

responsibilities.

ANSWERS

1. (d) All of these
 2. (c) Planning
 3. (a) Social environment
 4. (d) mix of centralisation and decentralisation
 5. (a) delegate
 6. (c) Directing
 7. (c) Fatigue study technique
 8. (c) Single chain
 9. (c) Share certificate
 10. (a) Coordination
 11. (b) cause and effect relationship
- Or (a) Organisational objective

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- 12. (b) (ii) (iii) (i) ①
- Or (b) rights issue ①
- 13. (c) Involves decision-making ①
- 14. (b) Reduces wasteful activities ①
- 15. (b) May not work in dynamic environment ①
- 16. (a) Setting objectives ①
- 17. (b) External ①
- 18. (b) Employment exchange ①
- 19. (d) None of these ①
- 20. (b) Promotion

21. Following are the external limitations of planning
- (i) **Unforeseen Events** Natural calamities like floods, earthquakes, etc are beyond the control of managers, that cause failure of plans.
 - (ii) **Political Outlook** Political outlook towards industries and their intervention also affects the company's plans.
 - (iii) **Environmental Changes** Changes in social, economic, legal and technological environment may affect forecasting and planning. ① × 3 = 3
22. (i) Yes, his appointment is valid, as there is no compulsion of holding a degree such as MBA, in order to become a manager.
- (ii) No, it is not necessary for all managers to be a part of a professional association, because management is not yet a full-fledged profession. 1½ × 2 = 3

Or Social environment has induced the company to diversify its range of greeting cards in India. ①

Social environment describes characteristics of the society in which the enterprise exists. It consists of traditions, customs, rituals, lifestyle, literacy rates, family structure, values, etc. The business organisations has to analyse and understand the social environment as it determines the products and services that are acceptable to society. ②

23. Factors to be considered while determining the working capital requirement are as follows
- (i) **Business Cycle** Different phases of business cycles affect the requirement of working capital by a firm. In case of a boom, the sales as well as production are likely to be larger and, therefore, larger amount of working capital is required. As against this, the requirement for working capital will be lower during the period of depression as the sales as well as production will be small.
 - (ii) **Availability of Raw Material** If raw material required is freely available, lower stock levels may be sufficient and vice-versa. Lead time, i.e. time lag between placing the order and actual receipt of material is also a major determinant. 1½ × 2 = 3
- A larger lead time will require larger amount of raw material to be stored, thus larger amount of working capital is required.

Or

Following are the objectives of SEBI

- (i) To regulate stock exchange and securities markets to promote their orderly functioning.
- (ii) To protect the rights of investors and ensuring safety to their investment.
- (iii) To prevent fraudulent activities and malpractices by balancing between self-regulation of business and its statutory regulations. ① × 3 = 3

24. According to Consumer Protection Act, 1986, these rights are as follows
- (i) **Right to Choose** A consumer has a right to choose from a wide variety of products at competitive prices. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc and allow the consumer to make a choice amongst them.
 - (ii) **Right to Consumer Education** The consumer has a right to acquire knowledge and to be a well informed consumer throughout life. Many consumer organisations and some business are actively educating consumers. He should be aware about his rights and the reliefs available to him in case of a products or service falls short of his expectations. 1½ × 2 = 3

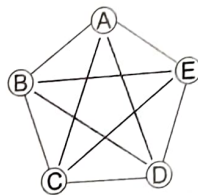
25. The concept of management discussed in the given case is decentralisation. Decentralisation of authority means systematic dispersal of authority among all departments and at all levels of management for taking decisions and actions appropriate at the respective levels. An organisation is said to be decentralised when managers at middle and lower levels have been given the authority to take decisions for their respective areas.

- Decentralisation is important because of the following reasons
- (i) **Develops Initiative among Subordinates** It helps to promote self-reliance and confidence amongst the subordinates. This is because, lower managerial levels have been given freedom to take their own decisions and they learn to depend on their own judgement.
 - (ii) **Develops Managerial Talent for the Future** Formal training along with experience of handling independent assignments helps to create a reservoir of qualified and capable managers, who can take up more challenging positions in the upcoming ventures of the organisation. (1 × 2 = 2)

26. Yes, I agree with this statement. Leadership is required in the organisation because of the following reasons

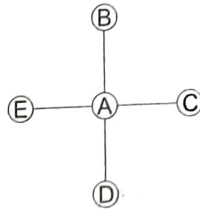
- (i) **Effective Direction** An organisation comes into existence with certain objectives. To attain the objectives, the activities of the organisation must be directed. Direction of the activities is effected through leadership. In short, effective leadership directs the activities of an organisation towards the attainment of the specified organisational goals.
- (ii) **Source of Motivation** Effective leadership motivates the subordinates to contribute their energies for the benefit of the organisation.
- (iii) **Provide Confidence** Leadership creates confidence in the subordinates by giving them proper guidance and advice. (1 × 4 = 4)
- (iv) **High Morale** Good leadership increases the morale of the employees which in turn, contributes to higher productivity.

Or (i) The network of formal communication being used by the company is free flow network. In this network, each person can communicate with others freely and therefore, communication is fast in this network.



Free flow

(ii) In the given case, company can use 'wheel network'. In this network, all subordinates working under a superior communicates through him only. The superior is at the 'hub' of the wheel, communicating with all at the same time.



Wheel Network

27. Primary market is the market where securities are being issued for the first time. Therefore, it is also known as 'New Issue Market' (NIM). Methods of floatation are as follows

- (i) **Offer through Prospectus** Under this method, the company issues a prospectus to inform and attract general public. In a prospectus, the company provides details about the purpose for which funds are being raised, past financial performance of the company, background and future prospects of the company.
- (ii) **e-IPOs** It is a new method of issuing securities through online system of stock exchange. In this, company has to appoint registered brokers for the purpose of accepting applications and placing orders. The issuer company has to apply for listing of its securities and the leading manager coordinates all the activities of these issues through various intermediaries.

- (vi) **Offer for Sale** Under this method, securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stock brokers at a fixed price.
- (vii) **Private Placement** Under this method, company sells the securities to some selected institutional investors (like UTI, LIC, etc) and some individuals. (1 × 4 = 4)
- (viii) **Scalar Chain** This principle refers to the chain of authority and communication that runs from top to bottom and should be followed by managers, supervisors and their subordinates.
- (ix) **Remuneration of Employees** According to this principle, the quantum and methods of remuneration payable to employees should be fair and reasonable.
- (x) **Equity** As per their principle, there should not be any discrimination among the employees on the basis of religion, language, caste, sex, belief or nationality.
- (xi) **Stability of Personnel** According to this principle, employee turnover should be minimised to maintain organisational efficiency. A person should be given appropriate time to prove his abilities. (1 × 4 = 4)
- (xii) Nitish is working at the top level of management. (1)
- (xiii) Others functions performed by top level management are as follows (any three)
- To analyse, evaluate and deal with the external environment.
 - To determine the objectives and policies of the business.
 - To coordinate the activities of different departments.
 - To create an organisational framework consisting of authority-responsibility relationship. (1 × 3 = 3)
- (xiv) Vestibule method of training should be imported in the given situation. (1)
- Under this method, employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environment is created in a classroom and employees use the same materials, files and equipments. This is usually done when employees are required to handle sophisticated machinery and equipment.
- Vestibule training is suitable where a large number of persons are to be trained at the same time for the same kind of work. The main emphasis is on learning rather than on production. (1)
- (xv) The employees training in an organisation is necessary due to the following reasons (any two)
- Systematic Learning** Training is systematic learning, always better than hit and trial method, which leads to reduction of wastage of efforts and money.
 - Increase in Productivity** A trained worker is more efficient in his work. He has better knowledge, skills and speed for his job. This leads to increased output which is profitable for the enterprise.
 - Fewer Accidents** Trained employees are proficient in handling machinery and equipment. Thus, less prone to accidents. (1 × 2 = 2)

Or

- Controlling is measuring and correcting the activities of subordinates to ensure that events conform to plans. It is a systematic process involving a series of steps, which are as follows
- Setting Performance Standards** The first step in the controlling process is to set the performance standards. Standards are those criteria, on which the actual performances are measured. These standards serve as a benchmark towards which an organisation strives to work.
 - Measurement of Actual Performance** After the establishment of standards, the next step is measuring the actual performance with the set standards. This can be done by opting several methods like personal observation, sample checking, performance reports, etc.
 - Comparison of Actual Performance with Standards** In this step, the actual performances are compared with the established standards. Such comparisons reveal the deviation between planned and actual results.
 - Analysing Deviations** At this stage, acceptable and non-acceptable deviations are analysed. Two methods are generally used
 - Critical Point Control** It means keeping focus on key result areas where deviations are not acceptable and they should be attended on priority basis.
 - Management by Exception** It means that if a manager tries to control everything, he may end up in controlling nothing. Thus, he should first handle the significant deviations, which require his priority. (1 × 4 = 4)

31. Price may be defined as the amount of money paid by a buyer in consideration of the purchase of a product or a service. Pricing involves determination of price of the product.

Pricing plays an important role in the marketing of goods and services. It is often used as a regulatory of product's demand. Pricing also affects the revenue and profits of a firm. (2)

The four factors which affect the price determination of a product are as follows

- (i) **Objective of Pricing** Firms may include profit maximisation, obtaining market share leadership, surviving in a competitive market and attaining product quality leadership.
- (ii) **Cost** Price charged must enable the businessman to cover his cost including a reasonable margin of profit.
- (iii) **Competition** It is necessary to take into consideration prices of the products of the competing firms prior to fixing the price. In case of cut-throat competition, it is desirable to keep the price low.
- (iv) **Demand for Product** Intensive study of demand for products and services in the market should be undertaken before price fixation. If demand is relatively more than supply, higher price can be fixed. (1 × 4 = 4)

32. The important external sources of recruitment are as follows

(i) **Direct Recruitment** Under this, a notice is placed on the notice board of the enterprise specifying the details of the jobs available. Job seekers assemble outside the premises of the organisation on a specific date and selection is done on the spot.

It is usually used to employ 'casual' or 'badli' workers, who are paid remuneration on daily wage basis. The merit of using this method is that it is inexpensive and does not involve any cost.

- (ii) **Casual Callers** Many business organisations keep a database of unsolicited applicants in their files. Such files can be recalled to fill the current vacant positions in the organisation. The major merit of using this source is that it is an inexpensive method of recruitment.
- (iii) **Advertisement** Advertising in newspapers and trade journals is a common method of encouraging people to apply for jobs. The advantage of using advertising is that it can give a lot of information about the job as well as the company. But, sometimes, it may lead to a flood of response, largely made up of applications from unsuitable candidates.
- (iv) **Employment Exchange** These are run by government and help to match personnel demand and supply by serving as a link between job seekers and employers. Since, records of these exchanges are not up-to-date, candidates referred by them may not be suitable.
- (v) **Labour Contractors** They maintain close contacts with labourers and they can provide large number of workers at short notice. A major drawback of using this source is that if there occurs a conflict with the contractor, the entire workforce quits from work.
- (vi) **Advertising on Television** Advertising through television allows enterprises to reach a large number of people, providing detailed information regarding the job as well as the company. (1 × 6 = 6)

33. (i) **Calculation of Earning Per Share (EPS)**

Particulars	I	II	III
EBIT	16,00,000	16,00,000	16,00,000
(-) Interest	-	(1,80,000)	(5,40,000)
	16,00,000	14,20,000	10,60,000
(-) Tax @ 30%	(4,80,000)	(4,26,000)	(3,18,000)
Profit after Tax	11,20,000	9,94,000	7,42,000
EPS	$\frac{11,20,000}{80,000} = ₹ 14$	$\frac{9,94,000}{60,000} = ₹ 16.57$	$\frac{7,42,000}{20,000} = ₹ 37.10$

As per above calculation, Alternative III will be beneficial for a company because of higher earning per share in this alternative. (4)

- (ii) No, earning per share only rises with increase in debt when the rate of interest on debt is lower than the return on investment. (1)

Or

Financial market plays an important role in the allocation of scarce resources in an economy by performing four important functions

- (i) **Mobilisation of Savings and Channelling Them into Most Productive Uses** A financial market facilitates the transfer of savings from savers to investors. Thus, it helps in channelling surplus funds into the most productive uses.
- (ii) **Facilitating Price Discovery** Households represent the supply of funds and the business firms represent the demand. The interaction between the demand and supply helps in the price discovery of financial asset, which is being traded in a particular market.
- (iii) **Providing Liquidity to Financial Assets** Financial market facilitates easy purchases and sale of financial assets. In doing so, they provide liquidity, which means that financial asset are easily converted into cash whenever required.
- (iv) **Reducing the Cost of Transactions** Financial markets provide a common platform where buyers and sellers meet. It helps in saving time, effort and money of the buyers and sellers at the time of trading in the market, by providing them valuable information. (1½ × 4 = 6)

34. On the basis of durability of products, consumer products are classified as follows

- (i) **Non-durable Products** The consumer products which are normally consumed in one or few uses are called non-durable products. e.g. Toothpaste, detergents, bathing soap and stationery products, etc.
- (ii) **Durable Products** Those tangible consumer products which lasts for a long period of time and survive many uses. e.g. TV, radio, refrigerator, bicycle, sewing machine and kitchen gadgets, are referred to as durable products.
- (iii) **Services** Services are intangible in form. By services, we mean those activities, benefits or satisfactions that are offered for sale. e.g. dry cleaning, watch repairs, hair cutting, postal services, services offered by a doctor and a lawyer.

Following are the important features of services

- (a) Services are intangible.
- (b) A service is inseparable from its source.
- (c) Services cannot be stored.
- (d) Services are highly variable as their type and quality depend on the person providing them. (2 × 3 = 6)

Or

A consumer should fulfil the following responsibilities, while purchasing, using and consuming goods and services

- (i) A consumer should be aware about the various goods and services available in the market, so that he can make a wise choice by comparing their features and prices.
- (ii) A consumer must always buy standardised goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, hallmark on jewellery, etc.
- (iii) A consumer must learn about the various risks associated with the use and maintenance of goods. He must follow the manufacturer's instructions carefully.
- (iv) A consumer must read the labels carefully, so as to have complete information about the price, quantity, ingredients, usage, contents, expiry data, etc.
- (v) A consumer must ensure that he gets a fair deal.
- (vi) A consumer should be honest in his dealings, choose legal goods and discourage unscrupulous practices like black marketing, hoarding, etc. (1 × 6 = 6)