) First
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Ans :

- (a) Last

4. One of Taylor's technique overlook the principle of 'Unity of Command' advocated by Fayol is:

- (a) Fatigue study
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Ans :

- (b) Functional foremanship

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Ans :

- (b) (ii), (iv), (i), (v), (iii)

6. Element of marketing mix which aims at making the goods and services available to customers at right place, right time and in right quantity is _____.

- (a) Product mix
- (b) Place mix
- (c) Price mix
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Ans :

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Ans :

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Ans :

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Ans :

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11. Match the principles of management in Column I with their correct statements in Column II.

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Ans :

- (a) (ii), (iii), (i)

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Which need of Mahesh, as per Maslow's Need Hierarchy is fulfilled here?

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Ans :

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company believes, if the quality of goods/services is superior then the customer can easily be attracted. Therefore, the company always direct their marketing efforts towards improving the quality of product.

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Ans :

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Ans :

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- (b) Both the statements are false
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Ans :

- (a) Both the statements are true

18. Mr. Patel bought four ceiling fans from a shop. He paid ₹ 4,000 for it by cheque. Since he bought these for his newly constructed house, so he asked the shopkeeper to get them installed at his residence. The shopkeeper told him that he will have to pay ₹ 100 to the person who will come to fix them up. Next day, the electrician came and fixed the fans to the ceiling. He asked Mr. Santosh to pay him ₹ 400 as the charges were ₹ 100 per fan and not ₹ 100 for four fans. Which consumer right was violated by the shopkeeper?

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Ans :

- (c) Right to be informed

19. Burger Raja ensured the food they send out to their customers has the same high standards of excellence and level of quality in every chain or franchise. Which technique of scientific management is reflected here?

- (a) Development of each and every person to his/her greatest efficiency and prosperity
- (b) Standardisation and simplification of work
- (c) Motion study
- (d) Time study

Ans :

- (b) Standardisation and simplification of work

20. Lavanya is one of the most successful managers of her company Rose Private limited. She uses her creativity and initiative in handling challenging situations at work. The knowledge gained by her during her student days at a renowned management institute as well as through her observation and experience over the years is applied by Lavanya in a skillful manner in the context of the realities of a given situation. She often reads books and other literature in various fields of management to keep

her knowledge updated. An aspect of the nature of management is being highlighted in the above description. Identify the aspect.

- (a) Management is a Profession
- (b) Management is an Art
- (c) Management is a Science
- (d) None of these

Ans :

- (b) Management is an Art

21. Recent years have seen a high rise in the number of fraudulent fund raising operations by different companies. They are making their way into the poor and middle class people by luring them with offers of high interest rates and returns. People are falling prey to such companies and their schemes. They face such risks that extend from loss of personal savings to loss of their jewellery and homes. Such frauds also have a considerable impact on economies and markets by reducing the consumer's trust and confidence in legitimate businesses. Such companies are witty and quick to alter their modus operandi to reduce the risks of law enforcement detection and investigation.

- (a) Which organisation has been set up to regulate such companies and their offers?
- (b) What are its objectives?

Ans :

- (a) Securities and Exchange Board of India (SEBI)
- (b) The objectives of Securities and Exchange Board of India (SEBI) are:
 - (i) To regulate stock exchanges and the securities industry to promote their orderly functioning.
 - (ii) To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
 - (iii) To prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation.
 - (iv) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc. with a view to make them competitive and professional.

22. Why decentralisation is important in an organisation. Explain by giving any three reasons,

Ans :

The importance of decentralisation is as follows:

- (a) Relief to top management: In a decentralised organisation, the top executives are not burdened by the problems and complexities of administrative details. Therefore, they have enough time to plan ahead, develop new strategies and concentrate on coordination and control.
 - (b) Improved team work In a decentralised organisation, managers make special efforts to seek the participation of subordinates in decision-making, open communication and take personal interest in their welfare. These factors lead to superior team work.
 - (c) Develops managerial talent for the future: When there is decentralisation of authority, the subordinates get an opportunity to take decisions and develop themselves for getting promotion to higher positions in the organisation. This leads to development of future executives.
 - (d) Quick decision-making: Since decision making authority is entrusted nearest to the point of action, quick decision-making is facilitated. It provides competitive edge to the company.
 - (e) Develops initiative among subordinates: Managers with greater degree of autonomy take initiative, develop better ingenious ways of doing work thereby creativity and experimentation are encouraged.
- (Any Three)

23. Explain the meaning of 'gathering and analysing market information' as a function of marketing.

or

What is meant by 'marketing concept'?

Ans :

Gathering and analysing market information is the initial step of marketing, through which the important information to identify the needs and wants of the customers is collected for successful marketing of any good or service. A detailed analysis of available opportunities, threats, strengths and weaknesses is made by the organisation and what opportunity can best be pursued is identified. Gathering and analysing information helps to identify the customer's needs and preferences. It forms the basis for the product designing and development.

or

The marketing concept implies that the firm can achieve its goals by identifying the needs of customers in a chosen market and satisfying them better than the competitors. This essentially involves that the firm must develop products and services that customers require, and not what it can make. Customer satisfaction is the precondition for realising the firm's goals or objectives. A prerequisite for the success of an organisation is to understand the customer needs and develop product or services for satisfying them better than the competitors. Through the means of integrated marketing, the goal of profit maximisation through customer satisfaction is achieved.

24. "Authority can be delegated but accountability cannot." Explain the statement.

or

Taniya is of the view that Planning promotes innovative ideas whereas her colleague Lavanya says that Planning reduces creativity. Who do you think is correct? Give reason.

Ans :

According to the principle of absoluteness of accountability, authority can be delegated but responsibility cannot be delegated by a manager. The manager remains responsible or accountable to his own superior for the tasks which he may assign to his subordinates. In other words, the manager cannot escape from responsibility for any default on the part of his subordinates. The process of delegation does not relieve the manager of his own responsibility and accountability. Every superior is responsible for the acts of his subordinates to whom he delegates authority for any work. For example, if the foreman fails to get 100 units produced by the workers in any day, he is responsible to his superior. He cannot escape by saying that the workers were at fault. Similarly, the factory manager remains accountable to his superior for the work he entrusted to his foreman. He cannot escape from responsibility by passing on the blame to his foreman.

or

Both Taniya and Lavanya are correct. This depends upon the way planning is done. It can be justified from the following points:

- (a) Planning promotes innovative ideas: Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business. It is an intellectual process which is done after analysing the different situations and hence new ideas are developed to tackle the new challenges offered by the environment.
- (b) Planning reduces creativity: Planning is an activity which is done by the top management. Usually the rest of the members just implements these plans. As a consequence, middle management and other decision-makers are neither allowed to deviate from plans nor they are permitted to act on their own. Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Most of the time, employees do not even attempt to formulate plans. They only carry out orders. Thus, planning in a way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative.

25. Describe the first four steps involved in the process of selection of an employee.

or

Discuss the importance of the Controlling function of management.

Ans :

Selection is the process of choosing the best person out of a number of prospective candidates. A series of employment tests and interviews are taken for it. At every stage, many are eliminated and only a few move to the next step. The steps of this process are as follows:

- (a) Preliminary screening: The manager eliminates unqualified or unfit job seekers on the basis of information supplied in the application form.
- (b) Selection tests. Different type of tests, such as intelligence test, aptitude test, personality test or trade test are taken depending on the job profile of the prospective candidate to test his suitability for the post.
- (c) Employment interview: It is a form of in-depth conversation between the interviewer and the candidate to seek information and provide the same. It assesses the candidate against the background of the organisation and job requirements.
- (d) Reference and background checks: The next step is to seek more information about the candidate from indirect personal sources like

his previous employer, principal of college or institution etc.

or

The importance of Controlling function of management is as follows:

- (a) Accomplishing organisational goals: The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. It, thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.
- (b) Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.
- (c) Making efficient use of resources: By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- (d) Improving employee motivation: A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance.
- (e) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in an organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.

26. What is informal communication ? How is it different from formal communication on the basis of natural relationship among the members and speed of communication ?

or

‘Supervision is an important element of directing function’. Explain any four reasons in support of the above statement.

Ans :

Meaning of informal communication. Communication that takes place independently of the formal line of authority is known as informal communication. The necessity of such communication arises among people to satisfy their social needs. The network of informal communication is known as 'grapevine'. Distinction between formal and informal communication:

- (a) Channel of communication. Formal communication is written communication; while informal communication is verbal communication.
- (b) Scalar Chain. The former follows the scalar chain; while latter does not follow it.
- (c) Proof A proof of sending formal communication is kept; while there is no proof for sending informal communication.
- (d) Relations. Formal communication is the result of authorities granted and duty assigned by the organisation. Informal communication is the result of mutual relationship among employees.
- (e) Rumours and misunderstanding. Messages are clear in writing and as such, there is no cause for rumour or misunderstanding in formal communication. Informal nature of communication spreads rumours and creates misunderstanding.
- (f) Authenticity. Messages are authentic in formal communication while message may not be authentic in informal communication.
- (g) Speed. Formal communication is not as fast as informal communication. Informal communication is faster in speed.

or

A supervisor performs the following important functions which helps the organisation to achieve its objectives.

The various functions of a supervisor are:

- (a) Planning the work. The supervisor has to determine work schedule for even and steady flow of work. He then assigns the work to different workers according to their abilities. He also makes arrangements for raw materials, machines, tools and equipment.
- (b) Issuing orders. The supervisor issues orders and instructions to the workers for achieving co-ordination in his section. He tells them what to do and how to do.
- (c) Providing guidance and leadership. The supervisor leads the workers of his department. He fixes production targets for them and provides them the necessary guidance for doing the work assigned to them. He provides good on-the-job training to the workers and

employees.

- (d) Motivation. The supervisor motivates his subordinates by providing financial and non-financial incentives. He inspires them for higher quality and productivity.

- 27.** Ramesh Bikanerwala was running a famous sweet shop in Chandni Chowk in the late seventies. His sweets ranging from barfi and gulab jamuns to jalebi and rabri were famous throughout Delhi. During marriage season, he had no time to close down his shop due to the excessive orders. He produced the sweets with best quality raw material and was totally against the adulteration. He was doing so well that he had to increase his scale of operations. In the nineties, the Government of India announced the policy of LPG. This enabled many foreign brands to enter India that gave the customers more choice by offering them the international sweets and desserts. Ramesh Bikanerwala realised that the customer is no longer going to stick to their traditional sweets. To stay in the market, they now had to study and analyse the market and then decide their new offering.

What advantages Ramesh Bikanerwala will get by understanding the business environment?

Ans :

Ramesh Bikanerwala identified the changes in his business environment. Following benefits will be enjoyed by him:

- (a) Enables the identification of opportunities and getting the first mover advantage: Opportunities are the favourable changes in the business environment which can help a firm to improve its performance. Early identification of this opportunity helps an enterprise to take the first mover advantage otherwise it would be lost to its competitors.
- (b) Helps in identification of threats and early warning signals: Threats are the unfavourable changes in business environment that can hinder a firm's performance. Understanding of business environment helps a manager to identify the threats on time so that he could prepare to meet them by taking appropriate measures.
- (c) Helps in tapping useful resources: An enterprise depends on the environment as a source of inputs and as an outlet for outputs. The understanding of business environment

enables an enterprise to procure the resources it needs and convert them into output that the environment desires.

- (d) Helps in coping with rapid changes: Today's business environment is changing rapidly. In order to effectively cope up with the significant changes, a manager must understand and examine the environment and, then, develop suitable course of action.

28. Differentiate between 'Money Market' and 'Capital Market' on any four basis.

Ans :

The points highlighting the distinction between the two markets are:

	Basis	C a p i t a l Market	Money Market
(a)	Meaning	It refers to facilities and institutional arrangements through which long-term funds, both debt and equity, are raised and invested.	It refers to the market for short-term funds which deals in monetary assets whose period of maturity is upto one year.
(b)	Participants	The participants in capital market are financial institutions, banks, corporate entities, foreign investors and members from general public.	The participants in money market are RBI, commercial banks, non-bank finance companies (NBFCs) and State Governments.
(c)	Instruments	It deals in instruments such as equity shares, debentures, bonds, preference shares etc.	Its instruments are commercial bills, certificate of deposit, treasury bills etc.

(d)	Investment outlay	The unit value of capital market securities is generally low. They are generally multiples of 5, 50 or so. Thus, investment in capital market do not require huge financial outlay.	Investment outlay for money market transactions is huge as instruments are quite expensive.
(e)	Duration	It deals in medium and long-term securities such as equity shares and debentures.	The maximum tenure of money market instruments is one year.

29. JBC Instrumentation Private Limited is in the business of manufacturing and exporting transformer. It has a share capital of ₹ 1.2 crore at the face value of ₹ 100 each. Company is considering a major expansion of its production facilities and wants to raise ₹ 80 lacs. The finance manager of the company Mr. Patel has recommended that the company can raise funds of the same amount by issuing 10 % debentures. Given that earning per share of the company after expansion is ₹ 28 and tax rate is 30%, did Mr. Patel give a justified recommendation? Show the working.

Ans :

Earnings per share = ₹ 28

Number of Equity Share = $\frac{120,00,000}{100} = 120,000$

$EPS = \frac{\text{Earning after Tax}}{\text{No. of Equity Shares}}$

$28 = \frac{\text{Earning after Tax}}{120,000}$

Earning after Tax = ₹ 33, 60,000

$$\begin{aligned}\text{Interest} &= 80,00,000 \times \frac{10}{100} \\ &= ₹ 8,00,000\end{aligned}$$

Let x be the earning before Tax (EBT).

$$\begin{aligned}\text{EBT} - \text{Tax} &= \text{EAT} \\ x - 0.30x &= 33,60,000 \\ 0.70x &= 33,60,000 \\ x &= \frac{33,60,000}{0.70} \\ &= 48,00,000\end{aligned}$$

Earning before Tax = ₹ 48,00,000

$$\begin{aligned}\text{EBIT} &= \text{Earning before tax} + \text{Interest} \\ &= 48,00,000 + 8,00,000 \\ &= ₹ 56,00,000\end{aligned}$$

$$\begin{aligned}\text{ROI} &= \frac{\text{EBIT}}{\text{Total Investment}} \times 100 \\ &= \frac{56,00,000}{2,00,00,000} \times 100 = 28\%\end{aligned}$$

As ROI (28%) > Rate of interest (8%), the company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation.

30. Listenware Private Limited (LPT) deals in a wide range of products that includes games consoles, MP3 players and bluetooth speakers. The market in which it operates is highly competitive and price sensitive. To distinguish itself from the competitors, LPT decided to lay stress on the development of customer relations. They laid down their group mission as 'To be the Best'. The key points of their philosophy would be:

- (a) giving outstanding services to the customers.
- (b) be adaptable to the changes in the customers demand.
- (c) working together as a team.

The CEO of LPT however knows that to achieve its mission they need to quantify their mission in terms of the specific type of services to be provided to the customers, changes they need to introduce, etc. They also need to identify the different ways in which they can achieve their mission.

- (a) Which function of management is being performed by LPT?
- (b) Explain the last three steps of the process of the aforesaid function.

Ans :

- (a) Planning function of management is being performed by LPT.
- (b) The last three steps in the function of

Planning are as follows:

- (i) Selecting an alternative: After evaluation of various available alternative courses, the time comes for selecting the best plan and to implement it practically. The plan will be justified best in terms of feasibility, profitability and with least adverse outcomes. Sometimes a firm may also go for combination of plans instead of selecting one best course. For example, if a play school wants to increase its admissions, it has to choose the best media of advertising in terms of cost effectiveness, vast coverage and better results. It has to select the best medium of advertising out of the following such as television, radio, newspapers, magazines, cables, pamphlets, etc.
- (ii) Implement the plan: This is the step where other managerial functions also come into the picture. The step is concerned with putting the plan into action, i.e., doing what is required. For example, if there is a plan to increase production then more labour, more machinery will be required. This step would also involve organising for labour and purchase of machinery.
- (iii) Follow-up action: To see whether plans are being implemented and activities are performed according to schedule is also a part of the planning process. Monitoring the plans is equally important to ensure that objectives are achieved.

31. Training is a life long necessity both for the employees as well as for the organisation. Justify the statement by giving three arguments each in favour of the employees and the organisation.

or

Explain 'staffing' as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.

Ans :

Training is a necessary activity in all organisations. It plays a large part in determining the efficiency of the organisation. Benefits of training to the organisation are:

- (a) Economic operations. Trained personnel will make economic and efficient use of resources, i.e., men, money, material and machines. This will lead to the reduction in cost of production

per unit. There will be a great savings as training reduces wastage and spoilage. This will result in economic operations. Thus, training expenditure is treated as an investment in human resources.

- (b) Increases productivity. It helps to improve employee's knowledge and skills, which in turn increases the quality and quantity of production. Higher productivity means higher profitability for the organisation.
- (c) Reduced supervision. Training gives employees greater confidence. Trained employees need less supervision. They require greater freedom to handle their jobs without close supervision. With reduced supervision, a manager can widen his span of control and spend greater time on more non-routine issues of the department. Properly trained employees are more self-reliant because they are more confident about what to do and how to do it. The employees need not learn by trial and error method.
- (d) High motivation and morale. Training reduces the rate of labour turnover, absenteeism and increases job satisfaction. This improves staff morale and self-esteem. With the help of training, employees are able to direct the staff towards management philosophy, mission, attitudes, work ethics, team work and greater cooperation and loyalty.
- (e) Preparation of prospective managers. Training equips the employees with knowledge and skills needed for higher jobs. It can be used to identify promising men with exceptional talent, creativity and initiative. These employees can then be further trained for higher positions. It is better to promote people from within the organisation. Thus, training prepares and develops future managers.

or

Staffing may be defined as the managerial function of hiring and developing the required personnel to fill in various positions in the organisation. This function involves determination of the size and categorisation of required personnel. It is also concerned with employing the right type of people and developing their skills through training. The staffing function focusses on maintaining and improving the competence and performance of the personnel in the organisation.

Importance of staffing function is as follows:

- (a) Key to other managerial functions. Staffing injects life into the organisation which is otherwise an empty shell of job positions. The staffing function affects not only planning but also the functions of direction and control of

the efforts of people. In fact the effectiveness of other managerial function depends on the effectiveness of the staffing function. It identifies people who possess the right combination of skill, attitude and interest. An organisation which employs the right persons for the right jobs will be more dynamic and efficient in the complex external environment.

- (b) Human resources as assets. All other physical assets like plant and machinery, buildings, materials and technology are of no use and remain inactive unless there are competent people willing and able to operate them. The quality of the human assets of an organisation is its major source of advantage over other competing organisations.
- (c) Effective use of technology and other resources. It is the human factor that is instrumental in the effective utilisation of latest technology, capital, materials, etc. The management can ensure right kind of personnel by performing the staffing function.
- (d) Growth of the enterprise. Ensures the continuous survival and growth of the enterprise through the succession planning for managers.
- (e) Job satisfaction. Through objective assessment of employees and fair reward for their contribution, it improves job satisfaction and morale of employees.

32. Discuss the principles of Scientific Management.

or

Name the concept of management that binds together all the functions of management. Discuss its features.

Ans :

The principles of Scientific Management are as follows:

- (a) Science, not rule of thumb: Taylor introduced the method of scientific inquiry into the field of management practice. Taylor believed that there was only one best method to maximise efficiency that can be developed through study and analysis. The method so developed should substitute 'Rule of Thumb' throughout the organisation.

- (b) Harmony, not discord: Taylor emphasised that there should be complete harmony between the management and workers. Both should realise that each one is important. To achieve this state, Taylor called for complete Mental Revolution which means that management and workers should transform their thinking towards each other. According to Taylor, 'Scientific management has for its foundation the firm conviction that the true interests of the two are one and the same; that prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice-versa'.
- (c) Cooperation, not individualism: There should be complete cooperation between the labour and the management instead of individualism. This principle is an extension of principle of 'Harmony, not discord'. Competition should be replaced by cooperation. Both should realise that they need each other. For this there should be an open communication system. Paternalistic style of management, should prevail. According to Taylor, there should be almost equal division of work and responsibility between workers and management.
- (d) Development of each and every person to his or her greatest efficiency and prosperity: Since industrial efficiency depends to a large extent on personnel competencies so they need to take care of workers development by providing training. Each person should be scientifically selected. Then work assigned should suit her/his capabilities. Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both, company and workers.

or

Coordination is the concept of Management that binds together all the functions of management. Its features are as follows:

- (a) Integrates group efforts: Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort to ensure that performance is as it was planned and scheduled.
- (b) Responsibility of all managers: Coordination is the function of every manager in the organisation. Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out. Middle level management coordinates with both the top level and first line managers. Operational level management coordinates the activities of its workers to ensure that work proceeds according to the plans.
- (c) Pervasive function: Coordination is required at all levels of management due to the interdependent nature of activities of various departments. It integrates the efforts of different departments and different levels.
- (d) Ensures unity of action: Coordination secures unity of action in the realisation of a common purpose. It acts as a binding force among different departments and functions with a aim to direct all the decisions and actions towards the fulfilment of the organisational goals.
- (e) Continuous process: Coordination is a continuous process, which begins with planning and continues till controlling. The top management plans for the entire organisation. According to these plans, the organisational structure is developed and staffed. Directing executes the plans and controlling corrects the deviations between actual and planned performance and also provides valuable feedback for better planning in future.
- (f) Deliberate function: Every manager needs to coordinate the efforts of different persons to avoid confusion and chaos. He unifies and integrates the efforts in a proper direction. All this is done by the manager in a conscious and deliberate manner.

33.

Timed is a leading brand of watch. Recently, it is facing increasing competition in the market. The customer's taste and preferences has also been changing. To cater the market, the company is planning to launch a smart watch that have all the features of a mobile phone. It can be used for viewing notification and sending messages through it. It can track your activities and fitness goal. It is a GPS enabled device which can be used for listening music or giving instruction to Google Assistant. This product will be launched under a new logo. The pricing of the product is also done so as to obtain market share leadership. The company

is planning to launch this product with aggressive promotion or newspaper, magazines, television and press releases.

- (a) State and briefly explain the concept discussed in the meeting in the given case.
- (b) Discuss the elements of the above concept discussed in the above passage.

Ans :

- (a) Marketing Mix: It refers to the combination of variables used by a company to achieve its marketing objectives. It includes four tools, i.e., Price, Product, Promotion and Place. These are the controllable factors in the hands of a market which he use to create market offering.
- (b) The elements of Marketing Mix are as follows:
 - (i) Product mix: Product means goods or services or 'anything of value', which is offered to the market for exchange. The concept of product relates to not only the physical product but also the benefits offered by it from customer's view point and also to the extended product or what is offered to the customers by way of after sales services, handling complaints, etc. The important product decisions include deciding about the features, quality, packaging, labelling and branding of the products.
 - (ii) Price mix: Price is the amount of money customers have to pay to obtain the product. In case of most of the products, level of price affects the level of their demand. The marketers have not only to decide about the objectives of price setting but to analyse the factors determining the price and fix a price for the firm's products. Decisions have also to be taken in respect of discounts to customers, traders and credit terms etc.
 - (iii) Place mix: Place include activities that make firm's products available to the target customers. Important decision areas in this respect include selection of intermediaries or channels of distribution and the physical distribution that covers the areas to manage inventory, storage, warehousing and transportation of goods from the place it is produced to the place it is required by the buyers.

34. A reputed company had called for the Annual General Meeting of its shareholders. In the meeting, the Board of Directors laid before the shareholders the Financial Statements disclosing the fact that the profits of the company have increased by 5% in the current financial year and they have maintained stable growth rate of 2-3% in earnings since the last six years. It was also brought to the notice of the investors that the Cash Flow Statement has shown an improvement in the Cash Flow position with major inflow from their operating activities. Their Stock is doing well in the Capital Market as is visible from the increase in its price over the past few years, so raising additional funds, if required, from the capital market will not be a problem at all. Since, the company has to redeem some debentures in the next accounting year, so they have to transfer the required amount to Debenture Redemption Reserve. The Board also laid before the shareholders the proposal to set up a new production capacity in Madhya Pradesh as they intend to increase their scale of operations.

Identify by quoting the lines, the factors which the Finance Manager needs to consider from this meeting while deciding the amount of profits to be distributed as dividend.

Ans :

The factors which the Finance Manager needs to consider from the meeting while deciding the amount of profits to be distributed as dividend are as follows:

- (a) Amount of earnings: 'In the meeting, the Board of Directors laid before the shareholders the Financial Statements disclosing the fact that the profits of the company have increased by 5% in the current financial year.'
- (b) Stability of earnings: 'they have maintained stable growth rate of 2-3% in earnings since the last six years.'
- (c) Cash flow position: 'It was also brought to the notice of the investors that the Cash Flow Statement has shown an improvement in the Cash Flow position with major inflow from their Operating activities.'
- (d) Capital market access: 'Their Stock is doing well in the Capital Market as is visible from the increase in its price over the past few years, so raising additional funds, if required, from the capital market will not be a problem at all.'
- (e) Legal constraints: 'Since the company has to redeem some debentures in the next accounting year, so they have to transfer the required amount to Debenture Redemption Reserve.'
- (f) Growth opportunities: 'The Board also laid before the shareholders the proposal to set

up a new production capacity in Madhya Pradesh as they intend to increase their scale of operations.'

□□□□□□