

Sample Question Paper-1

(Issued by Board dated 16th Sep. 2022)

Business Studies (054)

Class-XII, Session-2022-23

SOLVED

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. Rishabh joined an entertainment company Avtaar, as a creative head. As a manager looking after the creative unit of the company, one of the functions he has to perform is the process of organizing. Which step of the process will he need to perform after identifying and dividing the work that has to be done in accordance with previously determined plans? [1]
(A) Identification and division of work (B) Departmentalisation
(C) Assignment of Duties (D) Establishing Reporting Relationships
2. Which characteristic of the business environment is highlighted when changes are taking place too frequently and it becomes difficult to predict the future? [1]
(A) Uncertainty (B) Complexity
(C) Inter-relatedness (D) Relativity
3. Aarohan Ltd. is a company manufacturing automobiles where division of work into key areas includes production, purchase, marketing, accounts and personnel. Which of the following is a disadvantage of the organization structure of Aarohan Ltd.? [1]
(A) It may lead to increase in cost
(B) Managers may gain power and assert independence and ignore organization interests.
(C) It ensures that different functions get due attention.
(D) Heads do not get training for top management positions.
- 4.



Identify the dimensions of the business environment illustrated by the picture given above in which Sapna who has joined the workforce recently is working on an accounting software.

- (A) Technological and social (B) Technological and political
(C) Political and economic (D) Social and legal

[1]

5. Identify the reason which makes management important in the light of the fact that it is generally seen that individuals in an organization resist change, as a change often means moving from a familiar, secure environment into a newer and a more challenging one.
 (A) Management helps in achieving group goals.
 (B) Management creates a dynamic organization
 (C) Management increases efficiency
 (D) Management helps in the development of society. [1]
6. The government of India made an announcement regarding Demonetization of the Indian economy on November 8, 2016 with profound implications for it. The process which put restrictions on convertibility of domestic money and bank deposits was meant to create a less-cash economy. One argument against the cash-lite economy is that:
 (A) Internet connectivity is a prerequisite
 (B) More people will be introduced into the formal economy.
 (C) Financial saving will increase
 (D) Tax evasion will be reduced [1]
7. Airlines will be able to offer the benefit of lower pricing to customers on sectors/routes due to the decision of the civil aviation ministry to remove price caps from August 31, 2022. This can help an airline to do better performance if they take early decisions regarding future courses of action after understanding and doing analysis. Which importance of business environment and its understanding by managers is not highlighted above?
 (A) It helps in improving performance.
 (B) It helps in assisting in planning and policy formulation.
 (C) It helps in tapping useful resources.
 (D) It enables a firm to identify opportunities and get first mover advantage. [1]
8. Alo a mobility platform is in the process of laying off 400-500 employees in a move aimed at driving cost efficiency. Which objective of management will the firm not be able to achieve by carrying out this process?
 (A) Efficiency (B) Social
 (C) Profit (D) Survival
9. Radha started a home cooked food delivery Dabba service. Her mother, who is a great cook, decided to help her. They relied on friends and family for orders and then on word of mouth. As a step in the process of ensuring that activities are performed as per her plan of supplying healthy, good quality, reasonable food and earning profit, she decided to keep both qualitative and quantitative benchmarks towards which she would strive to work. A function of management is being discussed above. An important characteristic of this function of management is :
 (A) It is the first function of management.
 (B) It is the Last function of management.
 (C) It is both forward looking and backward looking.
 (D) It is required only in business organizations. [1]
10. Raman and Vasudev were two employees who were embezzling an import-export company in Varanasi where they were working. The finance manager of the company Sampat Singh became suspicious of the two employees when he realized that their activities were not being performed as per the plans. He installed a software program that could secretly log every single stroke of the suspects' computer keys and send an encrypted email report to the Cyber police. The police were able to catch the two dishonest employees red handed and arrest them. Identify the function of management being discussed above.
 (A) Staffing (B) Coordination
 (C) Controlling (D) Organizing [1]
11. Name the outcome of the function of management which includes designing of roles to be filled by suitably skilled people and defining the inter relationship between roles so that ambiguity in performance of duties can be eliminated.
 (A) Organization structure (B) Delegation of authority
 (C) Decentralization (D) controlling [1]
12. **Statement-I:** Transportation helps in creating time utility and warehousing helps in creating place utility
Statement-II: The process of classification of products into different groups on the basis of their important characteristics is known as standardization.
 Choose the correct option from the options given below:
 (A) Statement I is true and II is false. (B) Statement II is true and I is false.
 (C) Both the statements are true. (D) Both the statements are false. [1]
13. Match the various terms of Financial Markets Column - I with their respective Statements in Column-II

Column I		Column II	
a.	Financial market	(i)	It is also known as the Stock market.
b.	Primary market	(ii)	It is a market for creation and exchange of financial assets.
c.	Secondary market	(iii)	It is also known as New issue market.

(A) (ii), (iii), (i)

(B) (i), (iii), (ii)

(C) (iii), (ii), (i)

(D) (i), (ii), (iii)

[1]

14. _____ is a number assigned to each transaction by the stock exchange and is printed on the contract note.

(A) Client code number

(B) Unique order code

(C) Permanent account number

(D) Depository participant number

[1]

15. One of the important decision areas under the marketing function of is managing inventory.

(A) Branding

(B) Pricing

(C) Promotion

(D) Physical distribution

[1]

16. Which of the following statements is incorrect?

(A) Providing liquidity to securities is one of the functions of stock exchange.

(B) Process of holding shares in electronic form is known as Dematerialization.

(C) Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices.

(D) Capital market consists of Commercial banks, Development banks and stock exchanges.

[1]

17. One of the following is considered to be an extension of the marketing concept, which apart from customer satisfaction pays attention to ethical and ecological aspects of marketing. Identify the concept.

(A) Selling concept

(B) Product concept

(C) Production concept

(d) Societal Marketing concept

[1]

18. While the product costs set the lower limits of the price for a product, the upper limit of price which a buyer would be prepared to pay is decided by:

(A) Utility and demand of the product

(B) The marketing manager of the firm

(C) The Government

(D) The competitors of the firm

19. Which of the following statements about Advertising is incorrect?

(A) It is a personal form of communication.

(B) It is a paid form of communication.

(C) It is a mass selling technique.

(D) It is inflexible as the message can't be adjusted to the needs of the buyer.

[1]

20. Arrange the steps involved in trading procedure at the stock exchange in correct sequence :

(i) Settlement of order

(ii) Opening of Demat Account

(iii) Placing of order

(iv) Execution of order

(a) (ii); (iv); (iii); (i)

(b) (ii); (i); (iii); (ii)

(c) (iii); (ii); (ii); (i)

(d) (ii); (iii); (iv); (i)

[1]

21. Top management plans for the entire organization. According to these plans the organizational structure is developed and staffed. In order to ensure that these plans are executed according to plans, directing is required. Any discrepancies between actual and realized activities are then taken care of at the stage of controlling. Name and explain the process highlighted above which started at the planning stage itself and is implicit and inherent in all the functions of management in an organization.

[3]

22. Mrs. Ahilya Pasi is the Principal of a prestigious school in New Delhi. The school has a vacancy of a headmistress/headmaster of the junior wing of the school. The senior teachers of the school have the opinion that only internal candidates should be considered for this post. However, Mrs. Pasi and the management would like to invite applications from external sources too. Briefly explain any three justifications the management can provide to convince the staff for inviting applications of external candidates for the vacant post.

[3]

23. Explain "Critical point control" with respect to Analyzing deviations, a step in the process of controlling. Give a suitable example. [3]
- OR**
- Explain "Management by exception" with respect to Analyzing deviations, a step in the process of controlling. Give a suitable example. [3]
24. State any three objectives of the Securities Exchange Board of India. [3]
- OR**
- State any three functions performed by the stock exchange. [3]
25. Enumerate any four benefits of the process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. [4]
- OR**
- Name the mechanism that attempts to measure certain characteristics of individuals in the process of identifying and choosing the best person out of the number of prospective candidates for the job. Enumerate any three of its types. [4]
26. State any four barriers to communication which are concerned with problems and obstructions in the process of encoding and decoding the message into words or impressions. [4]
- OR**
- State any four barriers to communication which are related to authority relationships, rules and regulations of the company. [4]
27. In Saarthak Steel several initiatives have been taken to further improve the motivation levels of employees through designing jobs that include greater variety of work content, providing certain stability about future income and work, providing fringe benefits like housing, medical aid, etc., allotment of shares in line with various incentives. Identify and briefly explain the incentives being given by the organization to the employees. [4]
28. State any four factors affecting the financial decision that is concerned with raising of finance using shareholders' funds and borrowed funds. [4]
29. Krish limited is in the business of manufacturing and exporting carpets and other home décor products. It has a share capital of ₹ 70 lakhs at the face value of ₹ 100 each. Company is considering a major expansion of its production facilities and wants to raise ₹ 50 lakhs. The finance manager of the company Mr. Prabhakar has recommended that the company can raise funds of the same amount by issuing 7% debentures. Given that earning per share of the company after expansion is ₹ 35 and tax rate is 30%, did Mr. Prabhakar give a justified recommendation? Show the working. [4]
30. Mayank purchased a pack of chocolates of a renowned brand for his daughter from a shop in the nearby market. After consuming the chocolates, his daughter fell sick. He filed a case with the District forum against the renowned brand. He lost the case because of a mistake that he could not provide proof of purchase. What should be kept in mind by a consumer while purchasing, using and consuming goods and services apart from avoiding the mistake committed by Mayank, in order to enable him/her to achieve the objective of consumer protection? Enumerate any four points. [4]
31. Briefly explain any three of the following techniques of Scientific Management as given by F.W. Taylor:
 (a) Method study (b) Functional foremanship
 (c) Standardization (d) Differential piece wage system [6]
- OR**
- Briefly explain any three of the following principles of management given by Henry Fayol:
 (a) Unity of command (b) Equity
 (c) Remuneration (d) Initiative [6]
32. 'The pros and cons of each alternative need to be weighed.' Name and briefly explain the logical steps in the process of planning which are followed by a manager before performing the step highlighted in the above statement. [6]
- OR**
- Briefly explain the next three steps in the process of planning which the manager will have to have to follow after using conjecture about what might happen in the future. [6]
33. Jojo and Jojo is a company known for its consumer business of baby oil and bandages, but many people do not know that the company also runs a medical device and diagnostics business, as well as a pharmaceutical company. With more than 1,80,000 employees worldwide the company has chosen to share decision making authority with lower levels and place it nearest to the point of action. Therefore the response does not take time. This

6 propagates the belief that people are competent, capable and resourceful who can get a chance to prove their abilities. And enables the company in identifying those executives who have the necessary potential to become dynamic leaders, so that the checking required on decisions taken by lower levels of management is the least. This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results. By quoting the lines given above identify and briefly explain the benefits of the concept discussed above. [6]

34. Choco Ltd. offers a wide variety of chocolate products. It has an action program of not selling its products by their generic name but under different names like Choco-silk bar, Choco-Munchy and Choco-crunchy etc. for different customer segments. All these names have great popularity and acceptability in the markets.

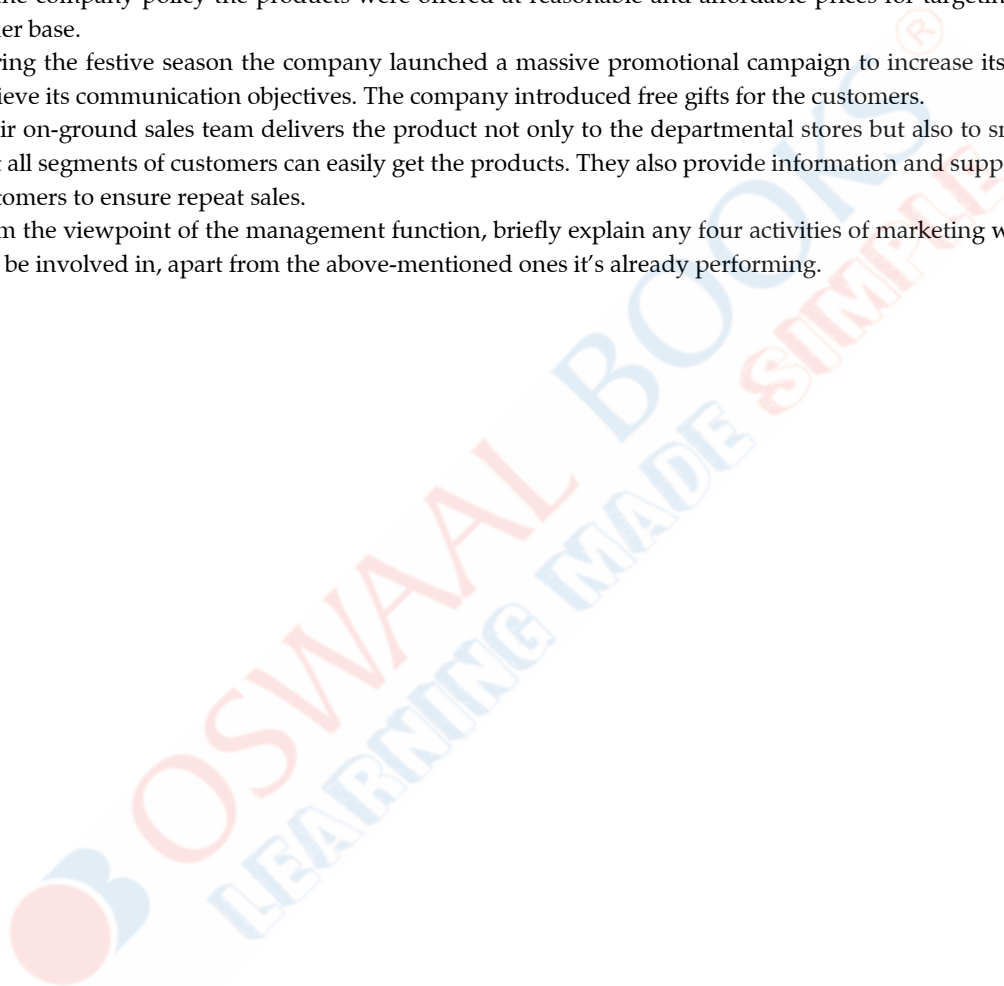
As the company policy the products were offered at reasonable and affordable prices for targeting a mass customer base.

During the festive season the company launched a massive promotional campaign to increase its revenue and achieve its communication objectives. The company introduced free gifts for the customers.

Their on-ground sales team delivers the product not only to the departmental stores but also to small shops, so that all segments of customers can easily get the products. They also provide information and support services to customers to ensure repeat sales.

From the viewpoint of the management function, briefly explain any four activities of marketing which the firm will be involved in, apart from the above-mentioned ones it's already performing. [6]

●●



SOLUTIONS

Sample Question Paper-1

with CBSE Marking Scheme 2022-23

Business Studies

- 1. Option (B) is correct.** [1]
Explanation: Departmentalization is an organizational structure that separates people into groups, or departments, based on a particular set of criteria. These departments have their own leadership and work together to complete tasks. With large or complicated projects, multiple departments may work together.
- 2. Option (A) is correct.** [1]
Explanation: The business environment is very uncertain as one cannot predict what will happen in the future, especially in the case of the fashion industry, film industry, and information technology. Its dynamic nature makes it all more challenging to handle uncertainty.
- 3. Option (D) is correct.** [1]
Explanation: Functional heads do not get training for top management positions in Arohan Ltd. because they are unable to gather experience in diverse areas.
- 4. Option (A) is correct.** [1]
Explanation: The social environment includes factors like lifestyle, consumer trends, and working in the community. The technological environment includes factors like using software and machine learning.
- 5. Option (B) is correct.** [1]
Explanation: Management creates a dynamic organisation as it includes goal, objectives, and other activities which keeps on changing according to the changes taking place in the business environment.
- 6. Option (A) is correct.** [1]
Explanation: Cashless economy cannot function without the Internet as the payments cannot be done or processed without the internet.
- 7. Option (C) is correct.** [1]
Explanation: Understanding of business environment helps in tapping useful resources by designing the policies that allow it to get the resources it needs so that it can convert those resources into outputs that the environment desires.
- 8. Option (B) is correct.** [1]
Explanation: Social objectives of business include production and supply of quality and standard goods and services, adoption of fair-trade practices and contribution to the general welfare of society and provision of welfare amenities.
- 9. Option (C) is correct.** [1]
Explanation: Planning is said to be forward looking function because it makes assumptions and sets goals to be fulfilled. Whereas planning is said to be backward looking because planning is done about past achievements and drawbacks.
- 10. Option (D) is correct.** [1]
Explanation: The controlling function helps in measuring the progress towards the organizational goals and brings any deviations, & indicates corrective action.
- 11. Option (A) is correct.** [1]
Explanation: The organizational structure determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.
- 12. Option (D) is correct.** [1]
Explanation: Transport carries them to another place where they are demanded and creates place utility.
Grading is a process of classification of products into different groups on the basis of some important characteristics such as quality, size, etc.
- 13. Option (A) is correct.** [1]
Explanation: Financial Markets include any place or system that provides buyers and sellers the means to trade financial instruments.
A primary market is a source of new securities.
The secondary market is where investors buy and sell securities, they already own.
- 14. Option (B) is correct.** [1]
Explanation: Unique order code is a number assigned to each transaction by the stock exchange and is printed on the contract note.
- 15. Option (D) is correct.** [1]
- 16. Option (C) is correct.** [1]
Explanation: Prevent insider trading is one of the protective functions of SEBI. By this SEBI protects the interest of investors and other financial participants.
- 17. Option (D) is correct.** [1]
Explanation: Societal Marketing is based on the principle of societal welfare. It emphasizes that an organization must make strategic marketing

decisions keeping in mind the consumer wants, the organizational needs and most important the long term interests of the society.

18. Option (A) is correct. [1]

Explanation: Demand is an economic principle referring to a consumer's desire for a particular product or service. Utility function describes the amount of satisfaction a consumer receives from a particular product or service.

19. Option (A) is correct. [1]

Explanation: Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media.

20. Option (D) is correct. [1]

Explanation: The Trading procedure involves the following steps:

1. Selection of a broker
2. Opening a Demat Account with Depository
3. Placing the Order
4. Executing the Order
5. Settlement

21. Coordination [1]

The process by which a manager synchronizes the activities of different departments is known as coordination.

Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization. [2]

22. Merits of external sources: (Any three)

- (i) **Qualified personnel:** By using external sources of recruitment, the management can attract qualified and trained people to apply for vacant jobs in the organization.
- (ii) **Wider choice:** When vacancies are advertised wisely, a large number of applicants from outside the organization can apply. The management has a wider choice while selecting the people for employment.
- (iii) **Fresh Talent:** The present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment provides wider choice and brings new blood in the organization.
- (iv) **Competitive spirit:** If a company taps external sources, the existing sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

[1×3 = 3]

23. Critical point control: It is neither economical nor easy to keep a check on each and every activity in an organization.

Control should therefore focus on key result areas which are critical to the success of an organization.

These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organization suffers.

For instance, in a manufacturing organization, an increase of 5% in the labour cost may be more troublesome than a 15% increase in postal charges.

[2+1=3]

OR

Management by Exception: Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing.

Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of the management.

For instance, if the plans lay down 2% increase in labour cost as an acceptable range of deviation in a manufacturing organization, only an increase in labour cost beyond 2% should be brought to the notice of the management. However, in case of major deviation from the standard (say, 5%), the matter has to receive immediate action of management on a priority basis.

[2+1=3]

24. Following are the objectives of SEBI: (Any three)

- (i) To regulate stock exchanges and the securities industry to promote their orderly functioning
- (ii) To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
- (iii) To prevent trading malpractices and achieve a balance between self regulation by the securities industry and its statutory regulation.4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional. [1 × 3 =3]

OR

Following are the functions of stock exchange:

(Any three)

- (i) Providing liquidity and marketability to existing securities.
- (ii) Pricing of securities on the stock exchange is determined by the forces of demand and supply.
- (iii) Safety of transaction is ensured as membership of a stock exchange is well regulated and its dealings are well defined.
- (iv) Contributes to economic growth through the process of disinvestment and reinvestment.
- (v) Spreading of equity cult by ensuring wider ownership by way of regulating new issues.
- (vi) Providing scope for speculation by ensuring speculative activity within the [1 × 3 = 3]

25. The benefits of training to an organization are as follows: (Any four)

- (i) Training is a systematic learning, Always better than hit and trial methods which lead to wastage of efforts and money.

- (ii) It enhances employee productivity both in terms of quantity and quality, leading to higher profits.
- (iii) Training equips the future manager who can take over in case of emergency.
- (iv) Training increases employee morale and reduces absenteeism and employee turnover.
- (v) It helps in obtaining an effective response to a fast changing environment –technological and economic. [1×4=4]

OR

Selection test [1]

Types of tests are: (Any three)

- (a) Intelligence test is one of the important psychological tests used to measure the level of intelligence quotient of an individual and is an indicator of a person's ability or the ability to make decisions and judgments.
- (b) Aptitude test is a measure of an individual's potential for learning new skills and indicates the person's capacity to develop.
- (c) Personality tests provide clues to a person's emotions, her reactions, maturity, and value system and probe the overall personality.
- (d) Trade tests measure the existing skills of the individual, level of knowledge and proficiency in the area of professions or technical training.
- (e) Interest tests are used to know the pattern of interests or involvement of a person. [1×3=3]

26. Semantic barriers (Any four):

- (i) Sometimes intended meaning may not be conveyed by a manager to his subordinates due to badly expressed messages which may be on account of inadequate vocabulary, usage of wrong words, omission of needed words, etc.
- (ii) A word may have different meanings and the receiver has to perceive one such meaning for the word used by the communicator.
- (iii) If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to communication.
- (iv) Some communications may have certain assumptions which are subject to different interpretations.
- (v) It is usually found that specialists use technical jargon while explaining to persons who are not specialists in the concerned field and therefore they may not understand the actual meaning of many words.
- (vi) If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived. [1×4=4]

OR

Organizational barriers (Any four):

- (i) If organizational policy either explicit or implicit is not supportive to free flow of communication it may hamper effectiveness of communications.

- (ii) Rigid rules and regulations, cumbersome procedures may be a hurdle to communication, as communications through prescribed channels may result in delays.
- (iii) Status of superior may create psychological distance between him and his subordinates.
- (iv) Complexity in the organization caused by the number of managerial levels may delay and distort the communication as the number of filtering points is more.
- (v) If facilities like frequent meetings, suggestion box, and complaint box, social and cultural gathering, transparency in operations, etc, for smooth, clear and timely communications are not provided, communications may be hampered. (Any four) 1×4=4

27. Incentives being given by the organization to the employees are:

- (i) **Job enrichment:** Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide opportunity for personal growth and a meaningful work experience.
- (ii) **Job security:** Employees want their jobs to be secure. They want certain stability about future income and work so that they do not feel worried about these aspects and work with greater zeal.
- (iii) **Perquisites:** In many companies perquisites and fringe benefits are offered such as car allowance, housing, medical aid and education to the children, etc., over and above the salary.
- (iv) **Co-partnership/stock option:** Under these incentive schemes, employees are offered company shares at a set price which is lower than market price. Sometimes, management may allot shares in line of various incentives payable in cash. [1×4=4]

28. Following are the factors affecting capital structure of a company :

- (i) Size of the projected cash flows must be considered before borrowing.
- (ii) Interest Coverage Ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.
- (iii) Debt Service Coverage Ratio takes care of the deficiencies referred to in the interest coverage ratio.
- (iv) More debt can be used if debt can be raised at a lower rate.
- (v) A higher Tax Rate makes debt relatively cheaper and increases its attraction vis-a-vis equity.
- (vi) Process of raising resources also involves some cost which may affect the choice between debt and equity and hence capital structure.

- (vii) If a firm's business risk is lower, its capacity to use debt is higher and vice versa.
- (viii) To maintain flexibility the firm must maintain some borrowing power to take care of unforeseen circumstances.
- (ix) Capital Structure of other companies is a useful guideline in the capital structure planning.
- (x) Stock Market Conditions often affect the choice between debt and equity.
- (xi) Every company operates within a regulatory framework provided by the law.
- (xii) Control as a factor also influences the choice between debt and equity especially in companies in which the current holding of management is on a lower side.
- (xiii) If the ROI of the company is higher, it can choose to use trading on equity to increase its EPS.
- (xiv) When a company increases debt, the financial risk faced by the equity shareholders increases consequently their desired rate of return may increase. **(Any four) [1×4=4]**

OR

Factors affecting financing decision:

- (i) A prudent financial manager would normally opt for a source which is the cheapest.
- (ii) The risk associated with each of the sources is different.
- (iii) Higher the floatation cost, less attractive the source.
- (iv) A stronger cash flow position may make debt financing more viable than funding through equity.
- (v) If a business has high fixed operating costs, it must reduce fixed financing costs.
- (vi) Issues of more equity may lead to dilution of management's control over the business.
- (vii) Health of the capital market may also affect the choice of source of funds.

(Any four) [1 × 4 = 4]

- 29.** Earnings per share = ₹35
 EPS = Earning after tax/No. of equity shares
 35 = Earning after tax/70,000
 Earning after tax = ₹24,50,000
 Interest = 50,00,000 × 7/100 = ₹3,50,000
 Let the Earning before tax (EBT) = x
 EBT - Tax = EAT
 X-0.30x = 24,50,000
 0.70x = 24,50,000
 x = 24,50,000/0.70
 x = 35,00,000
 Earning before tax = ₹35,00,000
 EBIT = Earning before tax + Interest
 = 35,00,000 + 3,50,000
 = ₹38,50,000

$$\begin{aligned} \text{ROI} &= \text{EBIT}/\text{total Investment} \times 100 \\ &= 38,50,000 / 1,20,00,000 \times 100 = 32.08\% \end{aligned}$$

As ROI (32.08%) > Rate of interest (7%), the company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation. **[3+1=4]**

- 30.** A consumer should keep in mind the following responsibilities while purchasing, using and consuming goods and services
- (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
 - (ii) Buy only standardized goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery, etc.
 - (iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
 - (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
 - (v) Assert yourself to ensure that you get a fair deal.
 - (vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc.
 - (vii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.
 - (viii) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
 - (ix) Respect the environment. Avoid waste, littering and contributing to pollution.
- (Any four) [1 × 4 = 4]**

- 31.** Techniques of Scientific Management given by F.W. Taylor:

- (a) **Method Study:** The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study. Ford Motor Company used this concept very successfully. Even now auto companies are using it.

The objective of the whole exercise is to minimize the cost of production and maximize the quality and satisfaction of the customer. For this purpose many techniques like process charts and operations research etc. are used. For designing a car, the assembly line production would entail deciding the sequence of

operations, place for men, machines and raw materials etc. All this is part of method study.

- (b) **Functional Foremanship:** Functional foremanship is an extension of the principle of division of work and specialization to the shop floor. Each worker will have to take orders from these eight foremen in the related process or function of production. Foremen should have intelligence, education, tact, grit, judgment, special knowledge, manual dexterity, and energy, honesty and good health. Since all these qualities could not be found in a single person, Taylor proposed eight specialists. Each specialist is to be assigned work according to her/his qualities. For example, those with technical mastery, intelligence and grit may be given planning work. Those with energy and good health may be assigned execution work
- (c) **Standardization:** Standardization refers to the process of setting standards for every business activity; it can be standardization of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. The Objective Of (i) To reduce a given line or product to fixed types, sizes and characteristics. (ii) To establish interchangeability of manufactured parts and products. (iii) To establish standards of excellence and quality in materials. (iv) To establish standards of performance of men and machines
- (d) **Piece Wage System:** Taylor was a strong advocate of a piece wage system. He wanted to differentiate between efficient and inefficient workers. The standard time and other parameters should be determined on the basis of the work- study discussed above. The workers can then be classified as efficient or inefficient on the basis of these standards. He wanted to reward efficient workers. So he introduced different rates of wage payment for those who performed above standard and for those who performed below standard.

[3 × 2 = 6]

OR

Principles of Management given by Henry Fayol:

- (a) **Unity of Command:** According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organization should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated "authority is undermined; discipline is in jeopardy, order disturbed and stability threatened". The principle resembles military organization. Dual subordination should be avoided. This is to prevent confusion regarding

tasks to be done. Suppose a sales person is asked to clinch a deal with a buyer and is allowed to give a 10% discount by the marketing manager. But the finance department tells her/ him not to offer more than a 5% discount. Now there is no unity of command. This can be avoided if there is coordination between various departments.

- (b) **Equity:** Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible," according to Fayol. This principle emphasizes kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.
- (c) **Remuneration of Employees:** The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure a congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.
- (d) **Initiative:** Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be

[2×3=6]

32. Steps in the process of planning to be followed by a manager before performing the step of evaluation of alternatives:

- (i) **Setting Objectives:** The first and foremost step is setting objectives. Every organization must have certain objectives. Objectives may be set for the entire organization and each department or unit within the organization. Objectives or goals specify what the organization wants to achieve. It could mean an increase in sales by 20% which could be the objective of the

entire organization. How all departments would contribute to the organizational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/ units then need to set their own objectives within the broad framework of the organization's philosophy. Objectives have to percolate down to each unit and employees at all levels. At the same time, managers must contribute ideas and participate in the objective setting process. They must also understand how their actions contribute to achieving objectives. If the end result is clear it becomes easier to work towards the goal.

- (ii) **Developing Premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions. For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.
- (iii) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization. $[2 \times 3 = 6]$

OR

The next three steps are :

- (i) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and

thoroughly discussed amongst the members of the organization.

- (ii) **Evaluating alternative courses:** The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. In financial plans, for example, the risk-return trade-off is very common. The more risky the investment, the higher the returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken. Accurate forecasts in conditions of certainty/ uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences.
- (iii) **Selecting an alternative:** This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgment and at times, intuition play an important part in selecting the most viable alternative. Sometimes, a combination of plans may be selected instead of one best course. The manager will have to apply permutations and combinations and select the best possible course of action. $[2 \times 3 = 6]$

33. Importance of Decentralization:

- (i) "Response does not take time".
Quick decision making: In a decentralized organization since decisions are taken at levels which are nearest to the point of action and there is no requirement for approvals from many levels, the process is much faster.
- (ii) "Who can get a chance to prove their abilities".
Develops managerial talent for the future: Decentralization gives managers a chance to prove their abilities and creates a reservoir of qualified manpower that can be considered to fill up more challenging positions through promotion.
- (iii) "Identifying those executives who have the necessary potential to become dynamic leaders".
Develops initiative among subordinates: Decentralization helps to promote self-reliance and confidence amongst the subordinates. It also keeps them in a state wherein they are constantly challenged and have to develop solutions for the various problems they encounter.
- (iv) "This makes it possible to evaluate performance at each level and each department can be

individually held accountable for their results.”
Better control: Feedback from levels helps to analyze variances and improve operations.

(1½ × 4 =6)

34. Functions of marketing, apart from the ones Choco Ltd is already performing: (Any four)

(i) **Gathering and analyzing market information:**

This is necessary to identify the needs of the customers and make various decisions for the successful marketing of the products and services. This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organization and help in deciding what opportunities can best be pursued by it.

(ii) **Product designing and development:** The design of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and give it a competitive advantage in the market.

(iii) **Standardization:** Standardization refers to producing goods of predetermined specifications which help in achieving uniformity and consistency in the output

(iv) **Packaging and labelling:** Packaging refers to designing and developing the package for the products. Labelling refers to designing and developing the label to be put on the product.

(v) **Transportation:** Transportation involves physical movement of goods from one place to another. As generally the users of products particularly consumer products are wide spread and geographically separated from the place where they are produced.

(vi) **Storage and warehousing:** In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further there is need for storage of adequate stock of goods to protect against unavoidable delays in delivery or to meet out contingencies in the demand. Ram Kumar the CEO of Sabarmati Enterprises in a meeting with the middle management of the company advised that the personal goals of the people should be reconciled with the organizational objectives for harmony in the organization. Briefly explain the objective of management that he was referring to. (1½ × 4 =6)

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