

CBSE Class 12 Business Studies
Sample Paper 01 (2019-20)

Maximum Marks: 80

Time Allowed: 3 hours

General Instructions:

- i. This question-paper contains five Sections - A, B, C, D and E.
 - ii. Section - A contains questions 1 to 20 carrying one mark each. Answers to these questions may be given in one word or a sentence.
 - iii. Section - B contains questions 21 to 25 carrying three marks each, answers to these questions may be in 50 to 75 words.
 - iv. Section - C contains questions 26 to 28 carrying four marks each. Answers to these questions may be in about 120 words.
 - v. Section - D contains questions 29 to 31 carrying five marks each. Answers to these questions may be in about 150 words.
 - vi. Section - E contains questions 32 to 34 carrying six marks each. Answers to these questions may be in about 200 words.
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Section A

1. Providing facilities of Schools, creches and hospitals is the ____objective of management.
 - a. Social Objective
 - b. Organisational Objective
 - c. Personal Objective
 - d. None of these
2. Mahima Jain is the Senior Manager in the Advisory Services Department of Kodes Ltd. She regularly prepares performance reports of her subordinates as a part of the

appraisal.

Identify the step of the controlling process performed by her.

3. Management is:
 - a. A science
 - b. None of these
 - c. Both art and science
 - d. An art
4. Which concept is related to the total sale of an existing public sector undertaking to the private sector?
 - a. Denationalisation
 - b. Liberalisation
 - c. Globalisation
 - d. Disinvestment
5. Planning is an activity which enables a manager to look ahead and anticipate changes. Mention the benefit of planning highlighted here.
6. _____ is helpful in increasing the role of the subordinates in the organisation
 - a. Centralisation
 - b. None of these
 - c. Decentralisation
 - d. Delegation
7. Nisha was working as a Human Resources Manager in a famous consultancy firm, KLI Global Services. Her job included preparing job descriptions, recruitment, developing compensation and incentive plans and facilitating employees 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. Identify the concept adopted by KLI Global Services.

- a. Induction
- b. Recruitment
- c. Training
- d. Selection

8. Which of the following is a financial decision of financial management?

- a. The direction of Vaani Ltd. thinking of raising ₹ 60 lakhs for expansion of their production capacity.
- b. Nitya Ltd. plans to open a new branch in Chennai.
- c. Khank Ltd. decides to replace its old plant with a new and modern plant.
- d. Jalaj Ltd. wants to establish a new manufacturing unit in which a machinery of worth ₹ 50 lakhs is required.

9. There is one popular saying that Planning is looking _____ while controlling is looking _____

- a. Future, Present
- b. Ahead, Back
- c. Back, Ahead
- d. None of these

10. Which statement is related to principle of Division of Work?

- a. Work should be divided into small tasks
- b. Departments should be divided into subsections

- c. Resources should be divided among jobs
- d. Labour should be divided

11. Estimating Manpower Requirements include _____

- a. Financial Expenses
- b. Training Expenses
- c. Selection Expenses
- d. Number and types of persons required

12. Actual performance can be compared with standard performance through _____

- a. Staffing
- b. None of these
- c. Budget
- d. Programme

13. A fixed asset should be financed through:

- a. None of these
- b. a mix of long and short-term liabilities
- c. a long-term liability
- d. a short-term liability

14. Which of the following is a method of floatation?

- a. Private Placement
- b. All of these
- c. Offer for sale
- d. Offer through prospectus

15. To be listed on OTCEI, the minimum capital requirement for a company is:

- a. Rs. 10 crores
- b. Rs. 25 crore
- c. Rs. 5 crores
- d. Rs. 3 crores

16. A decision to acquire a new and modern plant to upgrade an old one is a _____.

- a. working capital decision
- b. investment decision
- c. financing decision
- d. dividend decision

17. Which consumer right suggests that a consumer is to be protected against goods and services hazardous to life and health?

- a. Right to choose
- b. Right to safety
- c. Right to be heard
- d. Right to be informed

18. Which of the following is not concerned with the Long term investment decision

- a. Inventory management
- b. Research and Development Programme
- c. Opening a new branch
- d. Management of fixed capital

19. State true or false:

Mr Ajit, a consumer purchased medicines without noticing the date of expiry.

Consumption of medicines caused serious injury to Ajit. Ajit filed his complaint under Consumer Protection Act. He will get the relief.

20. Mohit purchased a smartphone for ₹ 30,000 from a mobile phone seller on his verbal commitment that the smartphone will be replaced in case of any defect, within a span of six months. The phone started creating technical issues in spite of proper maintenance and upkeep of the phone. The seller denied taking any action on the complaint made by Mohit.

Name the redressal agency under the Consumer Protection Act where Mohit can file his complaint.

- a. None of these
 - b. State Commission
 - c. National Commission
 - d. District Forum
21. Joseph Bros is a firm manufacturing jute lampshades. It uses leftover jute pieces from various jute factories to manufacture economical lampshades which are supplied to various hotels in nearby towns. It employs men and women from nearby villages as workers for creating good lampshade designs.
- Joseph Bros, is not able to meet its targets. Namish, the supervisor of the company, was told to analyse the reasons for the poor performance. Namish found the following problems and suggested certain solutions in the working of the business. The number of workers employed was less than what was required for the work. As a result, the existing workers were overburdened. The firm decided to search for new workers and it asked the present employees to introduce candidates or recommend their friends and relatives to the firm. This enabled the firm to 'put people to jobs' and assured the attainment of objectives according to plans.
- a. Identify the functions of management being performed by the firm in the above situation.
 - b. Name the concept and its source used by the firm to attract more workers for the firm.

OR

Give the meaning of placement, orientation and training in the process of staffing.

22. Sunidhi has started a designer studio in the basement of her residence after completing her masters in fashion designing. She has appointed ten employees to take care of the various aspects of the work. She interacts regularly with each employee to tell exactly what is expected of him/her and what he/she needs to do to be regarded as a good performer. At the same time she allows a free work environment wherein the employees openly chit chat with each other in order to fulfil their social and emotional needs. Sometimes, these interactions also lead to spreading rumours which are not authentic.

In context of the above case:

- a. Name and explain the two types of communication being referred to in the above paragraph.
 - b. How does effective communication increases managerial efficiency?
23. ABC Ltd. is engaged in producing electricity from domestic garbage. There is almost equal division of work and responsibilities between workers and the management. The management even takes workers into confidence before taking important decisions. All the workers are satisfied as the behaviour of the management is very good.

State the principle of management described in the above paragraph.

24. "Every time I travelled, people asked me to bring them chips, khakra and pickles from all over the country," says Anoushka. Finally, she and her colleague, Sumeet, decided to make a business out of it. They launched a Facebook page, asked people what they wanted, and they came up with a list of about 100 places and tied-up with two dozen vendors to begin with. They were servicing people from Jaipur who wanted spices from Kerala, people from Panipat who wanted halwa from Jammu and people from Delhi who ordered fresh tea leaves from Darjeeling. Through their business, they wished to bridge the gap between sellers and buyers. The business is now worth millions.

Explain any two important activities that Anoushka and Sumeet will have to be

involved in for making the goods available to customers at the right place, in the right quantity and at the right time.

25. Abhishek bought a bottle of disinfectant spray from the nearby market. It had a knob which was to be opened in a particular way. However, there was no instruction on its package in this regard. Therefore, when he tried to open the knob in a casual way, some of the sprays flew in his eyes. This affected his vision.

In the context of the above case:

- a. Name the rights of the consumer being violated by the company.
 - b. State any two directions which the consumer court can issue to the company after being satisfied with the genuineness of the complaint.
26. As per the directions issued by the Supreme Court, the government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions as:
- a. Its consumption is injurious to health.
 - b. People are becoming more conscious about health and fitness.
 - c. This indicates the government's attitude towards this business.

Identify the business environment under different dimensions by quoting the lines from the above paragraph.

27. Love and Kush are two friends. Both are MBA (Final year) students. One day, their professor called them to class stage for a surprise test. He told that one of them will establish relationship between any two functions of management. Then, the other one, will establish reverse relationship between the same two functions. Both will have to give justification for the relationship explained by them. It was a test carrying 50 marks. Both the students were intelligent and skilful. Love was the first to speak. Love said that in his opinion of the two functions of management selected by him one is always looking ahead (future) and the other is looking back (past). No sooner did love express his opinion, than Kush identified the functions selected by him (Love). In his reply, Kush said that the one function stated by Love to have been looking ahead was in his opinion, looking back and the other one stated by in (Love) to have been looking back was looking ahead.

- a. Identify the functions of the management discussed in the above paragraph.
- b. Justify the contrary relations of management functions as viewed by Love and Kush.

28. A few years back, people were not in the habit of saving. Its main reason was lack of good opportunities for investment. Lack of saving and investment habit of the people had a direct effect on the economic development of the country. As a result, the pace of economic development of the country remained quite slow. When the country was grappling with the problem, a kind of market emerged that helped in establishing industries and at the same time made good opportunities for investment available. With the setting-up of such a market, people acquired the habit of affecting saving. These savings were invested. Gradually, economic development proceeded ahead. It is a kind of market that can be called as a barometer of a country's economic development. It has its own rules and bye-laws which help in its operations and also in safeguarding the interests of the investors. Moreover, it has to comply with the guidance issued by SEBI. This market operates under the supervision of a management committee.

- i. Identify the market mentioned in the above paragraph.
- ii. Explain two characteristics of the market as identified vide point (i) above.
- iii. Identify any two values that this market provides to society.

OR

The Return on Investment (ROI) of a company ranges between 10%-12% for the past three years. To finance in future fixed capital needs, it has the following option for borrowing debts.

Option A: Rate of Interest 90%

Option B: Rate of Interest 13%

Which source of debts, Option A or Option B is better? Give reason in support of your answer. Also, state the concept used in taking the decision.

29. Explain Fayol's principles of 'equity' and 'order' with examples.

OR

Explain the nature of management principles.

30. After completing a diploma in Bakery and Patisserie, Payal sets up a small outlet at Goa Airport to provide a healthy food option to the travellers. To begin with, she has decided to sell five types of patties, three types of pizzas and low sugar muffins in four flavours. Thus, by deciding in advance what to do and how to do, she is able to reduce the risk of uncertainty and avoid overlapping and wasteful activities. But sometimes her planning does not work due to some unavoidable circumstances like cancellation of flights due to bad weather conditions, government alert, etc. which adversely affects her clientele.

In the context of the above case:

- a. Identify and explain the points highlighting the importance of planning mentioned in the above paragraph.
 - b. Describe briefly the limitation of planning which adversely affects Payal's business.
31. You are the Finance Manager of a newly established manufacturing company. Explain any six factors that you will consider while determining the fixed capital requirements of the company.
32. Distinguish between centralisation and decentralisation.
33. 'The supervisor performs a very important role in an organisation by performing multiple functions'. State any six such functions.

OR

Rakesh is working under his superior, Neeraj. He always communicates useful ideas and suggestions to his superior regarding reduction of cost, improvement in the product, etc. Neeraj implements his suggestions and has always found favorable results, but he never appreciates Rakesh for his suggestions. Rakesh decided not to communicate any suggestion or idea to Neeraj. Identify the factor which acts as a communication barrier. Explain three other factors of the same group of communication barriers.

34. Mediquip Ltd. is a company dealing in distribution of medical equipments. The

company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones.

In the meeting, Sandeep, the North Zone Marketing Head, suggested that since the machines were sophisticated they need to visit hospitals personally, to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same.

Himanshu, another Zonal Head, added that since lot of money had been spent on the import of the machines, the company was short of funds to pay to the additional staff as suggested by Sandeep.

Rahul, a newly appointed Zonal Head of South Zone suggested that since the size of the order is not large, a detailed study of the factors determining the choice of channels of distribution is required before making the right choice.

- a. Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.
- b. Also, explain briefly the other consideration to be taken care of in each factor identified in part (a).

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Solution

Section A

1. (a) Social Objective

Explanation: Providing facilities of Schools, creches and hospitals is the social objective of management. As far as organisational objective is concerned, it includes economic objectives of an organisation such as - Survival, Profit and Growth. On the other hand personal objective includes financial (salaries and perks) and non financial incentives (peer recognition and higher level needs) to an employee.

2. Measurement of actual performance

3. (c) Both art and science

Explanation: Because it has features of both science and art .It is pure art but not pure science.

4. (a) Denationalisation

Explanation: Denationalisation

5. **Planning reduces the risk of uncertainties.**

Because plans are made for future. Different resources are kept aside to reduce the risk of uncertainty.

6. (c) Decentralisation

Explanation: Decentralisation refers to distribution of power and authority at every level of management. Thus it increases the role of subordinates and provides them more autonomy.

7. (c) Training

Explanation: Training

8. (a) The direction of Vaani Ltd. thinking of raising ₹ 60 lakhs for expansion of their production capacity.

Explanation: The direction of Vaani Ltd. thinking of raising ₹ 60 lakhs for expansion of their production capacity.

9. (b) Ahead, Back

Explanation: Managing any task or job starts with planning the task that is looking ahead or forward. When management of the task has to be effective and efficient it has to be audited or controlled by looking back or taking a check of how the task has been conducted or performed. Thus, delivering the task effectively and also enhancing the performance.

10. (a) Work should be divided into small tasks

Explanation: Division of work suggests that :

- Work should be divided into small tasks/jobs.
- A trained specialist who is competent is required to perform each job.
- Thus, division of work leads to specialisation.

11. (d) Number and types of persons required

Explanation: Estimating manpower requirement means finding out number and type of employees. Type here means qualification and educational background of people to be recruited.

12. (c) Budget

Explanation: Budgets are the statement of expected result expressed in numerical terms. The standards are compared with actual performances and if there is some deviations, these should be taken care of.

13. (c) a long-term liability

Explanation: Fixed assets remains in the business for more than one year. Decision to invest in fixed assets are irrevocable. Therefore these assets should be financed by Fixed Capital. These decisions are called capital budgeting decisions. Management of fixed capital involves allocation of firm's capital to different long term assets.

14. (b) All of these

Explanation: There are various methods of floating new issues in the primary market:

(i) Offer Through Prospectus This involves inviting subscription from the public through issue of prospectus.

(ii) Offer for Sale Under this method securities are not issued directly to the public but offered for sale through intermediaries like issuing houses or stock brokers.

(iii) Private Placement Private placement is the allotment of securities by a company

to institutional investors and some selected individuals.

(iv) Rights Issue This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company.

(v) e-IPOs A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange.

15. (d) Rs. 3 crores

Explanation: The minimum capital requirement for a company to be listed on the OTCEI is Rs 3 crores and the maximum is Rs 50 crores.

16. (b) investment decision

Explanation: investment decision

17. (b) Right to safety

Explanation: Right to safety

18. (a) Inventory management

Explanation: Long term investment decisions are also called capital budgeting decisions which include purchase of land and building, plant and machinery, change of technology, research and development and expenditure of advertising campaign etc. Inventory management comes under working capital management decisions.

19. False

20. (a) None of these

Explanation: None of these

21. 1. Staffing and Controlling are the functions of management being performed by the firm in the above situation.

2. The concept and its source used by the firm to attract more workers for the firm is Recruitment, External Source of Recruitment (Recommendations of employees)

OR

Placement: Placement means placing the right candidate in the right job for which he is selected. It is an important element of Staffing. Placement must ensure that the qualifications and qualities of the candidate must match with the job requirements.

Orientation: Orientation refers to the process of introducing new employees to the

organization. When a new employee is placed in an organization, he is given a brief presentation about the company and is introduced to his superiors, subordinates and colleagues. He gets a brief introduction about the company, his job, other jobs, rules & regulations, policies and products of the company. It helps in inducing a new employee into the enterprise smoothly. It makes the employee comfortable with the working of the organization. Orientation bridges the gap between the existing and the newly recruited employees.

Training: To improve the job knowledge and competence of employees it is necessary to provide them training so that they can perform their jobs efficiently. Training helps employees to acquire more knowledge, sharpen the needed skills, attitudes and values associated with their jobs. After training, employees feel motivated and perform better and thus, contribute more to organizational effectiveness and efficiency. An organization may provide formal or informal training to its employees. A diamond is just like a piece of stone before it is cut, cleared, sharpened, and polished. Similarly, a newly recruited employee is unaware of the working procedures of the organization, policies and job techniques, therefore, through training, the employee is polished and becomes compatible with the organization.

22. a. The two types of communication being referred to in the above paragraph are formal communication and informal communication.
- i. **Formal communication:** Formal communication refers to the interchange of information officially. The flow of communication is controlled and is a deliberate effort. This makes it possible for the information to reach the desired place without any hindrance, at a little cost and in a proper way. This is also known as 'Through Proper Channel Communication.'
 - ii. **Informal communication:** Informal communication is casual communication between coworkers in the workplace. It is unofficial in nature and is based in the informal, social relationships that are formed in a workplace outside of the normal hierarchy of business structure. That is why informal business communication can take place between the CEO and an hourly worker. This type of communication is important in the workplace as it can help with employee morale and can encourage the feeling of belonging for the employees as well as a client or customer.
- b. Effective communication increases managerial efficiency by lubricating the

working of the entire organisation through a quick and effective performance of managerial functions. It enables the management to express the goals and targets, issue instructions, allocate jobs and responsibilities and look after the performance of subordinates.

23. The principle of management described in the above paragraph is Co-operation, not Individualism. It states that there should be complete co-operation between the labour and the management. Competition should be replaced by co-operation.
24. Anoushka and Sumeet need to perform the activities involved in the physical distribution of goods. Two such activities are explained below:
 - a. **Transportation:** Transportation is a major contributor to the economy and a competitive force in business. It is the activity that physically connects the business to its supply chain partners, such as suppliers and customers, and is a major influence on the customer's satisfaction with the company. It creates place utility by facilitating the movement of goods from the place of production to the place of distribution. In the absence of efficient, reliable and cost-effective transportation, facility marketing of goods is difficult.
 - b. **Warehousing:** Warehousing is the act of storing goods that will be sold or distributed later. While a small, home-based business might be warehousing products in a spare room, basement, or garage, larger businesses typically own or rent space in a building that is specifically designed for storage. It creates time utility by providing for the storage of goods from the time they are produced until the time they are sold. Every marketer needs to take this decision wisely in order to create a balance between the level of customer service and the cost of warehousing.
25.
 - a. The two rights of consumer being violated in the above case are Right to information(According to the Consumer Protection Act 1986, the consumer right is referred to as rights to the consumers to be informed about the quality, quantity, potency, standard and price of goods or services so as to be protected against unfair trade practices.) and Right to safety (According to the Consumer Protection Act 1986, the consumer right is referred to as 'right to be protected against marketing of goods and services which are hazardous to life and property').
 - b. The two directions which the consumer court can issue to the company after being

satisfied with the genuineness of the complaint are as follows:

- i. Not to offer hazardous goods for sale.
- ii. To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the marketer.

26. The various dimensions of the business environment being referred to in the above case are as follows:

- a. Legal Environment: The line is "As per the directions issued by the Supreme Court, the government passed an order to ban the sale of tobacco products within the area of 200 meters of all educational institutions"
- b. Political Environment: The line is "This indicates the government's attitude towards this business"
- c. Social Environment: The line is "Its consumption is injurious to health and people are becoming more conscious about health and fitness".

27. a. Planning and Controlling are the functions of the management discussed in the above paragraph. Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is an **intellectual process** which **lays down organisation's objectives and develops various courses of action**, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal. Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.

- b. i. Love's reply and relations between the functions of management. Planning is Looking Ahead whereas Controlling is Looking Back: Plans are always formulated for future and determine the future course of action for the achievement of set objectives. On the contrary, controlling is looking back because under it a manager tries to find out after the completion of the work, whether it has been done as per the standard or not. It is thus obvious that

planning looks ahead (in the future) and controlling looks backward (in the past).

- ii. Kush's reply and relationship between the functions of management. Planning is Looking back whereas Controlling is Looking ahead: Kush's reply and relations between the functions of management. Planning is called looking back because the plans are formulated on the basis of the happening in the past or on the basis of experience. On the other hand, controlling evaluates the work done in the past but the corrective measures are taken in future. Thus, there is no denying the fact that planning looks backward while controlling looks ahead.

28. i. Share Market/Stock Exchange.

ii. Characteristics of Stock Exchange:

- a. **Organised Market:** Stock exchange is an organised market. Every stock exchange has a management committee, which has all the rights to management and control of the exchange. All the transactions taking place in the stock exchange are done as per the prescribed procedure under the guidance of the management committee.
- b. **Necessary to Obey the Rules and Bye-laws:** While transacting in the stock exchange, it is necessary to obey the rules and bye-laws determined by the stock exchange.
- c. **Values:**
 - Saving Habits
 - Economic Development

OR

Out of the two available sources of debt according to me, Option A is better as the cost of debt is less than the return on Investment which is the prerequisite to maximizing returns to the shareholders/trading on equity. Since the rate of Interest is 9%. Whereas the Return on Investment (ROI) of a company ranges between 10%-12% for the past three years.

This decision is based on the concept of Trading on Equity. Trading on Equity refers to the increase in the earnings per share by employing the sources of finance carrying a fixed financial charge like debentures (interest is paid at a fixed rate or preference

shares (dividend is paid at a fixed). Trading on equity is the financial process of using debt to produce gain for the residual owners. The practice is known as trading on equity because it is the equity shareholders who have only interest (or equity) in the business income. When the amount of borrowing is relatively large in relation to capital stock, a company is said to be 'trading on this equity' but where borrowing is comparatively small in relation to capital stock, the company is said to be trading on thick equity.

The two conditions necessary for taking advantage of trading on equity are :

- a. The rate of return on investment should be more than the rate of interest.
- b. The amount of interest paid should be tax-deductible.

29. i. **Equity** The principle of equity implies a sense of fairness and justice for all workers working in an organization. Observance of equity alone would make workers loyal and devoted to the organization. Equity does not mean equal salary to a peon and supervisor But equity means the application of the same disciplinary rules, leave rules, etc irrespective of their grade, position, and gender, language, religion or nationality, etc. for instance, a male and female working at the same level in an organization are getting different salary, then this is the violation of the principle of equity.
- ii. **Order** According to Fayol, 'People and material must be in a suitable place at an appropriate time for maximum efficiency' This principle states that there should be a place for everything and everyone in an organization and that thing or person should be found at its allotted place This will lead to increased productivity and efficiency as it saves the time and specifically the wastage of time. For example, raw material should be available at the place prescribed for it so that the workers must not waste their time and remain focused on the production activities. This makes the organization productive as a whole.

OR

Nature of management principles can be described as follows:

- i. **Universal Applicability:** The principles of management are pervasive in nature. They can be applied in any type of organisation irrespective of the nature of the

organisation.

- ii. General Guidelines: They are only guidelines for action and don't provide a direct or readymade solution for a managerial problem. They have to be modified as per the requirement of the situation.
 - iii. Formed by practice and experimentation: The principles of management have been developed through experimentation as well as the experience and wisdom of managers. This is the reason why they are more practical in nature.
 - iv. Flexible: They are flexible i.e. they can be modified by the managers according to a given situation. It also exhibits the ability of the manager to adapt to a particular situation quickly.
 - v. Mainly behavioural: They are mainly behavioural in nature since they are devised to influence human behaviour.
 - vi. Cause and effect relationship: The principles of management establish a relationship between cause and effect. They guide us as to what would be the effect if a particular principle were to be applied in a given situation. The situation is the real cause of application of the principle.
 - vii. Contingent: The use of principles of management is contingent or dependent upon the prevailing conditions. Therefore, they are subjective in nature.
30. a. The points highlighting the importance of planning mentioned in the above paragraph are described below:
- i. **Reduces the risk of uncertainty:** Planning relates to deciding in advance about the tasks to be performed in the future. This enables a manager to anticipate changes and devise the ways to deal with changes and uncertain events effectively.
 - ii. **Avoiding overlapping and wasteful activities:** Planning ensures clarity in thought and action and serves as the basis of coordinating the activities and efforts of different individuals and departments. Therefore, by curtailing useless and redundant activities, it helps in the smooth working of the organization's work without interruptions. Moreover, it makes detection of inefficiencies easier so that timely corrective measures may be taken to avoid them in the future.
- b. The limitation of planning which adversely affects Payal's business is 'Planning may not work in a dynamic environment'. The business environment is dynamic

in nature. Every organization has to constantly adapt itself to changes in its environment in order to survive and grow. However, it difficult to anticipate all the likely future changes in the environment with the utmost accuracy. Hence, even with planning, everything cannot be foreseen.

31. The Finance Manager of a manufacturing company considers the following points while determining the fixed capital requirements of the company

- i. **Type of business:** The amount of fixed capital required by a company depends, to a large extent, on the type of business that it deals in.
Service or trading organizations → Small fixed capital requirement
Manufacturing organizations → Large fixed capital requirement
- ii. **Scale of operations:** The Higher scale of operations implies that a larger amount needs to be invested in plants, land, building, etc., and thereby it requires large fixed capital and vice versa.
- iii. **Alternative techniques of production:** An organization can opt for either capital-intensive techniques or labour-intensive techniques of production.
Capital-intensive techniques → Large fixed capital requirement
Labour-intensive techniques → Small fixed capital requirement
- iv. **Growth prospects:** Higher growth and expansion of a company is associated with higher production, more sales, more inputs, etc.
High growth prospects→ Large fixed capital requirement
Low growth prospects→ Low fixed capital requirement
- v. **Regular up-gradation of technology:** Organisations having machinery or types of equipment that are prone to becoming obsolete frequently require higher investment in fixed capital. This is because regular replacement of obsolete equipment requires a large investment in fixed capital.
- vi. **Available alternatives for financing:** One of the alternatives for financing can be obtaining the assets on lease.
Easy availability of leasing facility → Low fixed capital requirement
Difficulty in obtaining assets on lease → High fixed capital requirement

32.

| Basis | Decentralization | Centralization |
|-------|------------------|--|
| | | Centralization is a process of decision- |

| | | |
|----------------------|---|--|
| Concept | Decentralization is a process of sharing of decision-making power by the superiors with their subordinates. | making where the decision-making power is vested exclusively with the top-level management. |
| Level of authority | Authority is delegated in a significant manner at all levels of management. | Authority with middle and lower level is very low and maximum with top management. In other words, there is no sharing of authority. |
| Suitability | Suitable for large organizations in order to relax the top-level managers | Suitable for small enterprises, where the top-level managers can carry out the decision-making process comfortably of their own. |
| Role of subordinates | Subordinates play an important role. | Role of subordinates is nominal. |
| Decision making | Top management provides full freedom to subordinates to take decisions. | Subordinates are not free to make decisions. Approval is required from top management. |

33. The supervision means instructing, guiding, monitoring and observing the employees while they are performing jobs in the organisation. The word supervision is the combination of two words, i.e., supervision where super means over and above and vision means seeing. Supervision means overseeing what is being done by subordinates and giving instructions to ensure proper utilisation of resources and achievement of work targets.

A supervisor is a person, who is primarily in charge of a section and employees or is responsible for both the quantity and quality of production.

The functions of supervision are as follows:

- i. **Providing guidance and leadership:** The supervisor leads the workers of his department. He fixes production targets for them and provides them the necessary guidance for doing the work assigned to them. He provides on-the-job training to the workers working under him.

- ii. **Motivation:** The supervisor motivates his subordinates by providing financial and non-financial incentives. He inspires them for higher quality and productivity.
- iii. **Preserving records:** The supervisor keeps records of output and other related aspects of each employee. He sends the necessary information to the top management.
- iv. **Controlling output:** The supervisor controls the performance of the workers by comparing their performance with the standards. He also takes necessary action to ensure that production is done according to the predetermined standards.
- v. **Grievance handling:** A supervisor is in direct touch with the workers, so he can handle their grievances effectively. He should maintain good relations with the workers so that the workers come to him if they have any grievance. When a grievance is reported, he should try to remove it. But, if he can not redress the grievance, he should report it to the upper-level management.
- vi. **Liaison between management and workers:** The supervisor is an important link between the management and the workers. He explains management policies to the workers and also passes on the management's instructions to the workers. He has a close contact with the workers and tries to understand their problems. He brings worker's problems to the notice of the top management.

OR

“Lack of proper incentives” acts as a communication barrier in case of Rakesh. Three other Personal barriers are:

1. **Less faith in subordinates:** Often, the superiors have a lack of confidence in the subordinates and, therefore, doubt on their capacity to provide relevant information. They deliberately ignore the suggestions and recommendations from the subordinates and discourages them to further communicate. This lowers the morale of the employees and hinders the communication process.
2. **Fear of challenge of Authority:** There is a fear in the minds of the superiors that if they will not perform in line with their authority, they will be demoted to the lower levels. And, thus in order to maintain their level they intentionally hide their weaknesses by not communicating their ideas to others.
3. **Unwillingness to communicate with the Superiors:** Often the subordinates do not communicate with their superiors with an intention to conceal the information which

is of a negative nature and can have an adverse effect. If the subordinate is required to inform his superior then, he modifies the information in such a way that it does not have a negative impact. Thus, by not providing the information in its actual form, the communication process is tempered.

34. a. The factors influencing the choice of channels of distribution which were discussed in the meeting are listed below:
- i. Product related factors
 - ii. Market related factors
 - iii. Company related factors
- b. The other considerations to be taken care of in each of these factors is explained below:
- I. The market related factors:**
- i. Geographical concentration of potential buyers: If the potential buyers for the firm's product are geographically concentrated at a few specific places, it is advisable for the marketer to adopt direct channels of distribution. And if the market for the product is widely scattered, indirect channels of distribution will be more effective.
 - ii. Size of market: If the size of the target market is small, it is advisable that the marketer adopts methods of direct channels of distribution like online selling, mail order house, personal selling etc. wherein there are no intermediaries between the manufacturer and the consumers. However, if the marketer intends to target larger markets he should adopt indirect channels of distribution (one level two level or three level) by using intermediaries like wholesalers, retailers etc.
- II. Product related factors**
- i. Nature of product: Considering the technical nature of the industrial products they require short channels i.e., direct channel or involving few middlemen. Moreover, they are made to order and expensive products purchased by selective buyers. Whereas the consumer products, being standardised, less expensive, less bulky, non-technical can be better distributed by long network of channels, involving many middlemen. Moreover they are purchased frequently.
 - ii. Type of product: If the product under consideration is perishable like fruits,

vegetables, and dairy products short channels should be adopted in order to preserve their quality. Whereas non-perishable products like toiletry products (e.g., shampoo, toothbrush, deodorants etc.), groceries (cooking oil, pulses etc.), fabrics can be best marketed through longer channels so as to reach wide spread consumers.

- iii. Unit value of the product: If the unit value of a product is low as in case of most convenience products, long channels are considered more appropriate whereas products of high value should be sold through shorter channels.

III. Company related factors

If a company desires to have direct and close control over production and selling activities, direct channels are preferred and vice-versa. Short channels may be used if the management of the firm desires to have greater control on the channel members, but if the management does not plan to exercise strict control over the middlemen indirect channels or large number of intermediaries may be opted for.