

CBSE Class 12 Business Studies
Sample Paper 09 (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.
-

Section A

1. Efficiency is concerned with:
 - a. Cooperation
 - b. Completion of task
 - c. Right man at right job
 - d. Utilisation of minimum resources
2. Kitchen Saj Limited is a company manufacturing plastic goods. Mr Shah is its Marketing Manager and Mr Sahu, its Production Manager. Style of working of both the managers is entirely different. Mr Shah set such standards for different activities

of his department as were quite easy to achieve. On the other hand, Mr Sahu set standards for different activities of his department as were very difficult to achieve. As a result, Marketing department achieved its targets very easily. Mr Shah and his team were very pleased with these results. But the situation prevailing in the production department was quite contrary to it. Mr Sahu was far behind his targets. Now he and his team were very much worried.

- a. Which step of controlling process has been discussed in the above paragraph?
 - b. State in one word, what should be the type of standards?
3. Why is management also considered as a profession?
 - a. Membership of Professional Association is compulsory
 - b. Well-defined body of knowledge
 - c. Entry to profession is restricted
 - d. Professions are bound by code of conduct
4. Giving freedom to Indian business and industries from all unnecessary government controls and restrictions is an example of _____
 - a. Privatisation
 - b. Liberalisation
 - c. None of these
 - d. Globalisation
5. Name the type of plan which provides the prescribed ways in which a task has to be performed considering the objective.
6. Which of the following arises from the responsibility?
 - a. Responsibility
 - b. None of these

c. Accountability

d. Authority

7. Expand HRM _____

a. None of these

b. Human Resource Management

c. Human Responsibility Management

d. Human Resource Maintenance

8. Cost of advertising and printing prospectus is called _____

a. Floatation cost

b. Dividend cost

c. Debt cost

d. Equity cost

9. Controlling is blind without _____

a. Planning

b. Staffing

c. Capital market

d. Budgeting

10. Henri Fayol was a:

a. Social Scientist

b. Accountant

c. Mining Engineer

d. Production engineer

11. Under which method of training, employees are shifted from one job position to another?

a. Induction training

b. Job rotation

c. Coaching

d. Apprenticeship training

12. Planning seeks to bridge the gap between _____

a. Past and present position

b. Past and Future position

c. None of these

d. Present and Future position

13. Which of the following affects the Dividend Decision of a company?

a. Taxation Policy

b. All of these

c. Earnings

d. Cash Flow Position

14. Which of the following is a main method of issue of shares?

a. offer for sale

b. Private placement

c. Public issue through prospectus

d. None of these

15. OTCEI was started on the lines of:

- a. NSE
- b. NYSE
- c. NASAQ
- d. NASDAQ

16. Borrowed funds refer to the _____

- a. Debentures
- b. All of these
- c. Public Deposits
- d. Long term loans

17. Under Consumer Protection Act District Forum deals with the complaints where the value of the goods or services along with the compensation _____.

- a. None of these
- b. does not exceed ₹20 lakhs
- c. exceeds ₹20 lakhs but does not exceed ₹1 crore
- d. exceeds ₹1 crore

18. Other things remaining the same, an increase in the tax rate on corporate profits will:

- a. None of these
- b. make the debt relatively cheaper
- c. make the debt relatively the dearer
- d. have no impact on the cost of debt

19. State true or false:

There is no need for businessmen to inform their customers about the quality of products because they can judge the quality themselves.

20. On which of the following articles, is the **ISI** mark not found?

- a. Room heater
- b. Woollen cloths
- c. Pressure cooker
- d. Geyser

21. How does staffing help to ensure higher performance of employees?

OR

Sunidhi runs a KPO (Knowledge Process Outsourcing) in Gurgaon. The services provided by her firm include all kinds of research and information gathering in fields such as financial market, medicine, animation and design, etc. Sunidhi believes that the success of the company can be achieved mainly through the people it chooses to employ. Therefore, she aims to attract the best people and provides them innumerable opportunities to enhance their knowledge and skill relevant to their position.

In context of the above case, identify and explain the aspects of staffing being taken into consideration by Sunidhi by quoting lines from the paragraph.

22. Amit and Mikki are working in the same organization but different departments. One day at lunch time Mikki informed Amit that due to computerization many people are going to be retrenched soon from the organization. What kind of communication it is? Also, write its limitations.
23. Sanchit, after completing his entrepreneurship course from Sweden returned to India and started a coffee shop 'Aroma Coffee Can' in a famous mall in New Delhi. The speciality of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same.

Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the order.

She also realised that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period, Sandhya was able to attract the customers.

Identify and explain any two techniques of scientific management used by Sandhya to solve the problem.

24. Simran, Sakshi, and Sarita all are doing an MBA (Marketing). All three are to give their presentation on the topic of marketing. They are discussing the material to be included in the presentation. The main ideas of their discussion are as follows: Simran was of the view that he should be able to speak in a clear, loud and balanced voice. While communicating he should be fully confident. Sakshi was of the opinion that, he should be a good psychologist. Besides, he should remain vigilant of the nature of the company for which he works. Sarita held the view that a healthy person very soon gets associated with the customers.

Clarify the topic in whose context the above discussion is being held. Identify three points mentioned in the above paragraph, in your answer.

25. Bharti Airtel Limited is an Indian global telecommunications services company headquartered in New Delhi, India. It operates in 20 countries across South Asia, Africa, and the Channel Islands. It provides GSM, 3G and 4G LTE mobile services, fixed-line broadband and voice services depending upon the country of operation. It is the largest mobile network operator in India and the third-largest in the world with 325 million subscribers. Its portal displays the following information
- "Airtel Mobile Customer Care - Call 121, 24-hr Airtel customer service number from your Airtel phone. In case you don't get satisfactory resolution of your query/complaint at the Airtel customer service centre, you can get in touch with Airtel Nodal officers with your complaint reference number and details of grievance."
- In the context of the above case:

- a. Identify and explain the right of the consumer being fulfilled by the company in

the above-mentioned case.

- b. Name the function of marketing performed by the company.
- c. State any two other rights which consumer can exercise.

26. Kapil Sharma is working as the Country Head of a company which owns a chain of malls under the name of 'Virtuoso' in the various parts of India. Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer's convenience. Hence, malls will have to provide much more than shopping to be able to attract customers. So, he recommends that 'Virtuoso' malls should be restructured into recreation centres, offering more spaces to socialise, host events and concerts, and provide ample Food and Beverages options. Consequently, the share of the entertainment segment and Food and Beverages segment in the overall mall space is increased by 20%. As a result, the company gains enormously by getting the first-mover advantage.

In the context of the above case :

- a. Define the term 'Business Environment'.
- b. Explain the terms 'Threats' and 'Opportunities' by quoting lines from the paragraph.

27. Raghav started a take away eating joint in a nearby market. His business was doing well. He ensured that the food was properly cooked, a standard taste was maintained, packing of food was done effectively and the orders were executed on time. But unfortunately, he met with an accident and was advised three months of bed rest. In his absence, his cousin Rohit took charge of his business. When he resumed his work after three months, he realised that his clientele had dropped. The people were not happy with the services as the quality of food had deteriorated and the delivery time for orders had increased considerably. All this was happening because most of his previous staff had left as Rohit used to adopt a very strict and authoritative approach towards them.

In the context of the above case:

- a. List any two aspects about his business that Raghav was controlling in order to make it successful.
- b. Explain briefly any two points to highlight the importance of the controlling function.
- c. Name and explain the style of leadership adopted by Rohit.

28. Aditya Khosla, the Managing Director of 'D.L.W. Ltd.' and Rajesh Puri, the Finance Manager were discussing about avenues of investing the idle funds of the company. Aditya Khosla was of the opinion that money should be invested in the capital market whereas Rajesh Puri, being more conservative, felt that it would be better if the investment was made in the money market. Since the economy was buoyant, the Managing Director convinced Rajesh that they should take advantage of it and invest in the capital market to get good returns. Ultimately it was decided to invest the idle funds in the capital market.

- i. What kind of instruments should the company buy?
- ii. Why is the capital market expected to give a better return in a buoyant economy? State the reason.
- iii. Why and how safe are the securities in this market as compared to the money market?

OR

Explain the following as factors affecting financing decision

- i. Cost
- ii. Cash flow position of business
- iii. Control considerations
- iv. Floatation cost

29. Karan Nath took over 'D' north Motor Company' from his ailing father three months ago. In the past, the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production, as well as selection of employees in the company, were not scientific. He believed that there was only one best method to maximise efficiency. He also felt that once the method is developed, the workers of the company should be trained to

learn that 'best method'.

He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organisation. It helped in increasing the output, improving the quality and reducing the cost and wastage.

Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case.

OR

Explain the technique of 'simplification and standardisation of work' given by Taylor.

30. Arush joins as a sales manager of a company dealing in naturotherapy products. Being proficient in his work, he knew that without good planning he will not be able to organize, direct, control or perform any of the other managerial functions efficiently and effectively. Only on the basis of sales forecasting, he would assist in the preparation of the annual plans for its production and sales. Besides, he will have to prepare sales plans regularly on a weekly, monthly, quarterly and half-yearly basis. While preparing the sales forecasts, he undertakes intellectual thinking involving foresight, visualization and issued judgement rather than wishful thinking or guesswork. Most importantly, all these planning activities will be meaningful only if they will coincide with the purpose for which the business is being carried out. In the context of the above case, identify the various features of planning highlighted in the above paragraph by quoting lines from it.
31. Well-being Ltd. is a company engaged in the production of organic foods. Presently, it sells its products through indirect channels of distribution. But, considering the sudden surge in the demand for organic products, the company is now inclined to start its online portal for direct marketing. The financial managers of the company are planning to use debt in order to take advantage of trading on equity. In order to finance its expansion plans, it is planning to raise a debt capital of Rs. 40 lakhs through a loan @ 10% from an industrial bank. The present capital base of the company comprises of Rs. 9 lakh equity shares of Rs. 10 each. The rate of tax is 30%.

In the context of the above case:

- a. What are the two conditions necessary for taking advantage of trading on equity?
- b. Assuming the expected rate of return on investment to be the same as it was for the current year i.e. 15 %, do you think the financial managers will be able to meet their goal. Show your workings clearly.

32. As the head boy and head girl of Trakashay Public School', Deepak Chugh and Deepika Chawla have been given the responsibility of hosting the Teacher's Day programme in the school. In order to conduct the programme in a systematic way, Deepak and Deepika first called a meeting of the student council. In the meeting, they decided about the content of the programme after taking into consideration the different available alternatives and choosing the best alternative among them. Then the various tasks required to be performed were identified and divided in accordance with a predetermined schedule made by them. After that, they grouped the similar activities into main groups as skit group, choir group, instrumental music group and contemporary dance group. Then each group was placed under the charge of a council member in accordance with his/her skills and competencies. These council members were in turn informed that they have to take orders and will be accountable only to Deepak and Deepika so as to facilitate coordination amongst various groups.

In the context of the above case:

- a. Identify and explain the functions of management is discussed.
- b. Describe briefly any two points highlighting the importance of each of the functions of management as identified in part (a) of the question.
- c. State any two values that 'Prakashay Public School' wants to communicate to society.

33. Explain the concept of Democratic leadership and state its disadvantages.

OR

What is meant by leadership? Describes any four qualities of a good leader.

34. Hayaram is a famous chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets and squashes. It charges a

comparatively higher price than its competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has five of its own retail shops. It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time, it regularly uses different communication tools to increase its sales. The above para describes the combination of variables used by Hayaram to prepare its market offering.

Identify and explain the variables.

CBSE Class 12 Business Studies
Sample Paper 09 (2019-20)

Solution

Section A

1. (d) Utilisation of minimum resources

Explanation: Efficiency is concerned with minimum cost (resources). Efficiency means using less resources (i.e., the inputs) to derive more benefits (i.e., the outputs). Efficiency is also increased when for the same benefit or outputs, fewer (minimum) resources are used and less costs are incurred.

Example - XYZ Ltd., a garment manufacturing company set the target production of 100 garments per month for each worker. Ravi, a worker produces 100 garments at the cost of Rs. 200 per garment. On the other hand, Mohan achieves the target of 100 garments at the cost of Rs.150 per garment. As Mohan utilise minimum resources (cost) to achieve the target, he is efficient.

2. a. Here, first step of the controlling process i.e. Setting of Performance Standards, has been discussed.
b. Reasonable

3. (b) Well-defined body of knowledge

Explanation: All professions are based on a well-defined body of knowledge that can be acquired through instruction.

Management is based on a systematic body of knowledge comprising well-defined principles based on a variety of business situations. This knowledge can be acquired at different colleges and professional institutes and through a number of books and journals.

4. (b) Liberalisation

Explanation: Liberalisation refers to end of licence, quota, unnecessary restrictions and controls over industry and trade.

5. Method

Explanation: Method is a formalised or systematic way of doing routine or repetitive jobs. It provides the clear picture of doing job in the mind of employees.

Example: method of depreciation

6. (c) Accountability

Explanation: Accountability is the obligation to complete the job or to meet the responsibility. It arises from responsibility.

7. (b) Human Resource Management

Explanation: Human Resource Management (HRM) is the function within an organization that focuses on the recruitment of, management of, and providing direction for the people who work in an organization

8. (a) Floatation cost

Explanation: The cost that a company incurs when it makes a new issue of either stocks or bonds. Flotation costs include the costs of printing the certificates, paying the underwriters, government fees, and other associated costs etc.

9. (a) Planning

Explanation: Setting performance standards through the process of planning forms the first function of management control. Work plan or finance plan or strategic plan gives a direction for performance and audit. Thus, without laying down work plan it would be like working without a foresight of the path that has to be undertaken.

10. (c) Mining Engineer

Explanation:

- Henry Fayol was a mining engineer.
- He graduated from the mining academy of St. Etienne in 1860 in mining engineering.
- The 19-year-old engineer started the mining company 'Compagnie de commentary-Fourchambean Decazeville, ultimately acting as its managing director from 1888 to 1918.

11. (b) Job rotation

Explanation: Job rotation

12. (d) Present and Future position

Explanation: Under planning process, we set objectives and decide in advance the appropriate course of action for future. Thus planning bridges gap between present and future position.

13. (b) All of these

Explanation:

Earning: Dividends are paid out of current and previous year's earnings. More earning then high rate of dividend

Taxation policy: If tax rate is high then less dividend will be declared whereas tax rate is low then more dividend will be declared

Cash flow position: Paying dividend means outflows of cash. In surplus cash then high rate of dividend. If shortage of cash then companies declare low dividend.

14. (c) Public issue through prospectus

Explanation: Public issue through prospectus

15. (d) NASDAQ

Explanation: OTCEI (Over the Counter Exchange of India) was incorporated in the year 1990 on the lines of NASDAQ which is the OTC in USA. OTCEI is a fully computerized and transparent stock exchange.

16. (b) All of these

Explanation: The funds raised through loans or borrowings are known as borrowed funds. Main sources for raising borrowed funds are issue of debentures, public deposits, loans from commercial banks, etc.

17. (b) does not exceed ₹20 lakhs

Explanation: does not exceed ₹20 lakhs

18. (b) make the debt relatively cheaper

Explanation: Cost of Debt is affected by tax rate because Interest on Debt is a deductible expense. A higher tax rate, thus, makes debt relatively cheaper as compared to equity. For Example: If the firm borrows @10% and tax rate is @30%, then the after cost of debt will be @7%.

19. False

20. (b) Woollen cloths

Explanation: Woollen cloths

21. In actual, staffing is not only concerned with filling the vacancies but also ensures that the right man is placed at the right job. The success of an organization depends upon the quality of people employed in that organization. Proper staffing ensures the higher performance of the personnel by putting the right person on the right job. It

helps in achieving the organizational objectives in the most effective and efficient manner. In addition to this, Training provided to the employees ensures that their knowledge and existing skills get properly honed. The training provided to the employees makes them well-versed with the functioning of the organization and thereby improves their performance.

OR

Staffing can be defined as one of the most important functions of management. It involves the process of filling the vacant position of the right personnel at the right job, at the right time. Hence, everything will occur in the right manner. The three aspects of staffing being taken into consideration by Sunidhi are as follows:

- i. Manpower planning.
- ii. Recruitment, selection and placement of employees at the right places and at the right time, doing things which result in the organisation, individual employees and the society at large receiving maximum long-run benefits.
- iii. Training and development through counselling and performance evaluation.

22. It is an example of informal communication.

Limitations of informal communication:

- It is unsystematic.
- It often carries rumors.
- Messages tend to be distorted.

23. The two techniques of scientific management used by Sandhya to solve the problem are:

- a. **Time study:** It seeks to determine the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs. By using time measuring devices for each element of task the standard time is fixed for the whole of the task by taking several readings.
- b. **Motion study:** Motion study refers to the study of movements of limbs of a worker while doing a particular task. It seek to divide all such movements into three

categories namely;

- i. Motions which are required
- ii. Motions which are unnecessary
- iii. Motions which are incidental.

Thus, motion study helps to eliminate unnecessary movements of work and enables him to complete the given task efficiently.

24. a. This discussion refers to the qualities of a good salesman.
- b. All three students have highlighted the following qualities of a good salesman:
- i. **Simran:** Good Communication Skills
 - ii. **Sakshi:** Psychological and Technical Qualities
 - iii. **Sarita:** Physical Qualities
25. a. The right of the consumer being fulfilled by the company in the above-mentioned case is right to be heard (As stated in the Consumer Protection Act 1986, 'the right to be heard and to be assured that consumer's interests will receive due consideration at appropriate forums')
- b. The function of marketing is performed by the company is customer support services.
- c. The two other rights consumer can exercise are:
- i. Right to be heard.
 - ii. Right to seek redressal.
26. a. The term '**Business Environment**' means the combination of internal and external factors that influence a company's operating situation. The business environment can include factors such as clients and suppliers; its competition and owners; improvements in technology; laws and government activities and market, social and economic trends.
- b. **Threats and Opportunities are as follows:** refer to factors that have the potential to harm an organization.
- i. **Threats:** "Through an analysis report of the business environment, it has been brought to his notice that in the coming years, shopping at a mall will not be a necessity for the buyers as purchases can be made online from anywhere and at any time with ease and at the consumer's convenience. Hence, malls will have to provide much more than shopping to be able to attract customers."
 - ii. **Opportunities** refer to favourable external factors that could give an organization a

competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.

"As a result, the company gains enormously by getting the first-mover advantage."

27. a. The two aspects about his business that Raghav was controlling in order to make it successful are listed below.
- i. A standard taste was maintained.
 - ii. The orders were executed on time.
- b. The two points that highlight the importance of the controlling function are listed below:
- i. Making Efficient use of Resources: Another important function of controlling is that in this each activity is performed in such a manner in accordance with predetermined standards & norms so as to ensure that the resources are used in the most effective & efficient manner for the further availability of resources.
 - ii. Ensuring Order & Discipline: Controlling creates an atmosphere of order & discipline in the organization which helps to minimize dishonest behaviour on the part of the employees. It keeps a close check on the activities of employees and the company can be able to track and find out the dishonest employees by using computer monitoring as a part of their control system.
- c. Rohit had adopted an autocratic style of leadership. An autocratic leader expects strict compliance from his subordinates with regard to the orders and instructions given by him. Therefore, it involves only one-way communication.
28. i. The company should buy Shares, debentures, bonds.
- ii. The Capital market is expected to give a better return in a buoyant economy as
- a. The securities are held for a longer duration
 - b. There is a scope of earning capital gains on shares.
- iii. The securities are safe in this market as compared to the money market because:
- a. Capital markets are well organized whereas money markets are not that organized
 - b. Liquidity is high in the money market whereas liquidity is comparatively low in capital markets.
 - c. Due to high liquidity and low duration of maturity in money markets, Instruments in money markets are a low risk whereas capital markets are the

comparatively high risk.

OR

- i. **Cost:** The cost of raising funds through different sources are different. A prudent financial manager would normally opt for a source which is the cheapest. Debt carries a fixed operating cost, however, tax-deductibility makes it a sought after the source.
- ii. **Cash flow position of business:** A stronger cash flow position may make debt financing more viable than funding through equity as the company finds itself in a better position to afford the fixed operating cost. Therefore, in order to take advantage of cheap finance, companies prefer debt to equity.
- iii. **Control considerations:** The ultimate control of the company is that of the equity shareholders. Greater the number of equity shareholders, the greater will be the control in the hands of more people. This is not a good situation, Therefore, from this point of view, the equity share capital should be avoided. In order to concentrate the control in fewer hands, debt should be chosen as a source.
- iv. **Floatation cost:** From the point of view of floatation costs, higher the floatation cost, less attractive the source becomes. In case of Equity financing, the floatation cost tends to be higher and thus debt financing is preferable in such case.

29. The principles of scientific management followed in the above case are :

- i. **Science, not rule of thumb** In order to increase organisational efficiency, the 'Rule of Thumb' method should be substituted by the methods developed through scientific analysis of work.
- ii. **Development of each and Every Person to his/her Greatest Efficiency**
Efficiency of any organisation also depends on the skills and capabilities of its employees to a great extent. Thus, providing training to the workers was considered essential in order to learn the best method developed through the use of scientific approach. To attain the efficiency, steps should be taken right from the process of selection of employees. Employees should be scientifically selected.

The techniques of scientific management followed in this case are:

- i. **Standardisation** It is the process of setting standards for every business activity,

process, raw materials, time, machinery and methods, to achieve efficiency.

Standardisation of product implies that the size, design, quality, shape, etc of the product should meet the requirements and tastes of consumers. Simplification means eliminating superfluous sizes, varieties, and dimensions.

Its aim is to:

- a. Eliminate unnecessary diversity of products and thereby reduce costs.
 - b. Help in achieving economy in the use of required machines and tools.
- ii. **Method Study** This technique of scientific management is conducted to find out the 'one best method or way' of performing a particular task. The objective of this study is to minimise the cost of production and maximise the quality and satisfaction of the customer.

OR

Simplification means eliminating superfluous sizes, varieties and dimensions. Too many designs spoil the real beauty of a masterpiece. Its aim is to:

- i. Eliminate unnecessary diversity of products and thereby reduce costs.
- ii. Help in achieving economy in the use of required machines and tools.

Standardization of work is the technique of scientific management, which helps in establishing interchangeability of manufactured parts and products.

It is the process of setting standards for every business activity, process, raw materials, time, machinery and methods to achieve efficiency.

Standardization of the product implies that the size, design, quality, shape, etc of the product should meet the requirements and tastes of consumers. Moreover, it also makes the product competitive in the market.

The objectives of standardization are

- i. To maintain quality standards.
- ii. To set up performance standards for men.
- iii. To provide interchangeability of manufacture and products.
- iv. To achieve targeted production.
- v. To get hold of the customers,
- vi. To enable a further improvement in the product, if required.
- vii. To make the product highly competitive.
- viii. To cut down unwanted cost expenditure.

30. The features of planning highlighted in the above paragraph are explained below:

- a. **Planning is a primary function:** Planning precedes all the functions of management i.e. organizing, staffing, directing and controlling. This refers to the primacy of planning. Planning provides the basis for all other functions. This feature is evident from the line:
"... without good planning, he will not be able to organize, direct, control or perform any of the other managerial functions efficiently and effectively. "
- b. **Planning is futuristic:** Planning is called a forward-looking function as it enables an organization to meet future events effectively. This feature is evident from the line:
"Only on the basis of sales forecasting, he would assist in the preparation of the annual plans for its production and sales."
- c. **Planning is continuous:** Plans need to be continuously made, implemented and followed by another plan and so on until an organization exists. This feature is evident from the line:
"Besides, he will have to prepare sales plans regularly on a weekly, monthly, quarterly and half-yearly basis."
- d. **Planning is a mental exercise:** Planning is done on the basis of rational thinking involving foresight, visualization and issued judgment rather than wishful thinking or guesswork. This feature is evident from the line:
"While preparing the sales forecasts, he undertakes intellectual thinking involving foresight, visualization and issued judgment rather than wishful thinking or guesswork."
- e. **Planning focuses on achieving objectives:** Planning is a purposeful activity as it contributes to the achievement of predetermined goals of the organization both efficiently and effectively. This feature is evident from the line:
"Most importantly, all these planning activities will be meaningful only if they will coincide with the purpose for which the business is being carried out."

31. Trading on equity occurs when a company incurs new debt (such as from bonds, loans, or preferred stock) to acquire assets on which it can earn a return greater than the interest cost of the debt. If a company generates a profit through this financing technique, its shareholders earn a greater return on their investments. In

this case, trading on equity is successful. If the company earns less from the acquired assets than the cost of the debt, its shareholders earn a reduced return because of this activity. Many companies use trading on equity rather than acquiring more equity capital, in an attempt to improve their earnings per share.

- a. The two conditions necessary for taking advantage of trading on equity are :
 - i. The rate of return on investment should be more than the rate of interest.
 - ii. The amount of interest paid should be tax-deductible.

b.

Sources	Situation 1 Amount (in Rs)	Situation 2 Amount (in Rs)
Equity shares	90,00,000	90,00,000
10 % Debentures	NIL	40,00,000
Total Capital	90,00,000	1,30,00,000
EBIT	13,50,000	19,50,000
Less: Interest	–	- (4,00,000)
EBT	13,50,000	15,50,000
Less: Tax @ 30%	- (4,05,000)	- (4,65,000)
EAT	9,45,000	10,85,000
No. of shares of Rs. 10 each	9,00,000	9,00,000
EPS	$9,45,000/9,00,000 = 1.05$	$10,85,000/9,00,000 = 1.21$

Yes, the financial managers will be able to meet their goal as the projected EPS, with the issue of debt, is higher than the present EPS.

32. a. The Planning and Organising functions of management are being discussed.
 Planning is deciding in advance what to do, how to do when to do and who has to do it. It is one of the basic managerial functions. Thus, it involves setting objectives and developing an appropriate course of action to achieve these objectives.
 Organizing is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them.

- b. The importance of the planning function of management is described below:
- (i) **Planning provides directions:** The well-defined plans act as a guide for deciding what course of action should be taken to attain the organizational goals.
 - (ii) **Planning reduces the risk of uncertainty:** Planning helps to reduce the risk of uncertainty arising due to the dynamic nature of the business environment as it enables a manager to anticipate and meet changes effectively.
- The importance of the organizing function of management is described below:
- (i) **Benefits of specialization:** Organising leads to a systematic allocation of jobs amongst the workforce. This not only helps to reduce the workload of the employees but also leads to increased productivity. This is because of the fact that specific employees are assigned a specific job on a regular basis which leads to specialization.
 - (ii) **Clarity in working relationships:** The process of organizing leads to the establishment of clear cut reporting relationships. This helps in developing a hierarchical order thereby enabling the fixation of responsibility and specification of the extent of authority to be exercised by an individual.
- c. The two values that Trakashay Public School' wants to communicate to society are:
- i. Trust
 - ii. Participation

33. **Democratic leadership** in an organization involves the redistribution of power and authority between employees and managers to provide employee involvement in decision making.

Disadvantages of Democratic Leadership:

- i. It tends to become apologetic.

In the democratic leadership style, leaders would foster an environment where individuals expect their idea to be implemented. However, only one should be implemented, which means that leaders will have to take some of their time to apologize and smooth things out with members whose ideas were not implemented.

- ii. It is time-consuming.

The consultation process under this approach could result in procrastination, which means that leaders cannot work within a required timeframe, which can be bad for

urgent projects or issues.

iii. It takes long to process decisions.

Somehow related to the previous disadvantage, the decision-making process under this leadership style might be a long drawn, as every team member must be consulted. Also, putting all ideas in place requires a great deal of understanding and patience.

iv. It can seem to be uncertain.

Democratic leaders would sometimes become indecisive in certain situations, especially during a crisis. These individuals would not function well in an authoritarian role.

OR

Leadership is an attempt aimed at influencing people directed towards the attainment of given goals. Leadership may also be defined as an art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals. In the words of Louis A Allen, 'A leader is one who guides and directs other people. A leader gives the efforts of his followers a direction and purpose by influencing their behaviour'.

Qualities of a good leader are (any four):

- i. **Integrity and honesty:** A leader must possess a high level of integrity and honesty. He must follow ethics and values, then only he can expect his subordinates to be ethical and honest. One of the qualities that define a good leader is honesty. When you are responsible for a team of people, it is important to be straightforward.
- ii. **Initiative:** A leader must take the initiative to grab opportunities. He must have the courage and initiative to take bold decisions. He must take the risk for the advantage of the organisation.
- iii. **Self-confidence and sense of responsibility:** A leader must be confident, then only he will be able to tackle any situation successfully. Only a confident leader can create confidence in his subordinates. A leader must have a sense of responsibility for the achievement of goals or target of his group members.

- iv. **Decisiveness:** Leader should be quick in managing the work. Once he is convinced about a fact, he should be firm and should not change his opinion frequently.
- v. **Social skills:** A leader must be friendly with his subordinates. He must provide a supportive environment to subordinates so that they do not hesitate to discuss their problems. He must understand people and try to maintain good relations with them.
- vi. **Sense Of Humor:** Negative situations will always arise, but a good business leader will know how to diffuse them and help give his team peace of mind. A stress-free work environment often garners the most results, and sometimes all that is necessary to help push your team forward is a healthy dose of humor in the face of difficulty.

34. 'Hayaram' chain store is using the four variables of the marketing mix, viz product, promotion, price and place to prepare its market offering:

- i. **Product:** It means goods or services or 'anything of value' which is offered to the market for exchange. 'Hayaram' is offering a variety of products, which include chips, biscuits, sweets, and squashes to the Indian consumers under one roof through its chain stores. From the customer's point of view, a product is a bundle of utility as it provides three types of benefits to the consumers, viz
 - a. Functional benefits.
 - b. Psychological benefits.
 - c. Social benefits.

The product mix refers to important decisions related to the product such as the quality of the product, the design of the product, packaging, etc.

- ii. **Promotion:** It is that element of the marketing mix that is related to the promotional activities which are carried out once the product is ready for sale. In today's scenario, promotional strategies are adopted even when the product is in making as the level of market competition has considerably risen.
- iii. **Price:** It refers to the amount of money that the customer has to pay in the market to obtain the product. The marketers have to take a number of decisions regarding price level, pricing strategy, pricing objectives, discounts, etc, together known as price mix 'Hayaram' has priced its product comparatively higher than its

competitors as it sells quality products.

- iv. **Place:** Place or physical distribution covers all the activities required to physically move the goods from manufacturers to customers.

The two major decision areas under this function are:

- a. The decision regarding channels of distribution
- b. Physical movement of goods from the place where it is produced to the place of consumption.

Thus, place mix involves a number of decisions relating to inventory control, intermediaries, negotiation, storage, warehousing, transportation, etc.

'Hayaram' not only sells through its own retail stores but also distributes its products through various grocery stores so that the products are available to customers at the right place, in the right quantity and at the right time. Here the company has adopted the indirect channels of distribution which has enabled it to expand its market and increase its market share.