

Central Board of School Education

Marking Scheme 2016

[Official]

Senior School Certificate Examination

March -----2015-16

Marking Scheme---Business Studies (Foreign) 66/2/1, ~~66/2/2, 66/2/3.~~

General Instructions:

1. The marking scheme carries only suggested value points for the answer. These are only guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, marks be awarded accordingly.
2. Evaluation is to be done as per instructions provided in the marking scheme.
3. If a question has parts, please award marks on the right hand side for each part. Marks awarded for different parts of the question should then be totalled up and encircled in the left hand margin.
4. If a question does not have parts, marks be awarded in the left hand margin.
5. If a candidate has attempted a question twice, marks should be given in the question attempted first and the question attempted later should be ignored with the comment 'Extra Attempt'.
6. In a question, if two features/ characteristics/ points are asked but an examinee writes more than two features/ characteristics/ points, say, five, of which first is correct, second is incorrect, the first two should be assessed and the remaining should be ignored.
7. The examiners should acquaint themselves with the instructions given in the Guidelines for Spot Evaluation before starting the actual evaluation.
8. Every examiner should stay upto sufficiently reasonable time normally 5-6 hours everyday and evaluate 20-25 answer books and should devote minimum 15-20 minutes to evaluate each answer book.
9. Every examiner should acquaint himself/ herself with the marking schemes of all the sets.
10. It is expected that the marking scheme should be followed objectively to ensure quality evaluation. For instance, if an examinee scores 30 marks, then the marks should not be inflated to 33 simply to pass him/ her.
11. Marks should be awarded keeping in view the total marks of a particular question and not the total marks of the question paper. For example, if one mark is given to a 3 marks question even if nothing is correct, then that one mark constitutes 33% of the total marks for this answer.
12. The examiner shall also have to certify in the answer book that they have evaluated the answer book strictly in accordance with the value points given in the marking scheme and correct set of question papers.
13. In compliance to the judgement of Hon'ble Supreme Court of India, Board has decided to provide photocopy of the answer book(s) to the candidates who will apply for it along with the requisite fee from 2012 examination. Therefore, it is all the more important that the evaluation is done strictly as per the value points given in the marking scheme so that the Board could be in a position to defend the evaluation in any forum.
14. While evaluating the answer scripts, if the answer is found to be totally incorrect, it should be marked as (x) and awarded zero (0) marks.
15. A full scale of marks 0-80 has to be used. Please do not hesitate to award full marks if the answer deserves it. Similarly, wherever an examinee writes an answer upto the mark, his/ her marks should not be deducted unnecessarily.

66/2/1	MARKING SCHEME – 2015-16 BUSINESS STUDIES FOREIGN – 66/2/1 EXPECTED ANSWERS / VALUE POINTS	DISTRIBUTION OF MARKS
1	Q. Is management concerned only with doing the right task, completing activities and achieving goals without taking into consideration the cost-benefit? Give reason in support of your answer. Ans. No, management is not only concerned with doing the right task, completing activities and achieving goals but also has to take into consideration the cost benefit i.e. doing the task correctly and with minimum cost.	½ mark + ½ mark = 1 mark
2	Q. Define ‘organising’ as a function of management. Ans. Organising is the process of identifying and grouping the work to be performed, assigning duties to job positions and establishing relationships for the purpose of accomplishing objectives. (Or any other correct meaning)	1 mark
3	Q. Name the organizational structure which helps in increasing managerial and operational efficiency. Ans. Functional structure.	1 mark
4	Q. State the role of Inspector in functional foremanship. Ans. The role of ‘inspector’ as a foreman in functional foremanship is to check the quality of work.	1 mark
5	Q. Name and state the aspect of financial management that provides a link between investment and financing decisions. Ans. Financial planning.	1 mark
6	Q. ‘Best Bulbs Pvt. Ltd. was manufacturing good quality LED bulbs and catering to local market. The current production of the company is 800 bulbs a day. Sumit, the marketing manager of the company surveyed the market and decided to supply the bulbs to five-star-hotels also. He anticipated the higher demand in future and decided to buy a sophisticated machine to further improve the quality and quantity of the bulbs produced. Identify the factor affecting fixed capital requirements of the company. Ans. Growth prospects.	

		1 mark
7	<p>Q. Name the marketing function which is concerned with the important decision of managing inventory.</p> <p>Ans. Physical distribution.</p>	1 mark
8	<p>Q. Manvendra always went to a specific shop to buy all consumable and non-consumable goods. In this shop variety of products of different brands were displayed nicely and the sales person available also gave good sales presentation if required. But this shop was quite far off from his residence. His friend Annant always wondered why Manvendra wastes so much time in. going to that shop where as there were many big brand shops situated near his residence having consumable and non-consumable goods.</p> <p>Annant asked Manvendra the reason of going to that particular shop. Manvendra told that he was exercising one of his 'Rights' which he could not exercise in nearby big brand shops. State the consumer's right which Manvendra had exercised.</p> <p>Ans. Right to choose which states that the consumer has the freedom to chose from a variety of products at competitive prices.</p>	1 mark
9	<p>Q. Explain any three limitations of ' Planning'.</p> <p>Ans. <u>Limitations of planning:</u> (Any three points with explanation)</p> <p>(i) Leads to rigidity (ii) May not work in a dynamic environment. (iii) Reduces creativity. (iv) Involves huge costs. (v) Time consuming. (vi) Does not guarantee success.</p> <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit be given)</p>	<p>½ mark for heading + ½ mark for explanation = 1x3 = 3 marks</p>
10	<p>Q. Mr. Mohan Kumar, is the owner of- Jason's Enterprises, carrying on the business of manufacturing sanitary items. There is a lot of discontentment in the organization and the targets are not being met. He asked his son Ritesh, who has recently completed his MBA, to find out the reason.</p> <p>Ritesh found that his father did not have confidence in the competency of employees and was not seeking their advice or opinion. There was also lack of transparency in the operations of the business. Thus, the employees were not happy.</p> <p>(a) Identify any two communication harriers because of which 'Jason's Enterprises' was not able to achieve its targets.</p> <p>(b) State one more barrier each of the type identified in part (a) above.</p> <p>Ans. (a) Two communication barriers are:</p>	<p>½ x 2 = 1 mark</p> <p>+</p> <p>1 mark</p>

	<p>(i) Personal barrier/ Lack of confidence of superior on his subordinates. (ii) Organisational barrier/ Organisational facilities.</p> <p>(b) <u>Personal barrier: (Any one)</u> (i) <u>Fear of challenge to authority</u> may make the superior withhold communication. (ii) <u>Unwillingness to communicate</u> on the part of the subordinates may arise if they perceive that the communication may adversely affect their interests. (iii) <u>Lack of proper incentives</u> may hinder the initiative of the subordinates to communicate.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p> <p><u>Organisational barrier: (Any one)</u> (i) <u>Organisational policy</u> may not be supportive to free flow of communication. (ii) <u>Rigid Rules and regulations</u> may delay communication. (iii) <u>Status</u> of the superior may not allow his subordinates to express their feelings freely. (iv) <u>Complexity in organization structure</u> leads to delayed and distorted communication.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	<p style="text-align: center;">+</p> <p style="text-align: center;">1 mark</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1+1+1</p> <p style="text-align: center;">=</p> <p style="text-align: center;">3 marks</p>
11	<p>Q. Vinod - The Human Resource Manager, U mesh - The Assistant manager and Ashok -The Marketing Head of Hitachi Enterprises Ltd. decided to leave the company. The Chief Executive Officer of the company called the Human Resource Manager. Vinod and requested him to till-up the vacancies before leaving the organization. Vinod suggested that his subordinate Rajesh is very competent and trustworthy. If he could be moved up in the hierarchy, he would do the needful. The Chief Executive Officer agreed for the same. Rajesh contacted 'Zenith Recruiters' who advertised for the post of marketing head for 'Hitachi Enterprises Ltd'. They were able to recruit a suitable candidate for the company. Umesh's vacancy was filled-up by screening the database of unsolicited applications lying in the office.</p> <p>(a) Name the internal/external sources of recruitment used by 'Hitachi Enterprises Ltd.' to fill-up the above stated vacancies. (b) Also, state any one merit of each of the above identified source of recruitment.</p> <p>Ans. (a) Sources of recruitment used to fill up the vacancies are:</p> <p>(i) Promotion (ii) Placement Agencies and Management Consultants (iii) Casual Callers</p> <p>(b) Merit of each of the above identified source of recruitment:</p>	<p style="text-align: center;">$\frac{1}{2} \times 3$</p>

	<p>Promotion: (Any one) (i) It helps to improve motivation, loyalty and satisfaction level of employees. (ii) It has a great psychological impact over the employees because a promotion at a higher level may lead to a chain of promotions at lower levels in the organisation. (iii) It is a more reliable way of recruitment since the candidates are known to the organisation. (iv) It is a cheaper source of recruitment.</p> <p>Placement Agencies and Management Consultants: (Any one) (i) They recommend suitable names to their clients. (ii) It helps in enticing the needed top executives from other companies by making the right offers.</p> <p>Casual Callers: (Any one) (i) It reduces the cost of recruiting workforce in comparison to other sources. (ii) It saves time.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	<p>=</p> <p>1 ½ marks</p> <p>+</p> <p>½ x 3</p> <p>=</p> <p>1 ½ marks</p> <p>=</p> <p>1 ½ + 1 ½</p> <p>=</p> <p>3 marks</p>
12	<p>Q. Mr. Aditya Gupta was the chairman of Vandan Bank'. The Bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank announced taking over of `Karur Bank'. Aditya Gupta knew that the share price of Vandan Bank would rise on this announcement. Being a part of the hank, he was not allowed to buy shares of the hank. He called one of his rich friends Nimesh and asked him to invest Rs.6 crores in the shares of his bank promising him the capital gain.</p> <p>As expected. the share prices went up by 40% and the market price of Nimesh's shares was now ₹8.4 crores Rupees. He had earned a profit of ₹2.4 crores Rupees. He gave ₹1.2 crore Rupees to Mr. Aditya Gupta and kept ₹1.2 crore Rupees with him. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty on Aditya Gupta.</p> <p>By quoting the lines from the above para identify and state any two function, that were performed by SEBI in the above case.</p> <p>Ans. Functions that were performed by SEBI in the above case were:</p> <p>(i) Regulatory function</p>	

	<p><i>'On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity.'</i></p> <p>SEBI can call for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries.</p> <p>(ii) Protective function</p> <p><i>'The SEBI imposed a heavy penalty on Mr. Sanjay Nehra.'</i></p> <p>SEBI controls insider trading and imposes penalties for such practices.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p>½ mark for identifying each function + ½ mark for quoting the line + ½ mark for each statement = 1 ½ x 2 = 3 marks</p>
<p>13</p>	<p>Q. State any three direction which can be issued by the consumer court to the opposite party if it is satisfied about the genuineness of the complaint.</p> <p>Ans. If the Consumer Court is satisfied with the genuineness of the complaint, it can issue one or more of the following directions to the aggrieved party as reliefs: (Any three)</p> <p>(i) To <u>remove</u> the defect in goods or the deficiency in service. (ii) To <u>replace</u> the defective product with a new one, free from any defect. (iii) To <u>refund the price</u> paid for the product. (iv) To pay a <u>reasonable amount of compensation</u> for any loss or injury suffered by the consumer due to negligence of the opposite party. (v) To pay <u>punitive damages</u> in appropriate circumstances. (vi) To <u>discontinue the unfair/ restrictive trade practice</u> and not to repeat the same in future. (vii) <u>Not to offer hazardous goods for sale.</u> (viii) To <u>withdraw hazardous goods from sale.</u> (ix) To <u>cease manufacture of hazardous goods.</u> (x) To <u>pay any amount</u> (not less than 5% of the value of the defective goods to be credited to the <u>Consumer Welfare Fund</u> or any other organisation/person, to be utilised in the prescribed manner. (xi) To issue corrective advertisement to neutralize the effect of misleading advertisement. (xii) To <u>pay adequate costs</u> to the appropriate party.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p>	<p>1 x 3 = 3 marks</p>
<p>14</p>	<p>Q. Explain any four features of management.</p> <p>Ans. <u>Features of management:</u> (Any four points with explanation)</p> <p>(i) Goal oriented process (ii) Group activity</p>	<p>½ mark for the heading + ½ mark for explanation</p>

	<p>(iii) Intangible force (iv) Pervasive (v) Multi- dimensional (vi) Continuous process (vii) Dynamic function.</p> <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit be given)</p>	<p>= 1 x 4 = 4 marks</p>
<p>15</p>	<p>Q. 'Accent Electronics Ltd.' was operating its business in Malaysia. The company started exporting its products to India when the Prime Minister announced relaxation in import duties on electronic items. The company appointed retailers in India who had direct online links with the suppliers to replenish stocks when needed. Identify and explain the dimensions of business environment discussed in the above case.</p> <p>(i) Political environment</p> <p>Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.</p> <p>(ii) Technological environment</p> <p>Technological Environment of business includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.</p>	<p>1 mark for identification of each dimension</p> <p>+</p> <p>1 mark for its explanation</p> <p>=</p> <p>2 + 2</p> <p>=</p> <p>4 marks</p>
<p>16</p>	<p>Q. 'Panda Trucks Ltd.' decided to set-up its new truck manufacturing factory in the backward area of Bihar where very less job opportunities were available. People of that area welcomed this effort of 'Panda Trucks Ltd.'. To attract people to work in its factory it also decided to provide many other facilities like school, hospital. market etc. in the factory premises.</p> <p>'Panda Trucks Ltd.' started earning huge profits. Another competing company asked its production manager 'Sanjay' to investigate the reasons of earning huge profits by 'Panda Trucks Ltd'.</p> <p>Sanjay found out that in both the companies there was systematic co-ordination among the various activities to achieve organizational goals. Each employee knew who was, responsible and accountable to whom. The only difference was that in his organization communication took place only through the scalar chain, whereas 'Panda Trucks Ltd: was allowing flow of communication in all the directions as per the requirement which lead 10 faster spread of information as well as quick feedback.</p> <p>(a) Identify the type of Organization which permits 'Panda Trucks Ltd.' the flow of communication in all the direction.</p>	

	<p>(b) State an advantage of the type of organization identified in (a) above. (c) State values which 'Panda Trucks Ltd.' wanted to communicate to the society.</p> <p>Ans. (a) Informal organisation.</p> <p>(b) <u>Advantage of informal organisation: (Any one)</u> (i) It fulfills social needs. (ii) It compensates for inadequacies in the formal organisation.</p> <p>(If an examinee has given only the headings, ½ mark for each heading should be awarded)</p> <p>(c) <u>Values which 'Panda Trucks Ltd.' wanted to communicate to the society are: (Any two)</u> (i) Development of backward regions. (ii) Creating employment opportunities. (iii) Providing basic amenities to employees. (iv) Fulfilling social responsibility.</p> <p style="text-align: center;">(Or any other correct value)</p>	<p style="text-align: center;">1 mark</p> <p style="text-align: center;">+</p> <p style="text-align: center;">1 mark for advantage</p> <p style="text-align: center;">+</p> <p style="text-align: center;">1 mark for each value</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1 x 2</p> <p style="text-align: center;">=2 marks</p> <p style="text-align: center;">=</p> <p style="text-align: center;">1+1+2</p> <p style="text-align: center;">=</p> <p style="text-align: center;">4 marks</p>
<p>17</p>	<p>Q. K.S. Energy Ltd. was an energy efficiency consultancy company. To get the business, the team leader and his team used to travel to different states to give presentation to their clients. As per the policy of the company, the team leader used to travel by air. whereas his team travelled by road/train. It was not only time consuming but also at times forced female team members to travel alone.</p> <p>As a result. the subordinates were not acting in a desired manner to achieve organizational goals. The CEO came to know about it. He called the team leader. discussed the matter with him and changed the travel policy of the company. It was decided that all the members including the leader would travel together in future and would usefully utilize the travelling time in discussion with the subordinates about the presentation to be (liven to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.</p> <p>State the features, of the element of the function of management used by the CEO.</p> <p>Ans. Features of motivation:</p> <p>(a) It is an <u>internal feeling</u> as the urges, drives or needs of human beings which influence human behaviour are internal. (b) It produces <u>goal directed behaviour</u> as it stimulates people to accomplish desired goals. (c) It can be <u>positive</u> in the form of positive rewards or <u>negative</u> like punishment, stopping increments etc. (d) It is a <u>complex process</u> as any type of motivation may not have a uniform effect on all the members.</p> <p>(If an examinee has given only the headings, ½ mark for each heading</p>	<p style="text-align: center;">1 x 4</p> <p style="text-align: center;">=</p> <p style="text-align: center;">4 marks</p>

	should be awarded)	
18	<p>Q. Diksha Ltd. was marketing "Dish-Washer' which were very Popular due to their quality and after-sale services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits the company ignored its after-sale services. As a result its relations with the customers got 'Toiled and the image of the company was damaged in the eyes of the public. Top management became concerned when the profits for the current quarter fell steeply. On analysis it was revealed that ignoring after-sale services was its reason. Therefore, the company took all possible measures to protect and promote its image. As a result the goodwill of the company improved in the society.</p> <p>(a) Name and state the communication tool used by the marketer in the above case to improve its images.</p> <p>(b) Also explain role of the tool as identified in part (a).</p> <p>Ans. (a) <u>Public Relations.</u> Public Relations refer to a variety of programmes to promote and protect a company's image or its products in the eyes of the public.</p> <p style="text-align: center;">(or any other correct meaning)</p> <p>(b) Role of Public Relations: (any three points with explanation)</p> <p>(i) Press Relations. (ii) Product Publicity. (iii) Corporate Communication. (iv) Lobbying. (v) Counselling. (vi) Smooth functioning of business. (vi) Image building. (vii) Launching new products. (viii) Facing adverse publicity. (ix) Supplementing advertising. (x) Satisfying interest of different public groups. (xi) Building awareness (xii) Building credibility. (xiii) Stimulating sales force. (xiv) Lowering promotion costs.</p> <p>(If an examinee has not given the headings but has given the correct explanation, full credit should be given)</p>	<p>$\frac{1}{2}$ mark for naming the tool + $\frac{1}{2}$ mark for stating = $\frac{1}{2} + \frac{1}{2}$ = 1 mark</p> <p>+ $\frac{1}{2}$ mark for heading + $\frac{1}{2}$ mark for its explanation = 1 x 3 = 3 marks = 1+3 = 4 marks</p>
19	Q. State any four methods of floatation of new issues in the primary market.	

	<p>Ans. Methods of floatation in the primary market: (Any four points)</p> <p>(i) <u>Offer through Prospectus</u> is a method of floating new issues by inviting subscriptions from the public through issue of prospectus.</p> <p>(ii) <u>Offer for Sale</u> is a method in which the securities are not issued directly to the public but through intermediaries like issuing houses or stock brokers.</p> <p>(iii) <u>Private Placement</u> refers to the allotment of securities by a company to institutional investors and some selected individuals.</p> <p>(iv) <u>Rights Issue</u> is the privilege given to existing shareholders to subscribe to new issue of shares in proportion to the number of shares they already hold.</p> <p>(v) <u>E-IPO</u> refers to issuing securities through the online system of stock exchange.</p>	<p>1 x 4 = 4 marks</p>
<p>20</p>	<p>Q. Two years ago Nishant, completed his degree in Textile Engineering. He worked for sometime in a company manufacturing readymade garments. He was not happy in the company and decided to have his own readymade garments manufacturing unit. He set the objectives and the targets and formulate action plan to achieve the same. One of his objectives was to earn 80% profit on the amount invested in the first year. It was decided that raw materials like cloth, thread, buttons etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Ritesh as a production manager, who decides the exact manner in which the production activities are to be carried out. Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year. Nishant informed Ritesh about his sales target for different products areawise for the forthcoming quarter. A penalty of ₹200 per day was announced for the workers who found smoking in the factory premises. Quoting lines from the above para identify and explain the different types of plans discussed.</p> <p>Ans. The different types of plans are:</p> <p>(i) <u>Objective</u></p> <p><i>‘One of his objectives was to earn 80% profit on the amount invested in the first year.’</i></p> <p>An objective is the end which the management seeks to achieve within a given time period.</p> <p>(ii) <u>Policy</u></p> <p><i>‘It was decided that raw materials like cloth, thread, buttons etc. will be purchased on two months credit.’</i></p> <p>Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.</p> <p>(iii) <u>Procedure</u></p>	<p>½ mark for identifying the type of plan and</p>

	<p><i>'He also decided to follow the steps required for marketing the products through his own outlets.'</i></p> <p style="text-align: center;"><i>OR</i></p> <p><i>'He appointed Ritesh as a production manager, who decides the exact manner in which the production activities are to be carried out.'</i></p> <p>It consists of sequence of routine steps on how to carry out activities. It details the exact manner in which any work is to be performed.</p> <p>(iv) <u>Budget</u></p> <p><i>'Ritesh also prepared a statement showing the requirement of workers in the factory throughout the year. '</i></p> <p style="text-align: center;"><i>OR</i></p> <p><i>'Nishant informed Ritesh about his sales target for different products areawise for the forthcoming quarter.'</i></p> <p>A budget is plan which states expected results of a given future period in numerical terms. It may be expressed in time, money or physical units.</p> <p>(v) <u>Rule</u></p> <p><i>'A penalty of ₹200 per day was announced for the workers who found smoking in the factory premises.'</i></p> <p>A rule is a statement that specifies what is to be done or not to be done.</p>	<p style="text-align: center;">quoting it + ½ mark for its explanation = 1 x 5 = 5 marks</p> <p style="text-align: center;">5 marks</p>
21	<p>Q. Yash is working in a multinational company in Noida. He was running temperature for the last many days. When his blood was tested, he found positive for chickengunia. He was admitted in the hospital and a blood transfusion was advised by the doctors as his condition was very serious. One of his colleagues sent a text message to his immediate superior 'Vineet'. Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash. When the General Manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings.</p> <p>(a) From the above para quote lines that indicate formal and informal communication.</p> <p>(b) State any two features of informal communication.</p> <p>(c) Identify any two values that are being communicated by Vineet to the society.</p> <p>Ans. (a) <u>Formal communication</u></p> <p><i>'When the General Manager came to know about it, he ordered for fumigation in the company premises and cleanliness of the surroundings.'</i></p> <p><u>Informal communication</u></p> <p><i>'One of his colleagues sent a text message to his immediate superior 'Vineet'.'</i></p>	<p style="text-align: center;">½ mark for indicating type</p>

	<p style="text-align: center;">OR</p> <p><i>'Vineet immediately sent a text message to the employees of the organization requesting them to donate blood for Yash.'</i></p> <p>(b) <u>Features of Informal communication: (Any two)</u></p> <p>(i) It takes place without following the formal lines of communication. (ii) It arises out of social needs of the employees (iii) It spreads rapidly.</p> <p style="text-align: center;">(or any other correct feature)</p>	<p style="text-align: center;">of communication + ½ mark for quoting the lines = 1 x 2 = 2 marks</p> <p style="text-align: center;">+</p> <p style="text-align: center;">½ x 2 = 1 mark</p> <p style="text-align: center;">+</p> <p style="text-align: center;">1 x 2 = 2 marks = 2+1+2 = 5 marks</p>
22	<p>Q. State the relationship between 'planning' and 'controlling' functions of management.</p> <p>Ans. Relationship between planning and controlling: (With explanation)</p> <p>(i) <u>Controlling takes place on the basis of standards developed by planning</u> because if the standards are not set in advance, managers have nothing to control.</p> <p>(ii) <u>Planning without controlling is meaningless</u> because once a plan becomes operational, controlling ensures that events conform to the plans.</p> <p>(iii) <u>Planning is prescriptive whereas controlling is evaluative</u> because planning prescribes an appropriate course of action while controlling evaluates whether decisions have been translated into desired actions.</p> <p>(iv) <u>Planning and controlling both are forward looking</u> because while plans are prepared for the future, controlling <u>seeks to improve the future</u> on the basis of the past experience.</p>	<p style="text-align: center;">1 x 5 = 5 marks</p>

	<p>(v) Planning and controlling are both looking back because, while planning is guided by past experiences, Controlling compares the actual performance with the standards set in the past.</p> <p>(In case the candidate has not given the relationship in the form of points but has explained all the points in his answer, full credit be given)</p>																					
23	<p>Q. Explain any four points that highlight the importance of principles of management.</p> <p>Ans. Importance of principles of management (Any four points with explanation)</p> <p>(i) Provide the managers with useful insights into reality. (ii) Help in optimum utilisation of resources and effective administration. (iii) Help in taking scientific decisions. (iv) Help in meeting changing environment requirements. (v) Help in fulfilling social responsibility. (vi) Used as a basis for management training, education and research.</p> <p>(if an examinee has not given the headings as above but has given the correct explanation, full credit be given)</p>	<p>½ mark for heading + 1 mark for explanation = 1 ½ x4 = 6 marks</p>																				
24	<p>Q. Sakshi Ltd. is a company manufacturing electronic goods. It has a share capital of 120 lakhs. The earning per share in the previous year was 0.5. For diversification, the company require additional capital of 80 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year the company earned profit of 16 lakhs on capital employed. It paid tax @ 40%.</p> <p>(a) State whether the shareholders gained or lost in respect of earning per share on diversification. Show your calculations clearly.</p> <p>(b) Also state any three factors that favour the issue of debentures by the company as part of its capital structure.</p> <p>Ans. (a) Earning per share before diversification: ₹0.50</p> <p>Calculation of Earning per share after issue of Debentures: (assuming face value of ₹100 per share)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;">Particulars</th> <th style="width: 20%; text-align: right;">₹</th> </tr> </thead> <tbody> <tr> <td>Share capital</td> <td style="text-align: right;">1,20,00,000</td> </tr> <tr> <td>10% debentures</td> <td style="text-align: right;">80,00,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">2,00,00,000</td> </tr> <tr> <td>Profit before interest and tax</td> <td style="text-align: right;">16,00,000</td> </tr> <tr> <td>Less Interest</td> <td style="text-align: right;">8,00,000</td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right;">8,00,000</td> </tr> <tr> <td>Less tax@ 40%</td> <td style="text-align: right;">3,20,000</td> </tr> <tr> <td>Profit available to shareholders</td> <td style="text-align: right;">4,80,000</td> </tr> <tr> <td>Earning per share</td> <td></td> </tr> </tbody> </table>	Particulars	₹	Share capital	1,20,00,000	10% debentures	80,00,000	Total	2,00,00,000	Profit before interest and tax	16,00,000	Less Interest	8,00,000	Profit before tax	8,00,000	Less tax@ 40%	3,20,000	Profit available to shareholders	4,80,000	Earning per share		<p>2 marks for calculating Profit available to shareholders (₹4,80,000)</p> <p style="text-align: center;">+</p>
Particulars	₹																					
Share capital	1,20,00,000																					
10% debentures	80,00,000																					
Total	2,00,00,000																					
Profit before interest and tax	16,00,000																					
Less Interest	8,00,000																					
Profit before tax	8,00,000																					
Less tax@ 40%	3,20,000																					
Profit available to shareholders	4,80,000																					
Earning per share																						

= 4,80,000/1,20,000	=₹4
---------------------	-----

This clearly shows that the shareholders have gained after the issue of debentures since the Earning per share has increased from ₹0.50 to ₹4.

OR

Calculation of Earning per share after issue of Debentures: **(assuming face value of ₹10 per share)**

Particulars	₹
Share capital	1,20,00,000
10% debentures	80,00,000
Total	2,00,00,000
Profit before interest and tax	16,00,000
Less Interest	<u>8,00,000</u>
Profit before tax	8,00,000
Less tax@ 40%	<u>3,20,000</u>
Profit available to shareholders	<u>4,80,000</u>
Earning per share	
= 4,80,000/12,00,000	=₹0.40

This clearly shows that the shareholders have lost after the issue of debentures since the Earning per share has decreased from ₹0.50 to ₹0.40.

[**Note:** In case, a student has calculated Return on Investment as 8% (16,00,000/₹2,00,00,000) and compared it with the rate of interest which is 10% and concluded that the shareholders have lost after the issue of Debentures since the interest rate is greater than the Return of Investment, **1 mark is to be awarded**]

[In case the examinee has assumed any other face value and has shown correct calculations and given the correct conclusion, full credit be given]

(b) Factors that favour issue of debentures by the company: (Any three)

- (i) A good cash flow position makes debt funding more viable.
- (ii) High Interest Coverage ratio lowers the risk of company failing to meet its interest payment obligations
- (iii) High debt service coverage ratio indicates better ability to meet the debt service obligations.
- (iv) If Return on Investment of the company is higher than the interest rate on debt, its ability to use debt is greater.
- (v) Lower the cost of debt higher is the ability to employ debt.
- (vi) High tax rate makes debt relatively cheaper.
- (vii) If the stock market conditions are bearish, a company may be able to easily raise funds through debt.
- (viii) If the company does not want dilution of control, it will favour debt as a source of finance.
- (ix) Inclusion of debt in the capital structure makes the capital structure flexible.
- (x) If the business risk is lower, its capacity to use debt is higher.

1 mark for correct calculation of Earning per share and conclusion

=

2+1

=

3 marks for any of the given correct calculations

+

1 x 3

=

3 marks

=

3+3

=

6 marks

	<p>(xi) Raising funds through debt involves <u>low floatation costs</u>.</p> <p>(If an examinee has given only the heading, ½ mark for each heading should be awarded)</p>	
<p>25</p>	<p>Q. Pooja purchased a packet of juice from the local grocery shop. The information provided on the packet was not clear. She fell sick on consuming it. She filed a case in the District Forum under Consumer Protection Act and got the relief.</p> <p>(a) Identify the important aspect which has been neglected by the marketer in the above case.</p> <p>(b) Explain briefly the functions of the aspect identified in (a) above.</p> <p>Ans. (a) Labelling.</p> <p>(b) Functions of labelling: (any five points with explanation)</p> <p>(i) Describes the product and specifies its contents.</p> <p>(ii) Identifies the product or brand.</p> <p>(iii) Helps in grading of products.</p> <p>(iv) Helps in promotion of products.</p> <p>(v) Provides information required by law.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	<p>1 mark</p> <p>+</p> <p>½ mark for heading</p> <p>+</p> <p>½ mark for explanation</p> <p>=</p> <p>1 x 5</p> <p>=</p> <p>5 marks</p> <p>=</p> <p>1+5</p> <p>=</p> <p>6 marks</p>