

ANSWERS

1. (c) operational ①
2. (a) District Forum ①
3. (b) Labelling ①
4. (a) Usable benefit ①
5. (b) It serves as the base for coordination by avoiding confusion and misunderstanding. ①
6. (d) Both (b) and (c) ①
7. (d) Both (b) and (c) ①
8. (a) Orientation ①
9. (b) Investment decision ①
10. (a) Social ①
11. (b) short-term ①
Or (d) All of the above ①
12. (b) (ii) (iii) (i) ①
Or (d) Grading ①
13. (a) Product ①
14. (c) Public relation ①
15. (b) Secondary ①
16. (b) Brand mark ①
17. (d) Organising ①
18. (a) Planning ①
19. (d) Establishing reporting relationships ①
20. (d) Expansion and growth ①
21. Factors influencing recruitment, selection and training of employees are
(i) Supply and demand of specific skills ① (ii) Company's vision and policy ①
(iii) Technological advancements ① (iv) Legal and political considerations ①
(v) Human resource planning cost ① (vi) Unemployment rate ①
Or (i) This type of communication is diagonal communication. ①
(ii) Limitations of diagonal communication are ①
(a) It can increase competitiveness as more information of ongoing production is given. ①
(b) It may consume time of the employees. ①
22. In this case, the various factors that are considered in determining the capital structure for the new venture will be ①
(i) **Cost of Debt** If the rate of interest on debt is high, the company should use less debt in its capital structure, and *vice-versa*. ①
(ii) **Cost of Equity** When a company increases debt, the financial risk faced by equity shareholders increases. Thus, debt can be used upto a limit. Beyond that point, cost of equity may go up and share prices may decrease. ①
(iii) **Interest Coverage Ratio** ICR refers to the number of times earnings before interest and tax covers the interest obligation. Higher the ICR, the company can borrow more funds and *vice-versa*. ①
23. Following steps are required to be taken by manufacturers, consumers and government to remove the evils of advertising as follows ①
(i) Manufacturers should not incur unnecessary expenditure on advertising and avoid indecent advertising which is likely to cause decay of social value. ①
(ii) Consumers should not be misguided by advertising nor should they discard consumer goods before the expiry of their utility period. ①
(iii) Government should take strong action against those who indulge in false propaganda by using advertising media. ①

$\frac{1}{2} \times 6 = 3$

$1 \times 2 = 2$

$1 \times 3 = 3$

$1 \times 3 = 3$

Delegation refers to downward transfer of authority from a superior to a subordinate.
Following are the elements of delegation

- Authority** It refers to the right of an individual to command his subordinates and to take action within the scope of his position. It is needed to discharge a given responsibility to the subordinates. It flows downwards, i.e. from top to bottom in a scalar chain.
 - Responsibility** It is the obligation of a subordinate to properly perform the assigned task. It arises from a superior-subordinate relationship because the subordinate is bound to perform the duty assigned to him by his superior. It flows upwards, i.e. from bottom to top.
 - Accountability** It implies being answerable for the final outcome of the assigned task. It flows upwards, i.e. a subordinate will be accountable to his superior for satisfactory performance of work.
- Note A subordinate will always be responsible to his superior.

 $1 \times 3 = 3$

Or

The function of management present here is planning. It tells us what is to be done, how and by whom. It bridges the gap between where we are and where we want to go.

②

Features of planning are

- Planning is primary function of management
- Planning is pervasive

 $\frac{1}{2} \times 2 = 1$

25. Business environment is the sum total of all factors and institutions which operate outside the business enterprise, but affect its performance.

①

Features of business environment are

- Dynamic** Business environment is dynamic as it keeps on changing. These changes take place continuously in social, economic, political, legal and technological environment.
- Uncertainty** Business environment is uncertain because it is very difficult to predict the changes, especially when they occur very frequently.

 $1\frac{1}{2} \times 2 = 3$

26. Mr Sharma is a cautious consumer. He had taken the cash memo for the book, he purchased. Therefore, he can recover the extra money (i.e. ₹ 80).
Besides, as per the Consumer Protection Act, 1986, following options are also available to him against bookseller

②

- He can return the book and ask for the repayment of ₹ 800 which he paid for buying the book.
- He can sue the bookseller for using unfair and restrictive trade practices.

 $1 \times 2 = 2$

27. Internal source of recruitment will be beneficial. There are two important sources of internal recruitment, i.e. transfers and promotions and both are economical and fast.
It is beneficial because of the following reasons

①

- Transfer is the tool of training the employees to prepare them for higher jobs. Also, people recruited from within the organisation do not need induction training.
- Transfer has the benefit of shifting workforce from the surplus department to those departments, where there is shortage of staff.
- Employees are motivated to improve their performance. A promotion at higher level motivates the employees to improve their performance through learning and practice.

 $1 \times 3 = 3$

28. (i) **Making Efficient Use of Resources** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with pre-determined standards and norms. This ensures that resources are used in the most effective and efficient manner.
- (ii) **Improving Employees Motivation** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. Thus, it motivates them and helps them to give better performance.

 $2 \times 2 = 4$

29. The procedure for purchase and sale securities in a stock exchange involves the following steps

Step 1 Selection of a Broker The first step is to select a broker, who will buy/sell securities on behalf of the investor/speculator. Brokers may be individuals, partnership firms or corporate bodies. Selection of broker is compulsory as trading can only be done by SEBI registered brokers, who are members of a stock exchange.

Step 2 Opening of a Demat Account with Depository Dematerialised (Demat) account refers to an account which an individual must open with the depository participant (banks, stock brokers) to trade in the listed securities in electronic form.

Step 3 Placing the Order The next step is to place the order with the broker, which can be done through telephone, cell phone, e-mail, etc. Instruction regarding which securities and how many securities are to be bought or sold should be clearly given to the broker.

Step 4 Executing the Order According to the instructions, the broker executes the order and buys or sells the required securities. The broker then issues a contract note. A copy of contract note specifies the name and the price of securities, names of parties, brokerage charges, etc which is signed by the broker.

1 × 4 = 4

Or

The decision which relate to how the firm's funds are invested in different assets so that the firm is able to earn the highest possible returns on investment is known as investment decisions.

1

Investment decisions are crucial because (any three)

- (i) They affect the overall earning capacity of firm in long-run.
- (ii) These decisions normally involve huge outflow of funds.
- (iii) These decisions are irreversible or can be reversed at times at a huge cost.
- (iv) These decisions affect profitability, growth and competitiveness of the firm.

1 × 3 = 3

30. The objective highlighted in the para is 'social objective'. Since, businesses earn by using society resources so they must do something for society too. Social objectives are those objectives which involves creating benefits or economic value for various constituents of society.

1

Social objectives can be

- (i) Conservation of natural resources.
- (ii) Providing quality products at reasonable prices.
- (iii) Using environment friendly production methods.
- (iv) Organising health and education programmes.
- (v) Generating employment opportunities to disadvantaged sections of society.
- (vi) Providing basic amenities to employees.

1/2 × 6 = 3

Or

Rajeev is a top level executive.

1

The functions of top level management are as follows (any three)

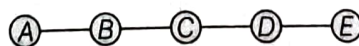
- (i) **Determining Objectives** Top level management sets objectives for the organisation. e.g. An objective can be set that in the following year, the sales of the company must cross ₹ 1,000 crore.
- (ii) **Determining Policies** At this level, policies related to the realisation of objectives are formed. e.g. It can be a sales policy of a company to just make cash sales.
- (iii) **Determining Activities** Different activities to be performed for the fulfillment of a fixed objective such as sales, purchase, advertisement, production, research, etc.
- (iv) **Assembling Resources** Needed resources are assembled for the realisation of an objective, like capital, raw material, fixed assets, etc.

1 × 3 = 3

31. The pattern through which communication flows within the organisation is indicated by communication network.

Some popular formal communication networks are as follows

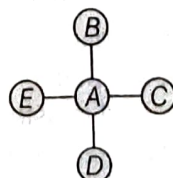
- (i) **Single Chain** In this network, communication flows from every superior to his subordinates in a single chain.



Single Chain

As shown in the diagram, communication flows from A to B, from B to C and so on.

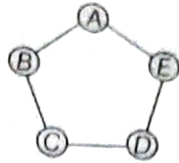
- (ii) **Wheel Network** In this network, all subordinates working under a superior communicates through him only. The superior is at the 'hub' of the wheel, communicating with all at the same time.



Wheel Network

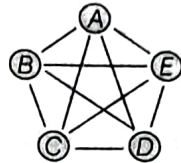
As shown in the diagram, B, C, D and E can only communicate through A.

(iii) **Circular Network** In this network, communication moves in a circle, from one person to another. But, communication is slow in this network. Each person can communicate with two adjoining colleagues. Here, A can communicate with B and E, and likewise others communicate in the circle.



Circular Network

(iv) **Free Flow** In this network, each person can communicate with others freely and therefore, communication is fast in this network. In the diagram, A can communicate with B, C, D and E, B can communicate with A, E, C, D and so on.



Free Flow

$1\frac{1}{2} \times 4 = 6$

32. Differences between primary market and secondary market are

Basis	Primary Market	Secondary Market
Nature of securities	New securities are issued by new and existing companies.	Here, sale and purchase of existing securities is dealt with.
Capital formation	It directly promotes capital formation as there is flow of funds from savers to investors.	It indirectly promotes capital formation by enhancing the liquidity of securities.
Buying and selling	Only buying of securities takes place and securities are not sold here.	Both buying and selling of securities takes place.
Price determination	Management of the company determines the prices of securities to be issued.	Price of securities are determined by market forces of demand and supply (for the securities).

$1\frac{1}{2} \times 4 = 6$

Or

- (i) The finance needs of a business can be categorised into following two categories
 - (a) Fixed capital needs
 - (b) Working capital needs
- (ii) The main factors that Mr Bokade have to consider while determining the working capital requirement of a company are
 - (a) **Nature of Business** The basic nature of a business influences the amount of working capital. A trading organisation and a service industry firm usually needs a smaller amount of working capital as compared to a manufacturing organisation.
 - (b) **Scale of Operations** Organisations which operate on a large scale, their quantum of inventory and debtors required is generally high. Such organisations, therefore, require large amount of working capital as compared to the organisations which operate on a lower scale.
 - (c) **Business Cycle** Different phases of business cycles affect the requirement of working capital by a firm. In case of a boom, the sales as well as production are likely to be larger and therefore larger amount of working capital is required.
As against this, the requirement for working capital will be lower during the period of depression, since the sales as well as production will be less.
 - (d) **Seasonal Factors** Some of the businesses have seasonal operations. During peak season, larger amount of working capital is required because of higher level of activity. As against this, the level of activity as well as the requirement for working capital will be lower during the lean season.

①

(e) **Production Cycle** Production cycle is the time span between the receipt of raw material and their conversion into finished goods. Some businesses have a longer production cycle while some have a shorter one. Duration and length of production cycle affect the amount of funds required for raw materials and expenses.

33. (i) Delegation of authority refers to the transfer of authority from superior to subordinate for the completion of tasks.
- (ii) It is a key element in effective organising because of the following reasons
- (a) **Organisational Growth** Delegation helps in expansion and growth of an organisation by providing trained and experienced individuals. It provides a ready workforce to take up leading positions in new ventures or projects.
- (b) **Better Coordination** Delegation of authority helps to avoid overlapping of duties and duplication of efforts. It also helps in developing and maintaining effective coordination amongst various departments, levels and functions of management.
- (c) **Basis of Management Hierarchy** It establishes superior-subordinate relationships, which are the basis of the hierarchy of management. Every individual in the organisation knows that he is accountable to whom.
- (iii) Mr Inderjeet is an autocratic leader. Lines which indicate it are, "He tries to look after all the aspects of the business. He also takes all the major decisions himself".
- An autocratic leader is one who centralises all decision-making powers in himself and exercises complete control over his subordinates. He gives orders and insists that they are obeyed. He does not include employees in the decision-making activity.

4. Mega Ltd is discussing about the achievement of organisational objectives in part (i) and social objectives in part (ii) of the question.

- (i) **Organisational Objectives** Management is responsible for setting and achieving the organisational objectives. It achieves the objectives in such a manner that the human and financial resources are acquired, used and maintained in the most economic and efficient manner. Organisational objectives are as follows
- (a) **Survival** The most important objective of every business is to survive and in order to survive, it should earn enough revenues to cover its costs.
- (b) **Profit** It is the incentive or reward for the efforts put in by an entrepreneur, moreover, it is the reason behind carrying out a business.
- (c) **Growth** Business organisation must grow and expand their activities. The success of every business is measured by the growth rate and growth is measured in terms of sales, profits, number of products produced and sold, etc.
- (ii) **Social Objectives** Since, organisations are social units, their objectives should be in line with general needs of the society. Some of the social objectives of an organisation are as follows
- (a) Supply of quality products.
- (b) Using environment friendly methods of production.
- (c) Providing employment opportunities to the backward sections of society.

Or

The given para highlights the 'Importance of Management'. Management is important because of the following reason

- (i) Management creates a dynamic organisation
"The management to them."
- (ii) Management helps in achieving personal objectives
"The CEO individual goals."
- (iii) Management helps in the development of society
"He, along coming weekend."
- (iv) Management increases efficiency
"As a result is improved."
- (v) Management helps in achieving