

CBSE QUESTION PAPERS ALL INDIA MARCH - 2013

SUBJECT - BUSINESS STUDIES

Class - 12

SET - I

Time Allowed : 3 Hours

Maximum Marks : 90

GENERAL INSTRUCTIONS :

1. Answers to questions carrying 1 mark may be from one word to one sentence.
2. Answers to questions carrying 3 marks may be from 50 to 75 words.
3. Answers to questions carrying 4-5 marks may be about 150 words
4. Answers to questions carrying 6 marks may be about 200 words.
5. Attempt all parts of a questions together.

Q.1. 'To see whether plans are being implemented and activities are being performed according to schedule', is a step of planning process. Identify to step.

1

Ans. Follow up.

Q.2. Define 'organising' as a function of management.

1

Ans. Organising is the process of identifying and grouping different activities in the organisation and bringing together the physical, financial and human resources and establishing relationship for the purpose of achievement of goals of organisation.

Q.3. Identify the type of suitable organisation structure for a large scale organisation having diversified activities requiring high degree of specialisation in operations.

1

Ans. Functional Organisational Structure.

Q.4. What is meant by 'Principles of Management'?

1

Ans. Management principles refers to the statements of fundamental truth which act as guideline for managerial actions and decisions.

Q.5. State how staffing ensures 'continuous survival and growth of the enterprise'.

1

Ans. Every organisation aspires for its continuous survival and growth. This is possible only when it has human asset of supreme quality. This, aspiration of an enterprise can be fulfilled through staffing.

Q.6. Name and state the 'on-the-job method of training' that is used to give training to the electricians.

1

Ans. Apprenticeship programme : It is on the job training method under this a master worker as a trainer is appointed who guides the worker regarding the skill of job.

Q.7. What is meant by 'Democratic style' of leadership?

1

Ans. Democratic style of leadership in which, a leader consults with his subordinates on proposed actions and decisions and encourages them to participate in decision making.

Q.8. What is meant by 'Motivation'?

1

Ans. Motivation is a process of generating enthusiasm among the subordinates to dedicate their integrated efforts towards achieving the objective of the business. It is a driving force that propels to action and continues them in action.

Q.9. State the essential function of 'primary market'. 1

Ans. The key function of the primary market is to facilitate capital growth by enabling individuals to convert savings into investments.

Q.10. Name the two major alternative mechanisms through which allocation of funds can be done. 1

Ans. (i) Fixed income security.
(ii) Variable income security.

Q.11. What is the advantage of registering 'trade mark'? 1

Ans. (i) Protects your hard earned goodwill in the business.
(ii) Gives your products a status of 'Branded Goods'.

Q.12. State the meaning of 'Product Identification' function of packaging. 1

Ans. Packaging also can help customers identify the products or companies they are loyal to. For example : If a local restaurant decides it wants to sell its famous salad dressing in retail stores, the salad dressing packaging and label may carry the restaurant's logo, name and color scheme.

Q.13. Explain how 'Management by Exception' helps in the controlling process. 3

Ans. Management by exception is a policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results. There are hundreds and thousands of activities to be controlled. In real life it is difficult to control each and every activity. This is the reason why attention should be focused on key points only. The concept of control by exception states that while measuring the actual performance with the standards laid down, it is necessary to establish the range of deviations beyond which the attention of top management is needed. Only the deviations of exceptional nature should be reported to the top management. If all deviations are considered, no deviation will be treated properly. The application of this concept helps in conserving the managerial time, talent and efforts so that can be applied to more important areas.

Q.14. Explain how controlling helps in : 3

- (i) accomplishing organisational goals; and
- (ii) judging accuracy of standards.

Ans. (i) Accomplishing organisational goals:
The controlling function measures the actual performance with standards set and in case of deviations it takes necessary steps to remove it. Thus, this function keeps the organisation on the right track of achieving organisational goals.

- (ii) **Judging accuracy of standards :** A good control systems enables the management to verify whether the standards set are accurate and objective. An efficient controlling system keeps a careful check on the changing situations and helps the management to review and revise the standards.

Q.15. Explain any three functions of financial market. 3

Ans. A financial market is a market for the creation and exchange of financial assets, such as shares, debentures, bonds and government securities. It allocates or directs funds available for investment into their most productive channels.

Functions of Financial Market :

- (i) **Liquidity of Financial Assets :** The investors can invest their money, whenever they desire, in securities through the medium of financial market. They can also convert their investment into money, whenever they so desire. This is the reason that it provides liquidity to securities.
- (ii) **Mobilisation of savings and channeling them into most productive uses :** A financial market helps to link the savers and the investors by mobilising funds between them. It helps to channelise surplus funds into the most productive use by offering savers the choice of different investments.
- (iii) **Determine Prices :** In the financial market, the households who save money are suppliers of funds and business firms represent the demand. The interactions between the two establish the prices of financial assets.

- (iv) **Reduce the cost of transactions :** Financial markets save lot of time and efforts of the buyers and sellers by providing a forum through which they can meet each other to fulfil their needs.

Q.16. State any three 'Development functions' of Securities and Exchange Board of India (SEBI). 3

Ans. Development Functions :

- (i) To impart training to the intermediaries. (Intermediaries include share brokers, Sub-brokers, Share Transfer Agents, Issue Registrars, Merchant Bankers, Portfolio Managers, etc.
- (ii) To promote trading of intermediaries of the securities market.
- (iii) To publish different kinds of information for the convenience of all the parties operating in the capital market.

Q.17. Explain any three points of importance of consumer protection from the point of view of consumers. 3

Ans. Consumer protection educates the consumers about their rights and responsibilities. It also helps in getting their grievances redressed. It is important both to the consumers and business.

From Consumer's point of view :

- (i) **Consumer Ignorance :** Generally consumers are not aware of their rights. They ignorant about the quality and quantity of product. Some suppliers exploit the consumers by selling sub-standard goods. Consumer protection provides information to the ignorant consumers about their rights and remedies available to them.
- (ii) **Unorganised Consumers :** In comparison to the size of population in India, the number of consumer organisations are very less. Consumer protection provides direction to protect the interest of consumers and makes the consumer organisations powerful.
- (iii) **Widespread Exploitation of Consumers:** Consumers are widely exploited by unfair trade practices like adulteration, false and misleading advertising, hoarding, black-marketing etc. Consumers need protection against such malpractices of the sellers.

Q.18. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods. 3

Ans. A consumer must keep in mind the following responsibilities while purchasing goods and consuming services :

- (i) **Be aware about market :** The consumer should be aware of various goods and services available in the market so that wise choice can be made.
- (ii) **Buy standardised goods :** The consumers should buy only quality goods by looking ISI mark on electrical goods, FPO mark on food products, Hallmark on jewellery etc.
- (iii) **Follow the Manufacturers instructions :** The consumer should follow the manufacturers' instructions while using the goods.
- (iv) **Read Labels carefully :** It is the responsibility of the consumer to have information about price, weight, date of manufacturing and expiry of products etc.
- (v) **Fair deal :** A consumer must ensure that he gets a fair deal.
- (vi) **Be honest :** A consumer should also be honest in his dealings. He should choose only from legal goods and services and discourage unfair practices like black marketing, hoarding etc.

Q.19. Sahil, the director of a garments company, is planning to manufacture bags for the utilisation of waste material of one of his garments unit. He decided that this manufacturing unit will be set up in a rural area of Orissa where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women. For this he selected S. Chatterjee, Inderjeet Kaur, Aslam and Sarabjeet as heads of Sales, Accounts, Purchase and Production departments.

- (i) **Identify and state the next two steps that Sahil has to follow in the staffing process after selecting the above heads.**

- (ii) Also identify two values which Sahil wants to communicate to the society by setting up this manufacturing unit. 4

Ans. Refer to Ans. 25, Examination Paper, Delhi Set-I, 2013.

- Q.20. Explain the concept and the objective of Financial Management. 4

Ans. Financial management is concerned with procurement and utilisation of finance in an optimum manner. It aims at reducing the cost of funds procured, keeping the risk under control and ensuring effective deployment of funds.

Objective of Financial Management :

- (i) **Wealth maximisation :** The main objective of financial management is to maximise the wealth of the shareholders. Wealth maximisation depends upon the increase in the value of share.
- (ii) **Profit maximisation :** Financial management ensures to maximise profits through optimum utilisation of resources.
- (iii) **Meeting financial commitments with creditors :** Financial management makes ensure the timely payment of interest and repayment of loan, when falls due.

- Q.21. Explain any four factors which affect the 'Fixed Capital' requirements of a company. 4

Ans. The factors determining the fixed capital needs of an enterprise are stated below :

- (i) **Nature of Business :** Need of fixed capital depends upon the nature of business. For example, a trading concern needs lower investment in fixed assets compared with a manufacturing organisation because it does not require to purchase plant and machinery etc.
- (ii) **Scale of operations :** It is necessary to analyse the scale of operations as a larger organisation operating its business at higher scale needs more fixed capital as compared to smaller organisation.
- (iii) **Choice of technique :** A capital intensive enterprise requires higher investment in plant and machinery than a labour intensive enterprise. For

example, more capital is needed in a sugar mill unit than in a publication unit.

- (iv) **Technology upgradation :** Companies which use assets which are likely to become obsolete in the near future require high investment in fixed assets.

- Q.22. What is meant by 'Investment Decision'? State any three factors which affect the 'Investment Decision'. 4

Ans. Refer to Ans. 21, Examination Paper, Delhi Set-I, 2013.

- Q.23. State any five features of 'Co-ordination'. 5

Ans. Refer to Ans. 23, Examination Paper, Delhi Set-II, 2013.

- Q.24. Nikita and Salman completed their MBA and started working in a multi-national company at the same level. Both are working hard and are happy with their employer. Salman had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal the performance of Nikita was judged better than Salman. Even then their boss, Mohammed Sharif decided to promote Salman stating that being a female Nikita will not be able to handle the complications of a higher post. 5

- (i) Identify and explain the principle of management which was not followed by this multi-national company.
- (ii) Identify the values which are being ignored quoting the lines from the above para.

Ans. (i) Equity refers to kindness, fairness and justice in the behaviour of managers towards workers. There should be no discrimination against anyone on account of sex, religion, language, caste, nationality etc. Equity promotes friendly atmosphere between superiors and subordinates and brings loyalty and devotion of the personnel. Employees can be made to put in their best only when they are given kind, fair and just treatment.

- (ii) Manager here thinks that there is no need to give fair and just treatment to

person in the organisation. But he is wrong because to maintain cordial relations between managers and subordinates, it is necessary that manager should be fair and impartial while dealing with their subordinates.

Q.25. The court passed an order to ban polythene bags as : 5

(i) These bags are creating many environmental problems which affect the life of people in general.

(ii) Society in general is more concerned about quality of life.

The government decided to give subsidy to jute industry to promote this business.

Innovative techniques are being developed to manufacture jute bags at low rates.

Incomes are rising and people can afford to buy these bags.

Identify the different dimensions of Business Environment by quoting the lines from the above particulars.

Ans. (i) Economic Environment : Economic environment refers to those economic factors which have an impact on the working of business. Economic environment is very dynamic and complex in nature. It has three elements:

(a) **Economic Conditions :** These include, income level, distribution of income, demand and supply trends etc.

(b) **Economic Policies :** These are framed by government. These policies establishes relationship between business and government.

(c) **Economic System :** The economic system includes capitalism, socialism and mixed economy. Different economic system prevails in different countries. Indian economy is a mixed economy.

(ii) **Political Environment :** It is the political environment of the country which decides the fortune of business in a country. A stable and dynamic political environment is very necessary for the growth of the business.

It includes political stability in the country, relation of government with other countries, centre state relationships, welfare activities of the government, thinking of opposition parties towards business.

(iii) **Legal Environment :** Legal environment plays a vital role by dictating do's and don'ts of a business. Every country has a different legal environment and every business have to work with in the frame work of the law. In India, there are several Acts and Laws that have drastic impact on the business and their future. Some of these are :

(a) Companies Act, 1956

(b) Foreign Exchange Management Act, 1999

(c) Industrial Disputes Act, 1972

(d) The Factories Act, 1978

(e) Trade Marks Act, 1999

Q.26. Explain any five features of 'Planning'. 5

Ans. Features of Planning are :

(i) **Goal oriented :** Planning is goal oriented process. Plans are prepared and implemented in order to achieve a certain objective.

(ii) **Pervasiveness :** Planning is pervasive and continues managerial function involving complex processes of perception, analysis, conceptual thought, communication, decision and actions. The nature and extent of planning will vary with the authority & level in the organisation. Manager at higher levels spend more time and effort on planning than do lower level manager.

(iii) **Primacy of planning :** Planning is the first and foremost activity of managerial functions. The process of management starts with planning. Planning gives base for all other functions like organising, staffing, directing, controlling, etc.

(iv) **Intellectual Process :** Planning is process which needs the activity to think in logical way & understanding things. It needs the ability or skill to view future

opportunity and threats. The person who does planning should have the ability to see the problems, analyse and find an alternative way to some these problems. Choosing the right course of action is the most important skill needed by the person who does the planning.

- (v) **Continuous process** : Planning is never ending/continuous process because after the plans are derived out cosmetic changes have to be made in the plans in order to cope with the dynamic environment. The old plans are revised and new plans are formulated depending upon the need of the hour.

Q.27. Give the meaning of 'Informal Organisation' and state any five features of it.

Or

Give the meaning of essential elements of 'Delegation'. 6

Ans. In informal organisation refers to relationships between individuals in the organisation, based on interpersonal attitudes, emotions, likes and dislikes, similarity of work, etc. It emerges spontaneously as individual interact and associate to fulfil their personal needs.

According to **Keith Davis**, "*Informal organisations is the network of personal and social relationships not established or required by formal organisation.*"

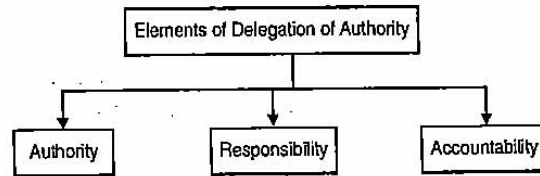
Features of Informal Organisation :

- (i) Informal organisation is not deliberately created. It emerges out of mutual relationship and tastes.
- (ii) Informal organisation originates to satisfy social and cultural needs and fulfil common interests of members. For example, fellow-feeling, esteem, sense of belonging etc.
- (iii) It brings a feeling of belonging, status, self-respect and satisfaction.
- (iv) It provides useful channels of communication.
- (v) Informal organisation meets the shortcomings of formal organisation. For example, employees' reaction to plans and policies can be tested through informal network.

- (vi) Informal organisation does not have a clear-cut structure but forms a complex network of relations.

Or

Delegation means process of entrusting responsibility and authority to another person and creating accountability.



Authority : Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.

The concept of authority arises from the established scalar chain which links the various job positions and levels of an organisation.

Authority is needed to discharge a given responsibility.

Responsibility : Responsibility is the obligation of a subordinate to properly perform the assigned duty.

It arises from a superior subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. Responsibility flows upwards:

Accountability : Accountability implies being answerable for their final outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability. It indicates that the manager has to ensure the proper discharge of duties by his subordinates.

Accountability cannot be delegated : The manager shall still be accountable for the performance of the assigned tasks. He cannot escape from responsibility for any default or mistake on the part of his subordinates. Accountability flows upwards:

Conclusion : It can be stated that authority is delegated, responsibility is assumed whereas accountability is imposed. Responsibility is derived from authority and accountability is derived from responsibility.

Q.28. Explain the following non-financial incentives :

- (i) Status;
- (ii) Organisational climate;
- (iii) Career advancement opportunities.

Or

Explain any four psychological barriers to effective communication. 6

- Ans. (i) Status :** Status means the position or rank of a person in the organisation. It can be high or low. The rank of an employee is directly linked with his authority, responsibility and other facilities. Therefore, the employees can be motivated by raising their rank or position. The attainment of a higher status fulfills the psychological, social and esteem related needs.
- (ii) Organisational climate :** Organisational climate indicates the characteristics which describe an organisational and distinguish once organisational from the other. These characteristics influence the behaviour of individuals in the organisation.
- (iii) Career advancement opportunity:** Everybody wants to grow to the higher level in the organisation. Therefore, opportunity to develop skills and get promoted to higher levels is an important motivation.

Or

Psychological/Emotional barriers can also affect the effective flow of communication. Some of the psychological barriers to communication are given below :

- (i) **Poor retention :** A person cannot retain the message for a long time when he is not interested. The message may partly be lost in the process of transmission.
- (ii) **Premature evaluation :** Sometimes people evaluate the meaning of message before it is completed. Such pre-mature evaluations many occur due to pre-conceived notions or prejudices against the sender of the message. This prevaluation of message hinders the communication.

(iii) **Lack of attention :** Lack of proper attention on the part of receiver results in incomplete retention of message. Poor listening skills of superiors and subordinates also hampers effective communication. For example, an employee explains about some issue to his superior who is pre-occupied with some other important thing in his mind. The superior does not listen to him and does not react satisfactorily. This may disappoint the employee.

(iv) **Loss by transmission :** When communication passes through various levels in the organisation, sometimes accurate information is not transmitted. It mostly happens in case of oral communication.

(v) **Distrust :** Distrust between communicator and communicatee act as barrier. Distrust may act as a hurdle in effective communication of message in its true sense between the parties.

Q.29. 'Choice of an appropriate channel of distribution is a very important marketing decision which depends on various factors'. Explain any three such factors.

Or

'Pricing of a product is an important and effective competitive weapon in marketing which depends upon various factors'. Explain any three such factors. 6

Ans. Meaning of Channels of Distribution : Movement of goods from producer to consumer is an important function of marketing. It is the obligation of the producer to make goods available at right place, at right time and in right quantity. Process of making goods available to the consumer needs effective channel of distribution. Therefore, the path taken by the goods in its movement is termed as channel of distribution.

Following factors are considered before choosing a suitable channel of distribution :

- (i) **Product considerations :** The nature and type of product are considered while selecting channels of distribution. For

example : perishable goods need speedy movements hence shorter channel is selected.

(ii) **Market considerations** : The nature and types of customers and size of market are important considerations in choice of channel of distribution. For example : if market size is large there may be long channels.

(iii) **Company considerations** : The nature, size and objective of the business firm are taken into consideration while selecting channel of distribution. For example : a company with substantial financial resources need not to rely too much on the middlemen and can afford to reduce the levels of distribution.

(iv) **Market position** : An established product made and promoted by a reputed manufacturer may have a high degree of market acceptance and can be sold easily and readily through various channels.

Or

Ans. Refer to Ans. 30, Examination Paper, Delhi Set-I, 2013.

Q.30. Explain the role of 'Advertising' in marketing management.

Or

Explain the role of 'Public-Relations' in marketing management. 6

Ans. The role of advertising in the market place is to persuade the viewer or listener of the advertisement message to react in the desired way. The most common desire is to create a reaction where a purchase is made, or otherwise an exchange. Advertising is 2/3rds of the marketing process when it comes to successful interaction with potential buyers.

Advertising effects the marketing of the product and how it is viewed. Advertising is designed to give the customer a view of the product that the market department has set out. Advertising also creates an image through the advertising of the price. For example, a high price gives the impression of a quality products, and a low price the opposite. People associate a lot of their

opinions on a product by way of the price. Where the product is advertised is another part of how a product is marketed. Goods available in certain shops result in a certain impression. This is all part of developing the brand image and creating customer loyalty.

Changes in the pace that a product is marketed are also part of how advertising affects marketing. New products, updated versions of a product and a variation will all have an effect on the way a customer views a product. If a new product comes out immediately it can be interpreted in a certain way or vice versa. If a product remains unchanged for years it can also have a certain influence on how a product is viewed. There are a number of ways how advertising affects the marketing of a good, product or service.

Or

Public relations : Public relations is an organisation's broad, overall communications effort intended to influence various groups' attitudes towards that organisation. It is aimed at creating and managing successful relations with the public. Its purpose is to keep different public groups satisfied so that no obstructions are imposed on the functioning of business.

Public relations has become a very important profession as it provides the desired support as and when needed for the implementation of various programs including marketing. In fact marketing now a days primarily depends upon the support provided by the public relations department. The major components of the support provided by Public Relations in marketing are enumerated below :

1. Publicizing news and events
2. Promoting established products or services
3. Creating a favourable reputation of the company.
4. Arranging and publicizing public appearance of marketing spokespersons.
5. Probing public opinion (research)
6. Attracting news media coverage of sales conferences, trade shows and other sales promotion events.
7. Assisting in programs concerning consumerism.

SET - II

General Instructions are same as in Set-I

Note : All the questions are same as in Set-I except the following.

Q.13. Explain how 'Critical Point Control' helps in the controlling process. 3

- Ans.** (i) It saves time and energy of manager because they deal with significant deviations only.
- (ii) The managers can focus their attention on important matters.
- (iii) It facilitates the delegation of authority and helps to increase their morale.
- (iv) It identifies critical problems which needs timely action.

Q.14. Explain how controlling helps in : 3

- (i) making efficient use of resources; and
- (ii) improving employees' motivation.

Ans. (i) **Controlling helps in making efficient use of resources :** Controlling makes it possible to use human and physical resources efficiently. Under controlling it is ensured that no employee deliberately delays his work performance.

- (ii) **Controlling helps in improving employees' motivation :** With the help of controlling, an effort is made to motivate the employees. The implementation of controlling makes all the employees to work the complete dedication.

Q.15. Explain any three functions of 'Stock Exchange'. 3

Ans. Refer to Ans. 29, Examination Paper, Delhi Set-I, 2013.

Q.16. State any three 'Protective functions' of Securities and Exchange Board of India (SEBI). 3

Ans. Protective functions

- (a) SEBI prohibits fraudulent and unfair trade practices in securities market like price rigging and making misleading statements.

(b) It promotes code of conduct relating to security market.

(c) It promotes fair practices and code of conduct in securities market.

(d) It provides education relating to dealing in securities to the investors.

Q.17. Explain any three points of importance of consumer protection from the point of view of business. 3

Ans. Refer to Ans. 22, Examination Paper, Delhi Set-I, 2013.

Q.18. State any six reliefs available to a consumer when the Consumer Court is satisfied with the genuineness of the complaint. 3

Ans. The following reliefs are available to a consumer :

(a) To pay a reasonable amount of compensation for any loss or injury suffered by consumer due to the negligence of the opposite party.

(b) To remove the defect in goods or deficiency in service.

(c) To refund the price paid for the product, or the charges paid for the service.

(d) To pay punitive charges whenever appropriate.

(e) To discontinue the unfair / restrictive trade practice and not to repeat it in future.

(f) To cease manufacture of hazardous goods and to desist from offering hazardous service.

(g) To pay adequate costs to the appropriate party.

Q.23. State any five characteristics of management. 5

Ans. The following are the characteristics of management :

- (i) **Management is a goal-oriented process** : Every organisation is established to achieve certain objectives. These objectives should be simple and clearly stated. Management makes the individuals aware of such objectives and motivates the individuals to achieve them by proper utilisation of available resources.
- (ii) **Management is all-pervasive** : Management is required in all types of organisations whether it is a small organisation or big organisation. Similarly, management is also needed in economic, social and political organisations. The activities which are performed by the managers of India are also performed by the managers of U.S.A. or Japan.
- (iii) **Management is a continuous process** : Management consists of a series of functions like planning, organising, staffing, directing and controlling and these functions are to be performed by the manager continuously. Although these functions of management are separate but these are inter- dependent on each other. That is why these are considered as composite process.
- (iv) **Management is a group activity** : In an organisation different people work with different needs and interests. Management guides and motivates the people so that the ultimate goals of an organisation may be achieved efficiently and effectively. Management converts the people of different needs and interests in a group to achieve the organisational goals.
- (v) **Management is a dynamic process** : Management is a dynamic process and it has to adapt itself according to the changing environment. In order to be successful, an organisation must change

its objectives, plans and policies according to the needs of its environment. For example, Mc Donalds, the fast food supplier has made many changes in the menu so that it may survive in Indian market.

Q.26. Explain any five limitations of 'Planning'. 5

Ans. Planning is of a vital importance for every business, yet it does not signify that it is a remedy of all the deficiencies of the business. Planning suffers from the following limitations :

- (i) **Time Consuming** : Planning is lengthy process as it involves collection of data, forecast, research and analysis. So a lot of time is required to draw plans and a very little time is left for their implementation.
- (ii) **Costly Process** : Huge costs are involved in planning. The collection, analysis and evaluation of the different information involves a lot of expenses. The cost sometimes may not justify the benefits derived from the plans.
- (iii) **Encroachment on individual freedom and initiative** : Planning is a centralised process. At the lower levels, plans are to be executed as per the directives issued. Employees at lower level act as instruments for the execution of plan prepared by the top level managers. People are asked to become cogs in the machine with little scope for initiative or independent thinking.
- (iv) **Delays in action** : Planning is a lengthy process. As a result, the actions to be taken for execution are delayed. Planning is not useful when quick decisions and actions are required.
- (v) **Limited practical value** : Planning is too theoretical and has limited practical value. It is difficult to change planning into day to day life.

General Instructions are same as in Set-I.

All the questions are same as in Set-I except the following.

Q.2. What is meant by 'Authoritative style' of 'leadership' ? 1

Ans. The authoritarian leadership style of autocratic leader keeps strict, close control over followers by keeping close regulation of policy's and procedures given to followers. To keep main emphasis on the distinction of the authoritarian leader and their followers, these types of leaders make sure to only create the distinction professional relationship.

Q.7. State the meaning of 'Product Promotion' function of packaging. 1

Ans. Packaging works as silent salesman. It catches the attention of consumers who pick up the product, go through its description and are unduced for purchase the product.

Q.13. After setting the performance standards the next step in the controlling process is the 'measurement of actual performance'. Explain this step in the process of controlling. 3

Ans. Measurement of performance : The second step in the control process is the measurement of performance. It means evaluation of the work actually done and result achieved. Measurement is most useful if actual performance is expressed in the same units as the planned targets or standards comparison of actual and planned performance then becomes easier. Thus, performance in the case of production and sales activities can be measured in terms of the number of units produced or sold, cost incurred, etc. However, it may be difficult to express performance in quantitative terms in the case of service departments or managerial activities at higher levels. The measurement of performance is relatively more difficult at the higher levels.

Q.20. Explain any four factors which affect the 'Dividend Decision' of a company. 4

Ans. The following factors affect the dividend decision :

(i) **Earnings :** The dividend is paid out of the present and reserved profits. Therefore, greater amount of total profit will ensure greater dividend.

(ii) **Stability of Earnings :** A company having stable earning position can pay higher dividend whereas a company having unstable earning position can pay smaller dividend.

(iii) **Age of the Company :** A newly established concern will distribute less amount as dividends and retain earning for investing in future growth and development of company while older companies have established sufficient reserves can afford to pay more dividends.

(iv) **Magnitude and trend of earnings :** If earning are regular and stable then dividends can be distributed regularly but if earnings are not stable then dividend are paid only in those years in which there are more earnings.

(iv) **Growth opportunities :** If the company has more opportunities for growth, it will require more finance. In such a situation a major part of earnings will be retained and a small part will be paid as dividend.

Q.21. What is meant by 'Financial Planning' ? State any three points of its importance. 4

Ans. The application of planning to the finance function is called financial planning. It is mainly concerned with the procurement of funds on suitable terms and conditions and profitable use of funds. It includes :

- * determination of objectives relating to finance function.
- * determination of policies and procedures relating to the finance function.
- * determine the financial resources required to meet operations of a company.
- * forecast the extent to which these requirements can be met by internal

generation of funds and to the extent these will be met by the external resources.

Main points of the importance of financial planning are as under :-

- (i) **Less dependence on outside sources:**
Long term financial planning helps in reducing dependence on outside sources. This is possible through ploughing back of profits.
- (ii) **Minimum cost of capital :** By proper financial planning, funds can be arranged on economical terms and conditions and thus reducing the cost of capital.
- (iii) **Helps in coordination :** It helps in co-ordination of various business activities such as sales, purchase, production, finance etc.

Q.22. Explain any four factors which affect the 'Working Capital' requirements of a company. 4

Ans. Working capital refers to the portion of capital investment in short-term assets or current assets of a company.

Factors Affecting Working Capital Requirements :

- (i) **Nature of Business :** The business units which do not keep very high stock of finished goods and which sell goods on cash basis can manage with less working capital. Service enterprises, like transportation are the examples in this regard. But trading and manufacturing concerns which are required to keep huge stocks have to arrange for higher amount of working capital.
- (ii) **Volume of Business :** Generally, the size of the concern has a direct relation with the working capital requirements. Big enterprises have to keep higher working capital for investment in current assets and for paying current liabilities.
- (iii) **Length of Manufacturing Cycle :** Length of production cycle affects the working capital requirement. If the duration of production cycle is longer, the working capital requirements to

meet day-to day expenses would be higher and vice-versa.

- (iv) **Business Cycle :** The need for the working capital is affected by various stages of the business cycle. During the boom period the demand of a product increases and sales also increase. Therefore, more working capital is needed and vice versa.
- (v) **Terms of Buying :** Terms of purchase and sale also influence the needs for working capital. If a company purchases raw materials and other services on credit basis and sells goods on cash basis, it will require less working capital. But if a concern purchases raw materials on cash basis but sells the finished goods on credit basis, its requirement of working capital will be higher.

Q.23. State any five points which highlight the importance of management. 5

Ans. Refer to Ans. 23, Examination Paper, Delhi Set-I, 2013.

Q.24. Explain any five points of importance of 'Planning'.

Ans. Planning is certainly important because it tells us where we are and where we want to go. It provides direction and reduces the risk of uncertainties and reduces wasteful activities. Planning is important due to the following reasons :

- (i) **Planning provides direction :** Planning states the objectives of the organisation. These objectives act as a guide for deciding what steps should be taken and in which direction.

If the goals are clearly defined, employees are aware of what the organisation has to do and what they must do to achieve such goals. Thus, planning provides direction.

- (ii) **Planning reduces the risk of uncertainty:** Planning reduces the possibilities of uncertainties. Plans are made keeping in view the future events. This reduces uncertainties for the business. The uncertainties are caused by changes in

technology, taste, fashion of the people and business conditions. Sufficient provisions are made in the plans to meet these uncertainties.

(iii) Planning reduces overlapping and wasteful activities : Planning helps in co-ordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. It ensures clarity in thought and action. The work is carried on smoothly without interruptions. Thus, useless and wasteful activities are eliminated. It is easier to detect inefficiencies and take corrective measures to deal with them.

(iv) Planning promotes innovative ideas : Planning requires high thinking and it is an intellectual process. It helps in innovative and creative thinking. Many new ideas arise in the mind of manager when he is planning.

Thus, planning promotes innovative ideas.

(v) Planning facilitates decision making : Decision making means the process of decision taking. There are different alternative courses of action. The manager has to evaluate each alternative and select most suitable alternative. Planning involves setting targets and predicting future conditions. These help in taking rational decision.

(vi) Planning establishes standards for controlling : Planning provides the goals or standards against which the actual performance is measured. By comparing the actual performance with the standard performance, managers can know whether they have been able to attain the goals. If there is any deviation, steps are taken to remove such deviations. In this way planning establishes standards for controlling.

