

CBSE Class 12 Business Studies
Sample Paper 02 (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. Which of the following is not included in Top Level Management?
 - a. Accountant
 - b. Managing Director
 - c. Chief Executive
 - d. Board of Directors
2. Mr. Sunil Parik has completed the M.B.A. course recently. Presently he holds the position of Production Manager in **Paras Limited**. He has planned to accomplish successfully all the functions of his department. Big tasks were divided into small

activities. Competent persons were appointed to carry out each small activity. Mr. Parik also guided his subordinates from time to time. Despite doing all this, his department did not reach the expected level of performance. He was worried about the performance of his department. After due consideration, he concluded that it was all because of his own shortcomings. He never bothered to ensure whether the work was being done according to his plans. This negligence on his part put the company in a difficult situation.

Study the above-mentioned case and identify which function of the management has been neglected?

3. Management is a _____Activity.
 - a. Individual
 - b. Group
 - c. Accounting
 - d. Supervisor Level
4. Liberalisation means
 - a. Integration among economies
 - b. Reduced government controls and restrictions
 - c. None of them
 - d. Policy of planned disinvestments
5. Planning ensures clarity in thoughts and actions, work is carried on smoothly without interruptions. Which importance of planning is mentioned here?
6. For delegation to be effective it is essential that responsibility be accompanied with necessary
 - a. Incentives
 - b. Authority

c. Manpower

d. Promotions

7. Which of the following is an advantage of training for the employees?

a. Good career prospects

b. High morale of the employees

c. All of these

d. Safety of employees

8. Financial leverage is called favourable if:

a. If the degree of existing financial leverage is low

b. Return on Investment is lower than the cost of debt

c. ROI is higher than the cost of debt

d. Debt is easily available

9. Setting a standard time, say, 6 hours to perform a task is an example of _____

a. None of these

b. Qualitative Standards

c. Qualitative and Quantitative Standards

d. Quantitative Standards

10. _____ is a technique to study the movements that are necessary for doing a well-defined job.

a. Method Study

b. Motion Study

c. Fatigue Study

d. Time Study

11. Recruitment is a _____

a. Positive process

b. Day-to-day Process

c. None of these

d. Negative Process

12. What is the last step in planning process?

a. Follow up action

b. Developing premises

c. Setting objectives

d. None of these

13. Which of the following is not concerned with Long-term Investment decision?

a. Purchase of fixed asset

b. Advertisement campaign

c. Launching a new product line

d. Day to day working

14. Only institutional investors can participate in _____.

a. Money Market

b. Capital Market

c. Foreign Market

d. Loan Market

15. Money market deals in _____

a. Long term Securities

b. Short term Securities

- c. None of these
- d. Medium-term securities

16. Portion of profit after tax, which is distributed to shareholders is a__

- a. None of these
- b. Dividend Decision
- c. Financing Decision
- d. Investment Decision

17. _____A standardised mark is printed on jewellery

- a. ISO 2009
- b. ISI
- c. Hallmark
- d. Agmark

18. Companies with a higher growth pattern are likely to:

- a. dividends are not affected by growth considerations
- b. pay lower dividends
- c. pay higher dividends
- d. none of the above

19. State true or false:

Ms. Chhavi, a consumer purchased a pressure cooker. She did not obtain the cash memo. The use of a pressure cooker caused serious injury to Chhavi. She filed her complaint. She will not get the desired relief.

20. Which act provides safeguards and reliefs to the buyers of the goods in case the goods purchased do not match with express or implied conditions or warranties?

- a. The Indian Contract Act,1872

- b. Consumer protection Act, 1986
- c. Sale of goods Act, 1930
- d. None of these

21. Employees of a company working at all posts have been told about the relations among them in very clear terms. All of them know from whom to receive orders and to whom they are to report. HR Manager of the company interviewed MBA students of a management institute. He selected five of them. They were asked to join the company immediately. They did so. On joining the company, they were introduced to their superiors and subordinates. Objectives and policies of the company were also brought to their notice in a clear and distinct manner.

In the above paragraph, mention has been made of the two concepts of management. Identify the same by quoting the lines.

OR

Why is staffing considered as an important function of management in all types of organisations? State any three reasons.

22. Explain briefly any three functions performed by a supervisor.
23. After finishing her BBA degree course, Tanya gets a job of Assistant Manager in a retail company through the reference of her cousin Taruna who works in the same company as a Senior Manager. Taruna decides to guide Tanya through her experience by making her aware of the important facts about management in practice. She tells her that neither the principles of management provide any readymade, straitjacket solutions to all managerial problems nor they are not rigid prescriptions, which have to be followed absolutely.

In context of the above case:

- a. Identify the two features of principles of management mentioned in the above paragraph by quoting lines from the paragraph.
- b. Why do the principles of management not provide readymade, straitjacket solutions to all managerial problems?

24. Traditional trade or kirana stores constitute 90% of the FMCG (fast-moving consumer

goods) business in India. HUL is the market leader in FMCG with over 60 lakh outlets. According to industry estimates, Patanjali products are currently available in two lakh traditional retail outlets. 'Availability of the product' is the single largest driver of FMCG sales. A shopper research suggests that 30%-40% consumers shift preference if their favourite brand is not available at the store.

In the context of above case:

- a. Identify the component of marketing mix being discussed in the above lines.
- b. State the two main decisions related to the concept identified in part (a).
- c. Name the type of channel of distribution adopted by HUL.

25. Himanshu purchased a new car from 'Galaxy Motors' for Rs.25 lakhs. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5,000 km, 10,000 km and 15,000 km respectively. When Himanshu took the car for the first free servicing, he was told that the car was not new and first service had already been availed on this car. He felt cheated and filled a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file and appeal against it.

Can Himanshu appeal against the decision of the State Commission? Give reason in support of your answer.

26. Narendrachal Networks and Technologies Ltd. is a leader in technology innovation in U.S.A. creating products and solutions for a connected world. It has a large Research and Development team which invented the first smartwatch W-I, which besides showing the time would also monitor few health parameters like heartbeat, blood pressure, etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth.

The company decided to take advantage of the fact that licensing requirements had been abolished. The company was also aware that there had been increased level of interaction and interdependence among the various nations of the world and India could be made a base for its international trade. It set up its office in Gujarat with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefitting the

customers.

- i. In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain those concepts.
- ii. Also, explain briefly any three impacts of these concepts on Indian business and industry.

27. Modi Limited is engaged in manufacturing machine components. The target of production is 250 units per day per worker. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies between 200-210 units per worker.
- a. Name the function of management and identify the step in the process of this function which helped in finding out that the actual production of a worker is less than the set target.
 - b. To complete the process of the function identified in (a) and to ensure the performance s per set targets, explain what further steps a manager has to take.
28. The electronic book-entry form of holding and transferring securities has eliminated the problems of theft and forgery. Discuss the concept indicated in the given statement.

OR

Manoj is a renowned businessman involved in export business of leather goods. As a responsible citizen, he chooses to use jute bags for packaging instead of plastic bags. Moreover, on the advice of his friends, he decides to use jute for manufacturing aesthetic handicrafts, keeping in view the growing demand for natural goods. In order to implement his plan, after conducting a feasibility study, he decides to set up a separate manufacturing unit for producing varied jute products.

In the context of the above case:

- a. Identify the type of investment decision taken by Manoj by deciding to set up a separate manufacturing unit for producing jute products.
 - b. State any two factors that he is likely to consider while taking this decision.
29. Explain the following principles of Fayol with the help of one example for each:

- i. Scalar chain
- ii. Stability of tenure of personnel

OR

Explain any two principles of Taylor's scientific management.

30. In 2015, Naveen left his luxurious life in Mumbai, where he worked as a manager for Blue Birds Ltd. He shifted to Begampur, Chhattisgarh to fulfil his grandmother's dream of converting their 25-acre ancestral land into a fertile farm. For this, he set out specific goals along with the activities to be performed to achieve the goals. Every activity was a challenge since he was clueless about farming. He learnt every activity from filling the land to sowing the seeds. To aid farmers he launched his own company 'Innovative Agriculture Solutions Pvt. Ltd'.

It was difficult initially as no one trusted an urban youth telling farmers about farming. But when everything was discussed in detail the farmers started taking interest. He wanted to ensure that future events meet effectively the best interests of the company. Through sales forecasting, he prepared an annual plan for production and sales.

He also found that the farmers grew the only paddy, which was an activity of 3-4 months and the land remained idle for the rest 8-9 months of the year. He not only identified but evaluated various alternatives through which the farms could be utilised for the remaining months of the year. Through correct foresight and logical and systematic thinking based on analysis of all facts, all alternatives were examined and evaluated. He presented a plan to the farmers, where after harvesting paddy, vegetables could be grown.

The above case highlights the features of one of the functions of management. By quoting lines from the above identify and explain these features.

31. Arun is a successful businessman in the paper industry. During his recent visit to his friend's place in Mysore, he was fascinated by the exclusive variety of incense sticks available there. His friend tells him that the Mysore region is known as a pioneer in the activity of Agarbathi manufacturing because it has a natural reserve of forest products especially Sandalwood to provide for the base material used in production. Moreover, the suppliers of other types of raw material needed for production follow a

liberal credit policy and the time required to manufacture incense sticks is relatively less. Considering the various factors, Arun decides to venture into this line of business by setting up a manufacturing unit in Mysore.

in the context of the above case:

- a. Identify and explain the type of financial decision taken by Arun.
- b. Identify the three factors mentioned in the paragraph which are likely to affect the working capital requirements of his business.

32. What is meant by “Functional Structure” of an organisation? State any five advantages of this form of organizational structure.

33. What are the various types of leadership style? Explain.

OR

What is meant by communication? Explain how communication is an important function of management.

34. Rupali intends to start an enterprise that produces chocolates. Initially, in order to assess the taste and preferences of the people about the chocolates. She used social media and online surveys. Thereafter, she prepared a detailed SWOT (strengths, weaknesses, opportunities and threats) analysis of her enterprise to devise a strategy that will give her an edge over the competitors. Based on her analysis of the market, she decided to launch sesame and jaggery based chocolates under the brand name 'Desi Delight'. She has decided to fix up the price of chocolates relatively at lower level in the beginning and later on as the demand picks up she may revise the prices.

In the context of above case:

- a. Identify the elements of marketing mix being taken into consideration by Rupali.
- b. Explain briefly the functions of marketing highlighted here.
- c. Do you think she has selected an appropriate brand name for her product? Why or why not? Give a reason for your answer.

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Solution

Section A

1. (a) Accountant

Explanation: Top level management consists of the senior-most executives of the organisation. They are usually referred to as the Chairman, Board of Directors, Managing Directors, Chief Executive Officer, Chief Operating Officer, President and Vice-President etc. They are responsible for all the activities of the business and for its impact on society. Accountant is not a position of senior most executive in an organisation.

2. Controlling

3. (b) Group

Explanation: Management is a group activity because 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 effort in a common direction. At the same time management should enable all its members to grow and develop as needs and opportunities change.

4. (b) Reduced government controls and restrictions

Explanation: Liberation refers to removing licence, quota, permits and other restrictions and controls. Liberalization reduces the control of government and encourages private participation

5. Planning reduces overlapping and wasteful activities.

Because plans provide the future course of action and all the employees follow that course of action. It leads coordination and integrity of actions. Thus planning reduces overlapping and wasteful activities.

6. (b) Authority

Explanation: For delegation to be effective, authority granted must be equal to the assigned responsibility. If authority is more than responsibility then it may lead to misuse of authority and If responsibility is more than authority then the work will not be done effectively.

7. (c) All of these

Explanation: All of these

8. (c) ROI is higher than the cost of debt

Explanation: Financial leverage is the degree to which a company uses fixed-income securities such as debt. Therefore, financial leverage is favorable when the uses to which debt can be put generate returns (ROI) greater than the interest expense associated with the debt (Cost of Debt).

9. (d) Quantitative Standards

Explanation: Setting standard can be qualitative and quantitative or both.

Quantitative standards are the benchmarks that are laid in measurable terms. Thus, assigning a specific time schedule to execute a task is measurable making it a quantitative standard.

10. (b) Motion Study

Explanation: Motion Study

11. (a) Positive process

Explanation: Recruitment is the process of identifying the sources for prospective candidates to stimulate them to apply for the jobs in the organisation and there is no rejection in this process.

12. (a) Follow up action

Explanation: Planning is a continuous process. It starts with setting the objectives and then putting them into action. One can ensure the proper implementation of plans with proper monitoring by comparing the actual results with expected. Thus it is the last step of planning process.

13. (d) Day to day working

Explanation: Investment decision relates to how the firm's funds are invested in different assets. The firm invests its funds in acquiring fixed assets as well as current assets. When decisions are taken regarding fixed assets then it is called capital budgeting decisions.

14. (a) Money Market

Explanation: Only institutional investors can participate in money market. The money market consists of financial institutions and dealers in money or credit who wish to either borrow or lend. Participants borrow and lend for short periods, typically up to thirteen months.

15. (b) Short term Securities

Explanation: The money market is where financial instruments with high liquidity and very short maturities are traded. It is used by participants as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year.

16. (b) Dividend Decision

Explanation: Under dividend decision the finance manager decides how much to be distributed in the form of dividend and how much to keep aside as retained earning. This decision is also called residual decision because it is concerned with distribution of residual or left over income.

17. (c) Hallmark

Explanation:

- "Hallmark" A standardised mark is printed on jewellery.
- The BIS hallmark is a hallmarking system for gold as well as silver jewellery sold in India certifying the purity of the metal.
- It certifies that the piece of jewellery conforms to a set of standards laid by the Bureau of Indian Standards, the national standards organization of India.

18. (b) pay lower dividends

Explanation: Companies with higher growth opportunities tend to retain more money out of their earnings so as to finance the required investments. Therefore, higher growth prospects result in lower dividend payment.

19. True

20. (c) Sale of goods Act, 1930 Explanation:

- The Sale of Goods Act came into existence on 1 July 1930.
- It is a contract whereby the seller transfers or agrees to transfer the property in the goods to the buyer for price.
- It is applicable all over India, except Jammu and Kashmir.
- The goods are sold from owner to buyer for a certain price and at a given

period of time.

- **This act provides safeguards and reliefs to the buyers of the goods in case the goods purchased do not match with express or implied conditions or warranties.**

21. i. “Employees of a company very clear terms.” Formal Organisation: It refers to the structure of the organisation as prepared by the management in order to accomplish a particular task.
- ii. “On joining the company clear and distinct manner.” Induction Training: It means to acquaint the newly appointed employees with their job and the organisation.

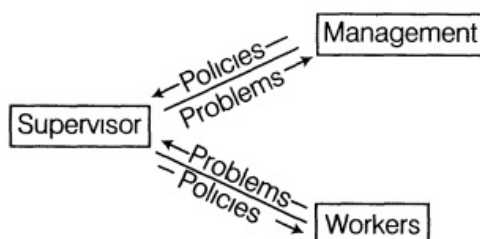
OR

Staffing is considered as an important function of management because of the following reasons

- i. It helps in discovering and obtaining competent personnel for various jobs. This process is called recruitment which includes the search of various sources of employees, and encouraging them to apply.
- ii. It results in improved performance by putting the right person on the right job. This is called selection where competent applicants are selected out of a large number of applicants.
- iii. It ensures the proper placement and orientation. Placement means to join the job and orientation means a brief description about the company.

22. The three functions performed by a supervisor are as follows:

- i. **Acts as a link between workers and management:** Supervisor conveys management policies and ideas to the workers on one hand and workers' problem to the management on the other. He plays a crucial role of avoiding misunderstanding and conflicts between management and workers.



- ii. **Ensures performance of work:** He takes responsibility for task achievement according to the targets and motivates his workers effectively.
 - iii. **Maintains group unity:** Supervisor directly overlooks the workers, this is a key link in maintaining harmony and unity among workers by sorting out their internal differences.
23. i. The two features of principles of management mentioned in the above paragraph are as follows:
- a. Universal application: The principles of management are universal in nature that means they can be applied to all types of organisations irrespective of their size and nature. Their results may vary and application may be modified but these are suitable for all kinds of organisations.
 - b. General guidelines: Management principles are not static or absolute statements. These cannot be applied blindly in all the situations. The applicability of management principles depends on conditions and nature of organisation.
 - ii. The principles are guidelines to action but do not provide readymade, straitjacket solutions to all managerial problems as the real business situations are very complex and dynamic and are a result of many factors.
24. a. The component of marketing mix being discussed in the above lines is place/physical distribution which is one of the four elements of the marketing mix. It is the process of making a product or service available for the consumer or business user who needs it. This can be done directly by the producer or service provider, or using indirect channels with distributors or intermediaries.
- b. The two main decisions involved in physical distribution are:
 - i. physical movement of goods from producers to consumers
 - ii. choice of channels of distribution
 - c. Indirect channel of distribution has been adopted by HUL. It is a two-level channel i.e. (Manufacturer - wholesaler- retailer- consumer)
25. Himanshu had the right to appeal against the judgment of the State Commission within 30 days of such judgment in the National Commission if he was not satisfied with it. However, in this case, he took 2 months to decide to appeal against the judgment of the State Commission in the National Commission, therefore, he cannot file the appeal in the National Commission as the stipulated time limit has expired.

26. i. The two major concepts related to government policy are
- a. **Liberalisation:** liberalisation means removal of restrictions which are levied on financial, industrial, policies. Liberalisation is external reforms like low tariff, quota specific phenomena, FDI being more or less in every sector and so on.
 - b. **Globalisation:** Globalisation refers to the process of the intensification of economic, political, social and cultural relations across international boundaries. It is principally aimed at the transcendental homogenization of political and socio-economic theory across the globe.
- ii. Three impacts of these reforms on Indian business and industry are
- a. **Technological environment:** Increased competition force the turns to develop new ways to survive and grow in the market. Thus, there is a need to adopt the new technologies in order to survive the long-run.
 - b. **Need for developing human resources:** The new market conditions require people with higher competence and greater commitment. Hence, there is a need of developing human resources.
 - c. **Market-orientation:** The business enterprises start focusing on market-oriented techniques rather than production-oriented techniques.
27. a. The function of management highlighted in the above case is “Controlling”. The step involved in the process of control is “Comparison of actual performance with standards”.
- b. A manager must take further steps to complete the process of controlling. These steps are:
- Analysing deviation:** Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Basically, it is identifying the reasons of difference or deviations, which may be defective material, defective machinery, defective physical conditions of work etc. It is important to determine the acceptable range of deviations, say 5%. It means minor or very small deviations should be ignored, for example, 3 units less produced by David.
- Taking corrective action:** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. Taking

corrective action is the final step in the controlling process. If deviations are within the acceptable limits, then no need to take corrective action. But if deviations go beyond the acceptable range, especially in the critical areas, it requires immediate action so that it will not take place again.

Corrective action might involve:

- Additional workers and equipment
- Technology up-gradation
- Training to employees
- Modify the existing process
- Overtime work

28. Dematerialisation of securities

Your investments in shares and debentures can be held in electronic or dematerialised form in a depository. Depository is an entity which holds securities (shares, debentures, bonds, government securities, mutual fund units etc.) of investors in electronic form at the request of the investors.

Dematerialisation is comparable to keeping your money in a bank account. In demat form, your physical share certificates are replaced by electronic book entries; purchase of shares are reflected as credits in your demat account and sales are reflected as debits.

OR

- a. Capital budgeting is the process in which a business determines and evaluates potential large expenses or investments. These expenditures and investments include projects such as building a new plant or investing in a long-term venture. Capital budgeting decision has been taken by Manoj.
- b. The factors affecting the Capital Budgeting Decision are as follows:
 - i. **Cash inflows:** The expected cash inflows from the proposed projects should be carefully analysed and the project indicating higher cash inflows should be selected.
 - ii. **Rate of return:** The expected rate of return should be carefully studied in terms of risk associated from the proposed project. If two projects are likely to offer the same rate of return, the project involving lesser risk should be

selected.

29. i. **Scalar chain** It is the chain of superiors ranging from the top to the lowest ranks. The principle of the scalar chain suggests that there should be a clear line of authority from top to bottom linking managers at all levels. The scalar chain serves as the chain of command and also as the chain of communication. Under the chain of command, orders, and instructions, issued at higher levels, flow through intermediate managers before reaching the lower levels. The chain should not be violated in the normal course of formal communication. It also provides a clear image of the job positions and authority in an organization to all the employees. The accountability of each individual becomes quite transparent and clear and thus there is no scope for unnecessary blames and allegations.



However, in case of an emergency, communication can take place between two people working at the same level but in different departments, through gang plank. For example, if in XYZ Ltd, E wants to communicate with R. He will have to follow the path in chain-like first he delivers information to D, then D to C, B, A, M, N, O and at last E transfers the message to R. But in case of emergency, E can directly contact R according to the concept of gangplank.

- ii. **Stability of tenure of personnel** According to this principle, there should be reasonable security of jobs. Labor turnover should be minimized to maintain organizational efficiency. Personnel should be selected and appointed after due and rigorous procedure. But once selected, they should be kept at their post/position for a minimum fixed tenure. They should be given reasonable time to show results. Any aphorism in this regard will create instability/insecurity among employees. By following this principle, the organization can ensure that the employee would give his wholehearted worth to it or else he or she would tend to leave the organization. Under this situation, recruitment, selection, and training cost will be high but the outcome of it enables the organization to achieve higher

profits in a very short span of time. For example, if Arnav is lured for the post of an executive in a company, then. According to this principle, he should be kept on the same position for a fixed tenure say for 1 year, so that he can show better results. He could not achieve the desired targets immediately but being assured that he would not lose his job, he would surely strive for a better performance.

OR

Five principles of scientific management are as follows

- i. **Science, not rule of thumb** Taylor has emphasized that in scientific management, organized knowledge should be applied, which will replace the rule of thumb. Scientific investigations should be used for taking managerial decisions instead of making the decisions on options, intuitions, estimates, prejudices, Likes and dislikes, etc. Under scientific management, decisions are made on the basis of facts developed by the application of scientific methods. There remains no place for hit and trial approach. It makes the achievement of the desired results look more realistic. The decisions taken on the basis of logical thinking and after reading the situation are always effective and in favour of the organisation.
- ii. **Harmony, not discord** (Conflict) There should be harmony between the management and the worker. This requires a change of mental attitudes of the workers and the management towards each other. Taylor called It mental revolution. In the 21st century, it is no longer the dictatorship style of leadership which can work, rather the need of the hour is the democratic style of leadership, therefore, the management should develop a cordial relation and a relationship of trust with the employees. Management should share gains of the company with workers They should create suitable working conditions and resolve all problems scientifically. Mental revolution on the part of workers requires that they should be disciplined. loyal and sincere in fulfilling the tasks assigned to them. Instead of fighting for dividing surplus or profit, the management and workers should cooperate to increase it.
- iii. **Cooperation, not individualism** There should be cooperation between workers and management It is only through cooperation with workmen, the managers can ensure that work is accomplished according to the plans. Cooperation is based on mutual faith, so managers should develop an understanding with workers to

secure their cooperation.

- iv. **Development of each and every person to his/her greatest efficiency and prosperity** Industrial efficiency depends upon the efficiency of workers and worker's efficiency depends upon proper training and their proper selection. Taylor suggested that due care should be taken while selecting the employees and after selection, they must be given Job according to their physical, mental and intellectual capabilities Employees must be sent for training from time to time to update their knowledge and hone their skills. This will ensure the greatest efficiency and prosperity for both workers and management. Human resources are the ones which take the organisation at a higher level and therefore the management should work for developing them to their greatest efficiency and prosperity.
- v. **Maximum output in place of restricted output** The aim of both management and the workers should be to maximise output. This should be done by both parties in their own self-interest. For management, increased production means more profits and lower cost of production For workers, the increased output may offer attractive wages In this way, self-interest impacts both management and the workers to achieve maximum output. Maximum output will also be in the interest of society. The workers must not forget that their development is always hidden in the development of the organisation. In fact, the source of the earnings of the workers lies in the profits generated by the organisation.

30. Planning is the function of management referred to in this case.

- i. For this, he set..... this goal.

This line indicates the following feature of planning:

Planning is Goal Oriented: All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.

- ii. He not only..... the year.

Thus, the line indicates the following feature of planning:

Planning Involves Choice: Planning essentially involves a choice among various

alternative courses of action. If there is one way of doing something, there is no need for planning. The need for planning arises only when alternatives are available.

iii. Through correctevaluated.

This line indicates the following feature of planning:

Planning is a Mental Exercise: Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking. It makes them think in a logical and systematic manner.

31. a. Investment decision has been taken by Arun. Investment decision seeks to determine as to how the firm's funds are invested in different assets. It helps to evaluate new investment proposals and select the best option on the basis of associated risk and return. Investment decision can be long term or short-term. A long-term investment decision is also called a Capital Budgeting decision. For example, a social or charitable project is often not approved based on rate of return, but more on the desire of a business to foster goodwill and contribute back to its community.
- b. Working capital, also called net working capital, is a liquidity ratio that measures a company's ability to pay off its current liabilities with its current assets. Working capital is calculated by subtracting current liabilities from current assets. The three factors mentioned in the paragraph which are likely to reduce the working capital requirements of his business are as follows:
- i. Availability of raw material: As there is easy availability of Sandalwood which is used as the base material for production, the working capital requirements of his business will be less as there is no need to stock the raw materials.
 - ii. Production cycle: The production cycle is shorter and less time is required to manufacture incense sticks. Thus, the working capital requirements of his business will be below.
 - iii. Credit availed: Due to the fact that the suppliers of other types of raw material needed for production follow a liberal credit policy, the business can be operated on minimum working capital.
32. **Functional Structure:** A functional structure is an organizational design that groups similar or related jobs on the basis of functions to be performed like Production,

Finance, Personnel Management, and Marketing together. In a functional structure all activities of similar nature are grouped and departments are created on the basis of specified functions to be performed. Each department has a coordinating head and can be further divided into separate sections. Each department is independently accountable for the lapse in the activities to be performed.

The Advantages of Functional Structure are as follows:

- i. **Specialization:** A functional structure leads to occupational specialization due to repetitive performance of a work. Work is divided into the manageable activities so that equal burden of work is shared by the workers and overlapping of activities and wastage of resources can be avoided. It reduces the workload and increases productivity because a particular worker performing a particular job on a regular basis.
- ii. **It Promotes Control and Coordination:** Functional structure plays important role in promoting control and coordination within a department because workers perform similar jobs. In other words, it becomes easier to assess the lapses in work performance and establishing accountability.
- iii. **Increasing managerial efficiency:** Functional structure increases managerial and operational efficiency and thus leads to an increase in profits. Each manager is entrusted with the responsibility to supervise and control the activities of their own department and thus is not over-burdened which improves the managerial efficiency.
- iv. **Reduction in cost:** Functional structure helps in reducing the cost because it ensures that there is no overlapping of activities and minimal duplication of effort. Due to the function-specific tasks, there is no possibility of duplication of efforts.
- v. **Training to employees:** Functional structure plays important role in providing effective training to the employees because focus is only on limited range of skills.

33. The various types of leadership styles are.

- i. **Autocratic Leadership Style**

Meaning: It refers to that Leadership style in which the leader tends to run the show all by himself.

Characteristics:

- a. **Centralized Authority:** In this style, a manager is not prepared to share his authority and responsibility with others. Consequently, all the authority of work performance remains centralized.
- b. **Single-man Decisions:** In this style of leadership, the manager himself takes all the decisions. He takes it for granted that he does not need any other individual.

ii. Democratic Leadership Style

Meaning: It refers to that leadership style in which the leader consults with his subordinates before making any final decision.

Characteristics:

- a. **Cooperative Relations:** The chief characteristic of this style is the existence of cooperative relations among the managers and the employees. Participation in the management decisions gives the employees a feeling of self-respect, as a result of which the employees are always ready to be cooperative in every way.
- b. **Belief in Employees:** The managers inherently believe that the employees by nature want to work, do their work with interest, accept their responsibility and try to perform their work in a good manner. This faith of the managers in the employees increases their morale.

iii. Laissez-Faire or Free-Rein Leadership Style

Meaning: It refers to that leadership style in which the leader gives his subordinates complete freedom to make decisions.

Characteristics:

- a. **Full Faith in Subordinates:** A prominent characteristic of this style is that the managers consider their subordinates capable, active and responsible individuals and have full faith in them.
- b. **Independent Decision-making System:** In this style, the management-related decisions are taken by the subordinates instead of the managers. They can, however, consult the managers.

OR

Communication is a two-way process wherein the message in the form of ideas,

thoughts, feelings, opinions is transmitted between two or more persons with the intent of creating a shared understanding. Simply, an act of conveying intended information and understanding from one person to another is called as communication. The term communication is derived from the Latin word “Communis” which means to share. Effective communication is when the message conveyed by the sender is understood by the receiver in exactly the same way as it was intended.

Importance of communication is explained as follows:

- i. **Acts as a basis of coordination:** Communication acts as a basis of coordination. It provides coordination among departments, activities and persons in the organisation. Such coordination is provided for explaining about organisational goals, the mode to their achievement and interrelationships between different individuals, etc.
 - ii. **Acts as a basis of decision-making:** The decisions made in an organisation depends largely on the amount and quality of information available. On the basis of communication of relevant information, one can take the right decisions.
 - iii. **Increases managerial efficiency:** The employees must know clearly about their responsibilities and authority, who will report to whom, what part of the total job they are expected to perform and what are their decision-making powers.
 - iv. **Helps in the process of motivation and morale:** Motivation and morale of employees largely depend upon the effectiveness of communication. Sharing of information with employees helps management to secure their willing cooperation.
 - v. **Effective leadership:** Communication is the basis of leadership. By developing the skills of communication, a manager can be a real leader of his subordinates. A good system of communication brings them in close contact with each other and removes misunderstandings.
34. a. The elements of marketing mix being taken into consideration by Rupali are Product and Price.
- b. The functions of marketing highlighted here are explained below:
- i. **Gathering and analysing market information:** The prime focus of marketing is to 'find wants and fill them'. Therefore, it is absolutely essential for a company to study the needs and preferences of its target market in order to

satisfy their needs and wants optimally.

- ii. **Product designing and development:** Every marketer strives to achieve his marketing objectives by creating offerings to satisfy a need or a want. Therefore, one of the core function of marketing is to develop the product in the most effective and efficient way. Every marketer endeavours to add value to his product by introducing constant innovations in the product to enhance both its utility and attractiveness in the eyes of the potential buyers and gain a competitive edge.
- iii. **Pricing:** Price is the monetary value paid in consideration for purchase of a product or service by a buyer to its seller. The process of determining the price of a product or service is called pricing. It is a crucial decision for the marketers as consumers are very sensitive to the pricing. The factors affecting price determination are cost of product, the utility and demand, extent of competition in the market, government and legal regulations, pricing objectives and marketing methods used.
- c. Yes, she has selected an appropriate brand name 'Desi Delight' for her product as the name reflects on the product's benefits and qualities. The word 'Desi' indicates that the product contains indigenous ingredients like sesame and jaggery and Delight denotes the pleasure that the person is going to get on consuming the delicious chocolates.