

Solved Paper 2019

BUSINESS STUDIES

Class-XII

Time : 3 Hours

Max. Marks : 80

General Instructions :

- (i) This question paper contains **five** sections – A, B, C, D and E.
- (ii) Section–A contains questions **1 to 8** carrying **one** mark each. Answer to these questions may be given in **one word** or a sentence.
- (iii) Section–B contains questions **9 to 13** carrying **three** marks each. Answers to these questions may be in about **50 to 75 words**.
- (iv) Section–C contains questions **14 to 19** carrying **four** marks each. Answers to these questions may be in about **120 words**.
- (v) Section–D contains questions **20 to 22** carrying **five** marks each. Answers to these questions may be in about **150 words**.
- (vi) Section–E contains questions **23 to 25** carrying **six** marks each. Answers to these questions may be in about **200 words**.
- (vii) There is no over-all-choice in the question paper, however an internal choice has been provided in **3** questions of one mark, **2** questions of **three** marks, **2** questions of **four** marks, **1** question of **five** marks and **1** question of **six** marks. You have to attempt only one of the choices in such questions.

Delhi Set I

Code No. 66/1/1

Section-A

1. Define 'Workforce Analysis'. 1
OR
Define 'Selection'. 1

Ans. Workforce Analysis is an assessment of the number and type of human resources available for the performance of various jobs and accomplishment of organisational objectives.

OR

Selection is defined as the process of choosing from among the pool of prospective job candidates developed at the stage of recruitment.

[CBSE Marking Scheme, 2019] 1

2. Appliances India Ltd. is engaged in manufacturing and distribution of home appliances since 1987. It has a good name in the market as the company is producing good quality appliances. It has separate departments for manufacturing finance, sales, maintenance services and technical services to achieve specialization.
Since the areas of operations of the company have increased and customers have become more demanding, the company decided to modify the existing principle of management to meet the changing requirements of the environment.
State the general principle of management which the company wants to modify to meet the changing requirements. 1

Ans. The general principle of management which the company wants to modify is the Principle of Division of Work which states that the work should be divided into small tasks/ jobs each performed by a specialist.

[CBSE Marking Scheme, 2019] 1

3. How does Financial Market facilitate 'Price Discovery' of financial assets? 1

Ans. Financial Market facilitates price discovery for financial assets by interaction of forces of demand and supply.

[CBSE Marking Scheme, 2019] 1

4. Biru Nandan, Chairman of Lalit group of companies founded 'Biru University' for undergraduate and post-graduate courses in diverse disciplines. The Information Technology Department of the 'Lalit Power Ltd., had few vacancies related to Cyber Security. The Human Resource Department of the Company decided to recruit fresh engineering graduates from 'Biru University' for the same. Identify the type of source of recruitment. 1

Ans. External source of recruitment / Campus Recruitment.

[CBSE Marking Scheme, 2019] 1

5. Varsha Jain after completing her fashion designing course from Indian Institute of Fashion Technology planned to enter into designer clothing venture. She had to address issues like her target customers, channel of distribution to

be used, pricing policy etc. Identify the type of plan that Varsha Jain needs to develop to provide direction and scope to her organization in the long run. 1

Ans. Strategy. [CBSE Marking Scheme, 2019] 1

6. State any two 'Developmental Functions' of Securities and Exchange Board of India. 1

OR

What is meant by 'Allocation Function' of Financial Markets? 1

Ans. Developmental functions of SEBI: (Any two)

- (i) It trains intermediaries of the securities market. $\frac{1}{2}$
 (ii) It conducts research and publishes information useful to all market participants. $\frac{1}{2}$
 (iii) It undertakes measures to develop the capital markets by adopting a flexible approach. $\frac{1}{2}$

[CBSE Marking Scheme, 2019] 1

OR

Allocation function of financial market means allocating or directing funds available for investment into their most productive investment opportunities.

- *7. Beena has been using 'Klean', a famous detergent available in the market. On watching numerous advertisements in the television, she decided to try a new brand of detergent. When she went to the near-by store to purchase the same, she saw detergents of other producers making similar claims of whiteness and stain removing abilities. Hence she could not make up her mind as which detergent to purchase.

Name the objection of advertising being discussed in this case. 1

8. Give the meaning of 'Physical Distribution' as an element of Marketing Mix. 1

OR

What is meant by 'Marketing Management'? 1

Ans. Place or Physical Distribution means set of activities that make firm's products available to the target customers. It consists of all the activities involved in transferring ownership and physical possession of the product to the consumers. 1

OR

Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer values of management.

[CBSE Marking Scheme, 2019] 1

Section-B

9. JTM Ltd. launched 'Buddyline', an exercise book and comprehensive stationery brand name comprising of ball pens, gel pens and geometry boxes after identifying the target market and understanding the needs and wants of the consumers of that market. All their products were of good quality and eco-friendly but expensive. They wanted to distinguish their products from that of their competitors. They spent lot of efforts, time and money in creating the brand name, as they knew that without a brand name, they can only create awareness for the generic products and can never be sure of the sale of their products. The effort paid off and the demand for the products started growing. The customers liked the brand and became habitual to it. They did not mind paying a higher price. Over a period of time, it became a status symbol to buy 'Buddy line' brand because of its quality. The consumers felt pride in using them.

- (i) Identify the marketing management philosophy followed by JTM Ltd.

- * (ii) Explain the advantages of branding to the marketers highlighted in the above case. 3

Ans. (i) Societal marketing philosophy. 1
 [CBSE Marking Scheme, 2019]

10. Mita has a successful ice cream business at Bikaner, namely 'Smart flavours'. Her ice creams are utterly delicious. She makes ice creams from fresh milk and the same are available in a wide range of flavours and packs. She sets viable business objectives and works with the same in mind in order to ensure that the customers will come back for purchasing.

Having the first mover advantage, her business was doing well. To earn higher profits, she started cutting costs. This would sometimes lead to delay in delivery and the ice cream was not reaching the market in time. Over a period of time, the demand for her ice cream declined and because of it, the competitors centered the market. She lost some of her market share to competitors.

At the beginning of summer season, she got back to back orders for supply of 4,000 ice cream packs of different flavours for special occasions. To ensure that the task was completed and orders delivered in time she hired additional workers.

She was, thus able to produce and deliver the ice cream packs but at a high production cost. While completing activities and finishing the given task for achieving goals, Mita realized that she was ignoring one of the important aspects of management.

Identify the aspects of management that has been ignored by Mita. Also explain the same with the help of an example. 3

Ans. The aspects of management ignored by Mita are:

- (a) **Effectiveness:** means completion of work or achievement of target on time.
- (b) **Efficiency:** Efficiency means doing the task correctly and with minimum cost.

Example: Say, a company's target production is 5,000 units in a year. The manager wants to achieve the production target by cutting down costs. He was able to cut down costs but could not achieve the target production. In this case, the manager was efficient but not effective.

In the above situation, if the manager was able to achieve the production target but at a higher cost, he would have been effective but not efficient. (or any other correct example)

[CBSE Marking Scheme, 2019] 3

11. State 'Job Enrichment' and 'Employee Participation' as non-financial incentive. How do they motivate employees? 3

Ans. Job Enrichment :

- (i) Job Enrichment means designing jobs that include greater variety of work content, require higher level of knowledge and skill, give workers more autonomy and responsibility and provide the opportunity for personal growth and a meaningful work experience.
- (ii) If jobs are enriched and made more interesting, the job itself becomes a source of motivation to the individual.

1½

Employee Participation :

- (i) Employee Participation means giving more autonomy and powers to the employees.
- (ii) It makes them feel that their jobs are important and this feeling makes them contribute positively to the use of their skills and talents in the job performance.

[CBSE Marking Scheme, 2019] 1½

12. Explain the objectives of Financial Planning. 3

OR

What is meant by 'Financial Management'? State the primary objective of Financial Management. 3

Ans. Objectives of Financial Planning:

- (i) To ensure availability of funds whenever required which involves estimation of the funds required, the time at which these funds are to be made available and the sources of these funds.
- (ii) To see that the firm does not raise resources unnecessarily as excess funding is almost as bad as in adequate funding. Financial planning ensures that enough funds are available at right time. 3

OR

Financial Management means planning, organising, directing and controlling the financial activities of an organisation.

Primary objective of Financial Management:

The primary objective of financial management is to maximize shareholders' wealth. *i.e.*, to maximize the market price of equity shares of the company. [CBSE Marking Scheme, 2019] 3

13. 'Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.' In the light of this statement, describe management as a Science. 3

OR

Management is a complex activity that has three main dimensions. Explain these dimensions. 3

Ans. Science is a systematized body of knowledge that explains certain general truths or the operation of general laws.' Management is a science but not an exact science. The reasons are:

- (i) **Systematised body of knowledge:** Like science, management is a systematised body of knowledge with its own theories and principles that have developed over a period of time. So, this feature of science is present in management. 1

- (ii) **Principles based on observation and experimentation :** Like science, management principles are derived through observation and repeated experimentation.

So, this feature of science is present in management.

However since management deals with human beings the outcome of these experiments are not capable of being accurately predicted. 1

- (iii) **Universal validity :** Principles of management, like principles of pure science provide, managers with certain standardised techniques that can be used in different situations.

Since they have to be modified according to a given situation, their application and use is not universal.

So, this feature of science is not fully present in management. 1

(The statement that Management is not an exact science may be given at the beginning or at the end of the question)

Management is a complex activity that has three main dimensions. These are:

- (i) **Management of work:** All organisations exist for the performance of some work. Management translates this work in terms of goals to be achieved and assigns the means to achieve it.
- (ii) **Management of people:** Managing people has two dimensions:
 - (a) It implies dealing with employees as individuals with diverse needs and behaviour.
 - (b) It also means dealing with individuals as a group of people. The task of management is to make people work towards achieving the organisation's goals, by making their strengths effective and their weaknesses irrelevant.
- (iii) **Management of operations:** Management of operation deals with a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption. This is interlinked with both the management of work and the management of people.

Section-C

14. Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical fertilizers free vegetables. They conducted a survey to find out consumer preferences for such vegetables. They found that most of the consumers were concerned about the harmful chemicals being used in growing the vegetables. They found that 90% of the households were searching for its alternatives. The company contacted a group of agriculture experts to lay down the procedure for growing the vegetables by the farmers. They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods. The experts also suggested soil management techniques through which farmers would be able to create an abundant and lasting harvest.
- Identify and explain the two dimensions of business environment highlighted in the given para. 4

Ans. Dimensions of business environment highlighted above are:

- (i) **Social Dimension:** Social Environment includes social forces like custom and traditions, values, social trends and society's expectation from business.
- (ii) **Technological Dimension:** Technological Environment of business includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

[CBSE Marking Scheme, 2019] 4

15. Mega Ltd. holds an Annual Management Programme every year in the month of March in which the top managerial personnel formulate plans for the next year by analyzing and predicting the future to meet future events effectively.

As they are responsible for providing direction to the organization, facts are thoroughly checked using scientific calculations. Detailed plans are prepared after discussion with professional experts. Preliminary investigations are also undertaken to find out the viability of the plan. Since it is an intellectual activity requiring intelligent imagination and sound judgement so it is mainly done by the top management. Usually rest of the members just implement the plans. Middle level managers are neither allowed to deviate from the plans nor are they permitted to act on their own. The top management ensures that the expenses incurred in formulating the plans justify the benefits derived from them.

State any two limitations and any two features of planning discussed above. 4

Ans. Limitations of Planning discussed are:

Two limitations of planning discussed above are:

- (i) **Planning reduce creativity** as it is mostly done by the top management; rest of the members just carry our order and think on the same lines as others.
- (ii) **Planning involves huge costs** in terms of time and money. The costs incurred sometimes may not justify the benefits derived from the plans. (If an examinee has given only the heading, ½ mark for each heading should be awarded)

Two features of planning discussed above are :

- (i) **Planning is futuristic** as it involves looking ahead and preparing for the future to meet future events effectively to the best advantage of the organisation.
- (ii) **Planning is a mental exercise** as it requires application of mind involving foresight, intelligent imagination and sound judgement. It is an intellectual activity of thinking rather than doing.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2019] 1×4=4

16. Vinber Ltd. set up a manufacturing unit at Bhiwadi in Himachal Pradesh to manufacture electric geysers and supply them to dealers all over the country. Their production target was 500 geysers per week. It was decided by the management that variation in production upto 10 units would be acceptable. At the end of the first week, the production was 450 geysers. The next week, production increased to 470 geysers. A week later, production was

460 geysers. On investigation, it was found that fluctuation in production was due to irregular supply of electricity.

- (i) The above para discusses some of the steps in the process of one of the functions of management. State these steps.
- (ii) Also, state the step(s) that have not been discussed in the above para. 4

Ans. (a) Steps in the process of controlling discussed in the above case:

- (i) Setting performance standards.
 (ii) Measuring actual performance.
 (iii) Comparing actual performance with standards and analysing deviations.

(In case the examinee has not written the steps in the right sequence, ½ mark may be deducted)

- (b) Step not discussed in the above para : Taking corrective action if deviations go beyond the acceptable limits.

(In case the examinee has not written the steps in the right sequence, ½ mark may be deducted) 4

OR

- (a) Steps in the process of controlling discussed in the above case:

- (i) Setting performance standards.
 (ii) Measuring actual performance.
 (iii) Analysing deviations.

- (b) Steps not discussed in the above para:

- (i) Comparing actual performance with standards to find out the deviation.
 (ii) Taking corrective action if deviations go beyond the acceptable limits.

(In case the examinee has not written the steps in the right sequence, ½ mark may be deducted)

[CBSE Marking Scheme, 2019] 4

17. Organising involves a series of steps that need to be taken in order to achieve the desired goal. Explain these steps. 4

OR

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

Ans. Organising as a process involves following steps:

- (i) **Identification and Division of Work:** The first step in the organising process is identifying and dividing the whole work into manageable activities, so that duplication of work can be avoided and the burden of work can be reduced.
- (ii) **Departmentalization:** Departmentalization refers to the process of grouping the activities of similar nature under same department. Departmentalization can be done on the basis of function, type of product, territory, etc. It facilitates specialisation in an organisation.
- (iii) **Assignment of Duties:** This implies assigning duties to the workers according to their abilities and competencies. For getting best results, a proper match should exist between the nature of work and ability of the individual.

- (iv) **Establishing Reporting Relationships:** Next step is to allocate authority and responsibility among employees in such a way that each person knows who is reporting to whom and for what, etc. 1

OR

The importance of organising can be described as follows:

- (i) **Benefits of Specialisation:** In organising, the whole work is divided into manageable activities and systematic allocation of work is done. It increases productivity and the efficiency of workers. As a result, due to repetitive work, workers get experience in particular fields which leads to specialisation.
- (ii) **Adaptation to changes:** It facilitates business enterprise to accommodate changes in the workload caused by business environment. In case of a change, organising paves the way for revision of interrelationships at organisational levels.
- (iii) **Clarity in working relationships:** Authority and responsibility are clearly defined in such a way that every person knows as to who is reporting to whom and for what, etc.
- (iv) **Optimum utilisation of resources:** Proper allocation of resources helps in avoiding overlapping of work and ensures optimum use of all human, physical and financial resources.
- (v) **Effective Administration:** By clearly describing the jobs, related duties, duplication of work and confusion can be avoided in the organisation. Thus, it ensures effective administration.
- (vi) **Development of the personnel:** Delegation of authority reduces the work load of a manager and enables him to explore new areas of growth for his organisation. It enables the subordinates to effectively deal with the challenges and to realise their full potential.
- (vii) **Expansion and growth:** Organising enables an enterprise to take up new challenges. For example, more job positions, departments, new product lines, new geographical territories, etc. to increase sales/profits, market share and growth of the enterprise. (Any four)
18. **Stock exchange acts as a regulator of the securities market. It creates a continuous market where the securities are bought and sold. It gives investors the chance to disinvest and reinvest. Through this process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues. To ensure that the investing public gets a safe and fair deal in the market, the membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. It also ensures wider share of ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.**

Various functions performed by the Stock Exchange are discussed in the above para. By quoting lines from the above para, state any four functions of Stock Exchange. 4

Ans. Various functions performed by the Stock Exchange are :

- (i) Providing liquidity and marketability to existing securities as the stock exchange creates a continuous market where the securities are bought and sold. It gives investors the chance to disinvest and reinvest.

It creates a continuous market where the securities are bought and sold. It gives investors the chance to disinvest and reinvest.

- (ii) Contributes to economic growth as through process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues.

Through this process of disinvestment and reinvestment, savings get channelized into their most productive investment avenues.

- (iii) Safety of transactions as the membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market.

Membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework.

- (iv) Spreading of equity cult as the stock exchange ensures wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.

Ensures wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.

[CBSE Marking Scheme, 2019] 1×4=4

***19. Explain any four points of difference between 'Marketing and Selling'.** 4

OR

Explain the following functions of marketing:

- (i) **Product designing and development;** and
(ii) **Standardisation and Grading.** 4

OR

Ans. Functions of Marketing:

- (i) **Product designing and development:**

(a) Product designing and development helps to make the product attractive to the target customers.

(b) A good design can improve performance of a product and also give it a competitive advantage in the market.

- (ii) **Standardisation and Grading :**

(a) Standardisation ensures uniformity and consistency in output reducing the need for inspection and testing of the products.

(b) Grading ensures that the goods belong to a particular quality and helps in realising higher prices for better quality products. [CBSE Marking Scheme, 2019]

2+2=4

Section-D

20. Explain any five points of significance of Principles of Management. 5

OR

Explain the following techniques of Scientific Management:

- (i) **Fatigue Study;** and
(ii) **Differential Piece Wage System.** 5

Ans. Significance of Principles of Management :

- (i) **Providing managers with useful insights into reality :** The principles of management provide the managers with useful insights into the real world situations. Adherence to these principles will add to their knowledge, ability and understanding of managerial situations and circumstances. It will also enable managers to learn from the past mistakes and conserve time by solving recurring problems quickly. As such management principles increase managerial efficiency.

- (ii) **Optimum utilisation of resources and effective administration :** Both human and material resources, available with the company are limited. They have to be put to optimum use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause and effect relationships of their decisions and actions. As such the wastages associated with a trial-and-error approach can be overcome.

- (iii) **Scientific decisions :** Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes. They must be timely, realistic and subject to measurement and evaluation. Management principles help in thoughtful decision-making. They emphasise logic rather than blind faith. Management decisions are taken on the basis of principles which are free from bias and prejudice. They are based on the objective assessment of the situation.

- (iv) **Meeting changing environment requirements :** Although the principles are in the nature of general guidelines but they can be modified and as such help managers to meet changing requirements of the environment. Management principles are flexible to adapt to a dynamic business environment.

(v) **Fulfilling social responsibility:** The increased awareness of the public, forces businesses, especially limited companies to fulfil their social responsibilities. Management theory and management principles have also evolved in response to these demands. Moreover, the interpretation of the principles also assumes newer and contemporary meanings with the change in time.

(vi) **Management training, education and research:** Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research. These principles provide basic groundwork for the development of management as a discipline. These principles enable refinement of management practices as well by facilitating the development of new management techniques which have developed due to further research on these principles.

(Any five) $1 \times 5 = 5$

OR

(a) **Fatigue Study:** Fatigue Study determines the amount and frequency of rest intervals in completing task.

The rest intervals help the workers to regain stamina and work again with the same capacity resulting in increased productivity.

(b) **Differential Piece Wage System:** Differential Piece Wage System is a technique which differentiates between efficient and less efficient workers. It rewards the efficient workers and motivates the less efficient ones to improve their efficiency.

In this plan, there are two piece rates—one for those workers who produce the standard output or more, and the other for those who produce less than the standard output.

This acts as an incentive for a less efficient worker to be motivated to perform better.

[CBSE Marking Scheme, 2019] $2\frac{1}{2} + 2\frac{1}{2} = 5$

21. Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like televisions, refrigerators and air conditioners, 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 organisational structure of N-guard Company.
(ii) State any two advantages and two limitations of the structure identified in the above para. 5

Ans. Functional Structure 1
Advantages of Functional Structure:

(Any two)

- (a) It leads to **occupational specialisation** since emphasis is placed on specific functions.
(b) It **promotes control and coordination** within a department because of similarity in the tasks being performed.
(c) It **increases managerial and operational efficiency** resulting in increased profit.
(d) It **lowers cost** as it reduces duplication of effort.
(e) It makes **training of employees easier** as it focuses on a limited range of skills.
(f) It ensures that **different functions get due attention.** $1 \times 2 = 2$

(If an examinee has given only the heading, $\frac{1}{2}$ mark for each heading should be awarded)

Limitations of Functional Structure:

(Any two)

- (a) **Creation of functional empires** where less emphasis is placed on overall objectives of the enterprise and more on the objectives pursued by a functional head.
(b) **Problems in coordination** as information has to be exchanged across functionally differentiated departments.
(c) **Inter-departmental conflicts** may arise when the interest of two or more departments are not compatible.
(d) **Inflexibility** as people with the same skills and knowledge may develop a narrow perspective.

$1 \times 2 = 2$

(If an examinee has given only the heading, $\frac{1}{2}$ mark for each heading should be awarded)

[CBSE Marking Scheme, 2019]

22. Nisha Sethi was working as a Human Resource Manager in a famous consultancy firm, KLI Global Services. Her job included preparing job descriptions, recruitment, developing compensation and incentive plans and facilitating employee learning. They had entered into alliances with institutes to ensure continuous learning of their employees. With the jobs becoming more and more complex, KLI Global Services invested large amount of money in making the employees learn the skills necessary to complete the jobs.

State by giving any five points, how this investment is likely to benefit the organisation ?

5

Ans. Benefits of Training to the organisation :

- (i) It avoids wastage of efforts and money as training is systematic learning, better than hit and trial methods.
- (ii) It enhances employee productivity both in terms of quantity and quality leading to higher profits.
- (iii) It equips the future manager to take over in an emergency.
- (iv) It reduces employees' turnover as it increases employee morale and reduces absenteeism.
- (v) It helps in obtaining effective response in a fast changing environment.

(If an examinee has given only the headings, ½ mark for each heading should be awarded) 5
[CBSE Marking Scheme, 2019]

Section-E

23. 'Determining the relative proportion of various types of funds depends upon various factors.' Explain any six such factors. 6

OR

Explain any six factors affecting the decision that determines the amount of profit earned to be distributed and to be retained in the business. 6

- Ans.** Under the capital structure, decision related to the proportion of long-term sources of capital is determined. Some of the chief factors affecting the choice of the capital structure are the following:

- (i) **Cash Flow Position:** While making a choice of the capital structure the future cash flow position should be kept in mind. Debt capital should be used only if the cash flow position is really good because a lot of cash is needed in order to make payment of interest and refund of capital.
- (ii) **Interest Coverage Ratio—ICR:** With the help of this ratio an effort is made to find out how many times the EBIT is available to make the payment of interest. The capacity of the company to use debt capital will be in direct proportion to this ratio.
- (iii) **Cost of Debt:** The capacity of a company to take debt depends on the cost of debt. In case the rate of interest on the debt capital is less, more debt capital can be utilised and vice versa.
- (iv) **Tax Rate:** The rate of tax affects the cost of debt. If the rate of tax is high, the cost of debt decreases. The reason is the deduction of interest on the debt capital from the profits considering it a part of expenses and a saving in taxes.
- (v) **Floatation Costs:** Floatation costs are those expenses which are incurred while issuing securities (e.g., equity shares, preference shares, debentures, etc.). These include commission of underwriters, brokerage, stationery expenses, etc.

Generally, the cost of issuing debt capital is less than the share capital. This attracts the company towards debt capital.

- (vi) **Flexibility :** According to this principle, capital structure should be fairly flexible. Flexibility means that, if need be, amount of capital in the business could be increased or decreased easily. Reducing the amount of capital in business is possible only in case of debt capital or preference share capital.
- (vii) **Control:** According to this factor, at the time of preparing capital structure, it should be ensured that the control of the existing shareholders (owners) over the affairs of the company is not adversely affected.
- (viii) **Regulatory Framework:** Capital structure is also influenced by government regulations. For instance, banking companies can raise funds by issuing share capital alone, not any other kind of security. Similarly, it is compulsory for other companies to maintain a given debt-equity ratio while raising funds.

- (ix) **Stock Market Conditions:** Stock market conditions refer to upward or downward trends in capital market. Both these conditions have their influence on the selection of sources of finance. When the market is dull, investors are mostly afraid of investing in the share capital due to high risk. (Any six)

OR

Factors affecting dividend decision are:

- (i) **Earnings:** Earnings are a major determinant of dividend decision as dividends are paid out of current and past earnings.
- (ii) **Stability of Earnings:** It is another factor affecting dividend decision as a company having stable earnings is in a position to declare higher dividends.
- (iii) **Stability of Dividends:** Companies generally prefer to maintain stability of dividends while taking dividend decision.
- (iv) **Growth Opportunities:** If a company has good growth opportunities, it pays out fewer dividends.
- (v) **Cash Flow Position:** A good cash flow position is necessary for declaration of dividend.
- (vi) **Shareholders' Preference:** It is kept in mind by the management before declaring dividends.
- (vii) **Taxation Policy:** It affects the dividend decision as a higher dividend distribution tax will lead to lesser dividend payout.
- (viii) **Stock Market Reaction:** The possible stock market reaction on the share price to dividend policy is one of the important factors affecting dividend decision.

- (ix) **Access to Capital Market:** While taking dividend decision, companies take into consideration their access to capital market.
- (x) **Legal Constraints:** Certain provision of the Companies Act *i.e.*, legal constraints place restrictions on payout of dividend.
- (xi) **Contractual Constraints:** While taking dividend decision, companies keep in mind the restrictions imposed by the lenders *i.e.*, contractual constraints. (Any six)

24. 'VOICE' is an important consumer organization. It organized workshops in the months of December in Delhi/NCR for consumers. The theme was 'Organic Food- From Farm to Plate', to spread awareness on the importance of organic farming and to encourage consumers to switch from conventional food, that contains chemicals and pesticides to organic food. Expert speakers' from farmers community explained the harmful effects of usage of pesticides in farming and the importance of organic food. People were informed that the organization regularly tests samples to detect adulteration like presence of heavy metals or pesticides. The results of the tests are published in their monthly magazine 'Consumer Voice' to make people aware of quality of different products. It also provides aid and legal advice to the consumers in seeking a remedy.

State the functions performed by the Consumer Voice for the protection and promotion of consumer interest by quoting lines from the above para. 6

Ans. Functions performed by the Consumer Voice for the protection and promotion of consumer interest :

- (a) Educating the general public about consumer rights by organising training programmes, seminars and workshops. *'organised consumer workshops in the months of December in Delhi/ NCR on the theme, of 'Organic Food -From Farm to Plate', as a part of its initiative to spread awareness on the importance of organic farming'.*
- (b) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.

'The results of the tests are published in their monthly magazine' Consumer Voice' to make people aware of quality of different products'

- (c) 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.

'People were informed that the organisation regularly tests samples to detect adulteration like presence of heavy metals or pesticides'.

- (d) Providing legal assistance to consumers by the way of providing aid, legal advice etc. in seeking legal remedy.

'It also provides aid and legal advice to the consumers in seeking a remedy'. 6

[CBSE Marking Scheme 2019]

- * 25. Pratap Singh is the Chief Executive Officer of Nissar Enterprises. It is an automobile parts manufacturing company. The enterprise has a functional structure, in which jobs of similar nature have been grouped together as Production, Finance, Marketing and Human Resource. Nissar Enterprises has its manufacturing unit at Manesar. The factory has been plagued with many problems for a long time which was in the knowledge of the Production Manager, Varun Sharma. The workers had internal differences. Time and again, there were misunderstandings between the management and the workers. Keeping the problems in mind, Varun Sharma appointed, Siyaram Singh who had 14 years of experience of working with the actual work force and passing on instructions of the middle management to the workers.

Siyaram Singh met Varun Sharma to understand what the management wanted ?

Thereafter he met the workers and conveyed the ideas of management to them. He also promised the workers to convey their problems to the management. In this way, he cleared the misunderstanding between the management and the workers.

He also sorted out internal differences and was able to unite the workers within a month of his joining. His work was acknowledged by management and he was given a certificate of good performance along with 10% increase in salary.

- (i) Siyaram Singh performed some of the functions which are required to be performed at the position he is working at. State any five other functions Siyaram Singh is expected to perform.
- (ii) Name the incentives provided to Siyaram Singh. 6

Delhi Set II**Code No. 66/1/2**

Except these, all other questions are from Delhi Set-I.

9. What is meant by 'Capital Structure' ? Explain any two factors that affect the capital structure of a company. 3

OR

Explain any three factors that affect the Working Capital Requirements of a company. 3

- Ans. The capital structure means the proportion of debt and equity used for financing the operations of a business.

OR

It refers to the mix between owner's funds and borrowed funds.

Factors affecting Capital Structure: Refer Q.23 of Delhi Set-I, 2019.

OR

Factors which affect the requirements of working capital are:

- (i) **Business cycle** as in case of boom, larger working capital is required as the sales and production are more.
 - (ii) **Seasonal factors** as peak season requires higher working capital than lean season due to higher level of activity.
 - (iii) **Production Cycle** as working capital requirement is higher in firms with longer processing cycle.
 - (iv) **Credit allowed to customers** results in higher amount of debtors, increasing the working capital requirements.
 - (v) **Operating efficiency** as firms managing their raw materials efficiently require lesser working capital.
 - (vi) **Free and continuous availability of raw materials** enables the firms to keep lesser stock and hence work with smaller working capital.
 - (vii) **Higher Growth prospects** will require larger amounts of working capital so that the firm is able to meet higher production and sales targets.
 - (viii) **Level of competition**, as higher competition requires larger stocks to meet urgent orders from customers and thus higher working capital.
 - (ix) **Inflation** increases the working capital requirements as larger amount of money is required to maintain a constant volume of production and sales. (Any three)
10. 'Co-ordination is needed at all levels of management and is the responsibility of all managers.' Explain. 3

OR

Explain any three reasons, which clarify that management is gaining importance day by day. 3

- Ans. **Coordination is needed at all levels of management:**

Coordination is required at all levels of management due to the interdependent nature of activities of various departments.

It integrates the efforts of different departments and different levels. 1½

Coordination is the responsibility of all managers:

Coordination is the function of every manager in the organisation.

Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out.

Middle level management coordinates with both the top level and first line managers.

Operational level management coordinates the activities of its workers to ensure that work proceeds according to plans. 1½

[CBSE Marking Scheme, 2019] 3

OR

Importance of Management:

- (i) **Management helps in achieving group goals:** Management is required not for itself but for achieving the goals of an organisation. The task of a manager is to give a common direction to the individual effort in achieving the overall goal of an organisation.
- (ii) **Management increases efficiency:** The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of an organisation.
- (iii) **Management creates a dynamic organisation:** All organisations have to function in an environment which is constantly changing. It is generally seen that individuals in an organisation resist changes. Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.
- (iv) **Management helps in achieving personal objectives:** A manager motivates and leads his team in such a manner that individual members are able to achieve their personal goals while contributing to the overall organisational objective. Through motivation and leadership, management helps individuals to develop team spirit, co-operation and commitment to the group success.
- (v) **Management helps in the development of society:** An organisation has multiple objectives to serve the purpose of the different groups that constitute it. In the process of fulfilling all these, management helps in the development of the organisation and through that it helps

in the development of a society. It helps to provide good quality products and services, creates employment opportunities, adopts new technology for the greater good of the people and leads the path towards growth and development.

(Any three)

14. Give the meaning of 'Informal Organisation'. State its any three advantages. 4

OR

What is meant by 'Delegation'? State any three points which highlight the importance of delegation in an organisation. 4

Ans. Informal organisation is a network of personal and social relations which emerges spontaneously from within the formal organisation as people associate with one another beyond their officially defined roles. It has no written rules, is fluid in form and scope and does not have fixed lines of communication. 1

Advantages of Informal Organisation :

- (i) It leads to faster spread of information as well as towards a quick feedback. 1
- (ii) It fulfils the social needs of the members. 1
- (iii) It contributes towards fulfilment of organisational objectives by compensating for inadequacies in the formal organisation. 1

OR

'Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance.'

(or any other correct meaning) 1

Importance of Delegation of Authority:

- (i) It helps in effective management as the managers get more time to concentrate on important matters.
- (ii) It helps in development of employees as the employees get more opportunities to utilize their talent.
- (iii) It helps to motivate employees as the employees feel encouraged and try to improve their performance further.
- (iv) It facilitates growth by providing a ready workforce to take up leading positions in new ventures.
- (v) It establishes a management hierarchy through clear superior subordinate relationships.
- (vi) It helps in better co-ordination by avoiding overlapping of duties. (Any three) 1+3=4

[CBSE Marking Scheme, 2019]

16. * Differentiate between 'Advertising' and 'Personal Selling' on any four bases. 4

OR

Explain the following functions of Marketing:

- (i) Marketing planning; and
- (ii) Customer support services. 4

Ans. OR

(i) **Marketing Planning :**

Marketing Planning involves development of marketing plans to achieve the marketing objectives of the organisation.

A complete marketing plan will include important aspects like increasing the level of production, promotion of the products, etc.

(ii) **Customer Support Services :**

Customer support services include services like after sales services, handling customer complaints and adjustments, maintenance services, technical services etc.

These services are very effective in bringing repeat sales from the customers and developing brand loyalty for a product.

[CBSE Marking Scheme, 2019] 2×2=4

21. Explain any five features of Principles of Management. 5

OR

Explain the following principles of scientific management:

- (i) **Harmony, not discord; and**
- (ii) **Development of each and every person to his or her greatest efficiency and prosperity.**

Ans. Features of Principles of Management:

(i) **Universal applicability:** The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well as large, public sector as well as private sector, manufacturing as well as the services sectors. However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations and the like.

(ii) **General guidelines:** The principles are guidelines to action but do not provide readymade, and to the point solutions to all managerial problems. This is so because real business situations are very complex and dynamic and are a result of many factors. However, the importance of principles cannot be underestimated because even a small guideline helps to solve a given problem.

(iii) **Formed by practice and experimentation:** The principles of management are formed by experience and collective wisdom of managers as well as experimentation. For example, it is a matter of common experience that discipline is indispensable for accomplishing any purpose. This principle is mentioned in the management theory. On the other hand, in order to remedy the problem of fatigue of workers in the factory, an experiment may be conducted to see the effect of improvement of physical conditions to reduce the stress.

(iv) **Flexible:** The principles of management are not rigid prescriptions, which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands. They give the manager enough discretion to do so.

(v) **Mainly behavioural:** Management principles aim at influencing behaviour of human beings. Therefore, principles of management are mainly behavioural in nature. It is not that these principles do not pertain to things and phenomenon at all; it is just a matter of emphasis. Moreover, principles enable a better understanding of the relationship between human and material resources in accomplishing organisational purposes.

(vi) **Cause and effect relationships:** The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. As such, they tell us if a particular principle was applied in a particular situation, what would be its likely effect. The principles of management are less than perfect since they mainly apply to human behaviour. In real life, situations are not identical. Therefore, accurate cause and effect relationships may be difficult to establish.

(vii) **Contingent:** The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be changed as per requirements. **(Any five) 1×5=5**

OR

(a) **Harmony Not Discord:**

(i) The principle emphasises that there should be complete harmony between the management and the workers.

(ii) This requires 'Mental revolution' on the part of both management and workers. Both management and the workers should transform their thinking.

(iii) Management should share gains of the company if any with the workers and workers should work hard and be willing to embrace change for the good of the company.

(b) **Development of Each and Every Person to His or Her Greatest Efficiency:**

(i) This principle is concerned with efficiency of employees which could be built in right from the process of employee selection.

(ii) The work assigned to employees should suit their capabilities. They should be given the required training to increase their efficiency.

(iii) Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both the company and the workers.

[CBSE Marking Scheme, 2019] 2½+2½=5

24. "Sound Financial Planning is essential for the success of any enterprise." Explain this statement by giving any six reasons. 6

OR

Explain the three major decisions that finance manager has to take while performing the finance function. 6

Ans. Financial planning is important because :

(a) It helps in avoiding business shocks and surprises and helps the company to prepare for the future.

(b) It helps in coordinating various business functions by providing clear policies and procedures.

(c) Detailed plans of action prepared under financial planning helps in reducing waste, duplication of efforts and gaps in planning.

(d) It tries to link the present with the future.

(e) It provides a link between investment and financing decisions on a continuous basis.

(f) It makes the evaluation of actual performance easier by spelling out detailed objectives for various business segments.

(If an examinee has given only the headings, 1/2 mark for each heading should be awarded)

6

[CBSE Marking Scheme, 2019] 6

OR

Three major decisions are:

(i) **Investment Decision:** It relates to how the firm's funds are invested in different assets in the long-term and the short-term.

(ii) **Financing Decision:** It relates to the quantum of finance to be raised from various long-term sources. It determines the overall cost of capital and financial risk of the enterprise.

(iii) **Dividend Decision:** It relates to how much of the profit earned by the company (after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business.

Delhi Set III

Code No. 66/1/3

Except these, all other questions are from Delhi Set-I and Set-II.

Section-A

11. Give the meaning of Financial Management.
State its main objective. 3

OR

- State any three points of importance of financial planning. 3

Ans. Financial Management is concerned with management of flow of funds and involves decisions relating to procurement of funds, investment of funds and distribution of earnings.

Financial Management may be defined as planning, organising, directing and controlling the financial activities of an organisation.

Objective of Financial Management:

The objective of financial management is to maximize shareholders wealth i.e. to maximize the market price of equity shares of the company.

This is because a company's funds belong to the shareholders and the manner in which these are invested and the return earned on them determines the market value or price of shares.

1×3=3

OR

Importance of Financial Planning:

(Any three)

- (a) It helps in avoiding business shocks and surprises and helps the company to prepare to prepare for the future.
- (b) It helps in coordinating various business functions by providing clear policies and procedures.
- (c) Detailed plans of action prepared under financial planning helps in reducing waste, duplication of efforts and gaps in planning.
- (d) It tries to link the present with the future.
- (e) It provides a link between investment and financing decisions on a continuous basis.
- (f) It makes the evaluation of actual performance easier by spelling out detailed objectives for various business segments.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

[CBSE Marking Scheme, 2019] 1×3=3

12. 'Coordination is the essence of management.' Explain. 3

OR

"Art is concerned with personal application of knowledge." In the light of this statement compare all the features of management with art and prove that it is an art. 3

Ans. Co-ordination is not a separate function of management. It is the force that binds all other functions and thus called the essence of management.

- (i) The process of coordinating the activities begins at the planning stage in which the top management plans for the entire organization.
- (ii) At the organizing stage, the organisational structure is developed as per plans.
- (iii) The staffing function is performed thereafter as per the structure developed in the organization structure.
- (iv) Directing is then required to ensure that these plans are executed accordingly.
- (v) Controlling function ensures that the discrepancies between actual and planned activities are taken care of Coordination, therefore, synchronises the efforts through all functions of management and ensures that the organisational objectives are achieved with a minimum of conflict. 3

OR

"Art is concerned with personal application of knowledge". Management is an art because of the following reasons:

- (i) **Existence of theoretical knowledge:** As in art, in management too, there is a lot of literature available in various areas of management, which the manager has to specialise in.
- (ii) **Personalised application:** Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner.
- (iii) **Based on continuous practice and creativity:** Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective like any other art, a manager after studying various situations formulates his own theories for use in a given situations. It gives rise to different styles of management. As all the criteria of art are satisfied by management, it qualifies as an art.

[CBSE Marking Scheme, 2019] 3

14. Price of a product is influenced by many factors. Explain any four such factors. 4

OR

- * Distinguish between 'Product' and 'Production' concepts of marketing philosophies on the following bases:

- (i) **Starting Point;**
- (ii) **Main Focus;**
- (iii) **Means;**
- (iv) **Ends.** 4

Ans. Price is an element of marketing mix which refers to all important decisions relating to the fixation of the price of a product.

Some factors that must be taken into consideration are: (Any four)

- (i) **Product cost:** The prices should recover all costs viz. fixed costs, variable costs and semi-variable costs apart from obviously including a fair return for undertaking marketing effort and risk.
 - (ii) **Utility and demand:** While determining the price of any product, the utility provided by it and the intensity of demand should not be ignored. If a buyer is satisfied that the given product meets his/her requirement, he would also be ready to pay the cost and reasonable margin to the producer.
 - (iii) **Extent of competition in the market:** In case of monopoly, a firm can enjoy complete freedom in fixing prices, However, if it is facing competition it should consider the prices charged by the competitors also.
 - (iv) **Government and legal regulations:** Government plays an important role in regulating the prices for example in case of life Saving Drugs, etc. Govt. fixes the prices.
 - (v) **Pricing objectives:** Pricing objectives should be in accordance with the company's objectives. Also company's objectives should be clear enough. In addition to profit maximisation, pricing objectives may include (a) Obtaining market share leadership (b) Surviving in a competitive market.
 - (vi) **Marketing methods used:** Pricing of production also gets affected by the elements of marketing such as amount spent on advertisement, type of packaging discounting policies, credit or finance facilities etc.
18. **What is meant by 'Decentralisation'? State any three points that highlight the importance of decentralisation in an organisation.** 4

OR

Give the meaning of 'Formal Organisation'. State its any three advantages. 4

Ans. **Decentralisation** refers to systematic delegation of authority through all the levels of management and in all the departments except that which can be exercised only at central points.

(or any other correct meaning)

Importance of Decentralisation:

(Any three)

- (i) **Relief to top management:** It gives relief to the top management as, when the subordinates are given the freedom to act, the top management gets more time to devote on important policy decisions rather than handling operational decisions.

- (ii) **Develops initiative amongst subordinates:** It develops initiative amongst subordinates by promoting self reliance and confidence among them. This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgement.

- (iii) **Develops managerial talent for future:** It develops managerial talent for the future by giving the subordinates a chance to prove themselves, thus, creating reservoir of qualified manpower to fill up challenging positions in future.

- (iv) **Facilitates Growth:** It facilitates growth by fostering competition amongst the departments leading to increase in productivity, thereby generating to higher profits which can be used for growth and expansion.

- (v) **Quick decision making:** It helps in quick decision making as there is no requirement for approval from many levels. There are also less chances of information getting distorted as it doesn't have to go through many levels.

- (vi) **Better control:** It leads to better control by evaluating performance at each level of management. The departments can be held accountable for their results.

(If an examinee has given only the headings, ½ mark for each heading should be awarded)

1+3=4

OR

Formal organisation refers to the organisation structure which is deliberately created by the management to accomplish a particular task. It specifies clearly the boundaries of authority and responsibility and there is systematic co-ordination among the various activities to achieve organisational goals.

(or any other correct meaning)

Advantages of Formal Organisation:

(Any three)

- (a) **Easy to fix responsibility:** It is easier to fix responsibility since mutual relationships are clearly defined.
- (b) **Avoids duplication:** It avoids duplication of effort since there is no ambiguity in the role that each member has to play.
- (c) **Unity of Command:** It maintains unity of command through an established chain of command.
- (d) **Accomplish of Goals:** It leads to accomplishment of goals by providing a framework for the operations to be performed.

- (e) **Stability:** It provides stability to the organisation because there are specific rules to guide behaviour of employees. (1 + 3 = 4)
(If an examinee has given only the heading, ½ mark for the heading should be awarded)
[CBSE Marking Scheme 2019] 4

22. Explain the following techniques of scientific management:

- (a) Motion Study and
(b) Time Study 5

OR

Explain how principles of management help the managers:

- (i) help the managers in taking scientific decisions, and
(ii) in providing the managers with useful insights into real world situations. 5

Ans. (a) **Motion Study**

It is a technique to study the movements which are undertaken while doing a well defined job. The movement could be productive, incidental and unproductive.

It seeks to eliminate unnecessary and wasteful movements so that it takes less time to complete a job efficiently.

(b) **Time Study**

Time study is a technique used to determine the standard time taken by a worker of reasonable skill and efficiency to perform a well defined job.

It helps in deciding the number of workers to be employed, to frame suitable incentive schemes and determine labour costs.

The method of time study will depend upon volume and frequency of the task, the cycle time of the operation and time measurement costs. $2\frac{1}{2} + 2\frac{1}{2} = 5$

OR

(i) **Principles of management help the managers in taking scientific decisions:**

Principles of management help in taking scientific decisions because the decisions based on principles are free from bias.

They are based on the objective assessment of the situation.

(ii) **Principles of management provide the managers with useful insights into real world situations:**

Principles of management provide useful insights into reality by enabling the managers to learn from past mistakes and conserve time by solving recurring problems quickly.

Adherence to these principles adds to their knowledge, ability and understanding of managerial situations and circumstances.

[CBSE Marking Scheme, 2019] $2\frac{1}{2} + 2\frac{1}{2} = 5$

25. "Determining the overall cost of capital and the financial risk of the enterprise depends upon various factors". Explain any six such factors. 6

OR

You are a Finance Manager of a newly established manufacturing company. Explain any six factors that you will consider while determining the fixed capital requirement for the company. 6

Ans. Overall cost of capital and financial risk depend upon the several factors. These factors are :

- (i) **Cost:** A company has different sources to raise its capital. These sources have different cost. A company should choose a sources which proves to be the cheapest.
- (ii) **Risk:** A company should analysis its risk bearing capacity and then accordingly choose the source for raising its capital. Example from company's point of new, debts are more risky than equity.
- (iii) **Floatation cost:** A company usually avoids those sources which have higher floatation cost.
- (iv) **Cash flow Position:** A company with strong cash flow position can take the advantage of cheaper finance *i.e.*, debts as interest payment and repayment of principal amount can be easily made.
- (v) **Level of fixed operating Cost:** If fixed operating cost is less more debts financing can be done. Similarly if a business has high operating cost than it should opt for less debt financing for raising capital.
- (vi) **Control:** Issue of more equity may lead to dilution of management control over the business companies which may afraid them of a take over bid.
- (vii) **State of capital market:** A depressed capital market makes issue of equity difficult and less attractive source for company to raise capital.
- (viii) **Return on investment:** If ROI for a company is higher, it will use more debts to take the advantage of trading on equity.
- (ix) **Regulatory Frame work:** Different sources to raise fund have different regulatory frame work provided by law, So, company choose that sources which provide lesser regulation and less financial risk. (Any six)

OR

Factors affecting Fixed Capital Requirements:
Refer Q.25 of Delhi Set 2018.

Outside Delhi Set I

Code No. 66/2/1

Section-A

1. Das is the Managing Director of 'Gamut Ltd.', manufacturing different varieties of cheese. He has an efficient team working under him consisting of Rajat – the Production manager, Vinay – the Marketing manager and Adit – the Finance manager. They understand and interpret the policies made by Das, ensure that their departments have adequate manpower, assign them the necessary duties and motivate them to achieve the desired objectives.

State one more function other than those mentioned above, that this team may perform at the level they are working. 1

Ans. The team is working at middle level and the function the team may perform other than those mentioned is -

Cooperate with other departments for smooth functioning of the organisation.

2. Differentiate between 'Authority' and 'Responsibility' on the basis of 'flow'. 1

OR

Differentiate between 'Responsibility' and 'Accountability' on the basis of meaning. 1

Ans. Authority flows downwards from superior to the subordinate while responsibility flows upwards from the subordinate to the superior. 1

OR

Responsibility is the obligation to perform an assigned task while accountability is the answerability for the final outcome of the assigned task.

[CBSE Marking Scheme, 2019] 1

3. What is meant by 'Rule' ? 1

OR

Define 'Organising'. 1

Ans. A Rule is a specific statement that informs what is to be done and not to be done. Such plan does not allow for any flexibility or discretion.

(any other correct meaning) 1

OR

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

[CBSE Marking Scheme, 2019] 1

4. State any two characteristics of 'Directing'. 1

OR

Give the meaning of 'Management by Exception'. 1

Ans. Features of directing function of management:

(Any two)

- (i) While other functions prepare a setting for action, directing initiates action by people in the organisation towards attainment of desired objectives.
- (ii) Directing takes place at every level of management. Every manager from top executive to the supervisor performs the directing functions.
- (iii) Directing is a continuous process as it takes place throughout the life of the organisation irrespective of the people occupying managerial positions.
- (iv) Directing flows from top to bottom through the organisation hierarchy. Every manager can direct his immediate subordinates and take instructions from his immediate boss.

1×2=2

OR

Management by Exception is a technique of managerial control which involves identifying only significant deviations which go beyond the permissible limit and bringing them to the notice of the management.

[CBSE Marking Scheme, 2019]

5. Kamal is working as a gang boss in the assembly unit of 'Sokia Ltd.', a laptop manufacturing company. He supervises the work of ten trained workers who perform the various activities related to the assembly of the laptops. One day when he was supervising the work of his workers, he told Ashok, a worker that his work could be improved. Ashok interpreted the comments of Kamal as that his work was not good. Identify the type of barrier to effective communication in this case. 1

Ans. Semantic barrier/ Unclassified assumptions.

[CBSE Marking Scheme, 2019] 1

6. This market helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other. Name the market and identify the function being referred to. 1

Ans. Financial market.

Function being referred to is – Reduces the cost of transactions.

[CBSE Marking Scheme, 2019] 1

7. Kumar wanted to purchase a fuel efficient car having the latest standards regarding minimization of pollution. He saw an advertisement offering such a car and visited the showroom of the company wherein the car

was displayed. In his discussion, the Marketing manager told him that the company is providing credit facilities, maintenance services and many other effective services which are helping in bringing repeat sales and developing brand loyalty.

Identify the marketing function which the Marketing manager was discussing with Kumar. 1

Ans. Customer Support Services.

[CBSE Marking Scheme, 2019] 1

8. 'Ultra Televisions Ltd.' is offering its 90" TV sets at a discount of ₹ 15,000 for a period of one month starting from 1st March 2019.

Identify the sales promotion activity used by 'Ultra Television Ltd'. 1

Ans. Rebate. [CBSE Marking Scheme, 2019] 1

Section-B

9. Explain any three points of importance of planning function of management. 3

OR

Explain any three limitations of planning function of management. 3

- Ans. **Importance of Planning:** (Any three)
- (i) **Planning provides directions:** By stating in advance how work is to be done, planning provides direction for action. Planning ensure that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals.
 - (ii) **Planning reduces the risks of uncertainty:** Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed.
 - (iii) **Planning reduces overlapping and wasteful activities:** Planning serves as the basis of co-ordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions.
 - (iv) **Planning promotes innovative ideas :** Since planning is the first function of management, new ideas can take the shape of concrete plans. It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.
 - (v) **Planning facilitates decision making:** Planning helps the manager to look into the future and make a choice from

amongst various alternative courses of action. The manager has to evaluate each alternative and select the most viable proposition.

- (vi) **Planning establishes standards for controlling:** Planning involves setting of goals. The entire managerial process is concerned with accomplishing predetermined goals through planning, organising, staffing, directing and controlling. Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals.

OR

Limitations of Planning: (Any three)

- (i) **Planning leads to rigidity:** In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a specific time frame. These plans then decide the future course of action and managers may not be in a position to change it. This kind of rigidity in plans may create difficulty. Managers need to be given some flexibility to be able to cope up with the changed circumstances. Following a pre-decided plan, when circumstances have changed, may not turn out to be in the organisations interest.
- (ii) **Planning may not work in a dynamic environment:** The business environment is dynamic, consists of a number of dimensions, economic, political, physical, legal and social dimensions. The organisation has to constantly adapt itself to changes. It becomes difficult to accurately assess future trends in the environment if economic policies are modified or political conditions in the country are not stable or there is a natural calamity.
- (iii) **Planning reduces creativity:** Planning is an activity which is done by the top management. Usually, the rest of the members just implement these plans. As a consequences, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Thus, planning, in a way, reduces creativity since people tend to think along the same lines as others There is nothing new or innovative.
- (iv) **Planning involves huge costs:** When plans are drawn up, huge costs are involved in their formulation. Detailed plans require scientific calculations to ascertain facts and figures. The costs incurred sometimes may not justify the benefits derived from the plans. There are a number of incidental costs as well like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan.
- (v) **Planning is a time-consuming process:** Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.

(vi) **Planning does not guarantee success :** The success of an enterprise is possible only when plans are properly drawn up and implemented. Any plan needs to be translated into action or it becomes

meaningless. Managers have a tendency to rely on previously tried and tested successful plans. It is not always true that just because a plan had worked before it will work again.

10. **Distinguish between Formal and Informal organisation on the basis of the following :**

- (i) **Origin;**
- (ii) **Authority; and**
- (iii) **Leadership.**

3

OR

Distinguish between Functional and Divisional structure on the basis of the following points :

- (i) **Coordination;**
- (ii) **Managerial Development; and**
- (iii) **Cost.**

3

Ans.

| S. No. | Basis | Formal Organisation | Informal Organisation |
|--------|-------------------|--|---|
| (i) | Origin | It arises as a result of company rules and policies. | It arises as a result of social interaction among the employees. |
| (ii) | Authority | Authority arises on the basis of position of management. | Authority arises on the basis of personal qualities. |
| (iii) | Leadership | Managers are leaders. | Leaders may or may not be managers. They are chosen by the group. |

1×3=3

OR

| S. No. | Basis | Functional Structure | Divisional Structure |
|--------|-------------------------------|---|---|
| (i) | Coordination | Coordination is difficult for a multiproduct company difficult. | Coordination is easy as all functions related to a particular product are integrated in one department. |
| (ii) | Managerial Development | Managerial development is difficult as each functional manager has to report to the top management. | Managerial development is easier because a divisional manager has the autonomy as well as the chance to perform multiple functions. |
| (iii) | Cost | It is economical as the functions are not duplicated. | It is costly as there is duplication of resources in various departments. |

[CBSE Marking Scheme, 2019] 1×3=3

11. **Explain 'Vestibule Training' and 'Apprenticeship Programme' as methods of training.** 3

Ans. **Vestibule Training :**

- (i) Vestibule Training is a method of training which is conducted on the equipment and machines they will be using, away from the actual place of work.
- (ii) It is generally used where the employees are required to handle sophisticated machinery. 1½

Apprenticeship Programme:

- (i) Apprenticeship Training/Programme is a method of training in which the trainee is kept under guidance of a master worker for a prescribed period of time to acquire a higher level of skill.
- (ii) People who want to enter skilled trades e.g., plumbers & electricians are often required to undergo such programme.

[CBSE Marking Scheme, 2019] 1½

12. **One of the functions of Securities and Exchange Board of India is 'Promotion of fair practices and**

code of conduct in securities market'. State the category to which this function belongs and state any two other functions of this category. 3

Ans. **Protective Function:** Other functions of this category are: **(Any two)**

- (i) It prohibits fraudulent and unfair trade practices like misleading statements, manipulations, price rigging etc.
- (ii) It controls insider trading and imposes penalties for such practices.
- (iii) It undertakes steps for investor protection.

[CBSE Marking Scheme, 2019] 1×3=3

13. **'G. Motors' is the manufacturer of sophisticated cranes. The Production manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic**

machine having the latest technology. It was also decided to finance this machine through long term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors.

- (i) Identify the financial decision taken by Ashish Jain.
- (ii) Explain any three factors affecting the decision identified in (i) above. 3

Ans.

- (i) The financial decision taken by Ashish Jain is long-term investment or capital budgeting decision.
- (ii) The factors affecting long-term investment decisions are:
 - (a) **Cash Flows of the Project:** The cash flows in the form of cash receipts and cash payments from each investment proposal should be carefully analysed before considering capital budgeting decision.
 - (b) **The Rate of Return:** The expected rate of return over the investment proposal and the risk involved should be analysed and that proposal should be accepted which contains least risk and cost but maximum ROI.
 - (c) **The Investment Criteria Involved :** The amount of investment, cash flows, interest rate, tax benefits, rate of returns, cost of financing should be kept in mind as the criteria for selecting best decision after their evaluation on these points.

Section-c

14. Explain any four features of business environment. 4

OR

Explain any four features of 'Demonetization'. 4

Ans. Features of Business Environment:

- (i) **Totality of all external forces affecting a business:** It is aggregate of all forces external to the business firms.
- (ii) **Specific and general forces:** Specific forces affect individual firm directly, general forces affect indirectly.
- (iii) **Inter-relatedness:** Different elements of business environment are closely inter-related.
- (iv) **Dynamic nature:** It keeps on changing due to changes in its various components.
- (v) **Uncertainty:** It is very difficult to predict future happenings in business environment with accuracy.
- (vi) **Complexity:** It is relatively easier to understand environment in parts but difficult to grasp in totality.
- (vii) **Relativity:** It differs from country to country and region to region. (Any four)

OR

Features of Demonetisation:

- (i) **Tax administration measure:** People who have cash less the declared income could easily deposit the cash in banks but who have black money have had to declare all the unaccounted money and pay taxes as well as the penalty.
- (ii) **No tolerance for tax evasion:** Demonetisation is also interpreted as a shift on the part of the government because it is the strict measure against tax evasion and government is responsible for this so that tax evasion will no longer be tolerated or accepted.
- (iii) **Channelising savings into formal financial system:** Though people become bound to withdraw cash which has been deposited in banks, yet savings are channelised into the formal financial system because of the new deposits schemes offered by the banks to provide a base loans, at lower interest rates.
- (iv) **Creation of cash-less or cash-lite economy:** Another feature of demonetisation is to create a less-cash or cash-lite economy, i.e., channeling more savings through the formal financial system and improving tax compliance. It somewhere makes people bound to use digital modes for banking transaction in lack of cash in the economy. The various drives are also initiated by government to popularise and promote digital payments. 1×4=4

15. Kunal joined as a shop level manager in the Production department of a textile company in the year 2005. Because of his good work, he became the Deputy Production Manager of the company in the year 2010. He had status and prestige and was well-respected by all in the company. On 1st March, 2019, he was promoted as the General Manager of the company. Kunal was very happy on his promotion as now he had become what he was capable of becoming. As a good manager, Kunal decided to motivate his subordinates, after understanding the Need Hierarchy theory which is based on various assumptions. He realised that people's behaviour is based on their needs and the manager can influence the behaviour of his employees by satisfying their needs.

- (i) One of the assumptions of Need Hierarchy theory is stated in the above paragraph. State the other three assumptions of this theory.
- (ii) State the needs of Kunal which are being satisfied through promotion. 4

Ans. (a) The following are the assumptions of Maslow's Need Hierarchy theory other than the one discussed above:

- (i) People's needs are in hierarchical order, starting from basic needs to other higher level needs.

- (ii) A satisfied need can no longer motivate a person; only next higher level need can motivate him.
- (iii) A person moves to the next higher level of the hierarchy only when the lower level need is satisfied.
- (b) Needs of Kunal which are being satisfied through promotion are :
- (i) Esteem Needs which refer to the need for self respect, autonomy status, recognition and attention.
- (ii) Self actualisation needs which refer to the drive to become what one is capable of becoming. These needs include growth, self-fulfillment and achievement of include growth, self-fulfillment and achievement of goals. [CBSE Marking Scheme, 2019] 3+1=4

- * 16. 'Foods India Ltd.' is a company engaged in the production of packaged juice since 2010. Over this period, a large number of competitors have entered the market and are putting a tough challenge to 'Foods India Ltd.'. To face this challenge and to increase its market share, the company has decided to replace the old machinery with an estimated cost of ₹ 100 crore. To raise the finance, the company decided to issue 9% debentures. The Finance department of the company has estimated that the cost of issuing the 9% debentures will be ₹ 10,00,000. The company wants to meet its flotation cost.
- (i) Explain the instrument that the company may issue for this purpose.
- (ii) In which type of financial market, is the instrument explained in (i) above traded ? Also explain how safe the instruments are in this market. 4
17. * Define a 'Consumer' according to the provisions of the Consumer Protection Act, 1986. 4

19. 'Smart Stationery Ltd.' wants to raise funds of ₹ 40,00,000 for its new project. The management is considering the following mix of debt and equity to raise this amount:

| Capital Structure | Alternatives | | |
|-------------------|--------------|-----------|-----------|
| | I (₹) | II (₹) | III (₹) |
| Equity | 40,00,000 | 30,00,000 | 10,00,000 |
| Debt | 0 | 10,00,000 | 30,00,000 |

Other details are as follows:

| | |
|--|------------|
| Interest Rate on Debt | 9% |
| Face Value of Equity Shares | ₹ 100 each |
| Tax Rate | 30% |
| Earning before Interest and Tax (EBIT) | ₹ 8,00,000 |

- (i) Under which of the three alternatives will the company be able to take advantage of Trading on Equity ?
- (ii) Does Earning Per Share always rise with increase in debt ? 4

OR

State any eight reliefs available to the consumer, if the court is satisfied about the genuineness of the complaint. 4

Ans. OR

If the Consumer Court is satisfied with the genuineness of the complaint, it can issue one or more of the following directions to the aggrieved party as reliefs :
(Any eight)

- To remove the defect in goods or the 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 negligence of the opposite party.
- To pay punitive damages in appropriate circumstances.
- To discontinue the unfair/restrictive trade practice and not to repeat the same in future.
- Not to offer hazardous goods for sale.
- To withdraw hazardous goods from sale.
- To cease manufacture of hazardous goods and to desist from offering hazardous services.
- To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
- To issue corrective advertisement to neutralize the effect of a misleading advertisement.
- To pay adequate costs to the appropriate party.

[CBSE Marking Scheme, 2019] $\frac{1}{2} \times 8 = 4$

18. Explain any four factors which affect the fixation of price of a product. 4

Ans. Refer Q.14 of Delhi Set-III 2019

Ans. (i)

| | Alternative I (₹) | Alternative II (₹) | Alternative III (₹) |
|---|------------------------|---------------------------|--------------------------|
| Equity | 40,00,000 | 30,00,000 | 10,00,000 |
| 9% Debt | - | 10,00,000 | 30,00,000 |
| Capital Employed | 40,00,000 | 40,00,000 | 40,00,000 |
| Earning before Interest and Tax | 8,00,000 | 8,00,000 | 8,00,000 |
| Less: Interest @ 9% | - | (90,000) | (2,70,000) |
| Earning before Tax | 8,00,000 | 7,10,000 | 5,30,000 |
| Less: Tax @30% | (2,40,000) | (2,13,000) | (1,59,000) |
| Earnings After Tax/Profit Available to Shareholders | 5,60,000 | 4,97,000 | 3,71,000 |
| Earning Per Share | 5,60,000/40,000 = ₹ 14 | 4,97,000/30,000 = ₹ 16.57 | 3,71,000/10,000 = ₹ 37.1 |

Thus, under Alternative III, the company will be able to take advantage of Trading on Equity.

(Note : Calculation for Earning Per Share may be shown in any way)

(ii) No, earning per share does not always rise with increase in debt.

[CBSE Marking Scheme, 2019] 3+1=4

Section-D

20. Explain any five characteristics of 'Co-ordination'.

5

OR

Explain any five characteristics of 'Management'.

5

Ans. Characteristics of Co-ordination: (Any five)

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

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

1×5=5

OR

Characteristics of management: (Any five)

- (i) Goal oriented process
- (ii) Group activity
- (iii) Intangible force
- (iv) Pervasive
- (v) Multi-dimensional
- (vi) Continuous process
- (vii) Dynamic function

[CBSE Marking Scheme, 2019] 1×5=5

Detailed Answer:

Characteristics of Coordination:

- (i) **Coordination integrates group efforts:** Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to the group efforts to ensure that performance is same as it was planned and scheduled.

(ii) **Coordination ensures unity of action:** The purpose of Coordination is to secure unity of action in the realisation of a common purpose. It acts as the binding force between different departments and ensures that all actions are aimed at achieving the goals of the organisation.

(iii) **Coordination is a continuous process:** Coordination is not a one-time function but a continuous process. It begins at the planning stage and continues till controlling.

(iv) **Coordination is an all pervasive function:** Coordination is required at all levels of management due to the interdependent nature of activities of various department. It integrates the efforts of different departments and different levels.

(v) **Coordination is the responsibilities of all managers :** Coordination is the function of every manager in the organisation. Top level managers need to coordinate with their subordinates to ensure that the overall policies of the organisation are duly carried out. Middle level management coordinates with both the top level and the first line managers. Operational level management coordinates the activities of its workers to ensure that work proceeds according to the plans.

(vi) **Coordination is a deliberate function:** A manager has to coordinates the efforts of different people in a conscious and deliberate manner. Even where members of a department willingly co-operate and work, coordination gives a direction to that willing spirit. Coordination in the absence of coordination may lead to a wasted effort and Coordination without co-operation may lead to dissatisfaction among employees. (Any five)

OR

Characteristics of Management:

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

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

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

21. **Vikas was the Chief Operating Officer of 'Yalet Ltd.', a company providing advanced software solutions to Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing. Vikas was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vikas appointed a cyber security expert who monitored the company's processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of the employees.**

- (a) Identify the function of management highlighted in the above paragraph.
- (b) Explain any four other ways in which this function of management may help the organisation. 5

Ans. (a) Controlling.

[CBSE Marking scheme 2019] 1+4=5

OR

- (b) Four other ways in which controlling helps the organisation are:
- Importance of Controlling:**
- (i) **Accomplishing organisational goals:** The

controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. It, thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.

- (ii) **Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.
- (iii) **Making efficient use of resources:** By exercising control a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with the predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- (iv) **Improving employee motivation:** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to deliver better performance.
- (v) **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.
- (vi) **Facilitating co-ordination in action:** Controlling provides direction to all activities and efforts for achieving organisational goals. Each department and employee is governed by the predetermined standards which are well co-ordinated with one another. This ensures that overall organisational objectives are accomplished. (Any four)

22. 'Pushpanjali Ltd.', is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The findings of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its good quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits.

Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd.' had forgotten to take one of the most important decisions related to the product.

What decision should 'Pushpanjali Ltd.' take so that its customers are able to identify its products in the market? Explain the benefits that may result to 'Pushpanjali Ltd.' and its customers if the above decision is taken. 5

Ans. 'Pushpanjali Ltd.' must define brand name of the product so that its customers are able to identify its products in the market.

Although, branding adds to cost, e.g., to the cost of packaging, labeling, legal protection and promotions however, it provides several advantages to the sellers as well as the customers.

The benefits are:

- (i) It helps in product identification because if a customer is satisfied with the product, he need not make a close inspection every time he has to buy the product.
- (ii) It ensures quality because if there is any deviation in the quality, the customers can have recourse to the manufacture which builds up their confidence.
- (iii) It is a status symbol and the consumers of branded products feel proud of using them adding to their level of satisfaction.
- (iv) Branding helps the firm in differentiating its product from those of the competitors.
- (v) Branding helps in advertising and display programmes.
- (vi) Branding enables a firm to charge differential price for its products.
- (vii) Branding helps in introduction of a new product under the same brand name. (Any four) 1+4=5

Section-E

23. Explain the following techniques of scientific management: 6
- (i) Time study;
 - (ii) Motion study; and
 - (iii) Functional Foremanship.

OR

Explain the following principles of general management: 6

- (i) Division of work;
- (ii) Authority and Responsibility; and
- (iii) Discipline.

Ans. (i) Time Study:

Time study is a technique to determine the standard time taken by a worker of reasonable skill and efficiency to perform a well-defined job. It helps in deciding the number of workers to be employed, to frame suitable incentive schemes and determine labour costs.

(ii) Motion Study:

Motion Study is a technique to study the movements that are necessary for doing a well defined job.

It seeks to eliminate unnecessary and wasteful movements so that it takes less time to complete a job efficiency.

(iii) Functional Foremanship:

Functional foremanship is a technique which aims to improve the quality of supervision at shop floor by putting a worker under eight specialist foremen.

In this technique, planning is separated from execution. Taylor suggested four foremen for planning namely, route clerk, instruction card clerk, time and cost clerk and disciplinarian and four foremen for execution, namely, gang boss, speed boss, repair boss and inspector.

(or any other suitable explanation) 2+2+2=6

OR

(i) Division of Work:

The principle of Division of work suggests that work can be performed more efficiency if it is divided into specialised tasks.

A trained specialist who is competent, is required to perform each job leading to specialization which results in efficient and effective output.

(ii) Authority and Responsibility:

Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority.

The principle of Authority and Responsibility suggests that managers require authority commensurate with their responsibility.

An organisation should build safeguards against abuse of managerial power. At the same time, a manager should have necessary authority to carry out his responsibility.

(iii) Discipline:

It is obedience to organisational rules and employment agreement which are necessary for the working of the organization.

It requires good superiors at all levels, clear and fair agreement and judicious application of penalties.

(or any other suitable explanation)

[CBSE Marking Scheme, 2019] 2+2+2=6

24. 'E-Solutions Ltd.' started its operations in the year 2000. At the time of its inception, the company had only ten employees with two departments, a Production department and an Administration department. The products supplied and the services provided by the company started gaining popularity over the years. The management had faith in the abilities of the employees and thus they allowed them freedom of action. The management recognised that the decision-makers at different levels of the organisation need to be given more autonomy. They took a policy decision that there will be less control of superiors over subordinates. This increased the role of the subordinates in the organisation and now they were in a position to take numerous as well as important decisions. As a result, its business has diversified into many areas. Presently, it has its operations throughout the country with seven branches overseas. Its organisational structure has now changed into divisional structure and ten thousand people are working with the company.

(a) Identify the concept of management which helped the company to diversify into many areas and branches abroad.

(b) Explain five points of importance of the concept identified in (i) above. 6

Ans. (a) Decentralisation. 1

(b) Importance of Decentralisation : (Any five)

(i) Develops initiative amongst subordinates.

(ii) Develops managerial talent for the future.

(iii) Helps in quick decision making.

(iv) Gives relief to the top management.

(v) Facilitates growth.

(vi) Leads to better control.

(If an examinee has given only the headings, 1/2 mark for each heading should be awarded)

[CBSE Marking Scheme, 2019] 1×5=5

Detailed Answer:

Refer Q.18 of Delhi Set-III 2019.

25. 'Entertainment India Ltd.' has been incorporated with the objective of entertaining people by organising festivals, programmes and other similar events depicting the rich cultural heritage of the country. The company management has renowned personalities from the field of art, literature and culture. They decided to give a platform to young budding Musicians, Poets and Artists. The company decided its organisational structure by grouping similar jobs together. Thereafter, the heads of different departments were also appointed. Nisha, one of the heads, did an analysis of the number, type and qualification

necessary for people to be appointed. The information generated in the process of writing the job description and the candidate profile was used to develop 'Situations vacant' advertisement. This was published in print media and flashed in electronic media. This brought in a flood of response.

Explain the other steps which Nisha has to perform to complete the process being discussed above. 6

Ans. Other steps which Nisha has to perform to complete the process being discussed above are :

- (i) Selection
- (ii) Placement and Orientation
- (iii) Training and Development
- (iv) Performance Appraisal
- (v) Promotion and career planning
- (vi) Compensation

[CBSE Marking scheme, 2019] 1×6=6

Detailed Answer

The process of staffing is being discussed in the paragraph. The organisation has already covered estimating manpower requirements and recruitment as the first two steps of the staffing process. The remaining steps of the staffing process are:

- (i) **Selection:** Under the process of selection, most suitable best better applicants are selected out of a large number of them. It must be kept in mind that the ability of the applicant and the nature of work must match. It means that right man should be selected for the right job. This will lead to better performance on all fronts i.e., quality, quantity, time, cost etc. It includes the following steps:
 - (a) Preliminary Screening
 - (b) Selection Test
 - (c) Employment interview
 - (d) Reference and Background checks
 - (e) Selection Decision

- (f) Medical Examination
- (g) Job Offer
- (h) Contract of Employment
- (ii) **Placement and Orientation:** Placement involves putting the selected man at the right place considering his aptitude and ability. It is the actual posting of an employee to a particular job for which he/she has been chosen. Orientation is also known as induction. It means introducing the newly selected employee i.e., to various facets of the company his job, other jobs, nature of products, policies, rules and existing employees etc. It aims at inducting new employees into the organisation smoothly.
- (iii) **Training and Development:** The term training implies a systematic procedure of imparting knowledge and skills for a specific job. It benefits both the enterprise and the employee. Training increases the skills and abilities of employees to perform specific jobs. Training can be given for improving the current job or to prepare the employees for some intended jobs. The enterprise also gets the advantage of training in the form of reduction in the production cost, best usage of tools and machines and improvement in the quality, etc.
- (iv) **Performance Appraisal :** At this step, the capability of the employee is judged and for that, his actual work performance is compared with the work assigned to him. If the results are unfavourable, he is again given training and after that also if results are again unfavourable, the employee is put on some other work.
- (v) **Promotion:** It is a process through which employees get better salary, status, position, more responsibility etc. In this step, employees earn their promotion to higher posts on the basis of their performance.
- (vi) **Compensation:** The organization should have fair pay plan or wage structure and should give incentives to those who deserve it. This means that jobs must be evaluated and ranked in a manner that compensates to their contribution.

| | |
|-----------------------------|------------------------|
| Outside Delhi Set II | Code No. 66/2/2 |
|-----------------------------|------------------------|

Except these, all other questions are from Outside Delhi Set-I.

2. Differentiate between formal and informal organization on the basis of 'flow of communication'. 1

OR

Differentiate between 'Delegation and 'Decentralisation' on the basis of 'freedom of action'. 1\

Ans. In formal organization, communication takes place through the scalar chain, whereas, in informal organization, communication does not take place through a planned route, it can take place in any direction. 1

OR

Delegation involves more control by superiors leading to less freedom to take own decisions by subordinates, whereas, decentralisation involves less control by executive leading to greater freedom of action to subordinates.

[CBSE Marking Scheme, 2019] 1

3. What is meant by 'functional structure' of an organisation ? 1

OR

What is meant by accountability? 1

Ans. Functional structure is an organisational structure formed by grouping of the jobs of similar nature according to functions and organising these major functions as separate departments like production, finance etc. 1

OR

Accountability implies being answerable for the final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability. It cannot be delegated and it flows upwards.

[CBSE Marking Scheme, 2019] 1

9. Explain 'Organisation Climate' and 'Job Enrichment' as non-financial incentives. 3

Ans. Organisational Climate: It indicates the characteristics, like individual autonomy, reward orientation, consideration to employees, risk taking etc. which describe an organization and distinguish one organization from the other.

These characteristics influence the behaviour of individuals in the organization.

Job Enrichment : It is concerned with designing jobs that include greater variety of work content.

It provides the opportunity for personal growth and a meaningful work experience.

(or any other suitable explanation)

[CBSE Marking Scheme, 2019] $1\frac{1}{2} + 1\frac{1}{2} = 3$

14. Explain any four points of importance of business environment. 4

OR

* Explain any four points of impact of government policy changes on business and industry. 4

Ans. Business environment: It is the sum total of all individual, institutions and other forces that are outside the control of business enterprise but may affect its performance.

Importance:

(i) **It enables the firm to identify opportunities and getting the first mover advantages:** Analysis of business environment helps to identify opportunities i.e., positive external changes to be exploited first instead of losing them to competitors.

(ii) **It helps the firms to identify threats and early warning signals:** A study of business environment helps an enterprise to identify threats i.e., negative signals that hinders business performance and take appropriate preventive measures on time.

(iii) **It helps in tapping useful resources:** A business enterprise depends on environment as a source of input like raw materials, labour, etc. and as an

outlet for output i.e., goods, services, taxes, etc. Analysis of environment helps to get resources that it needs to be converted into outputs which an environment desires.

(iv) **It helps in coping with rapid changes:** It helps the management to become more sensitive to ever changing needs of the customers. As a result, they are able to respond to such changes effectively.

(v) **It helps in assisting in planning and policy formulation:** Environmental scanning provides the basis for deciding future course of action (planning) and guidelines for decision making (policy).

(vi) **It helps in improving performance:** The continuous monitoring of environment and adopting suitable business practices not only improve their present performance but also help them continue to succeed in the market for a longer period. (Any four)

15. State any eight responsibilities that a consumer should discharge while purchasing, using and consuming goods and services. 4

OR

What is meant by 'Consumer Protection'? State any three points of importance of consumer protection from the point of view of business. 4

Ans. Responsibilities that a consumer should discharge while purchasing, using and consuming goods and services: (Any eight)

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

(ii) Buy only standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO/FSSAI mark on food products, Hallmark on jewellery etc.

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

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

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

(vi) Be honest in your dealings. Choose only from legal source and discourage unscrupulous practices like black-marking, boarding etc.

(vii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made.

(viii) File a complaint in a appropriate consumer forum in case of a shortcoming in the quality of goods

purchased or services availed. Do not fail to take an action even when the amount involved is small.

- (ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
- (x) Respect the environment. Avoid waste, littering and contributing to pollution.

OR

Meaning of Consumer Protection:

Consumer protection means the act of providing adequate protection to consumers against the unscrupulous, exploitative and unfair trade practices of manufacturers and service providers.

Importance of consumer protection from business point of view: (Any four)

- (i) **Long term interest of the business :** In the competitive environment, the businessman can win and capture a big share in the market only through consumer satisfaction. Those who ignore the interest and satisfaction of consumers may lose their goodwill and clients.
 - (ii) **Social Responsibility:** Just like other stakeholders, towards consumers also, businessmen have got social responsibility to provide quality goods at reasonable price. Consumer protection guides businessmen to fulfil social responsibility towards consumers.
 - (iii) **Government Intervention :** If businessmen want to avoid intervention of Government then they should not involve in unfair trade practices and exploitative practices towards consumers.
20. Explain any five points of importance of management. 5

OR

Explain any five characteristics of principles of management. 5

Ans. Importance of management:

- (i) Helps in achieving group goals.
- (ii) Increases efficiency.
- (iii) Creates a dynamic organization.
- (iv) Helps in achieving personal objectives.
- (v) Helps in the development of society.

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given) 1×5=5

OR

Characteristics of principles of management :

- (i) Universal applicability.
- (ii) General guidelines.
- (iii) Formed by practice and experimentation.

- (iv) Flexible.
- (v) Mainly behavioural.
- (vi) Cause and effect relationship.
- (vii) Contingent.

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

[CBSE Marking Scheme 2019] 1×5=5

Detailed Answer:

Importance of Management: Refer Q.10 of Delhi Set-II 2019.

OR

Characteristics / Nature of Principles of Management : Refer Q.21 of Delhi Set-II 2019.

23. Explain the following principles of General management:

- (i) Unity of Command;
- (ii) Subordination of Individual to General Interest; and
- (iii) Stability of Personnel. 6

OR

Explain the following techniques of Scientific management:

- (i) Method Study;
- (ii) Fatigue Study, and
- (iii) Differential Piece-Wage System. 6

Ans. (a) Unity of Command :

The principle of unity of command states that each employee in an organisation should receive orders from one superior only and he should be responsible to only one superior.

It prevents chaos and confusion regarding tasks to be done. 2

(b) Subordination of Individual Interest to General Interest :

The principle of Subordination of Individual Interest to General Interest states that the interest of an organization should take priority over the interest of any one individual employee.

Larger interests of the workers and stakeholders are more important than the interest of any one person. 2

(c) Stability of Personnel:

Employees, once selected, should be kept at their post for a minimum fixed tenure and be given reasonable time to show results.

It will help to minimize employee turnover and maintain organisational efficiency. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organization.

(or any other suitable explanation) 2

OR

Method Study :

It is a study to find out one best way of doing the job and includes all activities from procurement of raw materials till the final product is delivered to the customer.

It helps to minimize the cost of production and maximize quality and satisfaction of the customer. 2

Fatigue Study :

Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task efficiently.

The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. 2

Differential Piece-Wage System:

Differential Piece Wage System is a technique which differentiates between efficient and less efficient workers. It rewards the efficient workers and motivates the less efficient ones to improve their efficiency.

In this plan, there are two piece rates-higher for those workers who produce the standard output or more, and lesser for those who produce less than the standard output.

(or any other suitable explanation)

[CBSE Marking Scheme 2019] 2

Outside Delhi Set III

Code No. 66/2/3

Except these, all other questions are from Outside Delhi Set-I & II. 1

Section-A

1. Differentiate between 'Authority' and 'Responsibility' on the basis of 'origin'. 1

OR

Distinguish between 'Responsibility' and 'Accountability' on the basis of 'delegation'. 1

Ans. Authority arises from formal position while responsibility arises from delegated authority. 1

OR

Responsibility cannot be entirely delegated while accountability cannot be delegated at all.

[CBSE Marking Scheme 2019] 1

2. * "Purchase goods worth ₹ 10,000 and get a discount voucher of ₹ 5000." Identify the sales promotion activity. 1

12. Explain 'Career Advancement Opportunity' and 'Job Security' as non-financial incentives. 3

Ans. **Career Advancement Opportunity :** It includes providing opportunity to employees to improve their skills and be promoted to higher level jobs. Appropriate skill development programmes and sound promotion policy will help employees to achieve promotions. 1½

Job Security : It includes providing stability to employees about future income and work so that they do not feel worried on these aspects and work with greater zeal.

(Any other suitable explanation)

[CBSE Marking Scheme 2019] 1½

14. Explain the following dimensions of business environment :

(a) Political Environment; and

(b) Social Environment. 4

OR

- * Explain the following economic reforms which had an impact on Indian Business and Industry:

(a) Liberalisation; and

(b) Globalization. 4

- Ans. (a) **Political Environment:**

Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

Political stability, thus, builds up confidence among business people to invest in the long term projects for the growth of the economy.

- (b) **Social Environment:**

Social Environment includes social forces like customs and traditions, values, social trends and society's expectations from business.

These forces present various opportunities and threats to business enterprises.

(or any other suitable explanation)

20. Explain any five points of importance of principles of management. 5

OR

Explain management as a profession. 5

Ans. Refer Q. 20 of Delhi Set-I 2019.

OR

Management as a profession:

- (i) **Well defined body of knowledge:** All professions are based on a well defined body of knowledge that can be acquired through instructions.

In management also, there is a systematic body of knowledge comprising well-defined principles based on a variety of business situation that is taught at different institutions. This feature of profession is present in management.

(ii) **Restricted entry** : The entry to profession is restricted through a prescribed qualification and an entrance exam. But there is no such restriction on anyone being appointed as a manager in any business enterprise.

So, presently this feature of profession is not present in management.

(iii) **Professional association**: Legal and medical professions are affiliated to a professional association like Bar Council and Medical Council of India which regulates entry, grants certificates of practice and formulates and enforces a code of conduct. There are several associations of practising managers in India, like the AIMA that has laid down a code of conduct to regulate the activities of their members.

There is, however, no compulsion for managers to be members of such an association.

So, presently this feature of profession is not present in management.

(iv) **Ethical code of conduct**: Legal and medical professions are bound by a code of conduct which guides the behaviour of its members. AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code.

So, presently this feature of profession is not present in management.

(v) **Service motive**: The basic motive of a profession is to serve their client's interests by rendering dedicated and committed service. The basic purpose of management is to help the organisation achieve its stated goals by providing good quality products at reasonable prices. So, presently this feature of profession is not fully present in management.

[CBSE Marking Scheme 2019] 1×5=5

23. Explain the following principles of general management:

- (a) Scalar Chain,
- (b) Equity, and
- (c) Initiative.

6

OR

Explain any three principles of scientific management.

6

Ans. (a) Scalar Chain:

Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates throughout the organisation.

The formal lines of authority from highest to lowest ranks are known as Scalar Chain.

(b) **Equity:**

Fayol advocated that there should be no discrimination against anyone on account of gender, religion, language, caste, belief, nationality etc.

This principle emphasises fair treatment, kindness and justice in the behaviour of managers towards the workers to ensure their loyalty and devotion.

(c) **Initiative :**

Principle of initiative indicates that the subordinates should be encouraged to make and execute plans within the prescribed limits of authority.

A good company should have an employee suggestion system whereby suggestions from employees which result in substantial reduction in cost or time should be rewarded.

(Any other suitable explanation) 6

[CBSE Marking Scheme, 2019] 6

OR

Three principles of scientific management are:

(i) **Science, Not Rule of Thumb**: It states that there is only one best method to maximise efficiency. This method can be developed through scientific study and analysis of each element of a job and should substitute 'Rule of Thumb'. This standard method then should be followed throughout the organisation. It means usage of logical and scientific methods for taking decisions instead of relying on instinct. According to Taylor, for every work there is only one best method of doing it which can be ascertained by logic and not with the help of hit and trial method. This helps in saving time and increasing efficiency to a large extent.

(ii) **Harmony, Not Discord** : The principle emphasises that there should be complete harmony between the management and the workers. Group action with mutual trust and understanding should be the focus of working. This principle requires that there should be complete harmony between the management and workers and both should feel that they are part of the same family. Management

should share gains of the Company if any with the workers and the workers should work hard and be willing to embrace change for the good of the company.

(iii) Development of each and every person to his or her greatest efficiency and prosperity:

This principle stands for the development of

workers through trainings in order to learn the best methods developed through the use of scientific approach. The work assigned to each person should suit his/her physical, mental and intellectual capabilities. As efficient workers produce more to earn more. This ultimately helps to attain efficiency and prosperity for both organisation and workers.

