



**KENDRIYA VIDYALAYA SANGATHAN**

**PATNA REGION**

**STUDY MATERIAL**

**CLASS-XII**

**SUBJECT: BUSINESS STUDIES (054)**

**SESSION-2023-24**

**PATRON**



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## ACKNOWLEDGEMENT

We are delighted to present this valuable study material in the field of business studies, tailored to enhance the academic journey of students. Our primary goal is to facilitate their path to success with maximum ease and convenience.

Foremost, we extend our heartfelt gratitude to Mr. Anurag Bhatnagar, the esteemed Deputy Commissioner of KVS RO Patna, and our dedicated Assistant Commissioners, Ms. Soma Ghosh, Mr. Manish Prabhat, and Mr. Purnendu Mandal, for their unwavering support and insightful guidance, which inspired the creation of this material.

Furthermore, we express our sincere appreciation to Mr. Ashad Ali Khan, Principal, KV Katihar, for his invaluable assistance and continuous mentorship throughout the development of this study material.

This comprehensive study resource has been meticulously crafted to provide students with a strong conceptual foundation and real-world application skills. It aims to channel their thinking in a positive direction, reduce the stress associated with board exams, and ignite a genuine passion for learning and a commitment to achieving excellence from the outset.

As the editorial team, we take immense pride in our contribution to this study material, which is designed to enrich students' knowledge and foster improved performance in the forthcoming academic year.

With our very best wishes,

The Editorial Team

**Business Studies**  
**CLASS–XII(2023-24)**

Theory: 80 Marks  
Project: 20 Marks

3 Hours

| <b>Units</b>  |   | <b>Periods</b> | <b>Marks</b> |
|---------------|---|----------------|--------------|
| <b>Part A</b> | <b>Principles and Functions of Management</b> |                |              |
| 1.            | Nature and Significance of Management         | 12             | 16           |
| 2             | Principles of Management                      | 14             |              |
| 3             | Business Environment                          | 12             |              |
| 4             | Planning                                      | 14             | 14           |
| 5             | Organising                                    | 15             |              |
| 6             | Staffing                                      | 16             | 20           |
| 7             | Directing                                     | 15             |              |
| 8             | Controlling                                   | 12             |              |
|               | <b>Total</b>                                  | <b>110</b>     | <b>50</b>    |
| <b>Part B</b> | <b>Business Finance and Marketing</b>         |                |              |
| 9             | Financial Management                          | 20             | 15           |
| 10            | Financial Markets                             | 18             |              |
| 11            | Marketing Management                          | 30             | 15           |
| 12            | Consumer Protection                           | 12             |              |
|               | <b>Total</b>                                  | <b>80</b>      | <b>30</b>    |
| <b>Part C</b> | <b>Project Work(One)</b>                      | <b>30</b>      | <b>20</b>    |

**Suggested Question Paper Design Business Studies  
(Code No. 054) Class XII (2023-24)**

**March 2024 Examination**

**Marks: 80**

**Duration: 3 hrs.**

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

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## CHAPTER 01

### NATURE AND SIGNIFICANCE OF MANAGEMENT

**Meaning (Concept) of Management:**

Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.

**Effectiveness:** Completing the right task to achieve the goal within time.

**Efficiency:** Completion of right task using minimum resources.

**Characteristics/Features of Management**

- (a) Management is a goal oriented process.
- (b) Management is all Pervasive.
- (c) Management is Multidimensional-Management of Work, Management of people, Management of Operation
- (d) Management is a Continuous process.
- (e) Management is a Group activity.
- (f) Management is a Dynamic function
- (g) Management is an Intangible force.

**Objectives of Management**

**ORGANISATIONAL OBJECTIVES**

- (i) Survival:-Ensure that the organization survives and exists in the future.
- (ii) Profit:-Earning adequate profit in order to survive and grow.
- (iii) Growth: -Growth indicate show well it exploits the potential opportunities.

**SOCIAL OBJECTIVES**

- (i) Supply of quality products at reasonable rates,
- (ii) Generating employment opportunities,
- (iii) Using environmental friendly methods of production.

**PERSONNEL OBJECTIVES**

- (i) Meeting the Financial needs like competitive salaries & perks,
- (ii) Fair Remuneration and Peer recognition like self-respect, etc.,
- (iii) Good & healthy working conditions for employees,
- (iv) Safety, Promotion, training for personal growth of employees.

**Importance of Management**

- (i) Helps in achieving Group Goals
- (ii) Creates a dynamic organization
- (iii) Helps in achieving Personal objectives
- (iv) Increases efficiency
- (v) Helps in development of society facilitate changes

**NATURE OF MANAGEMENT:-**

|                 | MANAGEMENT AS A SCIENCE                               | MANAGEMENT AS AN ART                       | MANAGEMENT AS A PROFESSION            |
|-----------------|---|--|---------------------------------------|
| <b>Features</b> | (i) Universal validity                                | (i) Based on practice and creativity       | (i) Well defined body of knowledge.   |
|                 | (ii) Arranged, organized systematic body of knowledge | (ii) Personalised Application              | (ii) Restricted entry                 |
|                 | (iii) Principles arrived after experimentation.       | (iii) Existence of the practical knowledge | (iii) Professional association (AIMA) |
|                 |   |  | (iv) Existence of code of conduct     |
|                 |   |  | (v) Service Motive                    |

**Levels of Management:- (Three)** The levels of management denote a demarcation between various position in an organization on the basis of authority ,responsibility, and status.

| Level of Management | <b>TOP LEVEL MANAGEMENT</b> –<br>Ex-CEO, Board of directors, MD, President & Chairman. | <b>MIDDLE LEVEL MANAGEMENT</b> -<br>Ex-Departmental heads such as purchase manager, Operations manager, Production manager, Marketing manager, Divisional heads & Plant superintendent etc. | <b>LOWER LEVEL MANAGEMENT</b> –<br>Ex- Foreman, Inspectors, Supervisors, Superintendent, Clerk etc. . |
|---------------------|--|---|---|
| <b>FUNCTIONS</b>    | 1. Decide overall objectives of the organization.                                      | 1. To implement plan and policies to assist top management.   | 1. To arrange raw materials, tools and other facilities.  |
|                     | 2. To make plan and policies for overall organisation.                                 | 2. To assign job to subordinates.   | 2. To ensure about the performance of workers   |
|                     | 3. Arrange required various resources  | 3. To recruit employees for the irrespective departments  | 3. To ensure safety and security of workers   |

### Functions of Management

(FIVE FUNCTIONS) if functions are asked in case study, then all the five functions should come into mind, not any other concept

**(i) Planning** - Setting objectives and targets and formulating an action plan of what is to be done, how is to be done and when is to do it.

**(ii) Organising** - Assignment of duties, task, establishment of authority and responsibility Relationship, allocating the resource required to perform the planned task.

**(iii) Staffing**-Finding and placing the right person at the right job at the right time.

**(iv) Directing** - Leading, influencing, and motivating the staff chosen to perform the assigned task efficiently and effectively.

**(v) Controlling** - Ensuring/Monitoring the activities in an organisation are performed as per the plan.

### Coordination:-

It is the synchronization of various activities and efforts in an organization providing the required amount of quality, timing and sequence; thus ensuring the achievement of the planned goal with minimum content.

### Importance:-

(i) Growth in size – Harmonise individual goals and organizational goal through coordination.

(ii) Functional differentiation –separate departments having separate objectives should have coordinated.

(iii) Specialisation- it arises out of the complexities of modern technology and diversity of task.

### VERY SHORT ANSWER TYPE QUESTIONS (MCQ/ASSERTION AND REASONING) (1 marks)

1. Effectiveness is synonymous with

(a) Cost minimization (b) Resource control (c) Goal attainment (d) Efficiency

Answer: c

2. Successful organisations do not achieve goals by chance but by following a deliberate process known as

(a) Planning (b) Co-ordination (c) Controlling (d) Management

Answer: d

3. **Assertion(A):**Management helps in increasing efficiency.

**Reason(R):**The aim of a manager is to reduce costs and increase productivity with minimizing wastage through better planning, organizing, staffing, directing and controlling the activities of organization.

**Options:**(i) Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).

ii. Both Assertion(A) and Reason(R) are true and Reason(R) is not correct explanation of Assertion(A).

iii. Assertion(A) is true but Reason(R) is false.

iv. Assertion(A) is false but Reason(R) is true.

Ans.(i)



4. **Assertion (A):** Profit is only main objective of every management.

**Reason(R):** Profit is necessary for the existence of business.

**Options:** (i) Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).

ii. Both Assertion(A) and Reason(R) are true and Reason(R) is not correct explanation of Assertion(A).

iii. Assertion(A) is true but Reason(R) is false.

iv. Assertion(A) is false but Reason(R) is true.

Ans.(iv)

5. **Assertion(A):** Coordination is the essence of management.

**Reason (R):** Coordination is required at all levels and through all functions of management.

Options:(i) Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).

ii. Both Assertion(A) and Reason(R) are true and Reason(R) is not correct explanation of Assertion(A).

iii. Assertion(A) is true but Reason(R) is false.

iv. Assertion(A) is false but Reason(R) is true.

Ans.(i)

### SHORT ANSWER TYPE QUESTION (3 -4 MARKS)

1. Identify the level of management whose basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organisation. State any two functions of the level of management identified.

Ans-Top level management

Functions of top-level management:(any two)

1. The top-level managers are responsible for the welfare and survival of the organisation.

2. They analyse the business environment and its implications for the survival of the firm.

3. They formulate overall organisational goals and strategies for their achievement.

4. They are responsible for all the activities of the business and for its impact on society.

2. Enumerate the three economic objectives of management.

Ans- Following are the economic objectives of management: 1) Survival 2) Profit 3) Growth.

3. Captcha Ltd. is a construction company in which all the employees learn various ways of dealing with diverse situations from their seniors. Company provides financial as well as non-financial incentives. This helps the employees to grow and develop their abilities. The organisation behaves as a responsible constituent of society and always creates good quality products. It has a positive image in the market. The training modules are excellent and the employees always try to find unique ways of providing solutions in the context of rapidly changing business environment. This has helped the organisation to adjust smoothly.

Identify and state three points of importance of management being highlighted here.

Ans-The importance of management highlighted:

**1. Helps in achieving personal objectives**– A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organizational goals.

**2. Helps in the development of society**- The organisation tries to behave as responsible constituent of society and always creates good quality products.

**3. Creates a dynamic organisation**- Organisations have to function in a constantly changing environment. Management helps people adapt to the changes so that organisation is able to maintain a competitive edge.

### LONG ANSWER TYPE QUESTION (5 TO 6 MARKS)

1. Koyna Ltd. received an e worder of 30,000 toys. Mr. Abhishekh, the production manager is expected to deliver goods in fifteen days otherwise the contract will be null and void. To retain the customers, Abhishekh outsourced the production of 15,000 toys and delivered the order on time. The outsourcing of production resulted in increase in cost by 50%. Koyna Ltd. uses environment friendly methods of production and disposes off the waste material by either recycling it or using the same for land fill in such a manner that the aquatic life is not disturbed."

1. Which concept of management is being adhered to hereby Mr. Abhishekh?

(a)Effectiveness

(b)Efficiency

(c)Both a. and b.

(d None of these

2. Which concept of management is being overlooked by Mr. Abhishekh ?  
 (a) Effectiveness (b) Efficiency (c) Both a. and b. (d) None of these
3. At which level of management is Mr. Abhishekh working?  
 (a) Top level (b) Middle level (c) Lower level (d) Shop floor level
4. Which objective of management is fulfilled by Mayra Limited?  
 (a) Organisational (b) Personal (c) Social (d) None of these

Ans. 1(a), 2(b), 3(b), 4(c)

2. Top management plans for the entire organization. According to these plans the organizational structure is developed and staffed. In order to ensure that these plans are executed according to plans, directing is required. Any discrepancies between actual and realized activities are then taken care of at the stage of controlling.

Name and explain the process highlighted above which started at the planning stage itself and is implicit and inherent in all the functions of management in an organization.

Ans. Coordination the process by which a manager synchronizes the activities of different departments is known as coordination. Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization.

3. XYZ Ltd. is a highly reputed company. Different functions are performed by different individuals in this company, who are bound to get her in a hierarchy of relationships. Every individual in the hierarchy is responsible for successful completion of a particular task. Mr. Gagan is responsible for the welfare and survival of the organization. He formulates overall organizational goals and strategies for their achievement. Mrs. Nayna ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained. Mr. Sahil assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objectives. At what levels of management are Mr. Gagan, Mrs. Nayna and Mr. Sahil working in XYZ Ltd.? Justify your answer.

Ans. Mr. Gagan is working at the top level management.

He is responsible for the welfare and survival of the organization. He formulates overall organizational goals and strategies for their achievement.

Mrs. Nayna is working at the lower level management.

She ensures that quality of output is maintained, wastage of materials is minimized and safety standards are maintained.

Mr. Sahil is working at the middle level management. He assigns necessary duties and responsibilities to the personnel and motivates them to achieve desired objectives.

4. Elon Reeve Musk is a top-level executive with diverse leadership roles of:

- a) Founding and leading companies such as Space X, Tesla, and The Boring Company.
- b) Assuming the roles of CEO and Product Architect to guide Tesla's operations and innovations.
- c) Engaging in engineering and technical aspects to drive the development of Space X's projects.

What are the three essential functions he is likely performing in his positions?

Ans- As a top-level executive with diverse leadership roles, Elon Reeve Musk is likely performing the following three essential functions in his position:

–Founding and leading companies such as Space X, Tesla, and The Boring Company: Musk is involved in creating and establishing these companies and takes charge of their overall direction, strategy, and vision.

–Assuming the roles of CEO and Product Architect to guide Tesla's operations and innovations: In his role as CEO and Product Architect of Tesla, Musk is responsible for overseeing the company's day-to-day operations, making key decisions, and driving innovation in the development of Tesla's products.

–Engaging in engineering and technical aspects to drive the development of Space X's projects: As Chief Engineer of SpaceX, Musk actively participates in the engineering and technical aspects of the company's projects, leading the way in developing cutting-edge space exploration technologies and initiatives.

## CHAPTER-02 PRINCIPLES OF MANAGEMENT

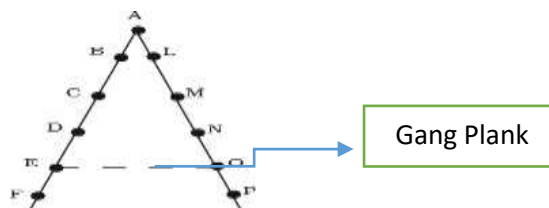
**Meaning:** Principles of management are broad & general guidelines for managerial decision-making.

### **Significance/Importance of Management Principles:-**

1. Providing managers with useful insights into reality.
2. Optimum utilization of resources and effective administration.
3. Scientific decisions.
4. Meeting changing environment requirements.
5. Fulfilling social responsibility.
5. Management training, education and research.

### **Administrative principles by Henry Fayol**

- 1.Division of work:** - Whole work should be divided into small tasks / units; each task should be assigned to one person according to the capability, qualification and experience of the person.
- 2. Authority and responsibility:** - Authority means the power to take decisions. Responsibility means obligation to complete the job assigned on time. Fayol suggested that there must be a balance between authority and responsibility.
- 3. Discipline:**-It means obedience to organizational rules and employment agreement.
- 4. Unity of command:**-An employee should receive orders / instructions from one and only one boss/superior and should be accountable to one superior only.
- 5. Unity of direction:**-All the units of an organisation should be moving towards the same objectives through coordinated and focused efforts.(One unit means one plan)
- 6. Subordination of Individual Interest to General Interest:**- The interest of the organisation must supersede the interest of individuals or employees.
- 7. Remuneration of employees:** - Remuneration of employees should be just and equitable to provide maximum satisfaction to the employees as well as employer.
- 8. Centralisation and Decentralisation:**-Centralisation refers to concentration of authority or power in few hands at the top level. Decentralisation means evenly distribution of power at every level of management. There must be combination of both depending upon the nature and size of the organisation.
- 9. Scalar chain:**- The formal line of authority from highest to lowest rank are known as 'scalar chain' suggests that communication from top to bottom should follow the official lines of command. Gang plank is a shorter route and has been provided so that communication has not delayed.



- 10. Order:** - It means there should be a fix place for every person and everything in the organization and each person and everything should be at its definite place i.e. material and social order.
- 11. Equity:**-Equity means no discrimination on account of sex, religion, language, caste, belief or nationality etc.
- 12. Stability of Tenure of personnel:** - It refers to no frequent termination and transfer. Employees should not be moved from their positions frequently, they should be given reasonable time to show results.
- 13. Initiative:** - Initiative refers to taking the first step with self-motivation. The employees in the organization must be given an opportunity to takes one initiative in making and executing a plan.
- 14..Espirit de corps:**-Fayol emphasizes the need for team work, spirit of unity and harmony among employees.

### **Scientific Management (Principles and Techniques)- F.W.Taylor**

Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.

#### **Scientific Principles:-**

- 1.Science, not rule of thumb:** Taylor believed that there was only one best method to maximize efficiency, which can be developed through scientific study.

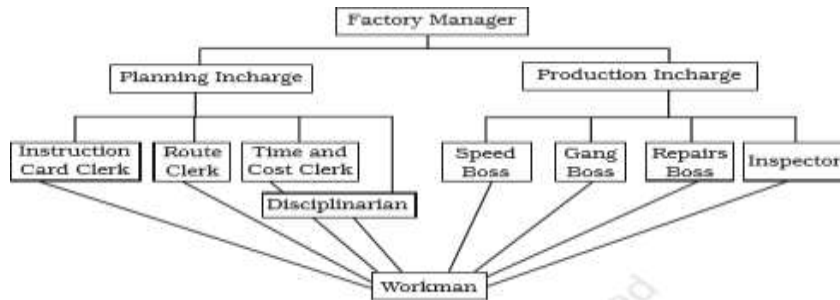
**2. Harmony, not discard:** Taylor insists that there is need for both the groups i.e. workers group and management group to change their attitudes for each other. He insists on mental revolution which means complete change of attitude and outlook for each other.

**3. Cooperation, not individualism:** Taylor insists work must be carried on in co-operation with each other, with mutual confidence and understanding for each other.

**4. Development of each and every person to his/her greatest efficiency and prosperity:** Each person should be scientifically selected. They should be given required training to learn best method.

**Techniques of scientific management:-**

**1. Functional foremanship:-** Taylor suggested activities of factory workers should be observed by eight type of specialised foremen. He divided the work of factory in two departments: Planning department:- Instruction card clerk, route clerk, time and cost clerk and discipline officer Production department:- Gang boss, speed boss, repair boss and Inspector.



**2. Standardisation and Simplification of work:** - It refers to the process of setting standards for various business activities whereas Simplification means to put an end to unnecessary types, qualities, size/ weight etc. of products.

**3. Method study:** -Objective of method study is to find out one best way of doing the job.

**4. Motion study:**-It refers to the study of movements so that unproductive movements may be eliminated.

**5. Time study:**–It determines standard time taken to perform a well-defined job.

**6. Fatigue study:** – It seeks to determine the amount and frequency of rest intervals in completing task.

**7. Differential piece wage system:** - It emphasises on paying different rates of wages for efficient and inefficient employees. It rewards the efficient employees and motivates the inefficient ones to perform better.

**8. Mental Revolution-**Change of attitude of worker and management towards one another from competition to co-operation.

**Fayol Versus Taylor —A Comparison**

| Sl.no. | Basis of Difference  | Henry Fayol                      | F.W.Taylor                           |
|--------|----------------------|----------------------------------|--------------------------------------|
| 1.     | Perspective          | Top level of management.         | Shop floor level of factory.         |
| 2.     | Unity of command     | Staunch proponent.               | Order receive from eight specialist. |
| 3.     | Applicability        | Applicable universally.          | On specialized situation.            |
| 4.     | Basis of information | Personal experience              | Observation and experimentation      |
| 5.     | Focus                | Improving overall administration | Increasing productivity.             |
| 6.     | Personality          | Practitioner                     | Scientist                            |

**VERY SHORT ANSWER TYPE (MCQ/ ASSERTION AND REASONING) (1 Marks)**

1. She/ He keeps machines materials tools etc. ready for operations by concerned workers. Whose work is described by this sentence under functional foremanship.

- (a) Instruction card clerk (b) Repair Boss (c) Gang Boss (d) Route Clerk

Ans: C

2. At a burger factory, the ingredients making up a burger were strategically placed to reduce the wasteful excess movements. Identify the work study technique of scientific management highlighted here.

- a) Method study b) Fatigue study c) Time study d) Motion study

Ans: D

3. Match the column

| Column -I                  | Column-II  |
|----------------------------|--|
| A. Method study            | i. Eliminating superfluous varieties, sizes and dimensions.                                    |
| B. Standardization of work | ii. Separation of planning and execution function  |
| C. Simplification of work  | iii. Setting benchmarks for every business activity which Must be adhered to during production |

|                           |  |
|---------------------------|--|
| D. Functional foremanship | iv. Minimizing the cost of production and maximizing the Quantity and satisfaction of the customer |
|---------------------------|--|

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

Ans: C

4. Assertion(A):Principles are guidelines to action.

Reason (R ):Principles help managers to take decisions while performing functions of management.

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

Ans: a

5. **Assertion(A):** The principles of management are guidelines to action but do not provide readymade strait jacket solutions to all managerial problems

**Reason (R ):** The real business situations are very complex and dynamic and are a result of many factors.

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

Ans: a

### SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

1. Explain any two techniques of Scientific Management from the following:

- a) Method study      b) Motion study      c) Time study

Ans: **a) Method Study:** The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. The objective of the whole exercise is to minimise the cost of production and maximise the quality and satisfaction of the customer.

**b) Motion Study:** Motion study refers to the study of movements like lifting, putting objects, sitting and changing positions etc., which are undertaken while doing a typical job. Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently.

**c) Time Study:** It determines the standard time taken to perform a well-defined job. Time measuring devices are used for each element of task. The standard time is fixed for the whole of the task by taking several readings. The method of time study will depend upon volume and frequency of the task, the cycle time of the operation and time measurement costs. The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.

2) Differentiate between Unity of Command and Unity of Direction on any three basis.

Ans:

| Sn | Basis of Difference | Unity of command   | Unity of Direction  |
|----|---------------------|--|---|
| 1. | Meaning             | One subordinate should receive orders from and should be responsible to only one superior. | Each group of activities having same objective must have one head and one plan. |
| 2. | Aim                 | It prevents dual subordination.  | It prevents overlapping of activities.  |
| 3. | Implication         | It affects an individual employee  | It affects the entire organisation.   |

3. Explain any two principles of Fayol from the following:

- a) Discipline      b) Order      c) Initiative

Ans: **a)Discipline:** Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

**b. Order:** According to Fayol, “People and materials must be in suitable places at appropriate time for maximum efficiency.” The principle of order states that ‘A place for everything (everyone) and everything (everyone) in its (her/his) place’. If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/ factory. This will lead to increased productivity and efficiency.

**c. Initiative:** Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/ suggestions which result in substantial cost/time reduction should be rewarded.

4. The manager of a retail store has a team of ten sales associates. To improve efficiency, she decides to implement the principle of "Division of Work" and delegate specific tasks to each team member. However, one sales associate is unhappy with their assigned responsibilities and believes they should have more authority in decision-making.

- a) How can the principle of "Division of Work" help improve the store's efficiency and productivity?
- b) How can the manager balance the delegation of tasks while ensuring appropriate authority is given to each team member? Explain in three points.

Ans: a) The principle of "Division of Work," as proposed by Henry Fayol, advocates dividing the overall work into specialized tasks and assigning them to individuals based on their skills and expertise. Implementing this principle in the retail store can lead to several benefits that improve efficiency and productivity.

b) As a manager, follow these steps to achieve a balanced approach:

Assess Individual Capabilities Encourage Input and Involvement Set Clear Expectations Foster a Collaborative Culture Provide Feedback and Recognition Monitor Progress.

### LONG ANSWER TYPE QUESTIONS (5- 6 Marks)

1. Raunak, after completing his entrepreneurship course from London returned to India and started a coffee shop 'Aroma Coffee Hub' a famous Mall in Bangalore. The speciality of coffee shop was the special aroma and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Raunak was keen to find out the reason.

He appointed Sofia, an MBA from a reputed college, as a manager to find out the cause of the same.

Sofia took feedback from the clients and found out that though they love the special unique aroma of coffee but were not happy with the long waiting time being taken to process the orders. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the orders. She also realized that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period Sofia was able to attract the customers.

i. Which principle of scientific management was used by Sofia for analysis and decision making?

- (a) Science not rule of thumb
- (b) Harmony not discord
- (c) Cooperation not individualism
- (d) Development of each and every person to his/her greatest efficiency and prosperity

ii. Name the technique of scientific management adopted by Sofia for speedy processing of orders.

- (a) Method study
- (b) Simplification of work
- (c) Standardisation of work
- (d) Fatigue study

iii. Why was the business of Raunak not profitable and popular?

- (a) Customers did not like the unique aroma of coffee
- (b) Customers did not enjoy variety of flavours of coffee
- (c) Customers had to wait for a long to get coffee
- (d) Customers were not attracted to the name of Coffee shop

iv. "She analysed and found out that there were many unnecessary obstruction in between which could be eliminated" which techniques of scientific management is highlighted in this context?

- (a) Motion study
- (b) Simplification
- (c) Fatigue study
- (d) Method study

Ans: 1-d ; 2-b ; 3-c ; 4-b

2. Anchor Ltd was engaged in the business of manufacturing electronic components. Lately its business was expanding due to increased demand for electronic device. The competition was also increasing. In order to keep its market share intact, the company directed its work force to work overtime. But this resulted in a lot of problems. Due to increased pressure of work, the efficiency of workers declined. Sometimes the subordinates had to work for more than one superiors. The workers were becoming indisciplined. The spirit of teamwork, which has characterized the company previously, had begun to wane.

i. "Sometimes the subordinates had to work for more than one superiors".

Identify the principle of management highlighted in the statement. Which is being violated by the company.

- (a) Discipline
- (b) Esprit de corps
- (c) Unity of direction
- (d) Unity of command

ii. "The spirit of team work, which has characterized the company previously, has begun to wane". Identify the principle of management which is being violated in the above statement.

- (a) Unity of direction
- (b) Esprit of corps
- (c) Discipline
- (d) Unity of command

iii. "The workers were becoming indisciplined".

Identify the principle of management which is being violated in this statement.

(a) Discipline (b) Unity of command (c) Unity of direction (d) Esprit of corps

iv. General Theory of Administration is the expression of

(a) W. Taylor (b) Henri Fayol (c) Max Weber (d) Harold Knootz

Ans: 1-d ; 2-b ; 3-a ; 4-b

3. Kavita Pvt. Ltd. is a famous services providing company. Mr. Naresh is its Managing Director. He continuously motivates his Research and Development department that new and latest ways of doing work be explored. The provision has also been made to give reward to those employees who will participate in a particular exploration. He also believes that two groups working on managerial and non-managerial posts are similar to two wheels of an organisational vehicle. If this vehicle (organisation) is to be driven in a right way then both the wheels should be properly aligned. Mr. Naresh is a successful leader. Among his employees he has instilled the feeling that no decision will be taken without consulting the subordinates. To excel, the other companies in this field is a main motive of Mr. Naresh. Paying attention to training is a secret of the company.

i. In order to excel in the field of service providing, Mr. Naresh explored new and latest ways of doing work. Which scientific technique has been used by Mr. Naresh for the same?

(a) Motion study (b) Method study (c) Time study (d) Fatigue study

ii. 'If this vehicle (organisation) is to be driven in a right way then both the wheels should be properly aligned'. Identify the scientific principle highlighted in this statement.

(a) Science not rule of thumb (b) Harmony not discord (c) Cooperation not individualism

(d) Development of each and every person to his/her greatest efficiency and prosperity

iii. How does Mr. Naresh develops the efficiency of employees?

(a) By consulting employees before taking decision

(b) By paying attention to training of employees

(c) By allowing them to explore new methods of doing work

(d) By developing good relations between management and workers

iv. Which of the following is not a principle of management given by Taylor?

(a) Science, not rule of the thumb (b) Functional foremanship

(c) Maximum not restricted output (d) Harmony not discord

Ans: 1-a ; 2-c ; 3-c ; 4-c

4. Differentiate between contributions made by F.W.Taylor and Henry Fayol on any these basis.

Ans:

| Sl.no. | Basis of Difference  | Henry Fayol                      | F.W.Taylor                           |
|--------|----------------------|----------------------------------|--------------------------------------|
| 1.     | Perspective          | Top level of management.         | Shop floor level of factory.         |
| 2.     | Unity of command     | Staunch proponent.               | Order receive from eight specialist. |
| 3.     | Applicability        | Applicable universally.          | On specialized situation.            |
| 4.     | Basis of information | Personal experience              | Observation and experimentation      |
| 5.     | Focus                | Improving overall administration | Increasing productivity.             |
| 6.     | Personality          | Practitioner                     | Scientist                            |

## **CHAPTER: 03**

### **BUSINESS ENVIRONMENT**

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

**Specific force:** investors, customers, competitors and suppliers etc.

**General force:** social, political, legal, technological etc.

#### **Importance of Business Environment**

(i) **It enables the firm to identify new opportunities, and getting the first mover's advantage.** Opportunities are the external trends which give advantage to a business firm.

(ii) **It helps the firm to identify forthcoming threats and early warning signals.** Threats are the external trends which bring disadvantage to a business firm. ‘

(iii) **It helps in tapping useful resources.** A business firm converts inputs like capital, labour, power, etc. into finished goods of public utility.

(iv) **It helps in coping with rapid changes**

(v) **It helps in assisting planning and policy formulation** for future as proper plans and policies can only be made after proper interaction with the Business Environment.

(vi) **It helps in improving performance.** A business firm monitors business environment and continuously finds ways to improve performance.

#### **Dimensions of Business Environment**

(i) **Economic environment.** Economic environment of business includes various economic factors that can affect a business enterprise. It includes: Economic policies of the government—Industrial Policy, Export-Import Policy etc. Short-term and long-term interest rates Rate of inflation Stock market indices, etc.

(ii) **Social environment.** Social environment consists of attitudes, beliefs, desires, customs and traditions, level of education, education system, composition of working population, social, cultural and religious values, consumers' awareness, role of NGOs, etc.

Traditions include social practices that people have been following and practising for ages like celebrating Holi, Diwali, Christmas, etc. During times of such festivals demand for sweets, cakes, greeting cards, gifts, etc. increases rapidly.

(iii) **Technological environment.** It includes forces relating to scientific improvement and innovation that provide new methods and techniques of production and for operating a business. A firm needs to keep track of technological advancement otherwise it will be forced out of the market. For example, Banks cannot function without computers any more.

(iv) **Political environment.** It includes: Political system and ideology Stability of Government Trade Union activities, Approach and attitude of the Government, Political stability in a country attracts domestic as well as foreign investment, while political instability and unrest can shake the confidence of the investors. The attitude of government and its officials can have a positive or negative influence on the business.

(v) **Legal environment includes**— the provisions of the Constitution Commercial and economic laws Government policies and Judicial decisions

**Demonetisation:** The Government of India, made an announcement on November 8, 2016 with profound implications for the Indian economy. The two largest denomination notes, `500 `1,000, were 'demonetised' with immediate effect, ceasing to be legal tender except for a few specified purposes such as paying utility bills. This led to eighty six per cent of the money in circulation invalid. The people of India had to deposit the invalid currency in the banks which came along with the restrictions placed on cash withdrawals.

In other words, restrictions were placed on the convertibility of domestic money and bank deposits. The aim of demonetisation was to curb corruption, counterfeiting the use of high denomination notes for illegal activities; and especially the accumulation of 'black money' generated by income that has not been declared to the tax authorities.

#### **Features**

1. Demonetisation is viewed as a tax administration measure. Cash holdings arising from declared income was readily deposited in banks and exchanged for new notes.
2. Demonetisation is also interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.
3. Demonetisation also led to tax administration channelizing savings into the formal financial system.
4. Another feature of demonetization is to create a *less-cash* or *cash-lite* economy.



### Impact of demonetization:

|    |                      |  |
|----|----------------------|--|
| 1. | Money/Interest Rates | i. Decline in cash transactions    ii. Bank deposits increased<br>iii. Increase in financial savings |
| 2. | Private wealth       | Declined since some high demonetised notes were not returned and real estate prices fell             |
| 3. | Public sector wealth | No effect  |
| 4. | Digitisation         | Digital transactions amongst new users (RuPay/AEPS) increased  |
| 5. | Real estate          | Prices declined  |
| 6. | Tax collection       | Rise in income tax collection because of increased disclosure  |

*Adapted from Economic Survey, 2016–17*

### VERY SHORT ANSWER TYPE (MCQ/ ASSERTION AND REASONING) (1 Marks)

1. ‘Airline companies have Internet and World Wide Web pages where customers can look for flight times, destinations and fares and book their tickets online.’ This is an example of which business environment?  
a) Political Environment    b) Technological Environment    c) Social Environment    d) Legal Environment

Answer: (b) Technological Environment

2. Which of the following is not a component of social environment?

- a) Population Shift    b) Composition of family    c) Life expectancy    d) None of these

Answer: (d) None of these

3. The Government of India launched “Make in India” initiative in September, 2014 to increase foreign direct investment (FDI) in 25 sectors. As of April, 2015, FDI inflow in India increased by 48% since the launch of “Make in India” initiative. Identify the concept being described in the above lines, with regard to inflow of FDI.

- (a) Demonetisation    (b) Privatisation    (c) Liberalisation    (d) Globalisation

Answer: c

4. Assertion (A): Demand for sarees may be fairly high in India whereas it may be almost non-existent in India

Reason (R): Business environment consists of numerous inter-related and dynamic conditions of forces which arise from different sources choose the correct alternative

- A) Both Assertion (A) and Reason(R) are true and Reason (R) is the correct explanation of Assertion  
B) Both Assertion (A) and Reason(R) are true but (R) is not correct explanation of Assertion  
C) Both Assertion (A) and Reason(R) is correct  
D) Both Assertion (A) and Reason (R) is wrong

Ans – B) Both Assertion (A) and Reason (R) are true but (R) is not correct explanation of Assertion

5. Assertion (A): Turbulent market conditions, less brand loyalty, division and sub division of market are just a few of the images to describe business environment

Reason (R): Business environment is getting dynamic where changes are taking places at a slow pace

Choose the correct alternative

- A) Both Assertion (A) and Reason(R) are correct and Reason(R) is correct explanation of assertion  
B) Both Assertion (A) and Reason(R) are correct and Reason(R) is not correct explanation of assertion  
C) Assertion (A) is correct but Reason(R) is wrong  
D) Assertion (A) is false but Reason(R) is true

Ans – C) Assertion (A) is correct but Reason(R) is wrong

### SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

#### 1. What is meant by business environment?

The sum of all the forces (external, institutions and individuals) that are outside the control of a business organisation is referred to as the business environment. The forces mentioned here can be of varied nature, such as social, economic, political, legal or technological. The organisation is unable to control such types of forces, but it can definitely have a positive or negative impact on their performance. For e.g., altering the design of a product with efficiency leads to its demand in the market, whereas below-par performance and poor design will result in making the product inferior.

## 2. How does understanding of business environment help in improving performance of a business?

Ans: Understanding the business environment properly by the organisation results in developing plans and policies according to the environment, which results in great improvement in performance. It also helps to counter any negativity that may exist in the market with a well-defined strategy. This will help an organisation perform at its best every time.

**3. National Digital Library of India (NDL India) is a pilot project initiated by the HRD ministry. It works towards developing a framework of virtual repository of learning resources with a single-window search facility. It provides support to all academic levels including researchers, life-long learners and differently-abled learners free of cost. State the dimensions of business environment highlighted above.**

Ans: The following business dimensions are highlighted here:

1. By developing a framework of a virtual repository of learning resources, it highlights the technological dimension.
2. By supporting researchers, learners and differently-abled learners free of cost, it highlights the social dimension.

## 4. State the impact of demonetization on interest rates, private wealth and real estate.

Demonetisation had the following effect on these sectors

1. Interest rates: As demonetisation happened, the number of cash transactions reduced; bank deposits increased in the form of Jan Dhan Accounts. More financial savings by the people of the nation.
2. Private Wealth: Private wealth saw a decline as large-volume transactions were not possible with old notes.
3. Real Estate: Demonetisation led to a decline in real estate prices. The real estate industry witnessed a huge drop in business.

## LONG ANSWER TYPE QUESTIONS (5- 6 Marks)

### 1. Give an example to show that a business firm operates within numerous interrelated factors constituting the business environment. (Hint: example highlighting the interrelatedness of dimensions of business environment).

Ans: The various elements of a Business organisation are interrelated and the outcome depends on all these elements. The business environment consists of economic, social, technological, and legal elements.

Let us understand using one example

An automobile company will have the combined impact of all these factors in context of a business environment.

1. If there is a global recession or economic slowdown, it will result in fewer sales of cars. Economic factor comes into play for purchasing a car, and it will impact the business.
2. Due to the introduction of new technology, car manufacturers need to follow that as an industry standard, which will be beneficial for the organisation. This is the impact of technological factors on the business environment.
3. With the introduction of GST, car manufacturers can charge GST, and GST is mandatory for business, which is a legal factor impacting the business environment.

### 2. Why it is important for business enterprises to understand their environment? Explain.

Ans: It is essential to understand the business environment as it helps in determining the success or failure of an organisation. The functioning and performance of an organisation are dependent on various factors, which can be external. When we understand the business environment, it becomes easier to drive factors that help in growth.

The following points highlight the importance of understanding the business environment for business enterprises.

1. Business enterprises can identify positive opportunities for a business. It will help in making the first move and staying ahead of the competition.
2. Businesses can identify potential threats by studying the business environment, which can impact the growth of the organisation. Therefore, a study of the business environment proves beneficial for identifying threats and determining the best solution to neutralize the threat.
3. Various resources are required for a business to run, and the appropriate resources are determined by studying the local business environment. These inputs are used to create various products.
4. Business environment is of dynamic nature. Factors such as technology, consumer preferences and government policies are subject to change based on demand. Knowing the business environment will make things easier to adapt easily to the change.
5. Study of the business environment helps in formulating new plans and policies as per the market trends, which makes it more relevant for the current scenario.
6. Analysing the business environment will result in better performance for the organisation.

**Read the following passage and answer accordingly.**

**3. The name and taste of Coca Cola is known to almost each and every individual in India as well as throughout the world. This carbonated soft drink who is the most market share in the soft drink market and got itself is special seat in each and every gathering. The Coca-Cola company has an occasion introduced other Cola drinks under the Coke name.**

**The most common of these are Diet Coke along with others including caffeine free Coca-Cola, Diet Coke caffeine free, Coca Cola zero sugar, Coca-Cola Cherry, Coca-Cola Vanilla and the list goes on. It has capitalised on each and every opportunity to market itself effectively and place itself in the middle of every gathering.**

**The main reason for such an outstanding placement of products goes to the way they have establish the connection between every occasion and need for Coke to be present there, product design and creative advertising.**

(i) In the context of the above given case, identify one identify one valid importance of business environment.

- (a) enables a firm to identify opportunities and getting first mover advantage  
(b) uncertainty (c) delay and action (d) pervasive function

(ii) Identify the feature of business environment which the Coca-Cola Company managed to get in their favour

- (a) complex (b) specific and general forces (c) futuristic (d) mental exercise

(iii) which business environment did Coca-Cola majorly get into?

- (a) technological environment (b) social environment (c) political environment (d) economic environment

(iv) Which of the following is not a product of Coca-Cola?

- (a) Diet Coke Caffeine free (b) Coca-Cola zero sugar (c) Coca-Cola avocado (d) Coca-Cola Cherry

**4. Read the following passage and answer accordingly.**

**As the government has opened up its economy to multinational corporations, it has encouraged foreign companies to invest in some sectors of retailing. It has also put in place new rules and regulations for FDI in retail sector.**

**The FDI policy allows for an investment through two modes.**

**It may be either under the ‘automatic route’ or under the ‘approval route’ where prior approval of the Indian government is required for any foreign investment in an Indian company which is carrying on retailing business in India. Moreover, the policy also talks about ‘Single brand retailing’ like Nike or ‘Multi brand retailing’ like Walmart.**

**The argument is that customers can afford to purchase products of these companies as their income is rising gradually. It will increase Research and innovation in the retail sector which will provide new ways of producing goods as well as increased the variety of good in the market. This will eventually improve the quality of the life.**

(i) “As the government has opened up its economy to multinational corporations, it has increased foreign companies to invest in some sectors of retailing.” Identify which dimension of business environment is depicted here.

- (a) political environment (b) legal environment (c) technological environment (d) economic environment

(ii) Customer can afford to purchase the products of these companies as their income is rising gradually.” Identify which dimension of business environment is depicted here.

- (a) social environment (b) legal environment (c) technological environment (d) economic environment

(iii) “It will increase research and innovation in the retail sector ...”. Identify which dimension of business environment is depicted here.

- (a) social environment (b) political environment (c) technological environment (d) economic environment

(iv) “This will eventually improve the quality of life.” Identify which dimension of business environment is depicted here.

- (a) social environment (b) legal environment (c) technological environment (d) economic environment

Answers:

3. (i)(a) (ii)(b) (iii)(b) (iv)(c)

4. (i)(a) (ii)(d) (iii)(c) (iv)(a)

## CHAPTER- 04 PLANNING

### Concept

Planning means deciding in advance what to do, how to do it, when to do it and who is to do it. It means looking ahead. It means looking forward. Planning bridges, the gap between where we are and where we want to go. This is one of the basic and primary functions of management. It involves setting objectives and developing suitable courses of action to achieve this objective. Thus, it is closely connected with creativity and innovation. It is deciding today what to do tomorrow. This is the blueprint of future activities.

### Importance -

1. Planning provides direction.
2. Planning reduces the risk of uncertainty.
3. Planning reduces wasteful and overlapping activities.
4. Planning promotes innovative ideas.
5. Planning facilitates decision making.
6. Planning establishes standard for controlling.

### Limitations -

1. Planning may lead to rigidity.
2. Planning may not work in a dynamic environment.
3. Planning reduces creativity.
4. Planning involves huge costs.
5. Planning is a time-consuming activity.
6. Planning does not guarantee success.

### Planning Process -

1. Setting objectives.
2. Developing premises.
3. Identifying alternative courses of action.
4. Evaluating alternative courses of action.
5. Selecting an alternative.
6. Implementing the plan.
7. Follow up action.

### Types of Plans -

1. Single use plan: this plan is used only once, for example -goal, program, ventures, budget etc.
2. Standing plan /Multiple use plan: Plans which are used again and again, For example- policy, strategy, objective, procedure, rule, etc.

### Other types of plans are:

1. Objective
2. Strategy
3. Policy
4. Procedure
5. Rule
6. Method
7. Budget
8. Program

### VERY SHORT ANSWER TYPE QUESTION (MCQ/ASSERTION AND REASONING) (1 Marks)

1. Planning is concerned with the future, which is uncertain. Therefore, the manager is required to make certain assumptions. These assumptions are called \_\_\_\_\_.
- (a) Ends                      (b) Alternatives      (c) Premises                      (d) Ideas

Ans :- Premises

2. Which of the following statements is false?

- (a) Planning reduces creativity                      (b) Planning is economical  
(C) Planning focuses on achieving objectives.                      (d) Planning is a mental exercise.

Ans: - (b) Planning is economical

3. Which step in the process of 'Planning' function of management involves weighing pros and cons of each alternative?

- (a) Developing premises                      (b) Identifying alternatives courses of action  
(C) Evaluating alternative courses                      (d) Selecting an alternative

Ans: - (C) Evaluating alternative courses

4. Read the following statements – Assertion(A) and Reason(R) :

Assertion (A): Planning is an intellectual activity of thinking rather than doing.

Reason(R): Planning requires application of the mind involving foresight, intelligent imagination and sound judgement.

Select the correct alternative:

- (a) Both Assertion(A) and Reason(R) are true.                      (c) Assertion(A) is true and Reason(R) is false.  
(b) Both Assertion(A) and Reason(R) are false.                      (d) Assertion(A) is false and Reason(R) is true.

Ans:- Both Assertion(A) and Reason(R) are true.

5. Planning is closely connected with \_\_\_\_\_ and \_\_\_\_\_.

- (a) Responsibility and Accountability                      (b) Delegation and decentralization'  
(C) Stability and security                      (d) Creativity and innovation

Ans - (D) Creativity and innovation

### **Short Answer Type Question**

Q1. How is planning forward looking? Or 'Planning is futuristic'. Explain

Ans:- Planning is always for the future and never for the past. It involves peeping into future, analyzing and preparing plans accordingly. Thus, planning is futuristic as it helps in meeting likely future events effectively and efficiently to the best advantage of the organization. For example, based on sales forecasts annual plans for production and sales are drawn.

Q2. Give the meaning of 'policy' and 'strategy' as type of plans

Ans:- Policy: Policy is a general guideline that guides thinking of channelizing energies towards a particular direction. It defines the broad parameters within which a manager may function. It brings uniformity and decision making and action for interpretation of strategy.

Strategy: Strategy is a comprehensive plan for accomplishing an organizations objectives taking business environment into consideration. It provides bold contours of an organization's business and efforts to future decisions, defining the organization's direction in the scope in the long run.

Q3. Planning promotes innovative ideas. Explain.

Ans:- Planning is considered to be the most challenging function of the management as it guides all future actions and facilitates growth and prosperity of the business organization. Planning encourages managers to think creatively, generate innovative ideas, improve methods for work, execution etc. Dealing with uncertainties of future planning is the most challenging function which provides basis for growth and prosperity of the business enterprise.

Q4. What do you mean by planning premises?

Planning premises are assumptions relating to future conditions and events which are likely to have an effect on the achievement of goals. These are the bases upon which the entire structure of planning is built. Every plan is drawn with certain assumptions. To make planning effective, it is necessary that premises should be based on accurate forecasts, existing plans, or any past information about policies, etc.

For example, demand for a product, cost of raw materials, interest rates, state of technology, intensity of competition, government policies, etc.

Q5. Explain three points of importance of planning function of management.

Ans: - The following are the importance of planning as a function of management.

(i) Direction for action: - Planning Provide direction for action by prescribing what is to be achieved(objectives) and how it can be achieved(various actions organization wide);

(ii) Reducing risks of uncertainty: - Changes in the business environment create uncertainty and consequently risks for an organization. Managers' actions thereby reducing the risk of uncertainty.

(iii) Reducing overlapping and wasteful activities: - Planning reduces overlapping and wasteful activities by prescribing what is to be done and how this can be done, and only necessary activities are performed without duplication of activities.

### **LONG ANSWER TYPE QUESTION (5-6 Marks)**

Q1. Defining organizational objectives is the first step in the process of planning. Explain in brief the other steps of this process.

Ans. - It has been rightly said that defining organizational objectives is the first step in the process of training other steps in the process of planning are as follows: -

(i) Establish Planning Premises - This step involves the establishment of planning premises in which plans are expected to operate. Planning premises are assumptions relating to future conditions and events which are likely to have an effect on achievement of goals.

(ii) Identifying alternative courses of action - Under this step various possible alternatives for each objective should be identified by the managers.

(iii) Evaluating Alternative Courses - This step involves deep evaluation of various alternative courses of action in light of the various objectives to be achieved. This positive and negative aspect of each alternative is evaluated.

(iv) Selecting an Alternative - This step involves the selection of the most optimum and realistic plan with the least negative results.

(v) Implement the Plan - Under this step the best selected plan is put into action.

(vi) Follow Up - Under this step it is monitored whether the plans are implemented, or the activities are performed according to the schedule.

Q2. “Through planning is an important tool of management, it is not a remedy for all types of problems”. Do you agree with this statement? State any five reasons in support of your answer. **Or** Explain the limitations of planning.

Ans: - Limitations of Planning:

- (i) Planning creates rigidity: In an organization, a well-defined plan is drawn to achieve some specified goals within a specified period. These plans lay down the future course of action and it is not possible for the managers to change them. Hence, it is not in the organizational interest to follow a particular plan when circumstances have changed.
- (ii) Planning does not work in a dynamic environment: The various forces of business environment like social, economic, political, technological and legal keep on changing and the organizations must adapt themselves to these changes. Thus, it becomes very difficult to forecast when there is a change in government policies, natural calamity, political instability in the country, etc.
- (iii) Planning reduces creativity: Usually, in an organization planning function is performed by the top management and the rest of the members are required to implement these plans. As a result, middle management and other members are neither allowed to deviate from plans nor granted authority to act on their own. Hence most of the initiative and creativity in them gets reduced.
- (iv) Planning involves huge cost: Huge cost is involved in the formation of plans. This cost is in terms of money and time. For example, a lot of time is involved in scientific calculations to certain facts and figures and to check the accuracy of facts while formulating a plan. Likewise, a lot of money is spent on boardroom meetings, discussions with experts and preliminary investigations to find out the effectiveness of the plans. Moreover, sometimes the cost incurred in formulating plans is higher than the benefits received from these plans.
- (v) Planning is a time-consuming process: Sometimes top-level management consumes a lot of time in formulating the plans because of which very less time is left with them to implement these plans.
- (vi) Planning does not guarantee success – An organization is successful only when the plans are effectively drawn and implemented. Managers are in the habit of depending on previously tried and tested successful plans, but this practice sometimes does not work and may lead to failure instead of success.

Q3. In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Bluebirds Ltd. He shifted to Begampur, Chhattisgarh to fulfill his grandmother's dream of converting their 25 acre ancestral land into a fertile farm. For this he set out specific goals along with the activities to be performed to achieve the goals, Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd.' It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail the farmers started taking interest. He wanted to ensure that the future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales. He also found that the farmers grew only paddy, which was an activity of 3-4 months and the land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilized for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy, vegetables could be grown. The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features.

Ans.: The following are the features of Planning:

Line: he set out specific goals..... the goals.

(i) Planning focuses on achieving objectives: Planning starts with the determination of objectives and decides the methods, strategy or course of action to achieve these objectives.

Line: Through sales forecasting..... and sales.

(ii) Planning is futuristic: All the managers try to make predictions and assumptions for the future with the regular scanning of general environment. Thus planning is looking ahead or futuristic. Line: Line: He not only identified ..... year".

(iii) Planning involves decision making: It involves choice of the most suitable or the best from amongst the various alternative courses of action. Line: Through correct foresight evaluated".

Line: Through correct foresight evaluated

(iv) Planning is a mental exercise: It is an intellectual activity requiring high order thinking skills with logic and reasoning power to evaluate and decide the best course of action.

4. Read the following text and answer the following questions on the basis of the same:

Simplex Limited had been taken over by Mundhra Group immediately following India's independence. Since then, it enjoys a rich record of industry presence and experience. In 2005, with the aim to accelerate growth the company had gone through several rounds of meetings and discussions before launching ERP system to attract large projects. The management had done effective forecast and critical thinking regarding allocation of resources to reduce wastage. For this purpose, the company had laid down multiple courses of action to meet the challenge of adverse situations. In 2008, the company suffered loss in many projects due to the great recession despite taking many cost cutting measures. The management had taken utmost care regarding the possible outcome and timely review of the plans to achieve the set target during that hard time. In 2010 the system implemented successfully which subsequently helped the company to execute numerous projects with precision and timeliness.

i. "In 2005, with the aim to accelerate growth the company had gone through several rounds of meetings and discussions."

What is the objective mentioned here according to the process stated here?

- (A) Developing Premises
- (B) Growth and development
- (C) Launching IT enabled system
- (D) Cost cutting

ii. "The management had done effective forecast and critical thinking regarding allocation of resources to reduce wastage."

Identify the function of management mentioned here.

- (A) Planning
- (B) Organising
- (C) Controlling
- (D) Directing

iii. "In 2008, the company suffered loss in many projects due to the great recession despite taking many cost cutting measures."

Which limitation of the management process is indicated here?

- (A) It fails to cope with sudden changes.
- (B) It involves huge cost.
- (C) It requires critical thinking.
- (D) Need to construct multiple action plans.

iv. "The management had taken utmost care regarding the possible outcome and timely review of the plans to achieve the set target during that hard time." Which is the last step of the process mentioned here?

- (A) Implementation of Plan
- (B) Timely execution of projects
- (C) Follow Up
- (D) To prepare alternative course of action

Ans: 1. (B) 2. (A) 3. (A) 4. (C)

## CHAPTER- 05 ORGANIZING

Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

### Importance of Organising

1. Benefits of Specialization
2. Clarity in working relationships
3. Effective administration
4. Optimum utilization of resources
5. Adaptation of change
6. Development of personnel
7. Expansion and Growth

### Steps Involved in the process of Organising

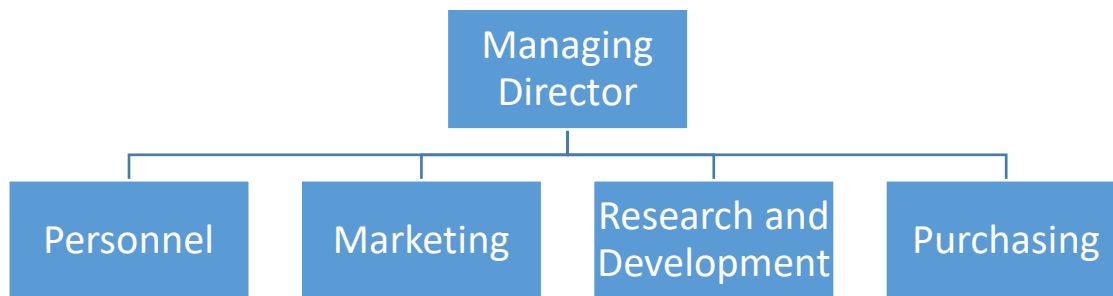
1. Identification and division of work
2. Departmentalization
3. Assignment of duties
4. Establishing reporting relationships

**Organizational Structure:** framework within which managerial and operating task are performed.

### Types of Organizational Structure: -

1. Functional Structure
2. Divisional Structure

**Functional Structure** – In this, activities are grouped, and departments are created on the basis of specific functions to be performed.



### Advantages –

1. Specialization
2. Coordination is established.
3. Helps in increasing managerial efficiency.
4. Minimizes cost.

### Disadvantages –

1. Ignorance of organizational objectives
2. Difficulty in inter-departmental coordination
3. Hurdle in complete development

### Suitability –

1. Where the size of business unit is large
2. Where specialization is required
3. Where there is mainly only one product sold

**Divisional Structure:** Dividing the whole enterprise according to major products to be manufactured like metal, plastic, cosmetics, etc. is recognized as divisional structure.





**Advantages –**

1. Quick decision making
2. Divisional results can be assessed.
3. Growth and Expansion
- 4.

**Disadvantages –**

1. Conflicts
2. Duplicity of functions
3. Selfish attitude

**Suitability –**

1. Where the number of main products is more than one
2. Where the size of the concern is large enough

**Formal and Informal Organization**

**Formal Organization:** It is designed by the management to achieve organization goals in which the responsibilities, authority and mutual relationships among all the employees working in an organization are clearly defined.

**Advantages –**

1. Easier to fix responsibilities
2. No overlapping of work
3. Unity of command
4. Easy to achieve objectives
5. Stability in the organization

**Disadvantages –**

1. The work is based on rules which cause unnecessary delay.
2. Lack of initiative
3. Limited in scope

**Informal Organization :** This organization comes into existence for psychological, emotional, and social satisfaction of employees working in an organization.

**Advantages-**

1. Speed
2. Fulfilment of social needs
3. Quick solution to the problems

**Disadvantages –**

1. It creates rumors.
2. It resists change.
3. Priority to group interest.

| Basis                    | Formal Organization                       | Informal Organization              |
|--------------------------|---|------------------------------------|
| 1. Meaning               | Well defined authority and responsibility | Network of Social relationship     |
| 2. Nature                | Rigid                                     | Flexible                           |
| 3. Authority             | Arises by virtue of position              | Arises out to personal qualities   |
| 4. Flow of communication | Through scalar chain                      | It can take place in any direction |
| 5. Adherence to rules    | Violation may lead to penalties           | No such punishment                 |

**Delegation:** This is a downward transfer of authority from superior to subordinates.

**Elements of Delegation –**

1. Authority – Right to command.
2. Responsibility – Obligation to perform and assign tasks.
3. Accountability – Answerability for the final outcome.

### Importance of Delegation –

1. Employee Development
2. Quick and better decision
3. High moral of subordinates
4. Better coordination
5. Reduction of executive workload

**Decentralization:** It means to delegate authority to all levels of management. It is transferred of authorities throughout the organization.

### Importance –

1. Develops initiatives amongst subordinates.
2. Quick and better decisions
3. Relieves the top executives work load
4. Managerial development
5. Better control

| Basis                | Delegation                              | Decentralization                         |
|----------------------|---|--|
| 1. Nature            | Compulsory                              | Optional                                 |
| 2. Freedom of action | Less freedom                            | More freedom                             |
| 3. Status            | A process of sharing task and authority | Result of policy decision                |
| 4. Scope             | Narrow                                  | Wide                                     |
| 5. Purpose           | To reduce the burden of the manager     | To increase the role of the subordinates |

### Multiple Choice Questions

1. \_\_\_\_\_ reduces successively as we go down the corporate ladder.  
a. Authority b. Responsibility c. Accountability d. Decentralization
2. \_\_\_\_\_ is the outcome of the organizing process.  
a. Organization Structure b. Span of management c. Delegation d. Decentralization
3. \_\_\_\_\_ refers to the downward transfer of authority from a superior to a subordinate.  
a. Functional Structure b. Divisional Structure c. Delegation d. Decentralization
4. In \_\_\_\_\_ organization, it is easier to fix responsibility since mutual relationships are clearly defined.  
a. Formal b. Informal c. Both a and b d. None of these
5. Arrange the following steps in the process of organizing in correct sequence  
i. Assignment of duties  
ii. Departmentalization  
iii. Identification and division of work  
iv. Establishing reporting relationship

Choose the correct option:

- a. i, ii, iv, iii b. iii, ii, i, iv c. iii, ii, iv, i d. ii, iii, i, iv

Answers to MCQs (1-a, 2-a, 3-c, 4-a, 5- b)

### Very Short Answer Type Question

1. Define functional structure.  
Ans: Functional structure refers to structure in which activities are grouped on the basis of functions.
2. What does the term “Span of management” refer to?  
Ans – Span of management refers to the number of subordinates that can be effectively managed by a superior.
3. Identify the network of social relationships which arises spontaneously due to interaction at workplace.  
Ans – The network of social relationships which arises spontaneously due to interaction at workplace is called informal organization.
4. A Company has its registered office in Bangalore, manufacturing unit at Pune and marketing and sales department at Mumbai. The company manufactures the consumer products. Which type of organizational structure should it adopt to achieve its target?  
Ans – Divisional Structure
5. “If we delegate authority, we multiply it by two: If we decentralize it, we multiply it by many”. Name the two concepts to which this statement is related?  
Ans – (a) Delegation of authority (b) Decentralization

### Short Answer Type Questions

1. Differentiate between delegation and decentralization on any three bases.

Ans –

| Basis   | Delegation    | Decentralization |
|---------|---------------|------------------|
| Process | Process       | End Result       |
| Need    | Essential     | Optional         |
| Control | Top Executive | Unit Head        |

2. Explain 'Authority', 'Responsibility' and 'Accountability' as elements of delegation.

Ans –

| Basis             | Authority            | Responsibility                                    | Accountability             |
|-------------------|----------------------|---|----------------------------|
| Direction of Flow | Flows Downwards      | Flows Upwards                                     | Flows Upwards              |
| Delegation        | Can be delegated     | Cannot be delegated or can be partially delegated | Cannot be delegated at all |
| Origin            | Arises from position | Arises from authority                             | Arises from responsibility |

3. State any four advantages of formal organization.

Ans –

- i. Systematic Working
- ii. Achievement of Organizational Objectives
- iii. No overlapping of work
- iv. Co-ordination

4. Explain any four points of importance of 'Organizing'.

Ans –

- (i) Benefits of Specialization – For all the works, competent people are appointed who become expert by doing a particular job time and again.
- (ii) Clarity in working relationships – It specifies who is to report whom. It creates superior subordinate relationships. It helps in fixing responsibilities.
- (iii) Optimum utilization of resources – The entire work is divided into various small activities which is performed by every employee effectively.
- (iv) Adaptation to change – It makes the organization capable of adapting to any change connected with the post of the employees.

### Long Answer Type Question

a. Hemant started 'Blue Diamond', a company providing cyber security solutions to businesses. Its objective is to prevent, detect, respond to cyber-attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with the utmost honesty and sincerity. The business started growing day by day. He was delighted when he was offered a big project by the Ministry of Science and Technology. While working on the project he found that the volume of work made it impractical for him to handle all the work by himself. Therefore, he decided to expand the team. The company maintained a close liaison with an engineering college in the State. During a campus placement, Nikunj and Pranjal were appointed to work for the new project. He found the new employees capable, enthusiastic, and trustworthy. Hemant was thus able to focus on the objectives and with the help of Nikunj and Pranjal, the project was completed on time. Not only this, Hemant was also able to extend his area of operations. On the other hand, Nikunj and Pranjal also got opportunities to develop and exercise initiative.

- (a) Identify and explain briefly the concept used by Hemant in the above case which helped him in focusing on the objectives.
- (b) Also, explain any four points of importance of the concept identified in part (a).

Ans – a. The concept used by Hemant is Delegation. This is because he found the volume of work impractical to handle by himself and thus, decided to expand his team. After this, he delegated the tasks to Aarav and Prashi so that he himself could focus on the objectives.

b. The following points highlight the importance of delegation.

(a) **Managerial Efficiency** - By delegating work to the subordinates, the managers can concentrate on priority areas and also venture into new areas. This freedom from routine tasks enhances the efficiency of the managers.

(b) **Employee proficiency** - As the subordinates are entrusted with the responsibility of completing a task, they get an opportunity to prove their abilities and apply their skills. This helps them to gain experience and improve their proficiency.

(c) **Motivation** - Delegation provides the employees with psychological benefits, which motivate and encourage them to give their best to the organization.

(d) **Growth** - Delegation helps in the preparation of efficient and experienced managers who can take up leading positions during the growth phase of the organization. This facilitates easy growth and expansion of the organization.

2. Voltage fluctuations have been common in India. They harm our electrical appliances like TVs, refrigerators, and ACs, often leaving them in a permanently damaged condition. N-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilizers of varying voltages from 90 V-260 V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers, but the product differed from region to region.

(i) Identify the organizational structure of N-guard Company. (ii) State any two advantages and two limitations of the structure identified in the above para.

Ans -(i) Functional structure

(ii) **Advantages of functional structure:**

- a. It promotes control and coordination within a department because of similarity in the tasks being performed.
- b. It helps to increase managerial and operational efficiency, and this results in increased profit..

**Disadvantages of functional structure:**

- a. It places less emphasis on overall enterprise objectives than the objectives pursued by a functional head.
- b. A conflict of interests may arise when the interests of two or more departments are not compatible.

### Short Tricks

1. Present illustrations like outlines, charts and other illustrations in an attractive manner.
2. Answer question according to allocated marks
3. Give examples.
4. Adhere to the word limits.
5. Prepare concepts, features and importance properly.
6. Begin studying well in advance.

## CHAPTER-06 STAFFING

**Meaning:** Staffing is the function of management which is concerned with obtaining, utilising and maintaining a satisfied workforce.

### **Staffing vs. Human Resource Management:**

Human Resource Management is a wider term than staffing. Human Resource Management includes following activities:

- Recruitment
- Providing expert services like job evaluation, performance appraisal
- Developing compensation and incentive plans
- Handling grievances and complaints
- Keeping personnel records
- Defending company in lawsuits

### **Importance of Staffing :**Staffing helps in

1. Discovering and obtaining competent personnel.
2. Improving performance of employees. Through staffing, the right people are posted at the right places.
3. Continuous survival and growth of organisation. This is because the right people are posted at the right places and they are given training to increase their skills.
4. Optimum utilisation of human resources. Under staffing, all activities related to human resources are performed systematically.
5. Improving job satisfaction and morale of employees. Under staffing, promotion policy, training and remuneration plans are designed as per the employees.

**Staffing Process:** The staffing process involves the following steps:

1. **Estimating Manpower Requirements:** This step is concerned with determining the number and type of employees required for the organisation.
2. **Recruitment:** It refers to attracting suitable people to apply for vacant jobs in the organisation.
3. **Selection:** Selection is a process of choosing the best person out of the various candidates for the job.
4. **Placement and Orientation:** Placement refers to giving charge of the job to the selected employee. **Orientation** refers to introducing the new employee with existing employees and with the policies of the organisation.
5. **Training and Development:** Required training helps in increasing skills and knowledge of the employees in doing their jobs.
6. **Performance Appraisal:** Performance appraisal means evaluating the performance of an employee against certain predetermined standards.
7. **Promotion and career planning:** Employees must be given opportunities to grow and realise their full potential.
8. **Compensation:** Compensation refers to all forms of pay or rewards given to the employees.

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

### **Sources of Recruitment**

1. Internal Sources
2. External Sources

**Internal sources of recruitment are as follows:**

1. **Transfer** - It means shifting of employees from one job to another or from one department to another without much change in pay and responsibilities of the employees.
2. **Promotion** - It involves shifting of an employee to a higher position with additional pay, status and responsibilities.

### **Merits of Internal Sources:**

1. It increases job satisfaction of the employees and they are motivated to improve their performance.
2. It is a more reliable source because employees are already known to the organisation.

3. It is a cheaper source as compared to external sources.
4. Candidates recruited through this source do not need induction training.

#### **Demerits of Internal Sources:**

1. Employees may become lethargic if they are sure of time bound promotions.
2. It may hamper the spirit of competition among the employees.
3. A new organisation cannot use this source.
4. Frequent transfers may reduce the productivity of employees.
5. It stops infusion of new blood in the organisation and the firm is not able to explore fresh talent.

#### **External Sources of Recruitment**

##### **External sources of recruitment are as follows:**

1. **Direct Recruitment:** Under direct recruitment, a notice is placed on the notice board of the organisation specifying the details of the job available.
2. **Casual Callers:** In many organisations some people continue sending their bio data from time to time with the hope of getting called in case of job vacancy. A waiting list of such people is prepared and as and when a vacancy arises, these people can be called.
3. **Advertisements:** Advertisements are made in newspapers, journals, magazines, television etc. The advertisement gives information about the number of vacant posts, required qualifications, remuneration etc.
4. **Employment Exchanges:** Employment exchanges are run by the government. It serves as a link between job seekers and employers.  
The problem with this source is that records of such exchanges are usually not updated.
5. **Placement Agencies:** These agencies are established by private individuals. People can get their names registered with them. On the request of an organisation, these agencies do the whole-time job of recruitment on behalf of the organisation. In return, they get fees.
6. **Recommendations:** Sometimes, organisations recruit people on the recommendation of their existing employees. This is a reliable source and is useful to encourage the present employees.
7. **Campus Recruitment:** It is a joint programme of educational institutions and business organisations. It is a popular source of recruitment for technical, professional and managerial jobs.
8. **Labour Contractors:** Labour contractors are a link between labourers and managers. They are able to provide a required number of unskilled workers within a short period of time as they maintain close contact with labourers.
9. **Web Publishing:** Special websites are created for the purpose of recruitment through the internet. For example [www.naukri.com](http://www.naukri.com), [www.indeed.com](http://www.indeed.com), [www.monster.com](http://www.monster.com) etc.
10. **Advertising on television:** It involves telecasting of vacant posts on television. The television advertisements contain detailed requirements of the job and qualifications required for the job.

##### **Merits of external sources:**

1. It provides wider choice while selecting employees.
2. Existing employees will have to face competition from outsiders. As a result, they will be forced to work hard.
3. Qualified and trained people can be attracted through this source.
4. It provides fresh talent and new blood is infused in the organisation.

##### **Demerits of External Sources:**

1. It may lead to dissatisfaction among the existing employees.
2. It is time consuming.
3. It is a costly source.

**Selection:** Selection refers to the process of choosing the best person out of various candidates for the job.

**Selection Process:** The selection process involves following steps:

1. **Preliminary screening:** In this step, unsuitable candidates are rejected on the basis of information supplied by them in their forms.

2. **Selection Tests:** Selection tests are used to measure abilities and skills of the candidates.
3. **Interview:** Interview involves formal face to face conversation between the interviewer and the candidate. The purpose is to check various aspects of the candidate's personality like his way of talking, conduct, presence of mind, interests, opinions etc.
4. **Reference and Background Check:** After interview, some further information about him is gathered from those persons whose names are written in the column of references. This is helpful in verifying the information given by candidate and to know about his character, social relations and background.
5. **Selections Decision:** Candidates who clear selection Tests, interview and background checks are selected.
6. **Medical Examination:** Medical examination is conducted to check if the candidate is physically fit for the job or not.
7. **Job Offer:** After clearing the medical examination, job offer is given to the selected candidates.
8. **Contract of Employment:** A written contract of employment is framed in which important information is provided such as job title, responsibilities, pay, working hours, leave rules, termination procedure etc.

### Types of selection tests

1. **Intelligent test** - This test is conducted to measure the level of intelligence of a person and his ability to make decisions.
2. **Aptitude test** - This test is conducted to measure the potential of a person to learn new skills.
3. **Personality test** - This test is conducted to measure a person's overall personality. His or her emotions, reactions, maturity and values.
4. **Trade test** - This test is conducted to measure existing skills of a person.
5. **Interest test** – These tests are conducted to know the pattern of interests of a person.

**Training:** Training refers to the process of increasing knowledge and skills to perform a specific job.

### Difference between training and development:

Development is a wider concept and it includes training. Training is job centred and is aimed at improving skills required to perform a specific job. Whereas, development is concerned with growth and is life and career centred.

### Benefits of Training:

#### Benefits of Training to Organisation:

1. Training helps in reducing wastage of money and efforts.
2. Training helps in increasing employee productivity leading to higher profits.
3. Training increases employee morale leading to lower absenteeism and employee turnover.
4. Training helps the employees in adapting to the changing environment and new technology.

#### Benefits of Training to Employees:

1. Training increases knowledge and skills of an employee leading to better career opportunities.
2. Training helps in improving performance of employees leading to higher earnings for them.
3. Training reduces the chances of accidents because employees become efficient to handle machines.
4. Training helps in increasing morale and job satisfaction of employees.

### Methods of Training:

#### On the Job Training Methods

1. **Apprenticeship Training:** Under apprenticeship training, trainees are put under the guidance of a master trainer. The trainee learns by observing the master.
2. **Internship Training:** Under internship training, technical institutes and business organisations join together to provide training to their students. The objective of this method is to link theory with practical skills.

#### Off the Job Training Methods

1. **Vestibule Training:** Under this method, a separate training centre is set up away from the actual work place. But similar equipment, files and materials are used. This method is suitable when machines and equipment are sophisticated.

**Multiple Choice Questions (1 mark)**

1. Placement and Orientation is done after  
a. Recruitment b. Selection c. Performance appraisal d. Training and development
2. Introducing employees to the organisation is called  
a. Recruitment b. Orientation c. Selection d. Placement
3. Pick the odd one.  
a. Campus Recruitment b. Direct Recruitment c. Promotion d. Casual Caller
4. Which is the first step in the process of selection?  
a. Selection tests b. Selection decision c. Preliminary screening d. Interview
5. Which test is conducted to assess an individual's capacity for learning new skills ?  
a. Trade test b. Aptitude test c. Intelligence test d. Interest test

**Answers of MCQs:** (1 -b, 2-b, 3-c, 4-c, 5-b)

**Very Short Answer Questions (1 mark)**

1. Why are trade tests conducted?  
Answer: Trade test is conducted to measure the existing skills of a person.
2. Which method of training is suitable if machines are expensive and sophisticated?  
Answer: Vestibule Training
3. Name the step in the selection process which precedes medical examination.  
Answer: Selection decision.
4. Mr. Ashish Mourya was selected for the post of a Public Relations Officer in a Power Distribution Company. While performing his duties, he becomes too emotional and gets angry very quickly while interacting with the public. Identify the defect in his selection process.  
Answer: Personality test was not conducted properly.
5. Mahesh is working under the guidance of Jogesh, an electrician, for the last one year to learn the different skills of this job. Identify the method of training Mahesh is undergoing.  
Answer: Apprenticeship Training

**Short Answer Questions (3-4 marks)**

1. Staffing not only helps in discovering and obtaining competent personnel for various jobs but also ensures some more benefits to the organisation. State any four such benefits.  
Answer: Staffing helps in
- a. Discovering and obtaining competent personnel.
  - b. Improving performance of employees. Through staffing, the right people are posted at the right places.
  - c. Continuous survival and growth of organisation. This is because the right people are posted at the right places and they are given training to increase their skills.  
Optimum utilisation of human resources. Under staffing, all activities related to human resources are performed systematically.
2. State the first four steps involved in the process of choosing the best candidate out of a number of prospective candidates for a job.



Answer: The selection process involves following steps:

- I. **Preliminary screening:** In this step, unsuitable candidates are rejected on the basis of information supplied by them in their forms.
- II. **Selection Tests:** Selection tests are used to measure abilities and skills of the candidates.
- III. **Interview:** Interview involves formal face to face conversation between the interviewer and the candidate. The purpose is to check various aspects of the candidate's personality like his way of talking, conduct, presence of mind, interests, opinions etc.
- IV. **Reference and Background Check:** After interview, some further information about him is gathered from those persons whose names are written in the column of references.

3. State the next three steps after placement and orientation in the process of staffing.

Answer: The next three steps after placement and orientation in the process of staffing are:

i. Training and Development

ii. Performance Appraisal

iii. Promotion and Career Planning

4. The Human Resource Department of Oberoi Airlines Private Limited has recently selected 11 pilots. The new Pilots have to handle sophisticated machinery. For this the Human Resource Department wants to design a job training program which will help them to improve their performance on their jobs. Identify and explain the method of training that the company can use in the given situation.

Answer: Vestibule Training method can be used by the company in this situation.

Under this method, a separate training centre is set up away from the actual work place. But similar equipment, files and materials are used. This method is suitable when machines and equipment are sophisticated.

#### Long Answer Questions (6 marks)

1. Explain direct recruitment, casual callers and placement agencies as sources of recruitment.

Answer:

- I. **Direct Recruitment:** Under direct recruitment, a notice is placed on the notice board of the organisation specifying the details of the job available. This source is used for unskilled and semi-skilled jobs. It is suitable when there is absenteeism of permanent workers.
- II. **Casual Callers:** In many organisations some people continue sending their bio data from time to time with the hope of getting called in case of job vacancy. A waiting list of such people is prepared and as and when a vacancy arises, these people can be called.
- III. **Placement Agencies:** These agencies are established by private individuals. People can get their names registered with them. On the request of an organisation, these agencies do the whole-time job of recruitment on behalf of the organisation. In return, they get fees.

2. Explain the steps in the staffing process of management after placement and orientation.

Answer: The steps in the staffing process of management after placement and orientation are as follows:

- I. **Training and Development:** Required training helps in increasing skills and knowledge of the employees in doing their jobs.
- II. **Performance Appraisal:** Performance appraisal means evaluating the performance of an employee against certain predetermined standards.
- III. **Promotion and career planning:** Employees must be given opportunities to grow and realise their full potential.
- IV. **Compensation:** Compensation refers to all forms of pay or rewards given to the employees.

#### Short Tricks for the Chapter

Staffing process- **MR SPOT PPC**

- |  |  |
|--|--|
| 1. Estimating <b>M</b> anpower Requirements  | 5. <b>T</b> raining and development      |
| 2. <b>R</b> ecruitment                       | 6. <b>P</b> erformance appraisal         |
| 3. <b>S</b> election                         | 7. <b>P</b> romotion and career planning |
| 4. <b>P</b> lacement and <b>O</b> rientation | 8. <b>C</b> ompensation                  |

## CHAPTER- 07 DIRECTING

**Directing** refers to the process of instructing, guiding, motivating and leading people in the organisation to achieve its objectives.

### Features of Directing

1. **Initiates action:** Directing initiates action by people in the organisation towards achievement of desired goals.
2. **Pervasive:** Directing takes place at every level of management.
3. **Continuous:** Directing is required on a regular basis.
4. **Flows from top to bottom:** Every manager directs his immediate subordinate and takes instructions from his immediate boss.

### Importance of Directing:

1. **Helps to initiate action:** Directing helps to initiate action by people in the organisation towards achievement of organisational goals.
2. **Integrates employees' efforts:** Directing ensures that every person in the organisation works towards achievement of organisational goals. It aims at integrating employees' efforts in the organisation.
3. **Guidance to Employees:** Directing provides motivation and effective leadership to employees so that the employees can fully realise their capabilities.
4. **Introduction of changes:** Directing helps in introducing changes which are necessary for the organisation.
5. **Brings stability and balance:** Directing brings stability and balance in the organisation by promoting spirit of cooperation and commitment.

### Elements of Directing

1. Supervision
2. Leadership
3. Motivation
4. Communication

**Supervision** refers to the act of overseeing the work of subordinates.

### Leadership

Leadership refers to the process of influencing the behaviour of employees towards achievement of organisational objectives.

### Features of leadership:

1. It indicates the ability of an individual to influence others.
2. It tries to influence the behaviour of employees.
3. It focuses on interpersonal relations in leaders and followers.
4. It is done to achieve organisational goals.
5. It is a continuous process.

### Types of leadership styles

1. **Autocratic / Authoritative:** Under this style, the leader exercises complete control over the employees. All the decisions are taken by the leader and he does not delegate authority.
2. **Democratic / Participative:** In the style of leadership, the leader takes decisions after consulting his employees. He takes into consideration the suggestions of employees.
3. **Free rein / Laissez Faire:** In this style of leadership, subordinates themselves take decisions. The leader completely delegates the authority and does not interfere in the work of employees unless absolutely essential.

**Motivation** - Motivation refers to the process of making subordinates act in a desired manner to achieve organisational goals.

### Features of Motivation:

1. It is an internal feeling.
2. It leads to goal directed behaviour.
3. It is a complex process.
4. It can be positive as well as negative.

**Maslow's Need Hierarchy Theory:** Abraham H Maslow gave need hierarchy theory in which he classified human needs into

1. **Basic physiological needs:** These include basic human needs for survival like food, shelter and clothing.
2. **Safety/Security needs:** These needs provide security and protection against emotional and physical harm. For example, job security, income stability.
3. **Affiliation/Belongingness needs:** These needs include affection, friendship, belongingness and acceptance.
4. **Esteem needs:** These needs include self-respect, attention, appreciation, recognition, status etc.
5. **Self-actualization needs:** These needs include the urge of becoming what one is capable of becoming. For example, self-fulfilment, growth etc.

### Assumptions of Maslow's theory:

1. People's behaviour is based on their needs.
2. People's needs are in hierarchical order. It starts from basic needs and move towards higher needs.
3. Once a need is satisfied it no longer motivates a person.
4. When one need is satisfied a person moves to the next higher-level need.

**Incentives** refer to measures which are used to motivate a person.

### Types of incentives:

1. Financial incentives
2. Non-financial incentives

**Financial Incentives** are those incentives which can be measured in money terms.

### Various financial incentives are as follows:

1. Pay and allowances
2. Bonus
3. Profit Sharing
4. Productivity linked wages
5. Stock option plan/co-partnership
6. Retirement benefits
7. Perquisites

**Non-financial incentives** are those incentives which cannot be directly measured in money terms. **Various non-financial incentives are as follows:**

1. Status
2. Career Advancement
3. Employee Recognition
4. Employee Empowerment
5. Employee Participation
6. Job security
7. Job Enrichment
8. Organisational Climate

**Communication:** Communication refers to the process of exchange of ideas, facts, opinions and information for creating mutual understanding.

### Types of communication

1. Formal communication
2. Informal communication

**Formal communication** refers to the communication which takes place through official channels.

### Types of formal communication

1. **Vertical communication** – refers to communication between superior and subordinate.  
Vertical communication includes:
  - **Upward vertical communication** - flow of information from subordinate to superior
  - **Downward vertical communication** - flow of information from superior to subordinate
2. **Horizontal communication** - refers to communication between departments or employees working at the same level in the organisation.

**Barriers to communication** refers to hurdles or obstacles in the process of communication. **Types of Barriers:**

**1. Semantic barriers**

Semantic barriers include:

- Badly expressed message
- Body language
- Words with different meaning
- Technical jargon
- Unclarified assumptions
- Faulty translation

**2. Psychological barriers**

Psychological barriers include:

- Lack of attention
- Loss by transmission and poor retention
- Distrust
- Premature evaluation

**3. Organisational barriers**

Organisational barriers include:

- Status
- Organisational policy
- Rules and regulations
- Organisational facilities
- Complexity in organisational structure

**4. Personal barriers**

Personal barriers include:

- Fear of challenge to authority
- Lack of confidence in subordinates
- Unwillingness to communicate
- Lack of incentives

**Measures to overcome communication barriers:** Some measures to improve the effectiveness of communication are:

- Be a good listener
- Be aware of language, tone and content
- Ensure proper feedback
- Communicate as per the needs of the receiver
- Clarify ideas before communication
- Ensure follow-up communication

**Multiple Choice Questions (1 mark)**

1. Find the odd one.

- a. Supervision      b.Coordination      c.Communication      d.Motivation

2. Which of the following leadership styles has the speciality of centralised authority?

- a. Autocratic leadership style      b.Democratic leadership style      c. Free rein leadership style      d.None of the above

3. The highest level need in the need hierarchy theory of motivation is

- a. Esteem need      b.Social need      c.Self actualization need      d.Safety need

4. Which of the following is a financial incentive ?

- a. Job enrichment      b.Organisational climate      c.Job security      d.Retirement benefits

5. Grapevine is

- a. Formal communication      b.Informal communication      c.Barrier to communication      d.Horizontal communication

**Answers of MCQs:** (1 - c, 2 - a, 3 - c, 4-d , 5 - b)

**Very Short Answer Questions(1 mark)**

1. Define directing.

Answer: Directing refers to the process of instructing, guiding, motivating and leading people in the organisation to achieve its objectives.

2. List the elements of directing.

Answer: Supervision, Leadership, Motivation and Communication

3. Name the type of formal communication in which employees working at the same level interact with each other.

Answer: Horizontal formal communication

4. List any two examples of financial incentives.

Answer: Pay and allowances, profit sharing

5. List any two examples of non-financial incentives.

Answer: Status, employee recognition

### Short Answer Questions (3-4 marks)

1. Identify the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. State its features.

Answer: Features of directing are as follows:

- I. **Initiates action:** Directing initiates action by people in the organisation towards achievement of desired goals.
  - II. **Pervasive:** Directing takes place at every level of management.
  - III. **Continuous:** Directing is required on a regular basis.
  - IV. **Flows from top to bottom:** Every manager directs his immediate subordinate and takes instructions from his immediate boss.
2. Mahamana Enterprises is not only giving salary to its employees but it also offers bonus to them over and above the salary. To further encourage the employees, it announced that it will provide a share in the profits of the company to them. These incentives are helpful in increasing the purchasing power of the employees. State any other four incentives of the type of incentives mentioned in the above para.

Answer: Other four financial incentives are:

- a. Productivity Linked Wages
  - b. Stock Option Plan
  - c. Retirement benefits
  - d. Perquisites
3. Identify the element of communication highlighted in each of the following cases:
- a. Department 'A' has sent an encoded message to department 'B' through the internet. What is the role of the internet here?
  - b. Madhur is making gestures so that he can send a message to Randhir. What is Madhur doing here?
  - c. Ranbir is trying to understand the message sent by Madhur by reading his gestures. What is Randhir doing here?
  - d. Kamesh picks up his phone and finds a message on it. He reads the message carefully. What is the role of Kamesh here?

Answer: The elements mentioned in the above cases are as follows:

- a. Media
- b. Encoding
- c. Decoding
- d. Receiver

### Long Answer Questions (6 marks)

1.. Rakesh is CEO of 'Newcastle Enterprises'. His success stories are famous; he chooses highly motivated and capable managers who can perform their tasks creatively and adequately without his help. He allows the group members to work on their own tasks and resolve issues themselves. He intervenes, but only when needed to correct an unfavourable situation. He does not use power unless it is absolutely essential. He even allows mistakes to happen for his people to learn from them. He supports them and supplies them the required information to complete the assigned task.

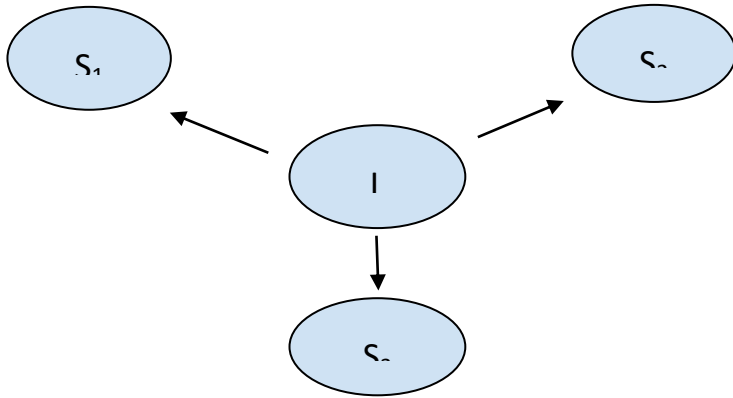
- a. Identify the leadership style adopted by Rakesh.
- b. With the help of a diagram, explain the other two leadership styles based on the use of authority.

Answer:

- a. Free rein leadership style
- b. The other two leadership styles are as follows

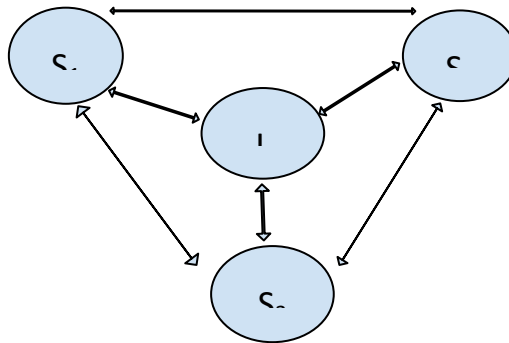
#### I. Autocratic leadership style:

Under this style, the leader exercises complete control over the employees. All the decisions are taken by the leader and he does not delegate authority.



**II. Democratic leadership style**

In the style of leadership, the leader takes decisions after consulting his employees. He takes into consideration the suggestions of employees.



1. Anjali had been working with 'Tata Enterprises' for the last ten years. She was famous for her dedication towards the work. When the manager senior to her retired, all her colleagues thought that now Anjali would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Monika'. Anjali felt demoralised and her performance started declining. She would absent herself often and could not meet her targets. Miss Monika was a good leader who would not only instruct her subordinates but also guide and inspire them. She noticed Anjali's behaviour and felt that her performance could be improved. She started involving Anjali in decision making issues related to the organisation and made her a part of a high level joint management committee. Anjali was now punctual to the office and her performance started improving.
  - a. Identify the function of management performed by Monika.
  - b. Name and define the element of the above function of management which helped Monika to improve Anjali's behaviour.
  - c. State any three features of the element identified.

Answer:

- a. Directing
  - b. Motivation :Motivation refers to the process of making subordinates act in a desired manner to achieve organisational goals.
  - c. Features of motivation are as follows:
    - I. It is an internal feeling.
    - II. It leads to goal directed behaviour.
    - III. It is a complex process
2. Jyoti is working in a company on a permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Jyoti worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

- a. Identify and explain the needs of Jyoti which she is able to fulfil.
- b. Identify and explain the needs which still remain to be satisfied.

Answer:

- a. The needs of Jyoti which she is able to fulfil: Basic physiological, Safety/Security needs
- b. The needs of Jyoti which still remain to be satisfied are: Belongingness, Esteem and Self Actualisation needs.

### **Short Tricks for the Chapter**

Features of Motivation (**IPCC**)

1. **I**nternal feeling
2. **P**roduces goal directed behaviour
3. **C**an be positive or negative
4. **C**omplex

Barriers to Communication (**POPS**)

1. **P**ersonal
2. **O**rganisational
3. **P**sychological
4. **S**emantic

## CHAPTER-08 CONTROLLING

**Controlling** is the process of comparing actual performance with the standard and taking corrective action if needed.

### **Process of Controlling:**

The process of controlling involves following steps:

1. **Setting performance standards:** The first step in controlling process is to set performance standards. Standards are the criteria against which performance would be measured. Standards can be set in quantitative or qualitative terms.
2. **Measurement of actual performance:** The next step in controlling the process is to measure actual performance. Measurement of actual performance should be done in an objective and reliable manner.
3. **Comparison of actual performance with the standard:** In the next step, the actual performance is compared with the standard in order to find out the deviations between actual and desired results.
4. **Analysis of deviations:** In this step, deviations are studied in order to find out the reasons for the same.
  - **Critical point control** - Management should focus on key result areas (KRAs). Key result areas are those areas which are critical to the success of the organisation.
  - **Management by exception** - As per this concept, management should ignore minor deviations and focus on significant deviations.
5. **Taking corrective action:** Corrective action should be taken if the deviations go beyond the acceptable range.

**Nature of controlling:** The features of controlling are as follows:

1. **Goal oriented:** Controlling is aimed at the achievement of predetermined organisational goals.
2. **Pervasive:** It is required in all types of organisations and at all levels of management.
3. **Continuous:** Controlling is required on an ongoing basis.
4. **Both backward looking and forward looking**

### **Importance of Controlling:**

1. **Achievement of organisational goals:** By checking the actual performance against the standard performance and taking corrective actions, controlling ensures that organisational goals are achieved.
2. **Efficient use of resources:** Each activity is performed according to the standards. As a result, there is a better use of resources and wastage is reduced.
3. **Order and discipline:** Controlling involves continuous check on the activities of employees and thus creates an environment of order and discipline.
4. **Employee motivation:** The existence of standards helps in improving employee motivation.
5. **Judging accuracy of standards:** Controlling helps in judging accuracy of standards and revising them from time to time as per the environment changes.

### **Limitations of Controlling:**

1. **Difficulty in setting standard and quantitative terms:** There are certain activities where it is difficult to set standards in quantitative terms.
2. **Lack of control on external factors:** There are some factors like government policies, change in demand, **Costly:** Installing and maintaining a control system involves a lot of cost, time and effort.
3. **Resistance from employees:** Employees often resist control because it interferes with their activities and creates a restriction on their freedom.



### **Relationship between planning and controlling:**

- 1. Planning and controlling are inseparable twins of management.** -Controlling is meaningless without planning because planning provides standards which are the basis for controlling. Planning is blind without controlling because controlling is necessary to monitor the progress of the plan.
- 2. Planning is prescriptive while controlling is evaluative:** Planning determines the goals and list down the ways of achieving them. Thus, it is prescriptive in nature. Controlling involves evaluation of performance and taking corrective action. Thus, it is evaluative in nature.
- 3. Both planning and controlling are backward looking as well as forward looking:** Planning is forward looking because it is done for the future. Planning is backward looking because it is guided by past experiences. Controlling is forward looking because corrective actions taken in controlling are aimed at improving future performance of the organisation. Controlling is backward looking because it involves comparing actual performance with the standards fixed in the past.

### **Multiple Choice Questions (1 mark)**

1. What is the fourth step in the process of controlling?  
a. Comparison of actual performance with the standard b. Measurement of actual performance c. Analysis of deviation d. Taking corrective action
2. Planning without controlling is  
a. Effective b. Meaningless c. Cheap d. Costly
3. Controlling function is  
a. Forward-looking b. Backward looking c. Both of the above d. None of the above
4. Controlling function is performed by  
a. Top level management b. Middle level management c. Lower level management d. All of the above
5. The need for controlling function is felt in  
a. Business organisations b. Political organisations c. Social organisations d. All of the above

**Answers of MCQs:** (1 - c, 2 - b, 3 - c, 4 - d, 5 - d)

### **Very Short Answer Questions(1 mark)**

1. List two examples of quantitative standards.  
Answer: units to be produced, units to be sold
2. List two examples of qualitative standards.  
Answer: labour relations, efficiency of management
3. Why is it said that ‘planning is meaningless without controlling’?  
Answer: Planning is blind without controlling because controlling is necessary to monitor the progress of the plan.
4. Why is it said that ‘controlling is blind without planning.’?  
Answer: Controlling is meaningless without planning because planning provides standards which are the basis for controlling.
5. “Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation.”  
Identify the concept from the line.  
Answer: Critical Point Control

### **Short Answer Questions (3-4 marks)**

1. Chandra Limited is a company manufacturing electrical goods. Mr. Suresh is its managing director. He has led the company to great heights. A management institute one day invited him for a lecture. There he got an opportunity to share the story of his success. He told them two main things. First, the employees should know that their work is being evaluated and progress reports prepared. Second, optimum use of human and physical resources should be made possible.

- a. Identify the function of management mentioned in the above paragraph.
- b. Quoting the lines, explain two points of importance of the function identified in point a.

Answer:

- a. Controlling
- b. The two points points of importance of controlling functions mentioned in the above para are as follows:
  - I. **Efficient use of resources:** Each activity is performed according to the standards. As a result, there is a better use of resources and wastage is reduced.
  - II. **Employee motivation:** The existence of standards helps in improving employee motivation.

1. Sita and Gita were discussing about the nature of controlling function of management. Sita is of the view that controlling is backward looking whereas Gita is of the view that controlling is forward looking. Who do you think is correct? Give reasons for your answer.

Answer: Both Sita and Gita are partially correct because controlling is backward looking as well as forward looking.

- a. Controlling is forward looking because corrective actions taken in controlling are aimed at improving future performance of the organisation.
  - b. Controlling is backward looking because it involves comparing actual performance with the standards fixed in the past.
2. Explain the steps in the process of controlling after measuring actual performance.

Answer: The steps in the process of controlling after measuring actual performance are as follows:

1. **Comparison of actual performance with the standard:** The next step is to compare actual performance with the standards. Actual performance is compared with the standard in order to find out the deviations between actual and desired results.  
The comparison is easier if standards are set in quantitative terms.
2. **Analysis of deviations:** In this step, deviations are studied in order to find out the reasons for the same.
3. **Taking corrective action:** Corrective action should be taken if the deviations go beyond the acceptable range.

### Long Answer Questions (6 marks)

1. Mr Utsav is a chief manager of a reputed company that manufactures garments. He called the production manager and instructed him to keep a constant and continuous check on all the activities related to his department so that everything goes as per the set plan. He also suggested that he keep a track of the performance of all the employees in the organisation so that targets are achieved effectively and efficiently.
  - a. Describe two features of controlling highlighted in the above situation.
  - b. Explain any four points of importance of controlling.

Answer:

- a. Features of controlling highlighted in the above situation are as follows:
- b. Importance of controlling:
  - I. **Achievement of organisational goals:** By checking the actual performance against the standard performance and taking corrective actions, controlling ensures that organisational goals are achieved.
  - II. **Efficient use of resources:** Each activity is performed according to the standards. As a result, there is a better use of resources and wastage is reduced.
  - III. **Order and discipline:** Controlling involves continuous check on the activities of employees and thus creates an environment of order and discipline.
  - IV. **Employee motivation:** The existence of standards helps in improving employee motivation.

2. 'AJ Ltd.' is a large company engaged in assembly of air conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air conditioners in a day. The target volume of the company in a day is assembling 1000 units of air conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air conditioners per day is 800 units only. To find out the reason, the company compared the actual performance of each worker and observed through CCTV that some of the workers were busy gossiping.
- Identify the function of management discussed above.
  - State those steps in the process of the function identified which are discussed in the above

Answer:

- Controlling
- The steps in the controlling mentioned in the above para are as follows:
  - Setting performance standards:** The first step in controlling process is to set performance standards. Standards are the criteria against which performance would be measured. Standards can be set in quantitative or qualitative terms.
  - Measurement of actual performance:** The next step in controlling the process is to measure actual performance. Measurement of actual performance should be done in an objective and reliable manner.
  - Comparison of actual performance with the standard:** Actual performance is compared with the standard in order to find out the deviations between actual and desired results.
  - Analysis of deviations:** In this step, deviations are studied in to find out the reasons for the same.

### Short Tricks for the Chapter

Steps in controlling process (Some Measurable CAT)

- Setting up objectives
- Measurement of actual performance
- Comparison with standard performance
- Analysis of deviation
- Taking corrective action

Importance of controlling (First I EAT Jam)

- Facilitate coordination in action
- Improves employee motivation
- Ensure order and discipline
- Efficient use of resources
- Accomplishing organisational goal
- Judging accuracy of standard

## CHAPTER - 09

### FINANCIAL MANAGEMENT

**Introduction** – Finance refers to money, cash or fund available to carry out business operations. It is the life blood of business. A business enterprise requires funds at different stages - to start a business, to operate and expand it.

**Financial Management:-** It includes decisions relating to procurement of funds, investment of funds in long term and short term assets and distribution of earning to the owner.

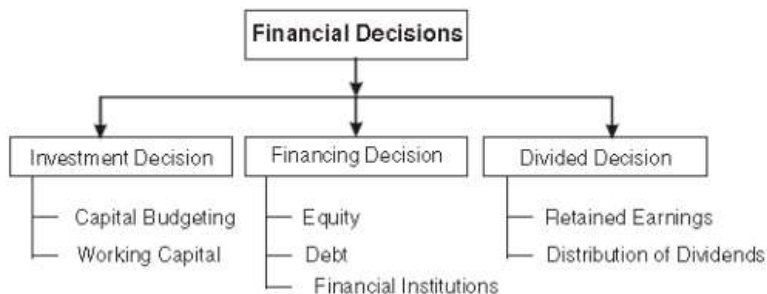
#### **Role of Financial Management:-**

1. Size and Composition of Fixed Assets.
2. Amount and Composition of Current Assets.
3. The Amount of Long-term and Short-term Funds.
4. Break up of Long-Term Financing into Debt, Equity etc.
5. All Items in Profit and Loss Account.

#### **Objectives of Financial Management:**

1. **Wealth Maximization:** The main objective of Financial management is to maximize shareholder's wealth, for which achievement of optimum capital structure and proper utilization of funds is a must.
2. **To procure sufficient funds for the organization:** Adequate and regular supply of funds is to be maintained for smooth operations of the business.
3. **To ensure effective utilization of funds.**
4. **To ensure safety of funds:** The chances of risk in investments should be minimum possible.
5. **To attain optimum capital structure:** A sound and economical combination of shares and debentures must be attempted so as to maintain optimum capital structure.

#### **Financial Decisions:**



**A. Investment Decision** – It is concerned with how firm's valuable funds are to be invested in various assets. It will include the following: a. Long term investment decisions (capital budgeting decision) E.g., Purchasing a new machine, opening a new branch etc. b. Short term investment decision (working capital decision) – related to the day to day working of a business. E.g., Level of cash in hand, inventory etc.

#### **Factors affecting Capital Budgeting (Investment Decision)**

1. **Cash flow of the project** – The inflow and outflow of cash in the business should be considered before making capital budgeting decisions. Some projects will take a long period of time to start inflow of cash.
2. **The rate of return** – While selecting a project, the rate of return must be considered. If two projects having 10% return and 15% return with almost equal risk, normally, the 2nd one may be selected.
3. **Investment criteria involved** – Investment decisions must be based on certain capital budgeting techniques or calculations regarding the amount of investment, rate of return, interest rate, cash flow etc.

**B. Financing decision:-**It deals with determination of sources of finance i.e. amount to be raised from each source.

**Factors Affecting Financing decision:-**

- 1. Cost of raising finance:** - The cost of raising finance from various sources is different and finance managers always prefer the source with minimum cost.
- 2. Risk involved:-**The risk associated with each of the sources is different.
- 3. Flotation costs:-** Higher the floatation cost, less attractive the source.
- 4. Cash flow position of the company:** - A strong cash flow position may make debt financing more viable than funding through equity.
- 5. Fixed Operating Costs:** - If a company is having high fixed operating cost then they must prefer owner's fund because due to high fixed operational cost, the company may not be able to pay interest on debt securities.
- 6. Control consideration:** - If existing shareholders want to retain the complete control of business then they prefer borrowed fund securities to raise further fund.

**C. Dividend Decision:** A company is required to decide how much of the profit earned by it should be distributed among shareholders and how much should be retained.

**Factors affecting Dividend Decision:**

- 1. Earnings:** Companies having high and stable earning could declare high rate of dividends as dividends are paid out of current and past earnings.
- 2. Stability of Dividends:** Companies generally follow the policy of stable dividend. The dividend per share is not altered and changed in case earnings change by small proportion or increase in earnings is temporary in nature.
- 3. Growth Prospects:** In case there are growth prospects for the company in the near future then it will retain its earning and thus, no or less dividend will be declared.
- 4. Cash Flow Positions:** Dividends involve an outflow of cash and thus, availability of adequate cash is for most requirement for declaration of dividends.
- 5 Preference of Shareholders:** While deciding about dividend the preference of shareholders is also taken into account. In case shareholders desire for dividend then company may go for declaring the same.
- 6. Taxation Policy:** A company is required to pay tax on dividend declared by it. If tax on dividend is higher, company will prefer to pay less by way of dividends whereas if tax rates are lower than more dividends can be declared by the company.
- 7. Issue of bonus shares:** Companies with large reserves may also distribute bonus shares to increase their capital base as it signifies growth of the company and enhances its reputation also.
- 8 Legal constraints:** Under provisions of Companies Act, all earnings can't be distributed and the company has to provide for various reserves. This limits the capacity of company to declare dividend.

**Financial planning-** It is the process of estimating the funds requirement, specifying the sources of fund and utilizing them in an optimum manner.

**Objective of financial Planning**

- To ensure availability of funds whenever these are required.
- To see that firm does not raise resources unnecessarily.

**Importance of financial Planning**

- |  |  |
|--|--|
| ol type="a"> <li>Makes the firm better prepared to face the future</li> <li>Helps in avoiding Business Shocks and Surprises</li> <li>Coordinate various functions</li> | ol type="a"> <li>Proper utilization of finance</li> <li>Link present with future</li> <li>Link between Investment and Financing Decisions</li> |
|--|--|

**Capital Structure:** Capital structure refers to the mix between owner's funds (equity) and borrowed funds (debt).

**Factors Affecting Capital Structure: –**

- 1. Cash flow positions:** - A company employs more of debt securities in its capital structure if company is sure generating enough cash inflow whereas if there is shortage of cash then it must employ more of equity in its capital structure.
- 2. Interest coverage ratio (ICR):-** High ICR means companies can have more of borrowed fund securities whereas lower ICR means less borrowed fund securities.
- 3. Return on investment:** - If return on investment is more than rate of interest then company must prefer debt in its capital structure otherwise equity.

- 4. Tax rate:** - High tax rate makes debt cheaper as interest paid to debt security holders is subtracted from income before calculating tax.
- 5. Cost of Debts:** - If firm can arrange borrowed fund at low rate of interest then it will prefer more of debt as compared to equity.
- 6. Risk consideration:** - If firm's business risk is low then it can raise more capital by issue of debt securities whereas at the time of high business risk it should depend upon equity.

**Fixed Capital:** Fixed capital refers to investment in long-term assets. Investment in fixed assets is for longer duration and they must be financed through long-term sources of capital. Decisions relating to fixed capital involve huge capital funds and are not reversible without incurring heavy losses.

**Financial Leverage** – The proportion of debt in the capital structure is called financial leverage or capital gearing or trading on equity. When the proportion of owners' funds in capital structure is very small, it is said to be high geared, whereas if borrowed fund is less than equities, it is called a low geared company. As the financial leverage increases (highly geared) the cost of funds declined and therefore more earnings per share, but the financial risks increases

Financial Leverage= Debt/Equity

• **Factors Affecting Requirement of Fixed Capital:**

- 1. Nature of Business:** Manufacturing concerns require huge investment in fixed assets & thus huge fixed capital is required for them but trading concerns need less fixed capital as they are not required to purchase plant and machinery etc.
- 2. Scale of Operations:** An organization operating on large scale requires more fixed capital as compared to an organization operating on small scale. For Example - A large scale steel enterprise like TISCO requires large investment as compared to a mini steel plant.
- 3. Choice of Technique:** An organization using capital intensive techniques requires more investment in plant & machinery as compared to an organization using labour intensive techniques.
- 4. Technology upgradation:** Organizations using assets which become obsolete faster require more fixed capital as compared to other organizations.
- 5. Growth Prospects:** Companies having more growth plans require more fixed capital. In order to expand production capacity more plant & machinery are required.
- 6. Diversification:** In case a company goes for diversification then it will require more fixed capital to invest in fixed assets like plant and machinery.

**Working Capital:-** Working capital is that part of capital required for investing in short term or current assets like inventory (raw materials, work in progress and finished goods), bills receivables, sundry debtors, cash required for day to day affairs like salaries, wages, rent, etc. There are two concepts of defining working capital as follows:-

- i. Gross working capital = Total investment in current assets
- ii. Net working capital = Current assets – Current Liabilities

**Factors affecting working capital requirements:**

- 1. Nature of business** – Concerns which do not keep very high stock of finished goods and sells on cash basis can manage with less working capital.
- 2. Scale of Operations** – Generally big enterprises have to keep higher working capital.
- 3. Business Cycle** – In boom period, the production and sales will be larger and hence huge amount of working capital is required. But in case of depression, it will be less.
- 4. Seasonal Factors** – Industries that produce and sell seasonal goods require large amount of working capital.
- 5. Production cycle** – Longer the period of manufacture, larger is the amount of working capital required.
- 6. Credit allowed** – A liberal credit policy results in higher amount of debtors and there by more working capital requirement.

## Short Tricks

### Factors affecting requirement of working capital:

| Name of the factor          | Requirement of More working capital               | Requirement of Less capital working                  |
|-----------------------------|---|--|
| Nature of business          | Manufacturing concern because of processing work. | Trading concern because of no production.            |
| Scale of operation          | Large scale operation because of huge inventory.  | Small scale operations because of small inventories. |
| Business Cycle              | During boom period because of more production.    | During depression period because of less production. |
| Credit allowed to Customers | Sales on 'credit basis'                           | Sales on 'cash basis'                                |

### Points to be remember for solving the case studies

- Always read the question first what the question want
- Important line and points should be underlined at the time of reading the case
- In this chapter you just remember five major decisions- capital budgeting decisions, financing decision, dividend decision, working capital & fixed capital decisions & concepts-financial planning, trading on equity etc.
- Numerical questions also asked in this chapter

### Clue words in the case study

- Short term investment decision/ Working capital decisions- liquidity and profitability of business.
- financial planning- fund requirement.
- capital budgeting decisions- Decisions affecting Growth, Financial risk and profitability of a business.
- capital structure decisions- financial risk and profitability of a business.
- Financing Decisions- raised fund from various long-term sources.  
Financial blueprint of operations — Financial planning.
- Decisions affecting liquidity and profitability of a business — Short term investment decisions.
- Decisions affecting financial risk and profitability of a business — Capital structure decisions.
- Long term investment decisions — Capital budgeting decisions
- Proportion of debt and equity — Capital structure
- Cheapest source of finance — Debt
- Risk free source of finance — Equity
- Decisions relating to disposal of profits — Dividend decision
- Decision relating to quantum of funds to be raised from various long term sources — Financing decision
- Most suitable combination of owners funds and borrowed funds to generate higher EPS — Trading on equity/  
Financial leverage.

## Question Bank

### MCQ

|   |  |
|---|--|
| 1.                                      | Match the following.<br>1. Capital budgeting decision (a) allocation of funds to different projects/Assets.<br>2. Financial management (b) Proportion of debt and equity<br>3. Investment decision (c) Optimal procurement and usage of finance<br>4. Financing decision (d) Long term investment decision<br>a) 1-c; 2-b; 3-d; 4-a<br>b) 1-d; 2-c; 3-a; 4-b<br>c) 1-b; 2-d; 3-a; 4-c<br>d) 1-d; 2-a; 3-b; 4-c   |
| 2.                                      | Financial leverage is called favourable if :<br>(a) Return on investment (ROI) is lower than the cost of debt<br>(b) ROI is higher than the cost of debt<br>(c) Debt is easily available<br>(d) If the degree of existing financial leverage is low  |
| 3.                                      | Financial planning arrives at :<br>(a) Minimising the external borrowing by resorting to equity issues<br>(b) Entering that the firm always have significantly more fund than required so that there is no paucity of funds<br>(c) Ensuring that the firm faces neither a shortage nor a glut of unusable funds.<br>(d) Doing only what is possible with the funds that the firms has at its disposal  |
| 4.                                      | Higher debt equity ratio results in<br>a) Lower financial risk<br>(b) higher operating risk<br>(c) higher financial risk<br>(d) higher EPS   |
| <b>Very Short Answer Type Questions</b> |  |
| 5.                                      | State the formula for calculating financial leverage.  |
| 6.                                      | HCL Company's finance manager has decided to retain its entire profit to meet financial requirement for its growth. Name the type of decision involved.  |
| 7.                                      | Dabur India has decided to increase credit limit and duration of credit to its customers to boost its sales. Name the type of decision involved.   |
| 8.                                      | Under what situation, will an increase in debt decrease the EPS?   |
| <b>Short Answer Type Questions</b>      |  |
| 9.                                      | Yogesh, a businessman is engaged in purchasing and selling of Ice-creams. Identify the working capital requirement of Manish giving reasons in support of your answer. Explain any two factors that will affect his fixed capital requirements.  |
| 10.                                     | Saksham Ltd. a firm manufacturing textiles, wished to diversify their business. They were considering two options, either to diversify into manufacturing tooth-paste or switches. They wanted to invest in the purchase of land, to set up a manufacturing unit in the backward areas of Gujarat, which would also lead to the generation of employment opportunities in the area, but only after fulfilling all legal requirements and taking appropriate steps to ensure that the environment was not polluted. The finance manager of the company, Mr. Ramakant was asked by the management to prepare a report on the factors which should be considered while making the above investment decision.<br>(A) State any two factors that Mr. Ramakant would give in his report.<br>(B) Also state any one reason which makes it important for the above decision to be made carefully |
| <b>Long Answer Type Question</b>        |  |
| 13.                                     | Vivo Ltd. is a company manufacturing textiles. It has a share capital of Rs. 60 lakhs. The earnings per share in the previous year was Rs. 0.50. For diversification, the company requires an additional capital of Rs. 40 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year, the company earned a profit  |



|     |  |
|-----|--|
|     | of Rs. 8 lakhs on the capital employed. It paid tax @ 40%. State whether the shareholders gained a loss, in respect of earning per share on diversification. Show your calculations clearly. Also, state any three factors that favour the issue of debentures by the company as part of its capital structure.  |
| 14. | <p>Shalini, after acquiring a degree in Hotel management and Business Administration, took over her family food processing company of manufacturing pickles, jams and squashes. The business had been established by her great grandmother and was doing reasonably well. However, the fixed operating costs of the business were high and the cash flow position was weak. She wanted to undertake modernization of the existing business to introduce the latest manufacturing processes and diversify into the market of chocolates and candies. She was very enthusiastic and approached a finance consultant, who told her that approximately Rs.50 lakh would be required for undertaking the modernization and expansion programme. He also informed her that the stock market was going through a bullish phase.</p> <p>(a) Keeping the above considerations in mind, name the source of finance Shalini should not choose for financing the modernization and expansion of her food processing business. Give one reason in support of your answer.</p> <p>(b) Explain any two other factors, apart from those stated in the above situation, which Shalini should keep in mind while taking this decision.</p> |
| 15. | <p>Somnath Ltd. is engaged in the business of export 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, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit 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.</p> <p>a. Identify the financial concept discussed in the above para.</p> <p>b. Also state the objectives to be achieved by the use of financial concept, so identified.</p>   |

### Marking Scheme

| QN  | Answer  |
|-----|---|
| 1.  | B   |
| 2.  | B   |
| 3.  | C   |
| 4.  | C   |
| 5.  | Debt/ Equity  |
| 6.  | Dividend  |
| 7.  | Working Capital   |
| 8.  | When rate of return is less than rate of interest. Decrease in earnings.  |
| 9.  | Working capital will be less as he is engaged in trading business. Factors affecting fixed capital Level of collaboration and financial alternatives available  |
| 10. | <p>(a) A long term investment decision is also called a capital budgeting decision. The factors that should be kept in mind by the company while making the investment decision are as follows: (A) Cash inflows from the project (B) Rate of return</p> <p>(b) Due to the following one reason the above decision is to be made carefully: It affects the overall level of business risk of the organization and its growth and profitability of business in future.</p>                     |
| 11. | <p><b>1. Nature of Business:</b> Manufacturing concerns require huge investment in fixed assets &amp; thus huge fixed capital is required for them but trading concerns need less fixed capital as they are not required to purchase plant and machinery etc.</p> <p><b>2. Scale of Operations:</b> An organization operating on large scale requires more fixed capital as compared to an organization operating on small scale. For Example - A large scale steel enterprise like TISCO</p> |

requires large investment as compared to a mini steel plant.

**3. Choice of Technique:** An organization using capital intensive techniques requires more investment in plant & machinery as compared to an organization using labour intensive techniques.

**4. Technology upgradation:** Organizations using assets which become obsolete faster require more fixed capital as compared to other organizations.

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

13. Let us presume that the share capital of Rs. 60 lakh is made up of Rs. 6 lakh equity shares assuming that the face value of each share is Rs.10.

| Sources                      | Situation 1<br>(Amount (in Rs.)) | Situation 2<br>(Amount (in Rs.)) |
|------------------------------|----------------------------------|----------------------------------|
| Equity shares                | 60,00,000                        | 60,00,000                        |
| 10 % Debentures              | NIL                              | 40,00,000                        |
| Total Capital                | 60,00,000                        | 1,00,00,000                      |
| EBIT                         | —                                | 8,00,000                         |
| Less: Interest               | —                                | – (4,00,000)                     |
| EBT                          | —                                | 4,00,000                         |
| Less: Tax @ 40%              | —                                | – (1,60,000)                     |
| EAT                          | *3,00,000                        | 2,40,000                         |
| No. of shares of Rs. 10 each | 6,00,000                         | 6,00,000                         |
| EPS                          | 0.50                             | 2,40,000/6,00,000 = 0.40         |

\*0.50 x 6,00,000 = 3,00,000

Consequently EBT/EBIT in situation 1 = Rs. 5,00,000. Thus, on diversification, the earning per share fell down from Rs. 0.50 to Rs. 0.40.

The three factors that favour the issue of debentures by the company as part of its capital structure are as follows:

**(a) Tax deductibility:** Debt is considered to be a relatively cheaper source of finance as the amount of interest paid on debt is treated as a tax deductible expense.

**(b) Flotation cost:** The money spent by the company on raising capital through debentures is less than that spent on equity.

**(c) Control:** The issue of debentures doesn't affect the control of the equity shareholders over the business as the debenture holders do not have the right to participate in the management of the business.

## CHAPTER-10 FINANCIAL MARKET

Meaning: Financial market is referred to space, where selling and buying of financial assets and securities takes place.

### Functions of Financial Markets

- 1. Mobilisation of Savings and channelling them into the most productive uses :** Financial market facilitates the transfer of savings from savers to investors and thus helps to channelize surplus funds into the most productive use.
- 2. Helps in Price Determination :** Financial Market helps in interaction of savers and investors which in turn helps in the determination of prices of the financial assets such as shares, debentures etc.
- 3. Provides Liquidity to Financial Assets :** Financial market facilitates easy purchase and sale of financial assets. Thus, it provides liquidity to them so that they can be easily converted into cash whenever required.
- 4. Reduces the Cost of Transactions :** Financial market provides valuable information about securities which helps in saving time, efforts and money and thus it reduces cost of transactions.

### Types of Financial Market:-

A) Money Market and B) Capital Market

**A. Money Market:-**It is a Market which deals in short term securities i.e. whose maturity period is less than 01 year.

**B. Capital Market:-**Where long term securities are sold and purchased.

### Types of capital market:

a) Primary Market and b) Secondary Market.

**a) Primary or new issue market Secondary Market (Stock Exchange):-**It refers to that market in which securities are sold for the first time for collecting long term capital.

**b) Secondary Market:-**Where already issued securities are sale and purchase, Stock exchange: - The stock exchange is a market in which existing securities are bought and sold.

**Stock exchange:** - The stock exchange is a market in which existing securities are bought and sold.

### Functions of stock exchange

- |   |                                    |
|---|------------------------------------|
| a) Providing Liquidity and Marketability to Existing Securities | d) Contributes to Economic Growth  |
| b) Pricing of Securities  | e) Spreading of Equity Cult        |
| c) Safety of Transactions                                       | f) Providing Scope for Speculation |

### Trading and Settlement Procedure on a Stock Exchange

- 1) **Selection of Broker:** In order to trade on a Stock Exchange first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange.
- 2) Opening Demat Account with Depository.
- 3) **Placing the order:** After selecting a broker, the investors specify the type and number of securities they want to buy or sell.
- 4) **Match the share and Best price:-**Broker will on-line match the share and best price available.
- 5) **Executing the order:** The broker will buy or sell the securities as per the instructions of the investor.
- 6) **Issue of Contract Note:** - Within 24 hours, contract Note will be issued by the broker containing details of the transaction. It is legally enforceable and helps to settle disputes.
- 7) **Delivery of shares and making payment:-** Investor has to deliver the shares or pay cash for the shares. This is called the pay- in-day.
- 8) **Settlement Cycle:** - Cash is paid or securities are delivered on pay-in-day, which is before T+2 day.

9) **On T+2 day**, exchange will deliver shares or make payment to the other broker. This is called payout day. The broker will make payment to the investor within 24 hours of pay-out day.

10) The broker can deliver directly to **demat account**.

**D'MAT/ Demat Account:-**D'Mat Account refers to that account which is opened by the investors with depository participant to facilitate trading in shares.

**Constituents of Depository System:-**

1)The depository and, 2) The depository participants.

1. **Depository:-**A Depository is an institution which holds the shares of an investor in electronic form. It acts as bank where investors can open a securities account and deposit the electronic form of securities. At present, there are two depository institutions in India:-

- a) NSDL: – National Securities Depository Limited.
- b) CDSL – Central Depository Services Limited.

**3.The Depository Participant (DP):-** Depository participant is an agent of the depository. An investor has to interact only with a DP and not with the depository for all his dealings in share in electronic form.

4. **The Investor :** He is a person who wants to deal in shares whose name is recorded.

5. **The Issuing Company:** That organisation which issues the securities. This issuing company sends a list of the shareholders to the depositories.

**Stock Exchange Indices:-**

(i)**Sensex:** - This is Bombay Stock Exchange Index. It is calculated by taking prices of 30 stocks across key sectors of BSE.

(ii)**Nifty:** - This is a National Stock Exchange Index. It is calculated by taking prices of 50% key stocks listed in NSEI.

**Demutualisation:-** It refers to separation of ownership and control of stock exchange from the trading rights of members. Through demutualisation there is reduction of chances of brokers using stock exchange for personal gains.

**SEBI (The Securities Exchange Board of India):-**The Securities Exchange Board of India was established in 1992 to protect the interest of investors and to regulate and control the trading of financial securities.

**Objectives of SEBI**

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

**Functions of SEBI:-**

**a)Regulatory Functions:-**

- i) Registration of brokers and sub-brokers and other players in the market.
- ii) Registration of collective investment schemes and Mutual Funds.
- iii) Regulation of Stock Brokers, portfolio exchanges, underwriters and merchant bankers.

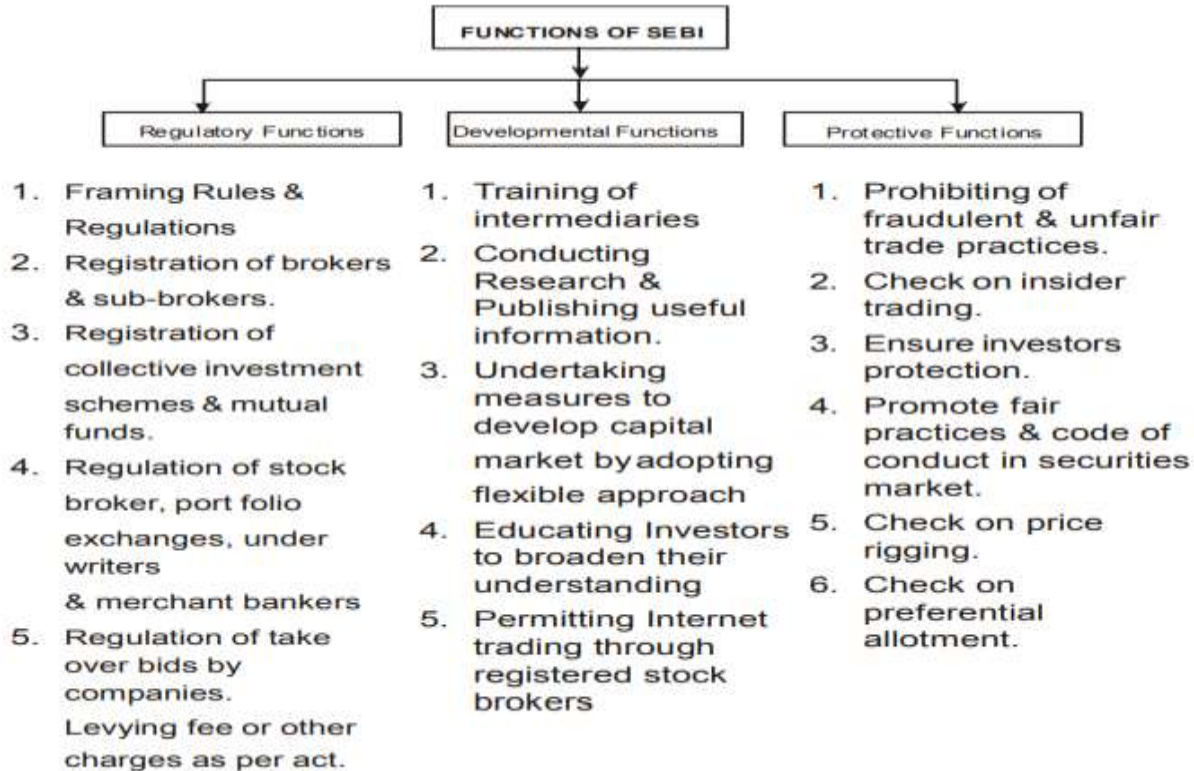
**b) Development Function:-**

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

**c) Protective Functions:-**

- i) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulation, price rigging etc.
- ii) Controlling insider trading and imposing penalties for such practices.
- iii) Undertaking steps for investor protection.

## Short Tricks



### Clue words in the case study

- Short term securities- money market.
- Long term securities- capital market.
- To protect the interest of investors, regulate stock exchange, check on price rigging- functions of SEBI.
- Depository - NSDL: – National Securities Depository Limited. & CDSL – Central Depository Services Limited.
- New issue market — Primary market.
- Market for existing securities — Secondary market.
- Market for short term funds — Money market.
- Market for medium term and long term funds — Capital market.
- Institution holding securities in electronic form — Depository .
- Holding securities in electronic form — Dematerialisation.
- Watch dog of securities market — SEBI.
- A person who accesses and uses the price sensitive information for his personal benefit — Insider Trading.

### Question Bank

| MCQ |   |
|-----|---|
| 1.  | The settlement Cycle in NSE is :<br>(a) T+3 (b) T+2 (c) T+5 (d) T+1   |
| 2.  | National Security Depository Ltd is an:<br>(a) Depository (b) Beneficial owner (c) Depository Participant. (d) Issuer   |
| 3.  | Which of the following is not a function of SEBI?<br>(a) Registration of brokers and sub-brokers (b) Undertaking measures to develop financial markets<br>(c) Prohibition of insider trading (d) Holding securities in electronic form. |
| 4.  | ..... is a process where securities held by the investor in the physical form are cancelled and the investor is   |

|     |   |
|-----|---|
|     | given an electronic entry.<br>(a) Dematerialisation (b) Depository (c) Demat account (d) all of these.  |
|     | <b>Very Short Answer Type Questions (1 Mark Each)</b>   |
| 5.  | What is financial market ?  |
| 6.  | Identify the markets highlighted in following statements:<br>(i) This market directly contributes to capital market.<br>(ii) This market deals in instrument whose maturity is upto one year.<br>(iii) It deals in medium and long terms securities.<br>(iv) It is also known as Stock Exchange and deals in sale and purchase of previously issued securities.<br>(v) It requires less investment as value of securities is generally low.   |
| 7.  | Mr. A gifted securities of a large manufacturing company to his wife, Mrs. A. The securities were in physical form. Now, Mrs. A wants to sell the securities and approached a registered broker. Mention one mandatory detail which she has to provide to the broker.   |
| 8.  | What is capital market?   |
| 9.  | What is the full form of NSDL?  |
|     | <b>Short Answer Type Questions</b>  |
| 10. | State the protective function of the Securities and Exchange Board of India.  |
| 11. | Bombay Stock Exchange was established in 1815 and was Asia's first stock exchange. About 6000 companies are listed on this exchange. Where investors purchase and sell their securities as shares, debentures and bonds. Price of the securities is determined by forces of demand and supply. The members of exchange are called brokers. They provide safe and fair deal to their customers. The Sensex launched in 1986 is made of 30 companies and represents 13 sectors of the economy. The change in Sensex saw the growth of economy. Explain the functions of Stock Exchange, highlighted above   |
| 12. | Sakshi Ltd, a well known real estate company has managed to carve a niche for itself in this sector. Recently, it was revealed that the directors of the company have used price sensitive information for their own personal interest Adequate public disclosures were also not made. SEBI is considering action against these directors Name the term used for trading malpractice done by the directors of this company.   |
| 13. | Write the difference between money market and capital market on the basis of participants, safety, instruments and expected return.   |
|     | <b>Long Answer Type Questions</b>   |
| 14. | Ashish selects a person who is authenticated to buy or sell securities on his behalf. He is registered by SEBI. Then through this person Ashish opens an account with a bank. Then he takes the next step. He gives this person an order in which he specifies the number and types of securities to be bought or sold. The process moves forward. After getting the instructions from Ashish the selected person buys and issues d' paper. The paper contains the name and price of securities, brokerage charges and the name of the parties involved. Then comes the concluding stage of the process. Here, the trading of securities is done by the selected persons on behalf of Ashish.<br>1. Identify the process highlighted in the above case.<br>2. Which type of account is being indicated here?<br>3. What is the role of bank here?<br>4. What is the role of the person he has chosen?<br>5. What one condition should be met when giving orders for the purchase of securities?<br>6. What is the name of the paper highlighted above?<br>7. What is the last stage of the process called? Does it have any specific feature? |
| 15. | Explain the functions and objectives of the Securities and Exchange Board of India (SEBI).  |
| 16. | Charu is a chartered accountant in Prakash Ltd. During eh course of meeting with directors she came to know that as against the previous years, this year company is going to declare handsome dividend offer. It is observed that when such new becomes public then the share market jumps up. Considering it, Charu purchase large number of company's shares before this news reached the public.<br>1. Identify the type of malpractice used by Charu.<br>2. Name the authority which regulate such behaviours.<br>3. Write any three other functions of this authority   |

## Marking Scheme

| Qn              | Answer   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
|-----------------|--|--|--------------|----------------|--------------|--|--|--------|-------|---------|-------------|--|---|-----------------|-------------|-------------|
| 1.              | B- T+2   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 2.              | a- Depository  |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 3.              | d-Holding securities in electronic form.   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 4.              | (a) Dematerialisation  |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 5.              | It is a market for creation and exchange of financial assets like shares, bonds etc. It helps in mobilising savings and channelizing them into the most productive uses. It helps to link the savers and the investors by mobilizing funds between them.   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 6.              | (i) Primary (ii) Money Market (iii) Capital Market (iv) Secondary Market (v) Stock Exchange.   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 7.              | PAN (PERMANENT ACCOUNT NUMBER)   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 8.              | Where long term securities are sold and purchased.   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 9.              | National Securities Depository Limited.  |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 10.             | <p><b><u>Protective Functions:-</u></b></p> <p>i) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulation, price rigging etc.</p> <p>ii) Controlling insider trading and imposing penalties for such practices.</p> <p>iii) Undertaking steps for investor protection.</p>  |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 11.             | <p>(1) Platform for purchases and sale of securities</p> <p>(2) Price Discovery</p> <p>(3) Economic Growth</p>   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 12.             | Insider trading  |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 13.             | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Basis</th> <th style="text-align: center;">Money Market</th> <th style="text-align: center;">Capital Market</th> </tr> </thead> <tbody> <tr> <td>Participants</td> <td>The participants are a bank, financial institution, RBI, and corporate</td> <td>The participants are corporate banks, financial institute, retail investors, and investors</td> </tr> <tr> <td>Safety</td> <td>Safer</td> <td>Riskier</td> </tr> <tr> <td>Instruments</td> <td>Instruments traded are Commercial paper, certificates of deposit, call money, treasury bill, etc.,</td> <td>Instruments traded are debenture, stocks, and bonds</td> </tr> <tr> <td>Expected Return</td> <td>Less return</td> <td>High return</td> </tr> </tbody> </table> | Basis  | Money Market | Capital Market | Participants | The participants are a bank, financial institution, RBI, and corporate | The participants are corporate banks, financial institute, retail investors, and investors | Safety | Safer | Riskier | Instruments | Instruments traded are Commercial paper, certificates of deposit, call money, treasury bill, etc., | Instruments traded are debenture, stocks, and bonds | Expected Return | Less return | High return |
| Basis           | Money Market   | Capital Market   |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| Participants    | The participants are a bank, financial institution, RBI, and corporate   | The participants are corporate banks, financial institute, retail investors, and investors |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| Safety          | Safer  | Riskier  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| Instruments     | Instruments traded are Commercial paper, certificates of deposit, call money, treasury bill, etc.,   | Instruments traded are debenture, stocks, and bonds  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| Expected Return | Less return  | High return  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |
| 14.             | <p>1. The process highlighted in the above case is 'Trading procedure on a Stock Exchange'.</p> <p>2. The type of account indicated here is 'DematAccount'.</p> <p>3. The bank is the 'Depository Participant'.</p> <p>4. The person chosen here is the 'Broker'.</p> <p>5. The condition which must be met is that the securities traded should be of the listed companies.</p> <p>6. The name of the paper which is highlighted above is 'Contract Note'.</p> <p>7. The last stage of the process is called 'Settlement'. The specific feature is the T+2 rolling settlement</p>   |  |              |                |              |  |  |        |       |         |             |  |   |                 |             |             |

|    |  |
|----|--|
|    | feature. It means that the trading of security taking place on a particular day will get settled after two days. For example: trading taking place on Wednesday will be settled by Friday.   |
| 15 | <p><b><u>SEBI (The Securities Exchange Board of India):-</u></b>The Securities Exchange Board of India was established in 1992 to protect the interest of investors and to regulate and control the trading of financial securities.</p> <p><b><u>Objectives of SEBI</u></b></p> <ol style="list-style-type: none"> <li>1. To regulate stock exchange and the securities market to promote their orderly functioning.</li> <li>2. To protect the rights and interests of investors and to guide &amp; educate them.</li> <li>3. To prevent mal-practices in trade such as insider trading.</li> <li>4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc.</li> </ol> <p><b><u>Functions of SEBI:-</u></b></p> <p><b><u>a)Regulatory Functions:-</u></b></p> <ol style="list-style-type: none"> <li>i) Registration of brokers and sub-brokers and other players in the market.</li> <li>ii) Registration of collective investment schemes and Mutual Funds.</li> <li>iii) Regulation of Stock Brokers, portfolio exchanges, underwriters and merchant bankers.</li> </ol> <p><b><u>b) Development Function:-</u></b></p> <ol style="list-style-type: none"> <li>i) Training of intermediaries of the securities market.</li> <li>ii) Conducting research and publishing information useful to all market participants.</li> <li>iii) Undertaking measures to develop the capital markets by adapting a flexible approach.</li> </ol> <p><b><u>c) Protective Functions:-</u></b></p> <ol style="list-style-type: none"> <li>i) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulation, price rigging etc.</li> <li>ii) Controlling insider trading and imposing penalties for such practices.</li> <li>iii) Undertaking steps for investor protection.</li> </ol> |
| 16 | <ol style="list-style-type: none"> <li>1. Insider Trading</li> <li>2. Authority is Securities and Exchange Board of India (SEBI).</li> <li>3.Their functions are: (i) Protective functions, (ii) Developmental functions, (iii) Regulatory functions.</li> </ol>   |



## CHAPTER-11

### MARKETING MANAGEMENT

- 1 **Marketing Management: -**  
It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer 's wants. Its aim to achieve the organizational goals at minimum cost by: -Analyzing and planning marketing activities, implementing the marketing plans, setting control mechanism, marketing management philosophy/Concept, product concept, production concept, selling concept, marketing concept and social concept.
- 2 **Production Concept: -**  
Some companies believe that it is easy to sell the products when products are inexpensive and are easily available. So, the firms following production concept focus on lowering the cost of production by means of mass production and distribution but the drawback of this concept is that customers don 't always buy products which are inexpensive and available.  
Main Focus: Large-scale production to decrease the cost.
- 3 **Product concept: -**  
Product concept stresses on quality of production rather than quantity of production. Product improvement is considered the key to success under it.  
Main Focus: Good quality, added features in product.
- 4 **Selling Concept: -**  
Selling concept believes that in order to make a customer buy a product he or she need to be convinced and customers can be convinced by undertaking some aggressive selling and promotional efforts.  
Main Focus: To sell whatever is produced by using intensive promotional technique.
- 5 **Marketing Concept: -**  
Marketing concept concentrates on the need of the customers. The concept says that product should be designed and produced keeping in mind the need of the customer and try to satisfy the need better than the competitor 's product.  
Main Focus: Customer satisfaction
- 6 **Societal concept: -**  
Marketing concept is satisfying the need s of customers in the best possible manner but then also it has attracted criticism from people who are concerned about society and environment. They argue that companies should not blindly follow the goal of customer satisfaction. Main Focus: Customer satisfaction with in ethical and ecological boundaries of our society

#### Marketing Management Philosophies/Concept

| Basis          | Production concept                   | Product concept                | Selling concept             | Marketing concept                    | Societal marketing concept               |
|----------------|--------------------------------------|--------------------------------|-----------------------------|--------------------------------------|--|
| Starting point | Factory                              | Factory                        | Factory                     | Market                               | Market & Society                         |
| Main focus     | Quantity of product                  | Quality performance            | Existing product            | Customer need                        | Society welfare                          |
| Means          | Availability of Product              | Availability of Product        | Selling and promoting       | Integrated marketing                 | Integrated market                        |
| Ends           | Profits through volume of production | Profit through product quality | Profit through sales volume | Profit through consumer satisfaction | Consumer satisfaction and social welfare |

#### **Features of marketing. (easy tips for memorization)**

#### **CNT ENGLISH NEW CSHANNEL**

|         |                            |
|---------|----------------------------|
| CTN     | Creating a market offering |
| English | Exchange mechanism         |

|   |   |
|---|---|
| News  | Needs and Wants                           |
| Channel   | Customer value                            |
| <b>Functions of Marketing: ( tips of easy memorization)</b>                   |   |
| <b>Good Morning Boss Please Call Police To Pin Prime Suspect With Proof .</b> |   |
| Good  | Gathering and Analysis Market Information |
| Morning   | Marketing Planning                        |
| Boss  | Branding                                  |
| Please  | Product designing and development         |
| Call  | Customer support service                  |
| Police  | Pricing                                   |
| To  | Transportation                            |
| Pin   | Packaging and labeling                    |
| Prime   | Promotion                                 |
| Suspect   | Standardization and Grading               |
| With  | Warehousing                               |
| Proof   | Physical distribution                     |

### ELEMENTS OF MARKETING MIX

#### PRODUCT MIX

**Product:** A product is anything of value i.e. a product or service offered to a market to satisfy needs or wants

**Important product decisions include :**

- Determining its layout, features, quality, design
- Branding
- Labelling
- Packaging

#### A Product includes

- Physical product
- After sale services
- Handling grievances
- Replacement of parts etc

#### PACKAGING

**Packaging: Definition** Packaging is the process of designing a suitable wrapper or container for a product.

#### Importance of Packaging

- Rising standards of health and sanitation
- Useful in self service outlets
- Innovative packaging adds value to a product
- Facilitates product differentiation

#### Levels of Packaging

- **Primary package** refers to the immediate container of a product.
- **Secondary packaging** refers to the additional protection provided besides primary package.
- **Transportation packaging** refers further packaging that helps in storage, identification of transportation of the product.

### **Functions of Packaging**

- Helps in product identification
- Provides protection to the product
- Facilitates the use of product
- Assists in promotion of the product

### **BRANDING**

**Branding: Definition** - Branding is the process of assigning a name (brand name), sign or symbol (brand mark) or a combination of all to identify the products of a seller or a group of sellers and to distinguish them from those of the competitors.

**Brand Mark: Definition** -A brand mark is that part of a brand can be recognized but is not utter able.

**Brand Name: Definition**- A brand name is that part of a brand which can be spoken.

**Trade Mark: Definition**-Trade mark is used in context of a registered brand.

### **Advantages of branding to the customers**

A) Supports in product identification B) Certifies quality C) Considered to be status symbol

### **Advantages of branding to the manufacturers**

- Facilitates product differentiation
- Assists in advertising and display programs
- Facilitates differential pricing
- Ease in the launching of new products

### **Qualities of a good brand name**

- Short and easy to pronounce, spell and remember
- Reflects the functions of the product
- Distinctive/easily identifiable
- Adaptable can be used in labelling or packaging
- Versatile can be used for brand extension
- Should not become outdated soon
- Capable of being registered

### **LABELLING**

**Labelling: Definition** – Labelling refers to the process of designing a label for a product which may vary from a simple tag to a complex graphic.

### **Functions of labelling**

- Describes the product and specifies its contents
- Helps in identification of the product or brand
- Enables grading of products
- Assists in promotion of products
- Provides information required by law

**PRICE MIX Price: Definition** -Price is the monetary value paid in consideration for purchase of a product or service by a buyer to its seller. Factors affecting price determination Cost of product

- The utility and demand
- Extent of competition in the market
- Government and legal regulations
- Pricing objectives
- Marketing methods used.

### **PLACE MIX**

**Physical Distribution: Definition** Physical distribution includes all those activities that ensure the availability of the product at the right place, at the right time and in right condition so as to facilitate its purchase.

### **Determining the components of physical distribution**

- Order Processing
- Inventory
- Warehousing
- Transportation

### **Functions of distribution channels**

- Sorting
- Accumulation
- Allocation
- Assorting
- Product Promotion
- Negotiation
- Risk Taking

## **Factors determining choice of channel**

### **1. Product related factors Type of product**

- Nature of product
- Degree of complexity of product
- Unit value of the product

### **Company characteristics**

- Financial strength of the firm

- Degree of control desired on channel members

### **Competitive factors**

- Policy of firm

### **Market factors**

Geographical concentration of buyers

- Quantity purchased

- Size of the market

### **Environmental factors**

- Economic conditions

- Legal constraints

### **Two main decisions involved in physical distribution**

- Physical movement of goods from producers to consumers

- Choice of channels of distribution

### **Channels of Distribution: Definition**

Channels of distribution refers to the set of individuals and firms that act as intermediaries in the form of agents, wholesalers, retailers etc. that help to transfer the title of ownership to the buyer and also facilitate physical movement of the products.

### **Types of channels of distribution**

#### **1. Direct channel:**

- Manufacturer- consumer (**zero level**)

#### **Indirect channels:**

- Manufacturer- retailer consumer (**one level channel**)
- Manufacturer- wholesaler- retailer consumer (**two level channel**)
- Manufacturer-agent wholesaler retailer consumer (**three level channel**)

## **PROMOTION MIX**

**Promotion: Definition - Promotion** refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuading them to make a purchase

### **Promotion mix**

- Advertising
- Personal selling
- Sales promotion
- Public relations

**Advertisement: Definition** Advertisement is a paid form of non-personal communication undertaken by the marketers to boost the sale of a product or a service.

### **Objections to Advertising**

Adds to cost

- Undermines social values
- Encourages sale of inferior products
- Some advertisements are in bad taste
- Confuses the buyers

### **Features of Advertising Paid form**

- (i) Impersonality      (ii) Identified sponsor

### **Sales promotion: Definition**

Sales promotion refers to the short-term incentives offered by the marketers to promote the sale Of their products

### **Commonly used Sales Promotion activities**

- Rebate
- Discount
- Refunds
- Product combinations
- Quality gift
- Instant draws and assigned gift
- Lucky draw
- Usable benefit Full finance @ 0%
- Sampling
- Contests

### **Public Relations: Definition**

Public relations refers to the practice of managing communication between an organisation and its public in order to create and maintain a positive image about itself and its products.

### **Roles of Public Relations**

Public relations helps to create a positive image about the company in the eyes of various

- interest holders like consumers, government, suppliers etc. It helps in launching new products as they may be accepted easily because of they may be
- accepted easily because of good reputation of business. It helps the business to reinstate itself in wake of controversies or prejudices etc.

### **Functions of the Public Relation Department**

- It manage relations with the press to present true and correct information about the company
- It undertakes product publicity for new products through sponsorships
- It is proactive in promoting or defending regulations that affect business by maintaining healthy relationships with associations of commerce and industry etc. through newsletters, brochures, articles or arranging for talk shows or speeches of high officials of the company.
- It initiates or supports various kinds of corporate social activities.

### **VERY SHORT QUESTION (MCQ/ ASSERTION AND REASONING)(1 MARKS)**

- 1 In order to get feedback about its recently launched immunity boosting ayurvedic medicine, Antalya Limited conducted an online survey using a questionnaire, to gather customer views and opinions. Identify the marketing function being used by Antalya Limited  
 (a) Standardization (b) Product designing  
 (c) Customer support service (d) Gathering and analyzing market information  
**Ans d) Gathering and analyzing market information**
- 2 The process of classification of products into different groups on the basis of their important characteristics refers to which of the following marketing functions?  
 (a) Grading (b) Standardization (c) Product designing (d) Marketing planning  
**Ans a) Grading**
- 3 Marketing mix is the set of that the firm uses to pursue its marketing objectives in the target market.  
 (a) Production tools (b) Promotional tools (c) Marketing tools (d) Selling tools  
**Ans (c) Marketing tools**
- 4 The four P's are characterized as being:  
 (a) Product, Positioning, Place and Price (b) Product, Production, Price and Place  
 (c) Promotion, Place, Positioning and Production (d) Product, Place, Price and Promotion  
**Ans d) Product, Place, Price and Promotion**

- 5 Which of the following is/are not true about 'Price'?
- (a) **Price is independent from other elements of marketing mix.**  
 (b) Price is the monetary value of a product.  
 (c) Price is the most flexible tool in marketing mix.  
 (d) Price is a marketing mix element which produces revenue.  
 Ans (a) **Price is independent from other elements of marketing mix**
- 6 'Marketing Planning' as a function of Marketing means to develop a plan for:
- (a) Identifying the needs of the customer.  
 (b) Analyzing the available opportunities and threats in the organization.  
 (c) **Increasing the level of production, promotion of product etc., and specifying the action programmers.**  
 (d) Developing repeat purchases by the customer.  
 Ans **Increasing the level of production, promotion of product etc., and specifying the action programmers.**
- 7 Which of the following statements is not true about 'Product'?
- (a) It provides functional benefits, psychological benefits and social benefits.  
 (b) It is a mixture of tangible and intangible attributes  
 (c) It is a 'bundle of utilities' or 'source of satisfaction'.  
 (d) It is not offered for attention, acquisition, use or consumption.  
 Ans **d) It is not offered for attention, acquisition, use or consumption**
- 8 Which product-related decision is concerned with providing detailed information about the production its package?
- (a) Branding (b) Packaging (c) Labelling (d) Both Branding and Packaging  
 Ans **c) Labelling**
- 9 Product Cost' as a factor affecting price determination of a product includes:
- (a) Cost of producing, distributing and selling the product. (b) Utility provided by the product.  
 (c) Nature and degree of competition. (d) Maximizing profit in the short run.  
 Ans **(a) Cost of producing, distributing and selling the product**
- 10 A major decision area under one of the functions of marketing is the decision regarding marketing intermediaries to be used, under the function.
- (a) **Physical distribution** (b) Gathering and analyzing market information  
 (c) Promotion (d) Transportation  
 Ans **a) Physical distribution**
- 11 Identify the function of marketing being highlighted in the picture given below



- (a) Gathering and analyzing market information (b) Market planning  
 (c) Branding (d) Customer support Services  
 Ans **d) Customer support Services**

12 Identify the component of branding being depicted in the given image



(a) Brand name (b) **Brand mark** (c) Trade mark (d) Generic name

Ans **b) Brand mark**

13 Identify what can be marketed being promoted in the picture given below.



(a) Services (b) **Ideas** (c) experience (d) Events

Ans **(b) Ideas**

14 Match the various terms of Marketing Management philosophies in Column I with their respective statements in Column II and choose the correct alternative:

| Column I  | Column II  |
|---|--|
| A. Marketing Concept ,<br>B. Product Concept<br>C. Production Concept | (i) Quality, performance and features of product<br>(ii) Customer Needs<br>(iii) Quantity of Product |

(a) A -(ii), B -(iii), C -(i) (b) A -(i), B -(iii), C -(ii) (c) A -(iii), B -(ii), C -(i) (d) **A-(ii), B-(i), C-(iii)**

Ans **(d) A - (ii), B - (i), C - (iii)**

15 Match the various terms of Marketing Management in Column I with their respective statements in Column II and choose the correct alternative:

| Column I  | Column II   |
|---|---|
| A. Branding<br>B. Standardization<br>C. Grading | (i) Reduces the need for inspection testing and evaluation of the products<br>ii) Helps in realizing higher prices for high quality output<br>(iii) Helps in distinguishing the product of a firm with that of the competitor |

(a) A - (iii), B - (ii), C - (i) (b) A - (i), B - (iii), C - (ii)

(c) A - (iii), B - (i), C - (ii) (d) A - (i), B - (ii), C - (iii)

Ans c) A - (iii), B - (i), C - (ii)

**VERY SHORT ANSWER TYPE QUESTION (1 MARKS)**

1 How does branding help in differential pricing?

Ans. Branding help a firm to charge differential prices because if a customer likes a brand and becomes habitual of it, he does not mind paying a price higher than that of similar product in the market.

2 What is the societal concept of marketing?

Ans. Societal marketing concept aims at satisfying a consumer in an effective and efficient manner. Apart from satisfying the consumers, it also looks into the social, ethical and ecological aspect of marketing.

3 Enlist the advantages of packaging of consumer products.

Ans. Following are the advantages of packaging of a consumer product:

- (i) It facilitates the use of a product.
- (ii) It prevents a product from breakage, leakage, pilferage, damage, climatic effect, etc.
- (iii) It reduces the chances of adulteration of goods.

4 A market share of the country aims at enhancing the market share to 50 per cent in next three years. For achieving this objective he specified an action programmed. Name the function of marketing being discussed above.

Ans. Marketing Planning is being discussed in the given case. Marketing planning is developing appropriate marketing plans to achieve the marketing objectives of the organization.

5 State any two advantages of branding to marketers of goods and services.

Ans Advantages of branding to marketers are:

- (a) It helps in differentiating the product from that of its competitors.
- (b) It helps in advertising and display programmers.
- (c) It helps the firm to charge different price for its product.
- (d) It helps the firm to introduce new product under the known brand.

### **SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)**

1 Explain the features of marketing.

Ans. The various features of marketing are:

- (a) Needs and wants. Satisfaction of the needs and wants of individuals and organization is the main target of marketing.
- (b) Creating a market offering. Efforts are made to create an attractive 'market offer' for which detailed analysis of requirements of buyers is done.
- (c) Customer value. Customers want maximum worth! Satisfaction for their money. Therefore, seller should offer best quality product which proves its worth Value in the eyes of customers.
- (d) Exchange mechanism. Exchange is the essence of marketing which involves two or more parties coming together to obtain the product or service for which something is given in return.

2 What is meant by product concept of marketing?

Ans, The product concept proposes that the way to realizing business goals lies in making products that are of high quality, i.e., the customers favor high quality products.

The firms following this concept direct their effort into making superior products and improving them overtime. The focus of business activity is on incorporating new features to the product and improving them which is the key for the success of the firm..

3 What is meant by 'marketing concept'?

Ans. 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 realizing the firm's goals or objectives. A pre-requisite for the success of an organization is to understand the customer needs and develop product or services for satisfying them better than the competitors.

4 What is meant by the 'selling concept of marketing'?

Ans. Firms must undertake aggressive selling and promotion be spoken, e.g., Safola, Uncle chips. Efforts to make customers buy what is offered to them. The fundamental assumption in this concept is that customers can be lured, coaxed and persuaded into buying. It holds that customers if left alone would not buy or not buy enough of a firm's products. Firms practicing selling concept rely upon the power of advertising other persuasion techniques to influence customers.

The selling concept can be summed up in the statement 'selling what you have'. Thus, the focus here is on.

Pushing products onto the customers by hook or by Or crook. The primary intention of the seller is to somehow State any four characteristics of a good brand name. Convert goods into cash.

What does promotion mean? Explain various communication tools for promotion.

5 Ans. The promotion element of marketing mix is concerned with activities that are undertaken to communicate with both customers and the participants in the channel of distribution such that sales goals are realized. The promotion efforts are directed at informing potential customers that the right product is available at the right place and at the right price. The core of promotion is communication. The following are various communication tools from which a choice can be made:

- (a) Advertising. It is non-personal communication, which is paid for by an identified sponsor. It is aimed at promoting ideas (no smoking), products (BPL-television) or services (Dolphin mobile).
- (b) Sales promotion. It includes a variety of nonrecurring activities like coupons, samples, special discount offers, etc. These stimulate trial or purchase immediately.
- (c) Personal selling. It involves direct face to face personal interactions between the salesperson and a



potential customer. For instance, when Eureka Forbes salesman demonstrates, provides information, answers the questions and book orders, he does personal selling. (any two)

**LONG ANSWER TYPE QUESTION (5-6 MARKS)**

1 What is meant by Packaging? Give any five points explaining why packaging is important.

Ans. The container which carries the product is called package. Packaging is defined as a set of tasks or activities, which is concerned with the design and production of an appropriate container for the product.

Importance of packaging are:

- (a) It minimizes the chances of adulteration of goods.
- (b) It reduces the burden of personal selling in self-service retail outlets.
- (c) Scope of marketing of products has increased due to new innovations in their packaging.
- (d) It helps in differentiating the product.
- (e) Proper size and shape of the package facilitates use of the product.

2 You have been appointed as a Brand Manager of Ford Motors. The Company is to introduce a compact small car in the Indian Market. The name of the car is yet to be decided. You have been asked to chair a brain storming session. Before the suggestions come forward, you have to briefly explain the participants as to what constitutes a good brand name with the help of suitable examples.

Ans, The constituents of a good brand name are:

- (a) Brand name should be short and simple. Long and complex words should be avoided because they create difficulty in reading and remembering. For instance Lax, Dettol or Surf are short and simple words, which are read and remembered without much effort.
- (b) Suggestive brand names are better because they can convey product attributes or benefits. For instance, Hajmola suggests digestive properties; Ujjala suggests brightness, Color soft hair dye from Godrej suggests softness.
- (c) The brand name should be distinctive. A brand is distinctive when it stands apart from others in the category. Airtel, Tide, Shell, Cinthol, Perk are still distinctive brand names.

- (i) Finally, a brand name should be selected after considering its meaning in other languages and cultures. Some words are perfect in one culture or country but many words become offensive, obscene and inappropriate in other countries.

3 What is marketing mix? What are its main elements? Explain.

Ans. Marketing mix is a set of marketing tools that a firm uses to pursue its marketing objectives in its target market. Its elements are product, price, promotion and place which are popularly known as the four P's of marketing.

- (a) Product mix. Product refers to anything which is offered to the public for sale. It may be a physical object, service or an idea. Product mix deals with decisions concerning varieties, quality features, packaging, size, brand, guarantee and services to be offered in respect of the firm's product.
- (b) Price mix. Goods are sold for a price. Consumers are very sensitive to price changes. Price mix refers to the activities relating to the price to be charged for the product. Following are several factors which should be considered before determining the price mix policy:

- Objectives of setting the price
- The demand for the product
- Cost of production and other overheads
- External factors
- Discount Policy

(c) Promotion mix. Promotion includes all those activities which a business performs to persuade and motivate people to buy their product. These activities separately from the tools of promotion mix. The various elements of promotion mix are advertising, personal selling, sales promotion and public relations.

(d) Place or physical distribution mix. Place mix refers to the activities that are involved in transferring ownership to customers and to make product available at the right time and place. The success of marketing depends on how well these four ingredients are mixed together to provide a superior value to the customers.

4. How does branding help in creating product differentiation? Does it help in marketing of goods and services? Explain.

Ans. A brand is a name, sign, symbol, design or combination, all used to distinguish the product of a firm from others. Stated simply, a brand is the means by which a firm identifies it with customers. It helps in creating a distinct image of the seller in the market. It helps in securing repeat sales, thereby building the reputation and goodwill of the manufacturer. Brands like Parker, Chevrolet, and Colgate have become so popular in India that we tend to associate these brand names with the products. Branding not only helps in product differentiation, but also in marketing of goods and services. The points which highlight the importance of branding in marketing of goods and services are:

(a) Enables differential pricing. It helps in creating a loyalty of the consumers towards the product. When consumers become habitual of using a particular product and are satisfied with its quality, they would happily pay a slightly higher price for it.

(b) Facilitates introduction of new products. It helps in providing a base for the introduction of a new product. Whenever a new product is launched under an established and reputed brand, then it gets good initial boost from the brand name. Nowadays, many companies such as Hindustan Unilever, Samsung, Cadbury, etc. have multiple products under a single brand name.

(c) Helps in advertising. It helps a firm to advertise its product. Unless branding is done, a product cannot be advertised. Advertisement for a branded product helps in highlighting the specific qualities and features of that product.

## CHAPTER-12 CONSUMER PROTECTION

### Consumer Protection: Definition

Consumer protection refers to not only providing education to consumers about their rights and responsibilities, but also helping them in getting their grievances redressed.

### Objectives of the New Act

- e-commerce included within the ambit of Consumer Protection
- establishment of the Central Consumer Protection Authority CCPA
- strict norms of misleading advertisement
- product liability option • greater ease to dispute resolution
- establishment of the Mediation Centre
- Introduce Filing by video conferencing.

### Importance of Consumer Protection from Businessman's Point of View

- Long-term Interest of Business is assured
- Business uses society's resources so they need to safeguard consumer's interests.
- Social Responsibility towards consumers as an important interest group.
- It is the moral obligation of the businessmen to give due consideration to the consumer's interest.
- To avoid government intervention in business

### Importance of Consumer Protection from Consumers' Point of View

- Consumer Ignorance needs to be removed
- Unorganized Consumers need a mechanism to unite themselves
- Widespread Exploitation of Consumers needs to be checked.

### The rights of a consumer.

Ans: The Consumer Protection Act provides six rights to consumers. They are as follows:

**(i) Right to Safety:-**The consumer has a right to be protected against goods and services which are hazardous to life, e.g., sometimes we purchased the food items of low quality which causes severe problems. Thus, in this case, we should purchased good quality and FPO labelled products.

**(ii) Right to be Informed:-**The consumer has a right to have complete information about the product, which he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc. Under the legal framework

of India manufactures have to provide such information on the package and label of the product.

**(iii) Right to Choose:-**The consumer has the freedom to choose from a variety of products. The marketers should offer a wide variety of products and allow the consumer to make a choice and choose the product which is most suitable.

**(iv) Right to be Heard:-**The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells.

**v) Right to Seek Redressal :-**The Consumer Protection Act provides a number of reliefs to the consumer including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer etc.

**(vi) Right to Consumer Education:-**The consumer has a right to acquire knowledge about products. He should be aware about his rights and the reliefs available to him in case of a product/service falling short of his expectations. Many consumer organizations and some enlightened businesses are taking an active part in educating consumers in this respect.

### Consumer Responsibilities

A consumer must be aware about these responsibilities while purchasing, using and consuming goods and services

- (i) Consumer must be aware of all their rights.
- (ii) Consumer must be careful while purchasing a product.

- (iii) He should file complaint for the redressal of genuine grievances.
- (iv) Consumer must buy a standardized good.
- (v) He should ask for a cash-memo on purchase of goods and services

### **The redressal mechanism available to consumers under the Consumer Protection Act, 2019**

Ans: For the redressal of consumer grievances, the Consumer Protection Act provides for setting up of a three-tier enforcement machinery at the District, State and the National levels.

(i) **District Forum**:-A complaint can be made to the appropriate District Forum when the value of goods or services, along with the compensation claimed, does not exceed Rs 20 lakhs. In case the aggrieved party is not satisfied with the order of the District Forum, he can appeal before the State Commission within 30 days.

(ii) **State Commission**:-A complaint can be made to the appropriate State Commission when the value of the goods or services, along with the compensation claimed, exceeds 20 lakhs but does not exceed Rs 1 crore. The appeals against the orders of District Forum can also be filed before the State Commission. In case the party is not satisfied with the order of the State Commission, he can appeal before the National Commission within 30 days of the passing of the order by State Commission.

(iii) **National Commission**:-A complaint can be made to the National Commission when the value of the goods or services, along with the compensation claimed exceeds Rs 1 crore. The appeals against the orders of a State Commission

can also be filed before the National Commission. An order passed by the National Commission in a matter of its original jurisdiction is appealable before the supreme court. This means that only those appeals, where the value of goods + services in question, along with the compensation claimed, exceeded Rs. 1 crore and where the aggrieved party was not satisfied with the order of the National Commission, can be taken to the Supreme Court of India.

### **Who can file a complaint in a consumer court?**

A complaint can be made by

- (i) Any consumer.
- (ii) Any registered consumer's association.
- (iii) The Central Government or any State Government.
- (iv) One or more consumers, on behalf of numerous consumers having the same interest.
- (v) A legal heir or representative of a deceased consumer.

### **Role of Consumer Orgs and NGOs**

(i) Consumer organization and NGOs perform several functions for the protection and promotion of interest of consumers. In India, these associations are performing lots of functions some of them are

(ii) Educating the general public about consumer rights by organizing training programmes, seminars and workshops.

(iii) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other – matters of interest.

(iv) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.

(v) Encouraging consumers to strongly protest and take an action against unscrupulous, exploitation and unfair trade practices of sellers.

(vi) Providing legal assistance to consumers by providing aid, legal advice etc in seeking legal remedy.

(vii) Filing complaints in appropriate consumer courts on behalf of the consumers.

(viii) Taking an initiative in filing cases in consumer court in the interest of the general public, not for any individual.

### **Reliefs Available to a Consumer**

- To remove the defect in goods or deficiency in service.
- To replace the defective product with a new one, free from any defect.
- To refund the price paid for the product, or the charges paid for the service.
- To pay a reasonable amount of compensation for any loss or injury suffered by the consumer
- Due to the negligence of the opposite party. To pay punitive damages in appropriate circumstances.
- To discontinue the unfair/restrictive trade practice and not to repeat it in the future.

### MULTIPLE CHOICE QUESTIONS (1 MARKS)

1 Pooja went to the grocery store to buy monthly grocery goods. She purchased items as per her requirements. She insisted the seller to give her a discount of 15% as every seller offers the same. Which consumer responsibility is fulfilled by her?

- (a) Buy only standardized goods (b) Read labels carefully  
(c) Assert yourself to ensure that you get a fair deal (d) Be honest in your dealings

Ans. (c) Assert yourself to ensure that you get a fair deal

2 . From the point of view of business which one of the following is a reason because of which consumer protection is important?

- (a) Dynamic environment (b) Fast technological development  
(c) Government intervention (d) Competitive market

Ans. (c) Government intervention

3 District Commission shall have jurisdiction to entertain complaints where the value of goods or services paid as consideration does not exceed:

- (a) 25,000 (b) 1,00,000 (c) 1,00,00,000 (d) 50,00,000

Ans. c) 1,00,00,000





4 Aarushi purchased a pack of biscuits. When she opened it, she felt the biscuits were stale. She carefully read the label on the pack of biscuits which mentioned: "If you are not satisfied with the product quality, write to our Customer Care Cell at Bell Foods Pvt.Ltd.B/321, Jalandhar, Punjab."

The biscuit company has set up its own consumer service and grievance cell to promote and protect the following right:

- (a) A Right to Safety (b) Right to be Heard (c) Right to be Informed (d) Right to Consumer Education

Ans. (b) Right to be Heard

5 . Match the standardization marks given in Column I with their respective products on which they are required in Column II and choose the correct alternative:

| Column I   | Column II                           |
|--|-------------------------------------|
| A.  | (i) Food products                   |
| B.  | (ii) Electrical appliances          |
| C.  | (iii) Environment friendly products |
| D.  | (iv) Jewellery                      |

(a) A - (ii), B - (iii), C - (i), D (iv)

(b) A - (iv), B - (i), C - (ii), D (iii)

(c) A - (iii), B - (iv), C - (i), D (ii)

(d) A - (i), B - (iii), C - (ii), D - (iv)

Ans. (c) A - (iii), B - (iv), C - (i), D (ii)

### VERY SHORT ANSWER TYPE QUESTION

1 Under which consumer right does a business firm set up consumer grievance cell?

Ans. A business firm set up consumer grievance cell to ensure 'Right to be heard' to its customer

2 Which quality certification mark is used for agricultural products?

Ans. Ag mark is the quality certification mark used for agricultural products.

3 What is the jurisdiction of cases that can be filed in a State Commission?

Ans. The complaints where the value of goods or services, along with the compensation claimed, exceeds Rs 1 crore but does not exceed Rs 10 crore and the appeals against the orders of District forum can be filed before state Commission.

4 State any two reliefs available to consumers under CPA.

Ans. Two relief available to consumers under consumer Protection Act are:

(i) To remove defect in goods or deficiency in service

ii) To pay compensation to consumer for any *loss* injury suffered by him due to the negligence the opposite party.

5 Name the component of product mix that helps the consumer to exercise the right to information.

Ans, Labeling, component of product mix, helps the consumer to exercise the right to information.

### SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

1 Give three points showing the importance of consumer protection from consumer's point of view.

Ans. Importance of Consumer Protection from consumer's point of view:

(a) Consumer ignorance. Most of the consumers are not aware of their rights and various ways through which they can get relief in case they are cheated or misled by the sellers or manufacturers.

(b) Unorganized consumers. Consumers are not much organized so as to protect their interest. Until their organizations become strong and powerful, proper protection has to be provided.

(c) Widespread exploitation of consumers. Consumers also need protection due to existence of various malpractices by the sellers or producers such as black-marketing, unsafe products, misleading advertising etc.

2 Explain briefly any two points of importance of consumer protection from the point of view of business.

Ans. The importance of consumer protection from the point of view of business is as follows:

(a) Long-term interest of business. Without getting goods of the right quality, quantity and price, how can a customer be satisfied? And without satisfying customers, no business can survive for long. The customer is the foundation of any business and keeps it in existence.

(b) Business uses society's resources. Business organizations use the resources which belong to the society, thus, they have a responsibility to provide such goods and services which are in public interest. Businessmen are merely trustees of resources. They must use these resources for the sake of consumers.

(c) Social responsibilities. A business organization has many social responsibilities towards various interest groups and customer is one of the important groups. So, it is the prime responsibility of a business to provide goods and services at a fair and reasonable price along with good quality. The interest of customers should be well taken care of by the business entities as it does with shareholders. Stakeholder. (*any two*)

3 Enumerate the situations regarding which a consumer can file complaints with Consumer Disputes Redressal Commissions.

Ans. (a) Defective goods or services

(b) Overcharging or deceptive charging on goods and services.

(c) Any unfair or restrictive trade practices.

(d) Offering services or sale of goods which can be hazardous to life or not safe.

4 State the Jurisdiction of Consumer Disputes Redressal Commission at the district, state and national levels.

Ans. (a) District Consumer Disputes Redressal Commission- (or District Commission) Complaints where value of goods and services paid as consideration does not exceed Rs 1 crore.

(b) State Consumer Disputes Redressal Commission- (or State Commission) Complaints where value of goods and service paid as consideration is more than Rs 1 crore but does not exceed Rs 10 crore.

(c) National Consumer Dispute Redressal Commission- (or National Commission) Complaints where value of goods and services paid as consideration exceeds 10 crore.

5 FSSAI (Food Safety and Standards Authority of India) has made a proposal for hotels and other food outlets to declare the kind of oil/fat used in cooking each of the food items on their menus. Name and explain the Consumer Right being reinforced by this proposal.

Ans. The consumer rights being reinforced by this proposal of FSSAI are:

(a) Right to Safety. According to this right, a consumer has the right to be protected against goods and services which are hazardous to life and health. For example, electrical goods which are manufactured with substandard

products or do not conform to the safety norms might cause serious injury.

Thus, consumers are educated that they should use electrical goods which have ISI mark as this would be an assurance for such products in meeting quality specifications.

(b) Right to be Informed. According to this right, a consumer has the right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use etc.

### LONG ANSWER TYPE QUESTION (5-6 MARKS)

1 Explain any four points of importance of consumer protection from the point of view of business.

Ans. From business 'point of view, consumer protection is important because of the following reasons:

(a) Long-term interest of business. Without getting goods of the right quality, quantity and price, how can a customer be satisfied? And without satisfying customers, no business can survive for long. The customer is the foundation of any business and keeps it in existence.

(b) Business uses society's resources. Business organizations use the resources which belong to the society, thus, they have a responsibility to provide such goods and services which are in public interest. Businessman is merely trustees of resources. They must use these resources for the sake of consumers.

(c) Social responsibilities. A business organization has many social responsibilities towards various interest groups and customer is one of the important group. So, it is the prime responsibility of a business to provide goods and services at a fair and reasonable price along with good quality. The interest of customers should be well taken care of by the business as it does with, shareholders or share holder.

(d) Moral justification. It is the moral duty of any business to take care of consumer's interest. It should avoid all forms of exploitation of consumers Like defective and unsafe products, adulteration, false and misleading information, black marketing etc.

(e) Government intervention. Business organizations should not involved in any unfair trade practices and interests of consumers should be taken care of, then there is no need of intervention by the government' because Government intervention spoils the image of the business organization.

3 Mrs. Mathur sent a jacket to a laundry shop in January 2018. The jacket was purchased at a price of Rs4,500. She had previously sent the jacket for dry cleaning with Shine Dry Cleaners and the jacket was cleaned well. However, she noticed that her jacket had white discoloration marks when she collected the jacket this time. On informing the drycleaner, Mrs. Mathur received a letter confirming that discoloration indeed appeared after the jacket was dry cleaned. She contacted the dry cleaner multiple times and requested for compensation for discolored jacket but to no avail. Upon Consumer court's intervention, Shine Dry Cleaners agreed to compensate Rs 2,500 to Mrs. Mathur for the discolored jacket.

(a) Which right was exercised by Mrs. Mathur at the first instance?

(b) Name and explain the right which helped Mrs. Mathur to avail the compensation

(c) State which consumer responsibility has been fulfilled by Mrs. Mathur in the above case.

(d) State any two other responsibilities to be assumed by the consumers.

Ans. (a) The right exercised by Mrs Mathur is 'Right toseek Redressed'.

(b) Right to seek Redressed is the right which helped her to avail the compensation. Right to Consumer Education. According to this right,a consumer has the right to acquire knowledge and to be well informed. He should be aware about his rights and the reliefs available to him in case of a

Product or service falling short of his expectations. Many consumer organizations and businesses are taking an active part in educating consumers in this respect.

(c) Mrs Mathur has fulfilled the consumer responsibility of filing a complaint in appropriate consumer court in case of genuine grievance.

(d) Two responsibilities to be assumed by the consumer are:

(i) Buy only standardized goods which provide quality assurance.

(ii) Read the labels carefully. Learn about the manufacturer's instructions and risks associated with product and services.

4

Explain the redressed mechanism available to consumers under the Consumer Protection Act, 2019.

Ans. If a consumer is dissatisfied with a good or service, a complaint can be filed against the manufacturer or seller in any of the redressal agency. These agencies are established at three levels, *i.e.*, District level, State level and national level.

### **I. District Consumer Dispute Redressal Commission (known as District Commission)**

- The State Government shall establish District Commission in each state (More than one District Commission in a district can also be established).

- It shall have jurisdiction to entertain complaints where the value of goods or services paid as consideration does not exceed Rs 1 crore. Complaint shall be accompanied with such fee and payable in such manner, including electronic form, as may be prescribed.

- Either on the first hearing or at any later stage, if it appears that element of settlement exists the district commission may direct the parties to give their consent for settlement of dispute within five days.

- If parties agree for settlement by mediation, District Commission shall refer the matter for mediation. On admission of a complaint or on failure of settlement by mediation, District Commission will proceed with such complaint and pass appropriate orders. • If the complaint alleges defect in goods which needs its proper analysis and testing, the commission obtains the sample, seals it and refers it to appropriate authority for analysis.

- Any person aggrieved by an order made by the District Commission may prefer an appeal against such order to the State Commission on the grounds of facts law within a period of 45 days from the date of the order.

### **III. State Consumer Disputes Redressal Commission (known as State Commission)**

- The respective State Government shall establish State Commission in the state and its functions at the state capital, generally. • It shall have jurisdiction to entertain -

- (i) Complaints where the value of the goods or services paid as consideration exceeds Rs 1 crore, but does not exceed Rs 10 crore.

- (ii) Appeals against the orders of any District Commission within the state.

- Any person aggrieved by an order made by the State Commission may prefer an appeal against such order to the national Commission within a period of 30 days from the date of the order.

### **IV. National Consumer Disputes Redressal Commission (known as National Commission)**

- The Central Government shall establish national Commission.

- Jurisdiction to entertain -

- (i) Complaints where the value of the goods or services paid as consideration exceeds Rs 10 crore.

- (ii) Appeals against the orders of any State Commission.

- (iii) Appeals against the orders of the Central Authority.

- Any person aggrieved by an order made by the National Commission may prefer an appeal against such order to the Supreme Court within a period of 30 days from the date of the order.



**KENDRIYA VIDYALAYA SANGATHAN, PATNA REGION**

**PRACTICE SAMPLE PAPER - I**

**SESSION 2023-24**

**SUBJECT: BUSINESS STUDIES**  
**CLASS: XII**

**M.M.: 80**  
**TIME: 3 Hours**

**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.

| Q.N               |   | Mrk      |           |                 |   |                   |   |         |   |                   |                                 |   |
|-------------------|---|----------|-----------|-----------------|---|-------------------|---|---------|---|-------------------|---------------------------------|---|
| 1.                | Which channel of distribution is costly for the manufacturer?<br><br>A. Two level<br>B. One level<br>C. Three level<br>D. Zero level  | 1        |           |                 |   |                   |   |         |   |                   |                                 |   |
| 2.                | Match the following:<br><table border="1" style="width: 100%;"><thead><tr><th>Column I</th><th>Column II</th></tr></thead><tbody><tr><td>a. Money Market</td><td>i. Securities are sold for the first time</td></tr><tr><td>b. Primary Market</td><td>ii. Sale and purchase of previously issued securities</td></tr><tr><td>c. SEBI</td><td>iii. Protect the interests of investors, development and regulation of securities market.</td></tr><tr><td>d. Stock exchange</td><td>iv. Market for short term funds</td></tr></tbody></table><br>Choose the correct option:<br>A. a-ii,b-i,c -iii,d -iv<br>B. a-iii,b-ii,c -iv,d -i<br>C. a-iv,b-i,c -iii,d -ii<br>D. a-i,b-ii,c -iv,d -iii | Column I | Column II | a. Money Market | i. Securities are sold for the first time | b. Primary Market | ii. Sale and purchase of previously issued securities | c. SEBI | iii. Protect the interests of investors, development and regulation of securities market. | d. Stock exchange | iv. Market for short term funds | 1 |
| Column I          | Column II   |          |           |                 |   |                   |   |         |   |                   |                                 |   |
| a. Money Market   | i. Securities are sold for the first time   |          |           |                 |   |                   |   |         |   |                   |                                 |   |
| b. Primary Market | ii. Sale and purchase of previously issued securities   |          |           |                 |   |                   |   |         |   |                   |                                 |   |
| c. SEBI           | iii. Protect the interests of investors, development and regulation of securities market.   |          |           |                 |   |                   |   |         |   |                   |                                 |   |
| d. Stock exchange | iv. Market for short term funds   |          |           |                 |   |                   |   |         |   |                   |                                 |   |
| 3.                | Statement -I: Control is exercised at all levels of management.<br>Statement-II: Controlling is pervasive function.<br>Choose the correct option from the options given below:<br><br>A. Statement I is true and II is false.<br>B. Statement II is true and I is false.<br>C. Both the statements are false<br>D. Both the statements are true.  | 1        |           |                 |   |                   |   |         |   |                   |                                 |   |
| 4                 | 'Introduction of mobile phones have adversely affected the business of watches and cameras'.<br>Which dimension of business environment is related with the given case?<br><br>A. Political Environment<br>B. Technological environment   | 1        |           |                 |   |                   |   |         |   |                   |                                 |   |

|     |   |   |
|-----|---|---|
|     | C. Social environment<br>D. Legal environment   |   |
| 5.  | For delegation to be effective, it is essential that responsibility be accompanied with necessary:  | 1 |
|     | A. Incentive<br>B. Manpower<br>C. Authority<br>D. Promotions  |   |
| 6   | “Each group of activities having same objective must have ‘one head one plan’. which management principle is being highlighted in the given statement?”   | 1 |
|     | A. Unity of Direction<br>B. Authority and responsibility<br>C. Division of work<br>D. Unity of Command  |   |
| 7   | India’s largest domestic investor Life Insurance Corporation of India has once again come to government ‘s rescue by subscribing 70% of Hindustan Aeronautics Rs 4,200 crore initial public offering. Which market is being reflected in the above case?                                    | 1 |
|     | A. Primary market<br>B. Money market<br>C. Secondary market<br>A. SEBI  |   |
| 8.  | Which of the following statement is correct?  | 1 |
|     | A. Traditions like celebration of festivals is a part of Economic Environment<br>B. Research and development activities comes under Technological environment<br>C. Nature of relationship of our country with foreign countries is a part of political environment.<br>D. Both (B) and (C) |   |
| 9.  | If a company deals in chemicals and electronic products, which of organisation structure will be useful?  | 1 |
|     | A. Functional<br>B. Divisional<br>C. Both (A) and (B)<br>D. Neither (A) nor (B)   |   |
| 10. | ‘The conditions in Business Environment keeps on changing’. Which characteristic of business environment is being highlighted?  | 1 |
|     | A. Relativity<br>B. Complex<br>C. Dynamic<br>D. Totality of external forces   |   |
| 11. | Gopal,a manager in a company, sets the targets for his subordinate without discuss it with them. He firmly tells them that if the task is not completed within time, then strict action will be taken against the defaulter. Which form of leadership if he following?                      | 1 |
|     | A. Democratic leadership style<br>B. Autocratic leadership style<br>C. Laissez faire leadership style<br>D. None of the above   |   |

|     |   |   |
|-----|---|---|
| 12. | Arnav has recently started a business to sell computers, he hired a shop in Nehru Place in New Delhi, where he assembles various components to make computers and supplies them as per order. He performs a series of composite but separate functions simultaneously and ensures that computers are delivered in time as per orders. These functions are performed by all managers at all times. The feature of management highlighted here: | 1 |
|     | <ul style="list-style-type: none"> <li>A. Management is pervasive</li> <li>B. Management is a group activity</li> <li>C. Management is dynamic</li> <li>D. Management is a continuous process</li> </ul>  |   |
| 13  | ‘Increased awareness towards health has increased the demand for products like organic food’. which factor of business environment is being highlighted?  | 1 |
|     | <ul style="list-style-type: none"> <li>A. Technological environment</li> <li>B. Legal environment</li> <li>C. Social environment</li> <li>D. Political environment</li> </ul>   |   |
| 14. | Which one is not an element of marketing mix:   | 1 |
|     | <ul style="list-style-type: none"> <li>A. Protection of consumer</li> <li>B. Product</li> <li>C. Promotion</li> <li>D. Place</li> </ul>   |   |
| 15. | ‘Nayan Medicare Equipment Ltd ‘manufacturing equipment for surgeons having a unique laser technique. the equipment can be used by the surgeon only after proper training. Even their maintenance requires guidance of specialised engineers. Because of this, the equipment is used in a limited number of hospitals. The company wants to increase the sale the equipment. Name the promotion tool to be used by the company.                | 1 |
|     | <ul style="list-style-type: none"> <li>A. Sales Promotion</li> <li>B. Public Relations</li> <li>C. Advertisement</li> <li>D. Personal Selling</li> </ul>  |   |
| 16. | Flocks Ltd is a leather bags manufacturing company. The company is using prohibited animal skin to make leather bags, in order to satisfy some of its customers. Which marketing concept is being violated in the given case?   | 1 |
|     | <ul style="list-style-type: none"> <li>A. Societal Marketing Concept</li> <li>B. Marketing concept</li> <li>C. Product Concept</li> <li>D. Production concept</li> </ul>  |   |
| 17. | For buying and selling of securities, it is compulsory to open:   | 1 |
|     | <ul style="list-style-type: none"> <li>A. Recurring Account</li> <li>B. Current Account</li> <li>C. Demat Account</li> <li>D. Saving Account</li> </ul>   |   |
| 18. | Span of management refers to:   | 1 |
|     | <ul style="list-style-type: none"> <li>A. Length of term for which a manager is appointed</li> <li>B. Number of subordinates under a superior</li> <li>C. Number of members in top management</li> <li>D. Number of managers</li> </ul>   |   |

|      |   |    |
|------|---|----|
| 19.  | Fex ltd needed to fulfil a big order . the management of the company borrowed money from a financial institution @ 15 % p.a. interest, while the prevailing rate of interest was 11% . As a result of the funds, the company was able to achieve the target. According to you, management was _____   | 1  |
|      | A. Inefficient<br>B. Effective<br>C. Efficient<br>D. Both B and C   |    |
| 20 . | ‘Prohibition of unfair trade practices like price rigging ‘relate to which function of SEBI’?   | 1  |
|      | A. Development function<br>B. Protective function<br>C. Regulatory function<br>D. None of these   |    |
| 21.  | In the first year of operations the revenue generated by Max industries from the sale of its products are just sufficient to cover the cost of production.<br>i. Which organisational objective is met in the given case.<br>ii. What are the two other organizational objectives,which the company is yet to achieve.  | 3. |
| 22.  | Ram is the CEO of ‘Newtech Enterprise’ , on of the world’s most successful companies. His success stories have been well documented. He chooses highly motivated and capable managers who can perform their tasks creativity and adequately without his help. He allows the group members to work on their own tasks and resolves issues themselves. he intervenes, but only when needed to correct an unfavourable situation. He does not use power unless it is absolutely essential. He even allows mistakes to happen for his people to learn from them. He supports them and supplies them the required information to complete the assigned task.<br>i. Identify the leadership style adopted by Ram<br>ii. Also briefly explain two other styles of leadership | 3. |
| 23.  | How does controlling help in “judging accuracy of standards” and “ensuring order and discipline”.<br><b>OR</b><br>Explain (a.) Management by Exception(b) Critical Point Control  | 3  |
| 24.  | “The overall objective of SEBI is to protect the interest of investors and to promote the development of and regulate the securities market”.in the light of this statement, state the objectives of SEBI.<br><b>OR</b><br>‘Money market is essentially a market for short- term funds’. In the light of this statement,state any three features of money market.   | 3  |
| 25.  | Communication originally drafted in English has been very poorly translated in Hindi.<br>i. Name the type of barrier to effective communication<br>ii. Explain any other three barrier of this type.<br><b>OR</b><br>The barriers to effective communication exist in all or organisations to a greater or lesser degree’. State any four measures to overcome these barriers.  | 4  |
| 26   | Shivam crossed all the hurdles of selectin process of Creative Ltd and was offered the employment contract. On the first day of joining, he was assigned a specific job and was introduced with his colleagues and was told about the rules of the company.   | 4  |

|    |   |   |
|----|---|---|
|    | <p>i. The above case highlights one of the step of an important function of management. Identify and explain the management function.</p> <p>ii. Which step of the given management function is being highlighted in the given case</p> <p>iii. Explain the next step of the process.</p> <p style="text-align: center;"><b>OR</b></p> <p>There was a vacancy for the post of Assistant Manager in “Gyan Electric Private Ltd’. The Human Resource manager identified one suitable candidate ‘Vishwas” from within the organization and promoted him to the post of Assistant Manager. The performance of Vishwas was excellent and it was decided by Human Resource Management that in future all appointment will be made from this source only.<br/>Explain any four reasons on the basis of which HRM has taken the above decision.</p> |   |
| 27 | <p>Mrs Rajlaxmi is working as the Human Resource Consultant in a firm manufacturing cosmetic, which is facing a problem of high employee turnover. The CEO of the company has invited suggestions from her for retaining the talented employees and reducing the employee turnover. Mrs Rajlaxmi recommends that the good employee be rewarded in a way that it creates a feeling of ownership among the employee and at the same time, makes them contributes towards the growth of the organisation</p> <p>i. Identify the incentive and explain its type, which has been suggested by Mrs Rajlaxmi to the CEO of the company.</p> <p>ii. Also, explain any two other incentives of the same type.</p>  | 4 |
| 28 | <p>Harishankar purchased a book for Rs 225. Later on , he found that the MRP of the book was Rs 200 only and the shopkeeper had put a sticker of Rs 225 on the original MRP. Answer the following questions.</p> <p>i. Which right of Harishankar is violated in the given case?</p> <p>ii. Can he recover the extra money?</p> <p>iii. Whether any option is available against the book seller.</p>  | 4 |
| 29 | <p>What is meant by “Long -term Investment Decision”? state any three factors which affect the long term investment decisions.</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain in brief any four factors that should be taken into consideration while determining the requirements of working capital for a business enterprise.</p>   | 4 |
| 30 | <p>Well being ltd is a company manufacturing electronic goods. It has a share capital of Rs 40 lac of Rs 10 each. The EPS in the previous year was Rs 1.105 . For diversification, the company requires additional capital of Rs 9 lac. The company raised funds by issuing 10 % Debentures of Rs 10 each for the same . During the current year, the company earned profit of Rs 7,35,000 on capital employed. It paid tax @ 30 %.<br/>State whether the shareholders gained or lost in respect of earning per share. Show your working clearly.</p>   | 4 |
| 31 | <p>Explain the principles of management given by Henri Fayol :</p> <p>A. Division of work<br/>B. Unity of direction<br/>C. Scalar chain<br/>D. Stability of tenure of personnel<br/>E.</p> <p style="text-align: center;"><b>OR</b></p>   | 6 |

|    |   |   |
|----|---|---|
|    | <p>Explain the following techniques of scientific Management given by F.W. Taylor.</p> <ol style="list-style-type: none"> <li>A. Motion Study</li> <li>B. Simplification of work</li> <li>C. Method Study</li> <li>D. Differential piece wage system</li> </ol>   |   |
| 32 | <p>After the following logical steps in the process of planning, explain the steps required to complete the process:</p> <ol style="list-style-type: none"> <li>a. setting objectives,</li> <li>b. developing premises and</li> <li>c. identifying alternative course of action.</li> </ol> <p style="text-align: center;"><b>OR</b></p> <p>It is deciding in advance what to do and how to do? It is one of the basic managerial functions. It requires that before doing something, the manager must formulate an idea of how to work on a particular task. This function is closely connected with creativity and innovation. It seeks to bridge the gap between where we are and where we want to go and is performed at all levels of management.</p> <p>In spite of this, the function of management referred above has a number of limitations. Explain the limitations.</p>   | 6 |
| 33 | <p>A.V.M. Ltd. set up its electric appliances manufacturing factory in a backward area of Himachal Pradesh where subsidies are provided by the government and labour is available at cheaper rates. A.V.M. Ltd was able to produce its products at low cost, thereby generating enough profits in the first year itself. It was because of the fact that the limits of authority and responsibility of the employees were clearly defined and the activities of various departments were coordinated and integrated. The Production Manager of the company also came to know about the availability of raw materials at cheaper rates from a vendor. For this, he wrote a letter to the Managing Director of the company for getting sanction. But, because of procedural delays in getting this sanction and procuring funds from the Finance Manager, the order could not be placed.</p> <ol style="list-style-type: none"> <li>a. Identify and explain the type of organisation, that led to procedural delays and because of which the company could not get the advantage of procuring raw material at cheaper rates.</li> <li>b. Briefly explain any two advantages of the type of organisation identified in (a) above other than those discussed in the above para.</li> <li>c. Briefly explain any two disadvantages of the type of organisation identified in (a).</li> </ol> | 6 |
| 34 | <p>Healthy protein shakes India Ltd has foreseen a profitable opportunity for marketing a protein shake with 'Traditional Indian formula'. The company wanted to market the product in Indian as well as foreign markets. It was decided in Board Meeting to create a market offering. For this it was decided to set – up a factory in village of Uttarakhand. It will help in the development of village and simultaneously will provide employment opportunity to local people. The marketing manager chooses a combination of variables to prepare its market offering. He used a set of marketing tools that the firm would use to pursue its marketing objectives in the target market.</p> <ol style="list-style-type: none"> <li>A. Name and state the concept of marketing used by the marketing manager for creating its market- offering.</li> <li>B. Also, explain briefly the various elements of this concept.</li> </ol>   | 6 |

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**KENDRIYA VIDYALAYA SANGATHAN, PATNA REGION**

**PRACTICE SAMPLE PAPER – I**

**MARKING SCHEME**

**SESSION 2023-24**

**SUBJECT: BUSINESS STUDIES**  
**CLASS: XII**

**M.M.: 80**  
**TIME: 3 Hours**

| Q.N  |   | Mrk |
|------|---|-----|
| 1.   | D. Zero level                           | 1   |
| 2.   | C.a-iv,b-i,c -iii,d -ii                 | 1   |
| 3.   | D.Both the statements are true.         | 1   |
| 4    | B.Technological environment             | 1   |
| 5.   | C. Authority                            | 1   |
| 6    | A.Unity of Direction                    | 1   |
| 7    | A.Primary market                        | 1   |
| 8.   | Both (B) and (C)                        | 1   |
| 9.   | Divisional                              | 1   |
| 10.  | Dynamic                                 | 1   |
| 11.  | Autocratic leadership style             | 1   |
| 12.  | Management is a continuous process      | 1   |
| 13   | Legal environment                       | 1   |
| 14.  | Protection of consumer                  | 1   |
| 15.  | Personal Selling                        | 1   |
| 16.  | Societal Marketing Concept              | 1   |
| 17.  | Demat Account                           | 1   |
| 18.  | Number of subordinates under a superior | 1   |
| 19.  | Effective                               | 1   |
| 20 . | Protective function                     | 1   |

|     |  |    |
|-----|--|----|
| 21. | <ul style="list-style-type: none"> <li>i. Survival</li> <li>ii. Profit and growth, social objectives</li> </ul>  | 3. |
| 22. | <ul style="list-style-type: none"> <li>i. laissez faire leadership style</li> <li>ii. democratic and autocratic leadership</li> </ul>  | 3. |
| 23. | <p>Correct explanation</p> <p><b>OR</b></p> <p>Management by exception is based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management</p> <p>Critical Point Control -It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers</p>  | 3  |
| 24. | <p>Objectives of SEBI:</p> <ul style="list-style-type: none"> <li>1.To regulate stock exchanges and the securities industry to promote their orderly functioning. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.</li> <li>3.To prevent trading malpractices and achieve a balance between self regulation by the securities industry and its statutory regulation.</li> <li>4.To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional.</li> </ul> <p><b>Or</b></p> <p>Any three features</p> <ul style="list-style-type: none"> <li>1.is a market for short-term funds.</li> <li>2.enjoy a higher degree of liquidity</li> <li>3.transactions entail huge sums of money</li> </ul> | 3  |
| 25. | <ul style="list-style-type: none"> <li>i. Semantic barrier(faulty translation)</li> <li>ii. Badly expressed message,symbol with different meaning,unclarifiedassumption.technical jargon ( any three)</li> </ul> <p><b>Or</b></p> <p>any four measures to overcome these barriers.</p> <ul style="list-style-type: none"> <li>i. Clarify the ideas before communication:.</li> <li>ii. Communicate according to the needs of receiver:</li> <li>iii. Consult others before communicating</li> <li>iv. Be aware of languages, tone and content of message:</li> <li>v. Convey things of help and value to listeners:</li> <li>vi. Ensure proper feedback:</li> <li>vii. Communicate for present as well as future:</li> <li>viii. Follow up communications:</li> <li>ix. Be a good listener:</li> </ul>   | 4  |



| 26               | <p>i. Staffing with correct explanation</p> <p>ii. Placement and orientation</p> <p>iii. Training and development</p> <p><b>OR</b></p> <p>Merits of internal source of recruitment</p> <p>i) Employees are motivated to improve their performance.;</p> <p>ii) Internal recruitment also simplifies the process of selection and placement.;</p> <p>iii) Transfer is a tool of training the employees to prepare them for higher jobs.</p> <p>iv) Transfer has the benefit of shifting workforce from the surplus departments to those where there is shortage of staff;</p> <p>v) Filling of jobs internally is cheaper as compared to getting candidates from external sources</p>  | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
|------------------|---|-------------|--------|---------------|-----------|------------------|----------|---------------|-----------|------|----------|--------------|--------|-----|----------|---|
| 27               | <p>i.Co- partnership/stock option</p> <p>ii. discuss any two financial incentive</p>  | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| 28               | <p>i. Right to be informed is violated</p> <p>ii. Yes , Harishankar can recover extra money Rs 25.</p> <p>iii. Harishankar also has more options :a. refund of money,b .sue the bookseller</p>  | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| 29               | <p>Long -term Investment Decision involves around allocation of firm’s capital to different projects or assets with long-term implications for the business</p> <p>factors which affect the long term investment decisions:</p> <p>Nature of Business, Scale of Operations, Choice of Technique, Technology Upgradation, Growth Prospects, Diversification, Financing Alternatives and Level of Collaboration.</p> <p><b>Or</b></p> <p>Factors which affect working capital decision (any four with explanation)</p> <p>Nature of Business, Scale of Operations, Business Cycle, Seasonal Factor, Production Cycle, Credit Allowed, Credit Aailed, Operating Efficiency, Availability of Raw Material, Growth Prospects, Level of competition, and rate of Inflation.</p> | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| 30               | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Particulars</th> <th style="width: 30%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Equity shares</td> <td style="text-align: right;">40,00,000</td> </tr> <tr> <td>Debentures @ 10%</td> <td style="text-align: right;">9,00,000</td> </tr> <tr> <td>Total capital</td> <td style="text-align: right;">49,00,000</td> </tr> <tr> <td>EBIT</td> <td style="text-align: right;">7,35,000</td> </tr> <tr> <td>(-) Interest</td> <td style="text-align: right;">90,000</td> </tr> <tr> <td>EBT</td> <td style="text-align: right;">6,45,000</td> </tr> </tbody> </table>  | Particulars | Amount | Equity shares | 40,00,000 | Debentures @ 10% | 9,00,000 | Total capital | 49,00,000 | EBIT | 7,35,000 | (-) Interest | 90,000 | EBT | 6,45,000 | 4 |
| Particulars      | Amount  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| Equity shares    | 40,00,000   |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| Debentures @ 10% | 9,00,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| Total capital    | 49,00,000   |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| EBIT             | 7,35,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| (-) Interest     | 90,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |
| EBT              | 6,45,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |   |

|    |   |          |   |
|----|---|----------|---|
|    |   |          |   |
|    | TAX @ 30%   | 1,93,500 |   |
|    |   | 4,51,000 |   |
|    | NO Of shares  | 400000   |   |
|    | EPS   | 1.129    |   |
| 31 | For each correct explanation 1.5 marks  |          | 6 |
| 32 | <p>d. Evaluating he alternative course of action</p> <p>e. Selecting an alternative</p> <p>f. Prepapation of derivative plans</p> <p>g. Implementation and follow up</p> <p>(with correct explanation)</p> <p>OR</p> <p>Limitation of planning</p> <p>a. Planning leads to rigidity;</p> <p>b. reduces creativity;</p> <p>c. involves huge costs;</p> <p>d. It is a time consuming process;</p> <p>e. Planning does not work in a dynamic environment; and</p> <p>f. does not guarantee success</p> <p>(with correct explanation)</p> |          | 6 |
| 33 | <p>Formal organisation- Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task.</p> <p>Advantages</p> <p>a. unity of command and</p> <p>b. effective accomplishment of goals.</p> <p>Disadvantages</p> <p>a. procedural delays,</p> <p>b. inadequate recognition of creativity,</p> <p>c. limited in scope</p> <p>(with brief explanation)</p>  |          | 6 |
| 34 | <p>a. Marketing mix with correct explanation</p> <p>b. Elements of marketing mix-product,price place and promotion(with correct explanation)</p>  |          | 6 |

**KENDRIYA VIDYALAYA SANGATHAN, PATNA REGION**  
**PRACTICE SAMPLE PAPER-II**  
**SESSION 2023-24**

**SUBJECT: BUSINESS STUDIES (054)**  
**CLASS: XII**

**M.M.: 80**  
**TIME: 3 Hours**

**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.

| Q.N |   | Mk |
|-----|---|----|
| 1.  | Fex ltd needed to fulfil a big order. the management of the company borrowed money from a financial institution @ 15 % p.a. interest, while the prevailing rate of interest was 11%. As a result of the funds, the company was able to achieve the target. According to you, management was _____   | 1  |
|     | A. Effective<br>B. Efficient<br>C. Both A and B<br>D. Inefficient   |    |
| 2.  | “Each group of activities having same objective must have ‘one head one plan’. Which management principle is being highlighted in the given statement?  |    |
|     | E. Unity of command<br>F. Division of work<br>G. Unity of direction<br>H. Authority and responsibility  |    |
| 3.  | Arnav has recently started a business to sell computers, he hired a shop in Nehru Place in New Delhi, where he assembles various components to make computers and supplies them as per order. He performs a series of composite but separate functions simultaneously and ensures that computers are delivered in time as per orders. These functions are performed by all managers at all times. The feature of management highlighted here: | 1  |
|     | A. Management is a continuous process<br>B. Management is pervasive<br>C. Management is a group activity<br>D. Management is dynamic  |    |
| 4   | ‘Introduction of mobile phones have adversely affected the business of watches and cameras’. Which dimension of business environment is related with the given case?  | 1  |
|     | E. Political environment<br>F. Social environment<br>G. Technological environment<br>H. Legal environment   |    |
| 5.  | For delegation to be effective, it is essential that responsibility be accompanied with necessary:  | 1  |
|     | E. Authority<br>F. Manpower<br>G. Incentives<br>H. Promotions   |    |

| 6.                | ‘Increased awareness towards health has increased the demand for products like organic food’.<br>which factor of business environment is being highlighted?   | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|-------------------|---|----------|-----------|-----------------|---|-------------------|---|---------|---|-------------------|-----------------------------------|--|
|                   | A. Political environment<br>B. Social environment<br>C. Technological environment<br>D. Legal environment   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 7                 | Span of management refers to:   | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | B. Number of managers<br>C. Length of term for which a manager is appointed<br>D. Number of subordinates under a superior<br>E. Number of members in top management   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 8.                | Which of the following statement is correct?  | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | E. Research and development activities comes under Technological environment<br>F. Nature of relationship of our country with foreign countries is a part of political environment.<br>G. Both (A) and (B)<br>H. Traditions like celebration of festivals is a part of Economic Environment   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 9.                | If a company deals in chemicals and electronic products, which of organisation structure will be useful?  | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | E. Divisional<br>F. Functional<br>G. Both (A) and (B)<br>H. Neither (A) nor (B)   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 10.               | ‘The conditions in Business Environment keeps on changing’.<br>Which characteristic of business environment is being highlighted?   | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | E. Totality of external forces<br>F. Complex<br>G. Relativity<br>H. Dynamic   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 11.               | Gopal,a manager in a company, sets the targets for his subordinate without discuss it with them. He firmly tells them that if the task is not completed within time, then strict action will be taken against the defaulter. Which form of leadership if he following?  | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | E. Autocratic leadership style<br>F. Democratic leadership style<br>G. Laissez faire leadership style<br>H. None of the above   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 12.               | Statement -I: Control is exercised at all levels of management.<br>Statement-II: Controlling is pervasive function .<br>Choose the correct option from the options given below:   | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | E. Statement I is true and II is false.<br>F. Statement II is true and I is false.<br>G. Both the statements are true.<br>H. Both the statements are false.   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| 13                | Match the following:  | 1        |           |                 |   |                   |   |         |   |                   |                                   |  |
|                   | <table border="1"> <thead> <tr> <th>Column I</th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>e. Money Market</td> <td>v. Securities are sold for the first time</td> </tr> <tr> <td>f. Primary Market</td> <td>vi. Sale and purchase of previously issued securities</td> </tr> <tr> <td>g. SEBI</td> <td>vii. Protect the interests of investors, development and regulation of securities market.</td> </tr> <tr> <td>h. Stock exchange</td> <td>viii. Market for short term funds</td> </tr> </tbody> </table> | Column I | Column II | e. Money Market | v. Securities are sold for the first time | f. Primary Market | vi. Sale and purchase of previously issued securities | g. SEBI | vii. Protect the interests of investors, development and regulation of securities market. | h. Stock exchange | viii. Market for short term funds |  |
| Column I          | Column II   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| e. Money Market   | v. Securities are sold for the first time   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| f. Primary Market | vi. Sale and purchase of previously issued securities   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| g. SEBI           | vii. Protect the interests of investors, development and regulation of securities market.   |          |           |                 |   |                   |   |         |   |                   |                                   |  |
| h. Stock exchange | viii. Market for short term funds   |          |           |                 |   |                   |   |         |   |                   |                                   |  |

|      |   |   |
|------|---|---|
|      | Choose the correct option:<br>E. a-ii,b-i,c -iii,d -iv<br>F. a-iii,b-ii,c -iv,d -i<br>G. a-i,b-ii,c -iv,d -iii<br>H. a-iv,b-i,c -iii,d -ii  |   |
| 14.  | Which one is not an element of marketing mix:<br><br>A. Product<br>B. Promotion<br>C. Protection of consumer<br>D. Place  | 1 |
| 15.  | 'Prohibition of unfair trade practices like price rigging 'relate to which function of SEBI'?<br><br>A. Regulatory function<br>B. Development function<br>C. Protective function<br>D. None of these  | 1 |
| 16.  | Flocks Ltd is a leather bags manufacturing company. The company is using prohibited animal skin to make leather bags, in order to satisfy some of its customers. Which marketing concept is being violated in the given case?<br><br>A. Product Concept<br>B. Production concept<br>C. Societal Marketing Concept<br>D. Marketing concept   | 1 |
| 17.  | For buying and selling of securities, it is compulsory to open:<br><br>A. Saving Account<br>B. Recurring Account<br>C. Current Account<br>D. Demat Account  | 1 |
| 18.  | India's largest domestic investor Life Insurance Corporation of India has once again come to government 's rescue by subscribing 70% of Hindustan Aeronautics Rs 4,200 crore initial public offering. Which market is being reflected in the above case?<br><br>A. Secondary market<br>B. Money market<br>C. Primary market<br>D. SEBI  | 1 |
| 19.  | Which channel of distribution is costly for the manufacturer?<br><br>A. Two level<br>B. Zero level<br>C. Three level<br>D. One level  | 1 |
| 20 . | 'Nayan Medicare Equipment Ltd 'manufacturing equipment for surgeons having a unique laser technique. the equipment can be used by the surgeon only after proper training. Even their maintenance requires guidance of specialised engineers. Because of this , the equipment is used in a limited number of hospitals. The company wants to increase the sale the equipment. Name the promotion tool to be used by the company.<br><br>A. Advertisement<br>B. Personal Selling<br>C. Sales Promotion<br>D. Public Relations | 1 |

|     |   |   |
|-----|---|---|
| 21. | In the first year of operations the revenue generated by Max industries from the sale of its products are just sufficient to cover the cost of production.<br>i) Which organisational objective is met in the given case.<br>ii) What are the two other organizational objectives, which the company is yet to achieve.   | 3 |
| 22. | Ram is the CEO of 'Newtech Enterprise', one of the world's most successful companies. His success stories have been well documented. He chooses highly motivated and capable managers who can perform their tasks creatively and adequately without his help. He allows the group members to work on their own tasks and resolves issues themselves. He intervenes, but only when needed to correct an unfavourable situation. He does not use power unless it is absolutely essential. He even allows mistakes to happen for his people to learn from them. He supports them and supplies them the required information to complete the assigned task.<br>i) Identify the leadership style adopted by Ram<br>ii) Also briefly explain two other styles of leadership   | 3 |
| 23. | How does controlling help in "judging accuracy of standards" and "ensuring order and discipline".<br><b>OR</b><br>Explain (a) Management by exception (b) Critical Point Control  | 3 |
| 24. | "The overall objective of SEBI is to protect the interest of investors and to promote the development of and regulate the securities market". In the light of this statement, state the objectives of SEBI.<br><b>OR</b><br>'Money market is essentially a market for short-term funds'. In the light of this statement, state any three features of money market.  | 3 |
| 25. | Communication originally drafted in English has been very poorly translated in Hindi.<br>i) Name the type of barrier to effective communication<br>ii) Explain any other three barriers of this type.<br><b>OR</b><br>The barriers to effective communication exist in all or organisations to a greater or lesser degree'. State any four measures to overcome these barriers.   | 4 |
| 26  | Shivam crossed all the hurdles of the selection process of Creative Ltd and was offered the employment contract. On the first day of joining, he was assigned a specific job and was introduced with his colleagues and was told about the rules of the company.<br>i) The above case highlights one of the steps of an important function of management. Identify and explain the management function.<br>ii) Which step of the given management function is being highlighted in the given case<br>iii) Explain the next step of the process.<br><b>OR</b><br>There was a vacancy for the post of Assistant Manager in "Gyan Electric Private Ltd". The Human Resource manager identified one suitable candidate 'Vishwas' from within the organization and promoted him to the post of Assistant Manager. The performance of Vishwas was excellent and it was decided by Human Resource Management that in future all appointments will be made from this source only.<br>Explain any four reasons on the basis of which HRM has taken the above decision. | 4 |
| 27  | Mrs Rajlaxmi is working as the Human Resource Consultant in a firm manufacturing cosmetics, which is facing a problem of high employee turnover. The CEO of the company has invited suggestions from her for retaining the talented employees and reducing the employee turnover. Mrs Rajlaxmi recommends that the good employee be rewarded in a way that it creates a feeling of ownership among the employee and at the same time, makes them contribute towards the growth of the organisation  | 4 |

|    |   |   |
|----|---|---|
|    | <p>i. Identify the incentive and explain its type, which has been suggested by Mrs Rajlaxmi to the CEO of the company.</p> <p>ii. Also, explain any two other incentives of the same type.</p> <p>iii.</p>  |   |
| 28 | <p>Harishankar purchased a book for Rs 225. Later on , he found that the MRP of the book was Rs 200 only and the shopkeeper had put a sticker of Rs 225 on the original MRP. Answer the following questions.</p> <p>i.Which right of Harishankar is violated in the given case?</p> <p>ii.Can he recover the extra money?</p> <p>iii.Whether any option is available against the book seller.</p>   | 4 |
| 29 | <p>What is meant by “Long -term Investment Decision”? state any three factors which affect the long-term investment decisions.</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain in brief any four factors that should be taken into consideration while determining the requirements of working capital for a business enterprise.</p>   | 4 |
| 30 | <p>Wellbeing Ltd is a company manufacturing electronic goods. It has a share capital of Rs 40 lac of Rs 10 each. The EPS in the previous year was Rs 1.105.For diversification, the company requires additional capital of Rs 9 lac. The company raised funds by issuing 10 % Debentures of Rs 10 each for the same. During the current year, the company earned profit of Rs 7,35,000 on capital employed. It paid tax @ 30 %.</p> <p>State whether the shareholders gained or lost in respect of earning per share. Show your working clearly.</p>  | 4 |
| 31 | <p>Explain the principles of management given by Henri Fayol:</p> <p>a)Division of work<br/>b)Unity of direction<br/>c)Scalar chain<br/>d)Stability of tenure of personnel</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain the following techniques of scientific Management given by F.W. Taylor.</p> <p>a)Motion Study<br/>b)Simplification of work<br/>c)Method Study<br/>d)Differential piece wage system</p>   | 6 |
| 32 | <p>After the following logical steps in the process of planning , explain the steps required to complete the process :</p> <p>i)setting objectives,<br/>ii)developing premises and<br/>iii)identifying alternative course of action.</p> <p style="text-align: center;"><b>OR</b></p> <p>It is deciding in advance what to do and how to do? It is one of the basic managerial functions. It requires that before doing something, the manager must formulate an idea of how to work on a particular task.This function is closely connected with creativity and innovation.It seeks to bridge the gap between where we are and where we want to go and is performed at all levels of management.</p> | 6 |

|    |  |   |
|----|--|---|
|    | Inspite of this, the function of management referred above has a number of limitations. Explain the limitations.   |   |
| 33 | <p>A.V.M. Ltd. set up its electric appliances manufacturing factory in a backward area of Himachal Pradesh where subsidies are provided by the government and labour is available at cheaper rates. A.V.M. Ltd was able to produce its products at low cost, thereby generating enough profits in the first year itself. It was because of the fact that the limits of authority and responsibility of the employees were clearly defined and the activities of various departments were coordinated and integrated. The Production Manager of the company also came to know about the availability of raw materials at cheaper rates from a vendor. For this, he wrote a letter to the Managing Director of the company for getting sanction. But, because of procedural delays in getting this sanction and procuring funds from the Finance Manager, the order could not be placed.</p> <p>a. Identify and explain the type of organisation, that led to procedural delays and because of which the company could not get the advantage of procuring raw material at cheaper rates.</p> <p>b. Briefly explain any two advantages of the type of organisation identified in (a) above other than those discussed in the above para.</p> <p>b. Briefly explain any two disadvantages of the type of organisation identified in (a).</p> | 6 |
| 34 | <p>Healthy protein shakes India Ltd has forseen a profitable opportunity for marketing a protein shake with 'Traditional Indian formula'. The company wanted to market the product in Indian as well as foreign markets. It was decided in Board Meeting to create a market offering. For this it was decided to set – up a factory in village of Uttrakhand. It will help in the development of village and simultaneously will provide employment opportunity to local people. The marketing manager chooses a combination of variables to prepare its market offering. He used a set of marketing tools that the firm would use to pursue its marketing objectives in the target market.</p> <p>a. Name and state the concept of marketing used by the marketing manager for creating its market- offering.</p> <p>b. Also, explain briefly the various elements of this concept.</p>   | 6 |

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**KENDRIYA VIDYALAYA SANGATHAN, PATNA REGION**

**PRACTICE SAMPLE PAPER –II**

**MARKING SCHEME**

**SESSION 2023-24**

**SUBJECT: BUSINESS STUDIES (054)**

**CLASS: XII**

**M.M.: 80**

**TIME: 3 Hours**

| QN   | ANSWER  | Mk |
|------|---|----|
| 1.   | Effective   | 1  |
| 2.   | Unity of direction  | 1  |
| 3.   | Management is a continuous process  | 1  |
| 4.   | Technological environment   | 1  |
| 5.   | Authority   | 1  |
| 6.   | Social environment  | 1  |
| 7.   | Number of subordinates under a superior                                       | 1  |
| 8.   | Both (A) and (B)  | 1  |
| 9.   | Divisional  |    |
| 10.  | Dynamic   |    |
| 11.  | Autocratic leadership style   |    |
| 12.  | Both the statements are true.   |    |
| 13.  | a-iv,b-i,c -iii,d -ii   |    |
| 14.  | Protection of consumer  |    |
| 15.  | Protective function   |    |
| 16.  | Societal Marketing Concept  |    |
| 17.  | Demat Account   |    |
| 18.  | Primary market  |    |
| 19.  | Zero level  |    |
| 20 . | Personal Selling  |    |
| 21   | i) Survival<br>ii) Profit and growth,social objectives                        | 3  |
| 22   | i) laissez faire leadership style<br>ii. democratic and autocratic leadership | 3  |
| 23.  | Correct explanation   | 3  |

|     |  |   |
|-----|--|---|
|     | <p style="text-align: center;"><b>OR</b></p> <p>Management by exception is based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management</p> <p>Critical Point Control -It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers</p>   |   |
| 24. | <p>objectives of SEBI:</p> <ol style="list-style-type: none"> <li>1.To regulate stock exchanges and the securities industry to promote their orderly functioning. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.</li> <li>3.To prevent trading malpractices and achieve a balance between self regulation by the securities industry and its statutory regulation.</li> <li>4.To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional.</li> </ol> <p style="text-align: center;"><b>Or</b></p> <p>Any three features</p> <ol style="list-style-type: none"> <li>1.is a market for short-term funds.</li> <li>2.enjoy a higher degree of liquidity</li> <li>3.transactions entail huge sums of money</li> </ol> | 3 |
| 25. | <p>Communication originally drafted in English has been very poorly translated in Hindi .</p> <ol style="list-style-type: none"> <li>iii. Name the type of barrier to effective communication</li> <li>iv. Explain any other three barrier of this type.</li> </ol> <p style="text-align: center;"><b>Or</b></p> <p>The barriers to effective communication exist in all or organisations to a greater or lesser degree'. State any four measures to overcome these barriers.</p>  | 4 |
|     | <ol style="list-style-type: none"> <li>i) Semantic barrier(faulty translation)</li> <li>ii) Badly expressed message,symbol with different meaning,unclarified assumption.technical jargon ( any three)</li> </ol> <p style="text-align: center;"><b>Or</b></p> <p>any four measures to overcome these barriers.</p> <ol style="list-style-type: none"> <li>a) Clarify the ideas before communication:.</li> <li>b) Communicate according to the needs of receiver:</li> <li>c) Consult others before communicating</li> <li>d) Be aware of languages, tone and content of message:</li> <li>e) Convey things of help and value to listeners:</li> <li>f) Ensure proper feedback:</li> <li>g) Communicate for present as well as future:</li> <li>h) Follow up communications:</li> <li>i) Be a good listener:</li> </ol>   |   |
| 26  | <ol style="list-style-type: none"> <li>1) Staffing with correct explanation</li> <li>2) Placement and orientation</li> <li>3) Training and development</li> </ol> <p style="text-align: center;"><b>OR</b></p> <p>Merits of internal source of recruitment</p> <ol style="list-style-type: none"> <li>1. Employees are motivated to improve their performance.;</li> <li>2. Internal recruitment also simplifies the process of selection and placement.;</li> <li>3. Transfer is a tool of training the employees to prepare them for higher jobs.</li> </ol>   | 4 |

|                  | <p>4. Transfer has the benefit of shifting workforce from the surplus departments to those where there is shortage of staff;</p> <p>5. Filling of jobs internally is cheaper as compared to getting candidates from external sources</p>  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
|------------------|---|-------------|--------|---------------|-----------|------------------|----------|---------------|-----------|------|----------|--------------|--------|-----|----------|-----------|----------|--|----------|--------------|--------|-----|-------|---|
| 27               | <p>i. Co- partnership/stock option</p> <p>ii. discuss any two financial incentive</p>   | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| 28               | <p>a. Right to be informed is violated</p> <p>b. Yes , Harishankar can recover extra money Rs 25.</p> <p>c. Harishankar also has more options :a. refund of money,b .sue the bookseller</p>   | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| 29               | <p>Long -term Investment Decision involves around allocation of firm’s capital to different projects or assets with long-term implications for the business</p> <p>factors which affect the long term investment decisions:<br/>Nature of Business, Scale of Operations, Choice of Technique, Technology Upgradation, Growth Prospects, Diversification, Financing Alternatives and Level of Collaboration.</p> <p style="text-align: center;"><b>Or</b></p> <p>Factors which affect working capital decision(any four with explanation)<br/>Nature of Business, Scale of Operations, Business Cycle, Seasonal Factor, Production Cycle, Credit Allowed, Credit Aailed, Operating Efficiency, Availability of Raw Material, Growth Prospects, Level of competition, and rate of Inflation.</p>  | 4           |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| 30               | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td>Equity shares</td> <td style="text-align: right;">40,00,000</td> </tr> <tr> <td>Debentures @ 10%</td> <td style="text-align: right;">9,00,000</td> </tr> <tr> <td>Total capital</td> <td style="text-align: right;">49,00,000</td> </tr> <tr> <td>EBIT</td> <td style="text-align: right;">7,35,000</td> </tr> <tr> <td>(-) Interest</td> <td style="text-align: right;">90,000</td> </tr> <tr> <td>EBT</td> <td style="text-align: right;">6,45,000</td> </tr> <tr> <td>TAX @ 30%</td> <td style="text-align: right;">1,93,500</td> </tr> <tr> <td></td> <td style="text-align: right;">4,51,000</td> </tr> <tr> <td>NO Of shares</td> <td style="text-align: right;">400000</td> </tr> <tr> <td>EPS</td> <td style="text-align: right;">1.129</td> </tr> </tbody> </table> <p>Shareholders gained with inclusion of debt</p> | Particulars | Amount | Equity shares | 40,00,000 | Debentures @ 10% | 9,00,000 | Total capital | 49,00,000 | EBIT | 7,35,000 | (-) Interest | 90,000 | EBT | 6,45,000 | TAX @ 30% | 1,93,500 |  | 4,51,000 | NO Of shares | 400000 | EPS | 1.129 | 4 |
| Particulars      | Amount  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| Equity shares    | 40,00,000   |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| Debentures @ 10% | 9,00,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| Total capital    | 49,00,000   |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| EBIT             | 7,35,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| (-) Interest     | 90,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| EBT              | 6,45,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| TAX @ 30%        | 1,93,500  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
|                  | 4,51,000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| NO Of shares     | 400000  |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| EPS              | 1.129   |             |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| 31               | For each correct explanation 1.5 marks  | 6           |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |
| 32               | <p>a.Evaluating he alternative course of action</p> <p>b.Selecting an alternative</p> <p>c.Preparation of derivative plans</p> <p>d.Implementation and follow up<br/>(with correct explanation)</p> <p style="text-align: center;"><b>OR</b></p> <p>Limitation of planning</p> <p>a.Planning leads to rigidity;</p> <p>b.reduces creativity;</p> <p>c. involves huge costs;</p> <p>d.It is a time consuming process;</p> <p>e.Planning does not work in a dynamic environment; and</p> <p>f.does not guarantee success<br/>(with correct explanation)</p>   | 6           |        |               |           |                  |          |               |           |      |          |              |        |     |          |           |          |  |          |              |        |     |       |   |

|    |  |   |
|----|--|---|
| 33 | <p>Formal organisation- Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task.</p> <p>Advantages</p> <ol style="list-style-type: none"> <li>i. unity of command and</li> <li>ii. effective accomplishment of goals.</li> </ol> <p>Disadvantages :</p> <ol style="list-style-type: none"> <li>a. procedural delays,</li> <li>b. inadequate recognition of creativity,</li> <li>c. limited in scope<br/>(with brief explanation)</li> </ol> | 6 |
| 34 | <ol style="list-style-type: none"> <li>a. Marketing mix with correct explanation</li> <li>b. Elements of marketing mix-product,price place and promotion(with correct explanation)</li> </ol>  | 6 |