

**CBSE Class 12 Business Studies**  
**Sample Paper 04 (2019-20)**

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**Maximum Marks: 80**

**Time Allowed: 3 hours**

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**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. In terms of the sequential relationship, the first function of management is \_\_\_\_\_.
  - a. organising
  - b. planning
  - c. directing
  - d. staffing
2. Hina Sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina Sweets was worried as the sales had declined during the last three months. When he enquired from the Sales Manager, the Sales Manager reported that there

were some complaints about the quality of sweets. Therefore, Harsh ordered for sample checking of sweets.

Identify the step taken by Harsh that is related to one of the functions of management.

3. \_\_\_\_\_ Aims to help each other
  - a. Planning
  - b. Staffing
  - c. Coordination
  - d. Cooperation
4. Subsidy to cotton textile businesses is the \_\_\_\_\_
  - a. Economic Environment
  - b. Political Environment
  - c. Social Environment
  - d. Legal Environment
5. Which is the most crucial step in planning process?
6. Which of the following cannot be delegated?
  - a. Authority
  - b. Accountability
  - c. Responsibility
  - d. None of these
7. Which method of training is concerned with familiarise the new employee to the organisation?
  - a. Apprenticeship training

- b. Coaching
- c. Induction training
- d. Job rotation

8. Which of the following will affect the financing decisions?

- a. Cost and Risk
- b. Floatation costs
- c. Cash flow position
- d. All of these

9. In terms of the sequential relationship, the last function requiring managerial attention is \_\_\_\_\_.

- a. planning
- b. controlling
- c. directing
- d. organising

10. 'She/he keeps machines, materials, tools etc., ready for operations by concerned workers'. Whose work is described by this sentence under functional foremanship?

- a. Instruction Card Clerk
- b. Route Clerk
- c. Gang Boss
- d. Repair Boss

11. Face to face conversation between employer and applicant is known as:

- a. Orientation

- b. Interview
- c. Selection
- d. Campus recruitment

12. Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2015, for the first time, the company's number one position in the industry has been threatened because other companies started selling rice on credit also. But the managers of Super Fine Rice Ltd. continued to rely on its previously tried and tested successful plans which didn't work because the environment is not static. This led to a decline in sales of Super Fine Rice Ltd. The above situation indicates a limitation of planning which led to a decline in its sales. Identity the limitation.

- a. Planning involves huge costs
- b. Planning may not work in a dynamic environment
- c. Planning reduces creativity
- d. Planning leads to rigidity

13. The cheapest source of finance is:

- a. Debenture
- b. Preference share
- c. Retained earning
- d. Equity share capital

14. Identify the participant of primary market from the following \_\_\_\_\_.

- a. All of these
- b. Mutual funds
- c. Individuals

d. Banks

15. Clearing and settlement operations of NSE are carried out by:

a. CDSL

b. SBI

c. NSDL

d. NSCCL

16. Current assets are those assets which get converted into cash:

a. between three and five years

b. within six months

c. within one year

d. between one and three years

17. Which of the following is not a consumer?

a. Purchasing books by a trader for resale

b. Purchasing books by a student

c. Using mobile phone

d. Journey in a bus

18. Which of the following case will require less working capital?

a. Khank Ltd. is a manufacturer of gift items and due to the festive season, it plans to open some more stores in the city.

b. Priya Ltd. is running a business of garments having high level of competition.

c. Jalaj Ltd. is manufacturer of a product which has long production cycle.

d. Nitya Ltd. is running a boutique and there is depression phase in the economy.

19. State true or false:

Under Consumer Protection Act, a complaint can be filed by a consumer for a defective good and not for a deficiency in service.

20. Consumers should use ISI marked electrical appliance is an example of

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

21. **Shiv Shakti Ltd.** keeps constant vigil over the business environment and studies it.

During the course of this study, he noticed a considerable fall in bank interest rate. On the basis of this information, CEO of the company, Mr. Rajan Aggarwal anticipated the rapid rise in demand for his products. Consequently, the company decided to produce more than normal production. The company also decided to take special care of the health and safety of the people and to keep the profits at a low level while fixing the price of the products.

To achieve its objective of an increase in production, the company will need 50 additional workers. Similarly, the company will also require some more managerial staff. Regarding appointment of the employees, it is the desire of the company to recruit such like youngmen as are fully familiar with the new and modern ideas. No matter they may have less experience. Mr. Ram Oberoi, H.R. Manager of the company, arranged the requisite staff. It was brought to the notice of Mr. Oberoi that some of the machine operators needed training. He set-up a training centre for this purpose. In this training centre, a trainer imparted them one-month training. Thus by adopting these measures, the company achieved its objective of large-scale production.

- a. Quoting the lines identify the component of the business environment.
- b. Quoting the lines identify the **objective of management**.
- c. Company will get different kinds of persons from which sources of recruitment?
- d. Which training method is being used by the company?

**OR**

Srija runs an NGO under the name 'Sarthak' in Delhi. The organisation is engaged in

offering waste paper recycling services to all kinds of institutions in the Delhi NCR region. It also manufactures custom made paper stationery out of recycled paper on order for the interested institutions at a very competitive price. The website of 'Sarthak' provides a link to a Careers site wherein the people desirous of joining the NGO can use simple Job Search to find the right opportunity for themselves. The NGO also keeps a database of unsolicited applicants in its office so that job seekers may be notified of future opportunities when they arise.

In context of the above case, Identify the two sources of external recruitment being used by the NGO 'Sarthak' by quoting lines from the paragraph.

22. Explain the various leadership styles.

23. Nutan Tiffin Box service was started in Mumbai by the Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty homemade tiffin to all office goers at the right time and place. The service is uninterrupted even on the days of bad weather, political unrest and social disturbances. Recently, they have started an online booking system through their website 'mydabbawala.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as a guest lecturer by top business schools. The Dabbawalas operate in a group of 25-30 people along with a group leader. Each group teams up with other groups in order to deliver the tiffins on time. They are not transferred on a frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade-no alcohol during working hours; no leaves without permission; wearing white caps and carrying ID cards during business hours. Recently, on the suggestion of a few self-motivated fellow men, the dabbawalas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place a red sticker if food is left in the Tiffin, to be fed to poor children later.

State any one principle of management given by Fayol and one characteristic of management mentioned in the above case.

24. As a project work in Business Studies, the Commerce students of Himachal Public School, Himachal Pradesh thought of preparing apple jam from the apples grown in

their school premises and sell it in the school annual fete. They approached the Principal who not only appreciated the students but also gave her consent for the same. The school decided to donate 50% of the revenue generated from the sale to a nearby orphanage. After the school fete, school also decided to extend this project by providing employment to visually challenged and disadvantaged sections of society on regular basis.

- a. Explain any two product-related decisions which the students had to take.
- b. Suggest any two functions that the TabeT of the jam-bottle must perform.
- c. Define the term packaging.

25. Manisha purchased a new car for ₹15 lakh, Immediately after the purchase, she noticed some defect in its engine. Soon she contacted the dealer. But the dealer paid no heed to her complaint. Then she filed her complaint with the District Forum. She was not satisfied with the decision of the District Forum. She filed an appeal against this decision with the State Commission. She was not satisfied even with the decision of the State Commission. Now she challenged the decision of the State Commission before the National Commission. Manisha was not satisfied with the decision of the National Commission also.

Tell whether Manisha can file an appeal in the Supreme Court. Clarify your answer.

26. Mr. Shrawan Kashyap a father has a good business of Iron and Steel. His son wants to go to U.S.A. for his M.B.A, but his father wants that he should join the business. On the basis of emerging trends, do you think that Mr. Shrawan should send his son to U.S.A.? Give any three reasons in support of your answer.

27. Sanyam Textiles Private Limited is an export-oriented Towels and Rugs manufacturing unit based in Kota in the state of Rajasthan. It has a fully integrated plant encompassing Dyeing, Weaving, Finishing, Printing, Embroidery which enables the transformation of cotton yam into amazing towels/bath mats. The clientele includes departmental stores and importers right across the globe with customers in 18 countries encompassing all continents. However, the company is experiencing a downward trend from the past six months since many of its export orders have been rejected because they were not being completed within a stipulated time. The company has now hired Mr. Jacob as a



consultant to look into the reasons for such circumstances. The prime reasons which have been identified by Mr. Jacob are as follows:

- a. The workers are using mobile phones extensively as the internet packages are available at very economical rates these days.
- b. The workers don't feel encouraged enough as their wages have not been revised in the present year.
- c. In one of the accidents which took place in the factory last year, two workers lost their limbs, but the company didn't pay them sufficient compensation because of which many of the old workers left the job as their morale was reduced.
- d. Most of the workers in the factory are new and are not well versed in their work.

On the basis of the above analysis Jacob has advised the management to give regular increments to the workers, reframe the accidental policy of the company to be able to do more justice to the workers in case of any eventuality, install cameras at appropriate places for better supervision of workers so that they do not waste time and also provide training to the new workers.

In the context of the above case:

- a) Identify the functions of management being discussed in the above paragraph.
- b) State any two points highlighting the importance of one of the functions of management as identified in part (a) of the question.

28. State any one 'Protective Function' of Securities and Exchange Board of India (SEBI).

**OR**

Explain any four factors which affect the 'fixed capital' requirements of a company.

29. Explain that technique of scientific management which is the strongest motivator for a worker to reach standard performance.

**OR**

Carmato Ltd. is a well-known automobile company in India. The production manager of the company believes that one of the prime reasons for the success of the company is the use of scientific management techniques 'Lean manufacturing' in particular. He

also shares that the best results come to the company because of an effective partnership between trained and qualified management and cooperative workers and thus there is no need for trade unions.

In the context of the above case:

- i. What do you understand by 'Lean manufacturing'?
- ii. Identify and explain the principle of scientific management being described above.
- iii. Differentiate between the terms 'principles of management' and 'techniques of management'.

30. Explain how planning reduces wasteful activities.
31. Tata International Ltd. earned a net profit of Rs. 50 crores. Ankit, the finance manager of Tata International Ltd. wants to decide how to appropriate these profits. Discuss any five factors which will help him in taking -this decision.
32. Explain elements of delegation of authority.
33. 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.

**OR**

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34. Advertisement is an important business activity. On the one hand, it makes available to the people information regarding different new and old products and on the other, it is also a source of living for many persons. Impressed by these traits of advertisement Tanu, Manu and Sanchit, three students of Class-XII made up their mind to go ahead with project work on an advertisement. All the three conversed with the people about advertisement. Each one of them, on the basis of his survey, concluded as under:

- i. Tanu opined that advertisement costs get transferred to consumers in the form of high prices.
- ii. Manu was of the opinion that advertisement showed reality in a twisted form.
- iii. Sanchit maintained that advertisement was turning people from reality to artificiality.

- a. What do the above remarks about advertisement hint at? Clarify it.
- b. Identify two values that advertisement presents to society.

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**Solution**

**Section A**

1. (b) planning

**Explanation:** planning

2. The step indicated here is 'Measurement of actual performance' under controlling, after checking the samples they can get the actual report of the quality served.

3. (d) Cooperation

**Explanation:** Cooperation is an act of working or acting together for a common purpose for benefit. It aims to help each other. It is more or less active assistance from a person, organisation etc. whereas the process by which a manager synchronises the activities of different departments is known as coordination.

coordination is deliberately synchronising the activities of different departments or individuals whereas cooperation is **willing spirit of helping each other**.

The other two aspects given in the option of this question (Planning and Staffing) are functions of management.

4. (b) Political Environment

**Explanation:** Political environment includes political conditions such as type of government in power, attitude of govt towards different groups of societies, policy changes etc. Thus it is an example of political environment.

5. The first step i.e. establishing objectives is the most crucial step in the process of planning.

6. (b) Accountability

**Explanation:** Principle of Absoluteness applies to Accountability. It means it can never be passed or delegated. The superior always remain accountable for the work delegated to the subordinates.

7. (c) Induction training

**Explanation:** Induction training

8. (d) All of these

**Explanation:**

- Financial manager will compare the risk with cost involved and prefer moderate risk factor and cost-effectiveness.
- Firm prefers securities which involve least floatation cost.
- Smooth and steady cash flow companies will prefer borrowed funds but when shortage of cash flow, they prefer owner's funds.

9. (b) controlling

**Explanation:** controlling

10. (c) Gang Boss

**Explanation:** Taylor suggested the appointment of Planning Incharge for planning functions and Production Incharge for executive functions supported by eight specialist foremen. Under production Incharge, the person who keeps machines, tools, materials available is called Gang boss.

11. (b) Interview

**Explanation:** Through interview, employer ask questions from the applicant to test his professional knowledge and applicant clarify their queries regarding salary posting etc.

12. (b) Planning may not work in a dynamic environment

**Explanation:** Planning may not work in a dynamic environment

13. (c) Retained earning

**Explanation:** Retained earning is a part of profit which is not distributed among shareholders as dividends but is retained in the business for future use. It is also known as self-financing. It is available free of cost for the business.

14. (a) All of these

**Explanation:** All of these

15. (d) NSCCL

**Explanation:** The clearing and settlement operations of NSE are carried out by NSCCL. NSCCL (National Securities Clearing Corporation Ltd.) was incorporated in August, 1995 and it commenced its clearing operations for NSE in April, 1996.

16. (c) within one year

**Explanation:** These are the assets which can be converted into cash and cash equivalents within one year in the normal routine of business. e.g. inventories, debtors, bills receivable etc.

17. (a) Purchasing books by a trader for resale

**Explanation:** Purchasing books by a trader for resale

18. (d) Nitya Ltd. is running a boutique and there is depression phase in the economy.

**Explanation:** Nitya Ltd. is running a boutique and there is depression phase in the economy.

19. False

20. (d) Right to safety

**Explanation:**

- The **consumer has a right to be protected or right to safety** against goods and services which are hazardous to life and health.
- For instance, electrical appliances which are manufactured with substandard products or do not conform to the safety norms might cause serious injury.
- Thus, **consumers are educated that they should use electrical appliances which are ISI marked as this would be an assurance of such products meeting quality specifications.**

21. a. "During the course of study ..... fall in bank interest rate."

- Economic environment

b. "Company also decided ..... to keep the profit at a low level while fixing the price."

- Social objective

c.

i. Daily Wage basis: Direct Recruitment

ii. Managerial Staff: Management Consultant

iii. Youngmen with new and modern ideas: Campus Recruitment.

d. Vestibule Training

**OR**

The two sources of external recruitment being used by the NGO 'Sarthak' are as follows:

- i. **E-recruiting:** The e-recruiting means searching and screening the prospective candidates electronically. There are several online job portals that enable the job seekers to upload their resume online which are then forwarded to the potential hires. Such as naukri.com, monster.com, shine.com, etc. are some of the well renowned online job portals.
- ii. **Casual Callers:** The casual callers, also called as unsolicited applications are the job seekers who come to the well-renowned organizations casually and either mail or drop in their job applications seeking the job opportunity.

This could be considered as an important source of external recruitment as the personnel department maintains the folder of unsolicited applications and all those who fulfil the job requirements, whenever the vacancy arises.

22. The various leadership styles are as follows: **(i)Autocratic leadership style:** This style is also known as leader centered style. The leader keeps all the authority and employees have to perform the work exactly as per his order. He does not decentralize his authority. The responsibility of the success or the failure of the management remains with the manager.

**(ii)Laissez-faire leadership style:** This style as leadership is also known as free brain leadership or individual centred style. The manger takes little interest in managerial functions and the subordinates are left on their own. Manager explains overall objectives; help subordinates in determining their own objectives. They provide resources. They also advise the employees.

**(iii)Democratic leadership:** This style is also known as group centred leadership style. Managerial decisions are not taken by the manager in consultation with employees. This leadership style is based on decentralization. Managers respect the suggestions made by his subordinates.

23. **Principle of management is Initiative:** Management should take steps to encourage worker initiative, which is defined as new or additional work activity undertaken through self-direction.

**Characteristic of management is Group activity:** An organization consists of various members who have different needs, expectations and beliefs. Every person

joins the organization with a different motive, but after becoming a part of the organization they work for achieving the same goal. It requires supervision, teamwork and coordination, and in this way, management comes into the picture.

24. a. The two product-related decisions which the students had to take are branding and packaging, where Branding According to Kotler and Amstrong, 'a brand is a name, term, sign, symbol or design or a combination of these that identifies the maker or seller of a product, or services' and Packaging is wrapping material around a consumer item that serves to contain, identify, describe, protect, display, promote and otherwise make the product marketable and keep it clean. Packaging is more than just your product's pretty face.
- b. The two important functions that the label of the jam -bottle must perform are:
- i. Describe the product and specify its contents: The label on the jam bottle must provide information about the core function of the product i.e. how and why is the product is likely to be beneficial to the prospective buyer. It should educate them about the usage and precautions related to the product. It also gives detailed information about the ingredients of the product.
  - ii. Helps in the identification of the product or brand: The label should contain the logo, brand name, tagline, name and address of the manufacturer etc. of the product for easy identification of the product.
- c. Packaging means the wrapping material around a consumer item that serves to contain, identify, describe, protect, display, promote and otherwise make the product marketable and keep it clean. Packaging is more than just your product's pretty face.
25. No, now Manisha can't file an appeal in the Supreme Court. Because appeal in Supreme Court can be filed only in those cases which are within the original jurisdiction of the National Commission. In other words, which involves a sum exceeding ₹1 crore.
26. Yes, Mr. Shrawan kashyap should send his son to U.S.A as it will provide the understanding of environmental content of a business which has the following benefits:
- (i) It enables the firm to identify opportunities and getting the first-mover advantage:**



(a) Opportunities refer to the positive external trends or changes that will help a firm to improve its performance.

(b) For example, Maruti Udyog became the leader in the small car market because it was the first to recognise the need for small cars in an environment of rising petroleum prices and a large middle-class population in India.

**(ii) It helps the firm to identify threats and early warning signals:**

(a) Threats refer to the external environment trends and changes that will hinder a firm's performance.

(b) Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.

(c) For example, if an Indian firm finds that a foreign multinational is entering the Indian market with new substitutes, it should act as a warning signal.

**(iii) It helps in tapping useful resources:**

(a) To engage in any type of activity, a business enterprise assembles various resources called inputs like finance, machines, raw materials, power and water, labour, etc., from its environment including financiers, government and suppliers.

(b) They decide to provide these resources with their own expectations to get something in return from the enterprise.

(c) For example, with the increase in demand of LED TV, the T.V.manufacturers started collecting resources of LED TV rather than LCD TV.

27. a. **Directing and Controlling** are the two functions of management being discussed in the above paragraph.

b. The importance of controlling function is described below:

i. **Accomplishing organizational goals:** Controlling helps in accomplishing organizational goals by constantly monitoring the performance of the employees and bringing to light the deviations, if any, and taking appropriate corrective action.

ii. **Judging accuracy of standards:** A good control system enables helps the business managers to judge the objectivity and accuracy of the standards. All the activities of the organization are monitored and a close check is kept on the changes in the business environment so as to review and revise the standards in light of such changes.

28. It Checks Price Rigging:

Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of securities. SEBI prohibits such practice because this can defraud and cheat the investors.

**OR**

The amount of capital investment in fixed assets is called fixed capital, e.g plant and machinery, land and building, etc.

The four factors which affect the fixed capital requirement of a company are:

- i. **Nature of business** While deciding the fixed capital requirement of a business enterprise, its nature should be considered, e.g trading concern needs lower investment in fixed assets as compared with a manufacturing organization since it does not require to purchase plant and machinery, etc.
- ii. **The scale of operations** A large organization operating at a higher scale needs higher investment in fixed assets as compared to a small organization.
- iii. **Choice of technique** A capital-intensive organization requires higher investment in plant and machinery. So, the requirement of fixed capital would be higher. On the other hand, the labour-intensive organization requires less investment in fixed assets as the dependence of such type of organization is more on labour than on machinery.
- iv. **Technology upgradation** These days upgradation with the latest technologies is essential and there is a need to replace old technology with new. Thus, in this case, higher investment is required and vice-versa.

29. Every Individual requires some or the other motivational incentive to excel in a particular field. As far as the workers working in the Organisation are concerned, they too require that one stimulant which could improve their efficiency to work. Differential piece wage system is the strongest motivator for a worker to reach standard performance. It is a method of wage payment in which efficient and inefficient workers are paid at different rates. However, the most challenging task for a manager while implementing this technique is to look for the parameter on the basis of which he or she could discriminate the worker as efficient or inefficient. In

this method, increase in efficiency is co-related with an increase in the wage rate. That is why, an efficient worker gets more wages, whereas, an inefficient worker gets less.

Workers are paid on the basis of number of fruits produced. If a worker produces more than a certain number of units (standard output), he gets higher wage per piece/units. on his total output. If he produces below the standard number, he gets lower rate per piece. Because of different rates of wage for different sets of workers, this is known as differential piece-rate plan.

### OR

- i. Lean manufacturing is a systematic method for waste minimization within a manufacturing system without sacrificing productivity. It emphasizes the reduction of wastes of seven types in any type of manufacturing process namely; overproduction, waiting time, transportation, processing, motion, inventory and scrap. Lean manufacturing helps to enhance the quality of output besides reduction in cost due to reduced production time.
  - ii. The principle of scientific management is described above is Harmony, Not Discord. **Harmony, Not Discord:** Taylor suggested that any kind of class conflicts between the workers and the managers were not good rather they must realize that each one is important. Therefore, he emphasized that there should be complete harmony between the management and workers. To achieve this Taylor called for complete mental revolution on the part of both management and workers by transforming their thinking. The management should share the gains of the company, if any, with the workers and at the same time workers should work hard. The paternalistic style of management should be followed wherein the employer takes care of the needs of employees like a father.
  - iii. The principles of management serve as a broad and general guideline for managerial decision making and action. For example, the principle of division of work. Whereas, technique refers to an approach or method, which involves a series of steps to be taken to accomplish desired goals. For example, the technique of functional foremanship.
30. Plans and programs indicate precisely how various tasks are to be accomplished and how resources are to be utilised for the purpose. The availability of advance

information on such matters leads to the economy. This is because planning helps employees to avoid needless efforts and reduce wastage. Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated. It is easier to detect inefficiencies and take corrective action to deal with them.

For example, planning minimises cost by suggesting the exact requirements of manpower, raw materials, machines, etc., what is to be done, how and when are specified in the plans. Hence, there is no scope for using trial and error methods. This also leads to the efficiency of operations.

31. Dividend decision refers to the policy that the management formulates in regard to earnings for distribution as dividends among shareholders. The Dividend Decision, in Corporate finance, is a decision made by the directors of a company about the amount and timing of any cash payments made to the company's stockholders. The Dividend decision is an important one for the firm as it may influence its capital structure and stock price. In addition, the Dividend decision may determine the amount of taxation that stockholders pay. The five factors which will help Ankit, in taking the dividend decision are described below:

- a. **Earnings:** Since the dividends are paid out of current and past earnings, there is a direct relationship between the amount of earnings of the company and the rate at which it declares dividend. If the earnings of the company are high, it may declare a higher dividend or vice-versa.
- b. **Cash flow position:** Since the dividends are paid in cash, if the cash flow position of the company is good it may declare higher dividend or vice-versa.
- c. **Access to capital market:** If the company enjoys easy access to the capital market because of its credit worthiness. It does not feel the need to depend entirely on retained earnings to meet its financial needs. Hence, it may declare higher dividend or vice-versa.
- d. **Growth prospects:** If the company has any forthcoming investment opportunities, it may like to retain profits to finance its expansion projects. This is because retained profits are considered to be the cheapest source of finance as it doesn't

involve any explicit costs. Hence, it may declare a lower dividend or vice-versa.

- e. **Preferences of the shareholders:** The companies paying stable dividends are always preferred by small investors primarily if they want regular income in the form of 'stable returns' from their investments. Large shareholders may be willing to forgo their present dividend in pursuit of higher profits in future. Therefore, the preferences of the shareholders must be taken into consideration.

32. Delegation means sharing of authority by a superior with his subordinate and make him confident to assume the same position in the future.

- i. **Authority:** It refers to the right of an individual to command his subordinates and to take action within the scope of his position.
  - a. Authority is needed to discharge a given responsibility to the subordinates. Without authority, it is like a toothless tiger sent for the hunt.
  - b. It flows from top to bottom of the scalar chain on the basis of hierarchical job positions.
  - c. The superior has authority over the subordinates. It is highest at the top management, However, it reduces as we move downward in the corporate hierarchy.
- ii. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duties.
  - a. Responsibility arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. Responsibility is by default, while, the Authority is deliberate in nature.
  - b. Responsibility flows upwards, i.e. from bottom to top. A subordinate will always be responsible to his superior based on the principle of Unity of Command.
- iii. **Accountability:**
  - a. Accountability implies 'being answerable for the final outcome of the assigned task'. Where responsibility ends, the accountability originates.
  - b. Accountability flows upwards, i.e. a subordinate will be accountable to his superior for satisfactory performance of the assigned work.

33. “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 challenges 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.

## **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.
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communication process is tempered.

34. a. The remarks in the above paragraph hint at objections against the advertisement. According to all the three participants in the project work, the main disadvantages of advertisement are as under:
- i. **It Adds to Costs:** An organisation has to spend a huge amount on advertisement. It increases the cost of the products. To meet the expenditure, the price of the product is raised. No manufacturer pays for advertising expenses out of his Advertising, therefore, it leads to an unnecessary rise in prices. In this regard, it is said that advertising costs are passed on to the consumers in the form of high prices.
  - ii. **It Confuses the Buyers:** Many a time distorted version of reality is depicted in the advertising. Under the influence of advertisements, consumers go in for the product. When they use it, they feel cheated. Then they realize that the information given in the advertisement about the product was quite different from the actual product. In this way, advertisement states people's confidence in it. Therefore, it is said that advertising confuses consumers rather than helping them.
  - iii. **It undermines Social Values:** Advertisement is a kind of day-dreaming for the people. It drives people away from reality into the realm of artificiality. Through its medium people are regularly informed about new products. Only very few products of any worth for them. The brilliance of new products overwhelms them. They are tempted to buy them but lack the necessary resources. Consequently, they feel frustrated with their lot. Considering it a social evil, it can be said that advertisement undermines social values.
- b. Values:
- i. Adds to knowledge.
  - ii. Provides employment opportunities.