

BUSINESS STUDIES

Time allowed : 3 hours

Maximum Marks : 100

General Instructions:

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

QUESTION PAPER CODE 66/1/1

1. List any two organisational objectives of management. 1
2. Give anyone reason why principles of management do not provide readymade solution to all managerial problems. 1
3. Volvo Ltd.'s target is to produce 10,000 shirts per month at a Cost of Rs. 100/- per shirt. The Production Manager achieved this target at a cost of Rs. 90/- per shirt. Do you think the 'Production Manager' is effective? Give one reason in support of your answer. 1
4. State the objective of 'Method Study'. 1
5. Give anyone limitation of internal sources of recruitment. 1
6. Name the method of training in which trainees learn on the equipments they will be using. 1
7. Name the financial decision which will help a business man in opening a new branch of its business. 1
8. "Cost of debt" is lower than the cost of "Equity share capital". Give reason why even then a company can not work only with the debt. 1

9. Which Act of Consumer Protection provides for the formation of ‘Consumer Protection Councils’ in every district and the State of the country? **1**
10. Why consumer protection is important for consumers? Give anyone reason. **1**
11. What is meant by ‘Planning’ ? List any two features of planning. **3**
12. Explain by giving any three reasons why delegation is important in an organisation. **3**
13. Explain when and why the need is felt for having a framework, within which managerial and operating tasks are performed to accomplish desired goals. Name this ‘framework’ also. **3**
14. Explain the following money market instruments: **3**
- (a) Treasury Bill
 - (b) Commercial Paper
15. What is meant by ‘Production concept’ of marketing? **3**
16. Explain “Policy” and “Procedure” as types of plans. **4**
17. Ayasha Ltd., assured their employees that inspite of recession no worker will be retrenched from the job. **4**
- (i) Name and explain the type of incentive offered to the employees.
 - (ii) Explain one more incentive of the same category.
18. Explain the meaning and the objective of Financial Management. **4**
19. State any four advantages of formal organisation. **4**
20. Explain the following ‘Rights’ of Consumers: **4**
- (i) Right to Safety
 - (ii) Right to Choose
21. Is ‘management’ a full fledged ‘profession’? Give any three reasons in support of your answer. **5**

22. (i) Name and explain the principle of management which requires judicious application of penalties by the management.
- (ii) Name and explain the technique of scientific management which helps in establishing interchangeability of manufactured parts and products. $2\frac{1}{2} + 2\frac{1}{2} = 5$

23. Explain any five impacts of Government Policy changes on Business and Industry in India. **5**

24. State any five functions of 'Stock Exchange'. **5**

25. 'An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.'

In the light of the above statement draw a label for a 'liquid soap' and highlight the important information to be provided on it. **5**

26. Explain the process of staffing. **6**

OR

Explain the process of selection of employees.

27. 'Motivation plays an important role in the success of management.' Explain any four points of importance of motivation in the light of the statement. **6**

OR

"Managerial functions cannot be carried out without an efficient system of communication." Do you agree with this statement? Give any four reasons in support of your answer.

28. Explain the process of controlling. **6**

OR

Explain any four points highlighting the importance of controlling.

29. What is meant by Dividend decision? State any four factors affecting the Dividend decision. **6**

OR

What is meant by Financing decision? State any four factors affecting the financing decision.

30. Name that element of marketing-mix which affects the revenue and profits of a firm. Explain any five factors which help in determining this element. 6

OR

‘Generally consumers prefer to buy goods directly from the producers but it is not always possible.’ Give reasons, why is it so by explaining four different factors responsible’ for this.

QUESTION PAPER CODE 66/1

1. List any two personal objectives . of management. 1
2. Give anyone reason why principles of management are not rigid prescriptions. 1
3. Hero Ltd’s target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is ‘effective’ ? Give reason in support of your answer. 1
4. State the objective of ‘Motion Study’. 1
5. Give anyone advantage of internal sources of recruitment. 1
6. Name the method of training in which the trainee learns under the guidance of a master worker. 1
7. Name any two essential ingredients of sound working capital management. 1
8. ‘Cost of debt’ is lower than the ‘cost of equity share capital’. Give reasons why even then a company cannot work only with the debt. 1
9. Which Act of consumer protection provides safety to consumers against deficient services? 1
10. Why is consumer protection important for businessmen? Give anyone reason. 1
11. Define planning. List any two limitations of planning. 3
12. Explain by giving any three reasons why decentralisation is important in an organisation. 3

13. Explain when and why the need is felt for having a framework within which managerial and operating tasks are performed to accomplish desired goals. Name this framework also. 3
14. Explain the following money market instruments : 3
- (a) Certificate of deposit
- (b) Call money
15. What is meant by 'Product concept' of marketing? 3
16. Explain 'Objectives' and 'Strategy' as types of plan. 4
17. Blue Birds Ltd. offers to its employees to issue shares at a price which is less than the market price.
- (i) Name and explain the type of incentive offered to the employees.
- (ii) Explain one more incentive of the same category. 4
18. Explain the meaning of Financial Planning. Why is it important? Give any two reasons. 4
19. State any two advantages and any two limitations of informal organisation. 4
20. Explain the following 'Rights' of consumers: 4
- (i) Right to be heard
- (ii) Right to seek redressal
21. "Art is concerned with personal application of knowledge." In the light of this statement compare all the features of art with management and prove that it is an art. 5
22. (i) Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organisation.
- (ii) Name and explain the technique of scientific management which helps in eliminating unnecessary diversity of products and thus results in saving cost. $2\frac{1}{2} + 2\frac{1}{2} = 5$

23. Explain by giving any five reasons why understanding of Business Environment is important for managers. 5
24. State any five methods of floating new issues in the primary market. 5
25. “An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.” In the light of the above statement draw a label for a packet of ‘juice’ and highlight the important information to be provided on it. 5
26. Explain ‘staffing’ as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation. 6

OR

Explain the process of selection of employees.

27. “Leadership is a key factor in making any organisation successful.” Do you agree with this statement? Give any four reasons in support of your answer. 6

OR

“Every action in the organisation is initiated through directing.” Explain any four points of importance of directing in the light of this statement.

28. Explain the meaning of ‘Budgetary Control’. Why is it considered an important technique of controlling? 6

OR

Explain any four points highlighting the importance of controlling.

29. What is meant by ‘Financing Decision’ ? State any four factors affecting the financing decision. 6

OR

What is meant by ‘Capital Structure’ ? State any four factors affecting the choice of capital structure.

- 30.** Name the element of marketing mix which affects the revenue and profits of a firm. Explain any five factors which help in determining this element.

6

OR

“Generally consumers prefer to buy goods directly from the producers but it is not always possible.” Give reasons why it is so, by explaining four different factors responsible for this.

Marking Scheme — Business Studies

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, the marks be awarded accordingly.
2. Some of the questions may relate to higher order thinking ability. These questions will be indicated to you separately by a star mark. These questions are to be evaluated carefully and the students understanding / analytical ability may be judged.
3. Evaluation is to be done as per instructions provided in the marking scheme.
4. 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 written in the left hand margin.
5. If a question does not have any parts, marks be awarded in the left hand margin.
6. If a candidate has attempted a question twice, marks obtained in the question attempted first should be retained and the other answer should be scored off.
7. In questions having options, if an examinee attempts both the options, assess the choice attempted first.
8. 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.
9. It is expected that the marking scheme should be followed objectively to ensure quality evaluation, For instance. if an examinee scores 30 marks, his/ her mark should not be inflated to 33 simply to pass him/her.
10. 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.

11. A full scale of marks 1-100 has to be used. Please do not hesitate to award full marks if the answer deserves it. Similarly, wherever an examinee writes an answer up to the mark, his/her marks should not be deducted unnecessarily.

QUESTION PAPER CODE 66/1/1

EXPECTED ANSWERS/VALUE POINTS

1. **Q. List any two organisational objectives of management.** **1/2 x 2=1 mark**

Ans. Organisational objectives of management are:

(Any two):

-Survival

-Profit

-Growth

- 2 **Q. Give anyone reason why principles of management do not provide readymade solution to all managerial problems.** **1 mark**

Ans. Principles of management do not provide readymade solution to all managerial problems because principles provide general guidelines to managers whereas real business situations are very complex and dynamic.

- 3 **Q. Volvo's Ltd. target is to produce 10,000 shirts per month at a cost of Rs. 100 per shirt. The production manager achieved this target at a cost of Rs.90 per shirt. Do you think the production manager is effective? Give one reason in support of your answer.** **1/2 mark for agreeing + 1/2 mark for the reason**

Ans. Yes, the production manager is effective because he has been able to achieve the target.

=1/2 + 1/2

=1 mark

- 4 **Q. State the objective of method study.** **1 mark**

Ans. the objective of method study is to find out one best way of doing the job.

- 5 Q. Give anyone limitation of internal source of recruitment. 1 mark**
- Ans. Limitations of internal source of recruitment (Any one):
1. Dangers of inbreeding by stopping infusion of new talent.
 2. Employees may become lethargic if they are sure of time bound promotions.
 3. Limited choice.
 4. Lack of competition amongst employees.
 5. Frequent transfers of employees may reduce productivity.
- 6 Q. Name the method of training in which the trainees learn on the equipments they will be using. 1 mark**
- Ans. Vestibule' training.
- 7 Q. Name the financial decision which will help the businessman in opening a new branch of its business. 1 mark**
- Ans. Investment decision! Fixed Capital decision/ Capital budgeting decision.
- 8 Q. "Cost of debt is lower than the cost of equity Share capital". Give reason why even then a company cannot work only with debt. 1 mark**
- Ans. A company cannot work only with debt because a company cannot be formed or exist without equity.
- 9 Q. Which Act of Consumer Protection provides for the formation of 'Consumer Protection Councils' in every district and State of the country? 1 mark**
- Ans. Consumer Protection Act, 1986.
- 10 Q. Why is consumer protection important for consumers? Give anyone reason. 1/2 mark for heading + 1/2 mark for explanation = 1 mark**
- Ans. Consumer protection is important for consumers because of (Anyone):
1. Consumer Ignorance.
 2. Unorganized consumers.
 3. Widespread exploitation of consumers.

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

11 Q. What is meant by planning? List any two features of planning.

Ans. Planning means setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.

OR

Planning is deciding in advance what to do, how to do, when to do and by whom it is to be done. **2 marks for definition +**

(or any other correct meaning)

Features of planning are: (any two)

1. Planning focuses on achieving objectives.
2. Planning is a primary function of management.
3. Planning is pervasive.
4. Planning is continuous.
5. Planning is futuristic.
6. Planning involves decision making.
7. Planning is a mental exercise.

(½ mark for limitation ½ x 2 = 1) = 2 + 1 = 3 marks.

12 Q. Explain by giving three reasons why delegation is important in an organisation.

Ans. Delegation is important in an organisation because it leads to: (Any three) **½ mark for heading + ½ mark for explanation = 1x3 = 3 marks**

1. Effective management.
2. Employee development.
4. Growth facilitation.
5. Better co-ordination.
6. Creation of management hierarchy.

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

13 Q. Explain when and why the need is felt for having a framework, within which managerial and operating tasks are performed to accomplish desired goals. Name this 'framework' also.

Ans. (a) The framework' is called organisational structure.

(b) It is required: (any one)

1. When an organisation grows in size or complexity
2. When an organisation is new, the structure is required after planning but before staffing.

(c) Organisation structure is required because it helps in: (Any one)

1. Clarity in working relationships.
2. Adaptation to change.
3. Effective administration.
4. Expansion and growth.
5. Optimum utilisation of resources.
6. Better co-ordination.
7. Smooth flow of communication.
8. Better control over the operations of the business.

**1 mark for
naming the
framework
+ 1 mark for
when
required +
1 mark for
why
required
= 1+1+1
= 3 marks**

14 Q. Explain the following money market instruments:

(a) **Treasury bill**

(b) **Commercial Paper.**

Ans. Treasury bill

It is an instrument issued by Reserve Bank of India on behalf of the Central government to meet its short term requirements of funds. It is highly liquid, has assured yield and negligible risk of default.

1½ x 2

Commercial Paper

It is an instrument issued by large and creditworthy companies to raise short term funds at lower rates of interest than the market rates. It is an unsecured, negotiable promissory note with a fixed maturity period.

= 3 marks

15 Q. What is meant by production concept of marketing?

Ans.

1½ x 2

- Production concept emphasises that profits could be maximised by producing at large scale, thereby reducing the average cost of production. = 3marks
- Availability and affordability of the product are considered to be the key to success of a firm according to this concept.

16 Q. Explain policy and procedure as types of plans.

Ans. Policy: Policies is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.

2 marks

A manager may use his -discretion to interpret and apply a policy.

+

Procedure: It consists of routine steps on how to carry out activities. It details the exact manner in which any work is to be performed.

2 marks

It specifies the steps in a chronological order.

= 4 marks

17 Q. Ayasha Ltd. assured their employees that inspite of recession no worker will be retrenched from the job.

(i) Name and explain the type of incentive offered to the employees.

(ii) Explain one more incentive of the same category.

(1 mark for naming the incentive +

Ans. (i) The incentive is Job security.

1 mark for

It is a non-financial incentive which refers to the stability about future income and work so that the employees do not feel worried on these aspects and work with greater zeal.

its

explanation

= 2 marks)

+ (1 mark

for naming

the

incentive +

1 mark for

its

explanation

= 2 marks)

= 2 + 2 = 4

marks

(ii) Explanation of anyone of the following incentives:

(a) Status

(b) Organisational climate

(c) Career advancement opportunity

(d) Job enrichment

(e) Employee recognition programme

(f) Employee participation

(g) Employee empowerment.

18 Q. Explain the meaning and the objective of Financial Management.

Ans. Financial Management is concerned with management of flow of funds and involves decisions relating to procurement of funds, investment of funds and distribution of earnings. **2 marks for the meaning**

OR

Financial Management may be defined as planning, organising, directing and controlling the financial activities of an organisation. **2 marks for the objective**

Objective of Financial Management:

The objective of financial management is to **maximize shareholders wealth** **= 2 + 2 = 4 marks**
i.e. to maximize the market price of equity shares of the company This is because a company's funds belong to the shareholders and the manner in which these are invested and the return earned on them determines the market value or price of shares.

19 Q. State any four advantages of formal organisation.

Ans. Advantages of formal organisation (Any four):

1. It is easier to fix responsibility. **1 x 4**
2. It avoids duplication of efforts.
3. It maintains unity of command
4. It leads to effective accomplishment of goals. **= 4 marks**
5. It provides stability to the organisation.

20 Q. Explain the following rights of the consumers:

- (i) **Right to safety**
- (ii) **Right to choose**

Ans. Right to safety

- Right to be protected against goods and services which are hazardous to life and health.
- Right to get protection against the risks caused due to the use of sub-standard products or products that do not conform to the safety norms. **2 marks + 2 marks**

Right to choose

- The consumer has the freedom to choose from a variety of products at competitive prices. = 2 + 2
- Marketers should offer a wide variety of product in terms of quality, price, size etc. to enable the consumer to make the choice. = 4 marks

21 Q. Is management a full fledged profession? Give Any three reasons in support of your answer.

Ans. No, management is not a full fledged profession because of the following reasons (Any three):

(i) Restricted entry.

The entry to a profession is restricted through a prescribed qualification. But there is no restriction on anyone being appointed as a manager in any business enterprise. So, presently this feature of profession is not present in management

(ii) Professional association.

All professions are affiliated to a professional association which regulates entry, grants certificate of practice and formulates and enforces a code of conduct. There are several associations of practising managers in India, like the AIMA that has laid down a code of conduct to regulate the activities of their members. There is, however, no compulsion for managers to be members of such an association. So, presently this feature of profession is not present in management

(iii) Ethical code of conduct.

All professions are bound by a code of conduct which guides the behaviour of its members. AIMA has devised a code of conduct for Indian managers but there is no statutory backing for this code. So, presently this feature of profession is not present in management.

(iv) Service motive.

The motive of a profession is to serve their client's interests by rendering dedicated and committed service. The basic purpose of management is to help the organisation achieve its stated goal. If an organisation has a good management team that is efficient and effective it automatically

(mark for disagreeing with the statement)
+ (1½ marks for each reason
= 1½ x 3
= 4½
= ½ + 4½
= 5 marks

serves society by providing good quality products at reasonable prices.
So, presently this feature of profession is not fully present in management.

(If an examinee has first discussed the features of a profession and then by giving three reasons supporting that management is not a full fledged profession, full credit is to be given

- 22 Q. (i) Name and explain the principle of management which requires judicious application of penalties by the management. (1 mark for naming the principle + 1½ marks for its explanation = 1 + 1½ = 2½)
- (ii) Name and explain the technique of scientific management which helps in establishing interchangeability of manufactured parts and products. + (1 mark for naming the principle + 1½ marks for its explanation = 1 + 1½ = 2½) = 2½ + 2½ = 5 marks
- Ans. (i) The principle of management is 'Discipline'. Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. Discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.
- (ii) The technique is 'Standardisation'. It refers to the process of setting standards for every business activity process, raw material, time, product, machinery, methods or working conditions etc.
- 23 Q. Explain any five impacts of government policy changes on business and industry in India.
- Ans. Impact of government policy changes on business and industry in India (Any five): ½ mark for the heading + ½ mark for the explanation = 1 x 5 = 5 marks
1. Increasing competition
 2. More demanding customers
 3. Rapidly changing technological environment
 4. Necessity for change
 5. Need for developing human resources.
 6. Market orientation
 7. Loss of budgetary support to the public sector.
- (if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)**

24 Q. State any five functions of a stock exchange.

Ans. Functions of a stock exchange (any five):

1. It provides liquidity and marketability to existing securities.
2. It helps in determining the price of securities.
3. It ensures safety of transactions.
4. It contributes to economic growth.
5. It helps in spreading equity cult.
6. It provides scope for speculation.

**1 mark for
each
statement
= 1 x 5**

= 5 marks

(No headings are required in this question)

25 Q. ‘An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.’
In the light of the above statement, draw a label for a liquid soap and highlight the important information to be provided on it.

Ans. The following information is to be PROVIDED ON THE LABEL IN ANY FORM (Any five):

- | |
|---|
| <ol style="list-style-type: none">1. Name of the product2. Name of the manufacturer.3. Address of the manufacturer.4. Net weight when packed.5. Manufacturing date.6. Expiry date.7. Maximum retail price (MRP)8. Batch number.9. Directions for use10. Contents |
|---|

**1 mark for
each
information
= 1 x 5
5 marks**

(if an examinee has not given any of the headings as above but has given some other correct information, full credit should be given)

26 Q. Explain the process of staffing.

OR

Explain the process of selection of employees.

Ans. The process of staffing has the following steps:

1. Job analysis and manpower planning.
2. Recruitment and selection.
3. Placement and orientation.
4. Training, development and Performance appraisal
5. Compensation.
6. Promotion and career planning.

$\frac{1}{2}$ mark for
naming each
step + $\frac{1}{2}$
mark for
explanation
= 1 x 6
= 6 marks

(if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given)

OR

The process of selection has the following steps:

1. Preliminary screening.
2. Selection tests and employment interview.
3. Reference and background checks.
4. Selection decision.
5. Medical examination
6. Job offer and contract of employment.

OR
 $\frac{1}{2}$ mark for
naming each
step
+
 $\frac{1}{2}$ mark for
explanation
= 1 x 6
= 6 marks

(if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given)

27 Q. Motivation plays an important role in the success of management. Explain any four points of importance of motivation in the light of the above statement.

OR

“Managerial functions cannot be carried out without an efficient system of communication. Do you agree with this statement? Give any four reasons in support of your answer.

$\frac{1}{2}$ mark for
heading + 1
mark for
explanation
= $1\frac{1}{2}$ x 4
= 6 marks

Ans. Importance of motivation (An four):

1. It helps to improve performance of employees.
2. It helps to change negative attitudes of employees to positive attitudes.
3. It helps to reduce employee turnover.
4. It helps to reduce absenteeism.
5. It helps managers to introduce changes smoothly.

OR

Importance of communication (Anv four):

1. It helps in smooth working of an enterprise.
2. It boosts morale and provides motivation.
3. Establishes effective leadership.
4. It acts as a basis for co-ordination.
5. It acts as a basis for decision making.
6. It increases managerial efficiency.
7. It promotes co-operation and industrial peace.

**½ mark for heading
+ 1 mark for explanation
= 1½ x 4
= 6 marks**

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

28 Q. Explain the process of controlling.

OR

Explain any four points highlighting the importance of controlling

Ans. The process of controlling involves the following steps:

1. Setting performance -standards.
2. Measurement of actual performance
3. Comparing actual performance with the standards.
4. Analysing deviations and taking corrective action.

**½ mark for naming each step
+
1 mark for explanation
= 1½ x 6
= 6 marks
OR**

OR

Importance of controlling (Any four):

1. It helps in accomplishing organisational goals.
2. It helps in making efficient use of resources.
3. It ensures order and discipline.
4. It improves employee motivation.
5. It helps in judging accuracy of standards.
6. It facilitates co-ordination in action.

½ mark for heading + 1 mark for explanation = 1½ x 4 = 6 marks

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

29 Q. What is meant by dividend decision? State any four factors affecting the dividend decision.

OR

What is meant by financing decision? State any four factors affecting the financing decision.

Ans. Dividend decision is the decision about how much of the profit earned by the company is to be distributed to the shareholders and how much of it is to be retained in business.

Factors affecting dividend decision are (Any four):

1. Earnings are a major determinant of dividend decision as dividends are paid out of current and past earnings.
2. Stability of earnings is another factor affecting dividend decision as a company having stable earnings is in a position to declare higher dividends.
3. Companies generally prefer to maintain stability of dividends while taking dividend decision.
4. If a company has good growth opportunities, it pays out less dividend.
5. A good cash flow position is necessary for declaration of dividend.
6. Shareholder's preference is kept in mind by the management before declaring dividends.

2 marks for the meaning + 1 mark for each statement = 1 x 4 = 4 marks) = 2 + 4 = 6 marks

7. Taxation policy affects the dividend decision as a higher dividend distribution tax will lead to lesser dividend payout.
8. The possible stock market reaction on the share price to dividend policy is one of the important factors affecting dividend decision.
9. While taking dividend decision, companies take into consideration their access to capital market.
10. Certain provisions of the Companies Act i.e. legal constraints place restrictions on payout of dividend.
11. While taking dividend decision, companies keep in mind the restrictions imposed by the lenders i.e. contractual constraints.

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

OR

Financing decision is the decision about the quantum of finance to be raised from various long term sources and how much is to be raised from each source.

Factors affecting financing decision are (Any four):

1. Cost of different sources of finance as some sources may be cheaper than others.
2. Risk associated with different sources of finance is different.
3. Higher the floatation costs, less attractive the source.
4. A stronger cash flow position may make debt financing more viable than funding through equity.
5. With higher fixed operating costs, lower fixed financing costs should be opted for.
6. Issue of more equity may lead to dilution of management's control over the business.
7. State of the capital market is considered while taking financing decision as in a depressed capital market, issue of equity shares may be difficult.

OR

2 marks for the meaning

+

(1 mark for each

statement

=1 x 4

= 4 marks)

= 2 + 4

= 6 marks

30 Q. Name that element of the marketing mix which affects the revenue and profits of the firm. Explain any five factors which help in determining that element.

OR

“Generally consumers prefer to buy goods directly from the producers but it is not always possible.”

Give reasons. Why is it so by explaining four different factors responsible for this?

Ans. The element of the marketing mix which affect the revenue and profits of the firm is PRICE.

Factors which help in price determination are (Any five):

1. Product cost
2. Utility and demand.
3. Extent of competition in the market.
4. Government and legal regulations.
5. Pricing objectives
6. Marketing methods used.

1 mark for naming the element

+

(½ mark for naming the factor

+

½ mark for explanation

= 1 x 5

= 5 marks)

= 1 + 5

= 6 marks

OR

Generally consumers prefer to buy goods directly from the producers but it is not always possible. This is so because of the following factors (Any four):

1. Product related factors - Goods which are standardized, are non perishable, non complex or have a low unit value are sold by the producers through indirect channels.
2. Company characteristics - When the financial strength of the company is not very strong or when the company does not want control over the channel members, it may go in for indirect channels.
3. Competitive factors - The company may decide to use indirect channel either to go with the competitor or be different from them
4. Market factors - When the size of the market is large, consumers are widely dispersed or the order size is small, the company may decide to use indirect channels.

OR

½ mark for naming the factor

+

1 mark for explanation

= 1½ x 4

= 6 marks

5. Environmental factors - Keeping in mind the economic conditions and legal constraints, a company may decide to use indirect channels.

QUESTION PAPER CODE 66/1

EXPECTED ANSWERS/VALUE POINTS

- 1 **Q. List any two personal objectives of management.** **½ x 2 =1 mark**

Ans. Personal objectives of management (Any two):

1. Competitive salaries and perks.
2. Peer recognition.
3. Personal growth and development of employees.

(Or any other correct objective)

- 2 **Q. Give anyone reason why principles of management are not rigid prescriptions.** **1 mark**

Ans. Principles of management are not rigid prescriptions because they can be modified according to the needs of the situation.

- 3 **Q. Hero Ltd's target is to produce 10,000 shirts per month at a cost of Rs. 150 per shirt. The Production Manager could achieve this target at a cost of Rs. 160 per shirt. Do you think the Production Manager is 'effective'? Give reason in support of your answer.** **½ mark for agreeing
+
½ mark for the reason**

Ans. No, the production manager is not effective because he has not been able to achieve the target.

**= ½ + ½
= 1 mark**

- 4 **Q. State the objective of motion study.** **1 mark**

Ans. The objective of motion study is to eliminate unnecessary and wasteful motions so that it takes less time to complete the job efficiently.

- 5 **Q. Give anyone advantage of internal source of recruitment.**

Ans. Advantages of internal sources of recruitment (Anyone):

1. Employees are motivated to improve their performance.
2. It is an economical source of recruitment.
3. It is more reliable source of recruitment.

1 mark

4. It is a tool of training the employees to prepare them for higher jobs.
5. It helps in adjustment of surplus employees.
6. It simplifies the process of selection and placement.

6 Q. Name the method of training in which the trainee learns under the guidance of a master worker. 1 mark

Ans. Apprenticeship training.

7 Q. Name any two essential ingredients of sound working capital management.

Ans. The following are the essential ingredients of sound working capital management:

1. Cash Management
2. Inventory Management ½ x 2
3. Receivables Management = 1 mark

8 Q. “Cost of debt is lower than the cost of equity Share capital”. Give reason why even then a company cannot work only with debt. 1 mark

Ans. A company cannot work only with debt because a company cannot be formed or exist without equity.

9 Q. Which Act of consumer protection provides safety to consumers against deficient services? 1 mark

Ans. The Consumer Protection Act, 1986 provides safety to consumers against deficient services.

10 Q. Why is consumer protection important for businessmen? Give anyone reason.

Ans. Consumer protection is important for businessmen because of the following reasons (Any one): 1 mark

- a. Long-term interests of business.
- b. Business uses society’s resources.
- c. Social Responsibility.

- d. Moral Justification.
- e. Government Intervention.

11 Q. Define planning. List any two limitations of planning.

Ans. Planning means setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.

2 marks for definition

OR

Planning is deciding in advance what to do, how to do, when to do and by whom it is to be done.

**+
(½ mark for limitation ½**

(or any other correct definition)

x 2 = 1)

= 2 + 1

= 3 marks.

The limitations of Planning are (Any two):

- a. Leads to rigidity.
- b. May not work in a dynamic environment.
- c. Reduces creativity.
- d. Involves huge costs.
- e. Time-consuming process.
- f. Does not guarantee success.

12 Q. Explain by giving any three reasons why decentralisation is important in an organisation.

½ mark for heading

Ans. Decentralisation is important in an organization because (Any three):

+

½ mark for explanation

= 1 x 3

= 3 marks

- 1. It develops initiative amongst subordinates.
- 2. It develops managerial talent for the future.
- 3. It leads to quick decision making.
- 4. It gives relief to top management.
- 5. It facilitates growth.
- 6. It facilitates better control.

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

13 Q. Explain when and why the need is felt for having a framework, within which managerial and operating tasks are performed to accomplish desired goals. Name this ‘framework’ also.

Ans. (a) The framework is called organizational structure.

1 mark for naming the framework

(b) It is required: (any one)

1. When an organisation grows in size or complexity
2. When an organisation is new, the structure is required after planning but before staffing.

**+
1 mark for when required**

(c) Organisation structure is required because it helps in: (Any one)

1. Clarity in working relationships.
2. Adaptation to change.
3. Effective administration.
4. Expansion and growth.
5. Optimum utilisation of resources.
6. Better co-ordination.
7. Smooth flow of communication.
8. Better control over the operations of the business

**+
1 mark for why required
= 1 + 1 + 1
= 3 marks**

14 Q. Explain the following money market instruments:

(a) Certificate of Deposit (b) Call Money

Ans. (a) **Certificate of Deposit**

1½ x 2

A certificate of deposit is a short term, unsecured, negotiable instrument issued by commercial banks or development financial institutions to individuals, corporations and companies.

It is issued during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.

(b) Call Money

= 3 marks

It is the method by which banks borrow from each other to be able to maintain the cash reserve ratio. It is repayable on demand, with a maturity period of one day to fifteen days.

15 Q. What is meant by product concept of marketing

- Ans. ● Product concept emphasises is on quality of product. 1½ x 2
● Under this, product-improvement becomes the key for profit maximization. = 3 marks

16 Q. Explain ‘objective’ and ‘strategy’ as types of plans.

Ans. Objective

An objective is the end which the management seeks to achieve. 2 marks

An objective needs to be expressed in specific terms and is to be achieved within a given time period.

+

Strategy

A strategy is a comprehensive plan for accomplishing an organisation’s objectives. It is a term used in defence parlance which means to prepare plans considering the plan of adversary. 2 marks
= 2 + 2

= 4 marks

Whenever a strategy is formulated, the business environment needs to be taken into consideration.

17 Q. Blue Birds Ltd. Offers to its employees to issue shares at a price which is less than the market price. (½ mark for naming the incentive

- (i) Name and explain the type of incentive offered to the employees. + 1½ mark for its explanation = 2 marks)
(ii) Explain one more incentive of the same category +

Ans. (i) Stock Option.

It is a financial incentive offered to the employees to create a feeling of ownership among employees and make them to contribute for the growth of the organisation.

(½ mark for naming the incentive

(ii) Explanation of any one of the following incentives:

1. Pay and Allowances.
2. Productivity linked wage incentives.
3. Bonus.
4. Profit Sharing.
5. Retirement Benefits.
6. Perquisites.

+ 1½ mark for its explanation = 2 marks)
= 2+2
= 4 marks

18 Q. Explain the meaning of Financial Planning. Why is it important? Give any two reasons.

Ans. The process of estimating the fund requirements of a business and specifying the sources of funds is called financial planning.

OR

Financial planning is the preparation of a financial blueprint of an organisation's future operations. **2 marks for meaning**

Financial planning is important because (any two):

- (i) It helps the company to prepare for the future.
- (ii) It helps in avoiding business shocks and surprises,
- (iii) It helps in co-ordinating various business functions.
- (iv) It helps in reducing waste, duplication of efforts, gaps in planning and confusion.
- (v) It links the present with the future.
- (vi) It provides a link between investment and financing decisions.
- (vii) Financial plan serves as a control technique.
- (viii) It serves as a guide in developing a sound capital structure so as to maximise returns to the shareholders.

**+
1 mark for each reason
1 x 2 = 2
= 2 + 2
= 4 marks**

19 Q. State any two advantages and two limitations of informal organisation.

Ans. Advantages of informal organisation (Any two):

- 1. It leads to faster spread of information as well a quick feedback.
- 2. It fulfills the social needs of the members.
- 3. It contributes towards fulfillment of organisational objectives by compensating for inadequacies in the formal organisation.

**(1 x 2
= 2 marks**

Disadvantages of informal organisation (Any two):

- 1. It leads to spread of rumours.
- 2. It may lead to resistance to change.
- 3. It pressurizes members to conform to group expectations which may be against organisational interest

**+
1 x 2
= 2 marks)
= 2 + 2
= 4 marks**

20 Q. Explain The following ‘Rights’ of consumers:

(i) Right to be Heard (ii) Right to seek Redressal.

Ans. (i) Right to be Heard:

The consumer has right to file a complaint and to be head in case of dissatisfaction with a product or a service.

2 + 2
= 4 marks

It is because of this reason many firms have set up their own consumer service and grievance cells.

(ii) Right to Seek Redressal:

The consumer has a right to get relief in case the product or service falls short of his expectations.

The Consumer Protection Act provides relief to customers such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer.

21 Q. “Art is concerned with personal application of knowledge.” In the light of this statement compare all the features of art with management and prove that it is an art.

Ans. “Art is concerned with personal application of knowledge”. Management is an art because of the following reasons (Any three):

1. Existence of theoretical knowledge.

As in art, in management too, there is a lot of literature available in various areas of management which the manager has to specialise in.

1½ mark for
the
explanation
of each
feature

2. Personalised application.

Like in any art, in management too, a manager applies his acquired knowledge in a personalised and unique manner.

= 1½ x 3
= 4½

3. Based on continuous practice.

Management satisfies this criteria as a manager gains experience through regular practice and becomes more effective.

+
½ mark
for the
conclusion

4. Creativity.

Like any other art, a manager after studying various situations, formulates his own theories for use in a given situation. This gives rise to different styles of management.

= 4½ + ½
= 5 mark

5. Situational

As in art, management deals with human beings who behave differently in different situations. Therefore, every situation has to be handled in a different manner.

As all the criteria of art are satisfied by management, it qualifies as an art.

22 Q. (i) **Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organisation.**

(ii) **Name and explain the technique of scientific management which helps in eliminating unnecessary diversity of products and thus results in saving cost.**

Ans. (i) Initiative

- It means eagerness to initiate action without being asked to do so.
- A good organisation should have an employee suggestion system whereby initiative / suggestions which result in substantial cost and time reduction should be rewarded.

(ii) Simplification

- it aims at eliminating superfluous varieties, sizes and dimensions.
- It leads to reduced inventories, fuller utilization of equipment and increased turnover.

23 Q. **Explain by giving any five reasons why understanding of business environment is important for managers.**

Ans. Understanding of business environment is important for managers because (Any five):

1. It helps to identify opportunities and getting the first mover advantage.
2. It helps to identify threats and early warning signals.
3. It helps in tapping useful resources.
4. It helps in coping with rapid changes.

1 mark for naming each principle + 1½ mark for its explanation = 1 + 1½ = 2½ mark = 2½ + 2½ = 5 mark

½ mark for the heading + ½ mark for the explanation = 1 x 5 = 5 mark

5. It helps in assisting in planning and policy formulation.
6. It helps in improving performance.

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

24 Q. State any five methods of floating new issues in the primary market.

Ans. The methods of floating new issues in the primary market are:

- (a) Offer through Prospectus – It is the method of floating new issues by inviting subscriptions from the public through issue of prospectus.
- (b) Offer for Sale - It is the method in which the securities are not issued directly to the public but through intermediaries like issuing houses or stock brokers.
- (c) Private Placement - It refers to the allotment of securities by a company to institutional investors and some selected individuals.
- (d) Rights Issue - It is the privilege given to existing shareholders to subscribe to new issue of shares in proportion to the number of shares they already hold.
- (e) E-IPQ - It refers to issuing securities through the online system of stock exchange.

**½ mark for naming the method
+
½ mark for explanation
= 1 x 5
= 5 mark**

25 Q. ‘An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product.’ In the light of the above statement, draw a label for a liquid soap and highlight the important information to be provided on it.

Ans. The following information is to be PROVIDED ON THE LABEL IN ANY FORM (Any five):

- | |
|---|
| <ol style="list-style-type: none"> 1. Name of the product 2. Name of the manufacturer. 3. Address of the manufacturer. 4. Net weight when packed. 5. Manufacturing date. |
|---|

**1 mark for each information
= 1 x 5
= 5 mark**

- | |
|---|
| 6. Expiry date.
7. Maximum retail price (MRP)
8. Batch number.
9. Directions for use
10. Contents |
|---|

(if an examinee has not given any of the headings as above but has given some other correct information, full credit should be given)

26 Q. Explain 'Staffing' as a function of management. Also explain by giving any four reasons why proper staffing is required in an organisation.

OR

Explain the process of selection of employees.

Ans. Staffing has been described as the management function of filling and keeping filled the positions in the organisation structure.

Staffing is that part of the process of management which is concerned with making available, utilising and maintaining a satisfactory and satisfied work force.

Proper staffing is required in an organisation because: (any four)

- (a) It helps in discovering and selecting competent work force.
- (b) It ensures higher performance by placing the right person on the right job,
- (c) It ensures survival and growth of the enterprise through succession planning for managers.
- (d) It helps to ensure optimum utilisation of human resources
- (e) It improves job satisfaction and morale of employees through objective assessment and fair rewarding of their contribution.

(if an examinee has not given the headings as above but has given the correct explanations, full credit should be given)

**2 marks for the meaning
+
1 mark for each reason
(1 x 4
= 4 marks)
+
2 + 4
= 6 marks**

OR

Ans. The process of selection has the following steps:

1. Preliminary screening.
2. Selection tests and employment interview.
3. Reference and background checks.
4. Selection decision.
5. Medical examination
6. Job offer and contract of employment.

**½ mark for
nammg each
step
+
½ mark for
explanation
= 1 x 6
= 6 marks**

(if an examinee has not combined the steps as above but has given all the correct steps, full credit should be given.)

- 27 Q. “Leadership is key factor in making any organisation successful.” Do you agree with this statement? Give any four reasons in support of your answer.**

OR

“Every action in the organisation is initiated through directing.” Explain any four points of importance of directing in the light of this statement.

Ans. Yes, I agree with the above statement. Leadership is a Key factor in making any organisation successful because it (Any four):

- (a) Influences the behaviour of employees
- (b) Provides confidence, support and encouragement to the employees
- (c) Helps in overcoming resistance to change.
- (d) Helps in handling conflicts effectively
- (e) Provides training to subordinates.

**½ mark for
each
heading + 1
mark for
each
explanation
1½ x 4
= 6 marks**

(if an examinee has not given the headings as above but has given the correct explanations, full credit should be given)

OR

Ans. The points which emphasise the importance of directing are as follows: **(any four)**

- (a) It helps to initiate action.

**½ mark for
each
heading + 1
mark for
each
explanation
1½ x 4
= 6 marks**

- (b) It integrates employees' efforts.
- (c) It guides employees to realise their potential.
- (d) It facilitates changes.
- (e) It brings stability and balance in the organisation.

28 Q. Explain the meaning of 'Budgetary Control.' Why is it considered an important technique of controlling?

OR

Q. Explain any four points highlighting the importance of controlling.

Ans. Budgetary Control is a technique of managerial control in which all operations are planned in advance in the form of budgets. The actual results are compared with budgetary standards and necessary actions are taken to ensure accomplishment of organisational objectives.

Budgetary control is considered an important technique of controlling because:

- (a) It focuses on specific and time-bound targets.
- (b) It is a source of motivation.
- (c) It helps in optimum utilisation of resources by proper allocation.
- (d) It helps to achieve coordination.
- (e) It facilitates management by exception.

**1 mark for meaning
+
(½ mark for each for each heading
+
½ mark for explanation
= 1 x 5)
1+5 =
6 marks**

OR

Importance of controlling (Any four):

1. It helps in accomplishing organisational goals.
2. It helps in making efficient use of resources.
3. It ensures order and discipline.
4. It improves employee motivation.
5. It helps in judging accuracy of standards.
6. It facilitates co-ordination in action.

**½ mark for each heading + 1 mark for each explanation
(½ x 4
= 6 marks)**

(if an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

29 Q. What is meant by 'Financing Decision'? State any four factors affecting the financing decision.

OR

What is meant by 'Capital Structure'? State any four factors affecting the choice of capital structure.

2 marks for meaning + 1 mark for each factor
1 x 4 = 4 marks
2 + 4 = 6 marks

Ans. Financing decision is the decision about the quantum of finance to be raised from various long term sources and how much is to be raised from each source.

Factors affecting financing decision are (Any four):

1. Cost of different sources of finance as some sources may be cheaper than others.
2. Risk associated with different sources of finance is different.
3. Higher the floatation costs, less attractive the source.
4. A stronger cash flow position may make debt financing more viable than funding through equity.
5. With higher fixed operating costs, lower fixed financing costs should be opted for.
6. Issue of more equity may lead to dilution of management's control over the business.
7. State of the capital market is considered while taking financing decision as in a depressed capital market, issue of equity shares may be difficult.

OR

Ans. The capital structure means the proportion of debt and equity used for financing the operations of a business.

2 marks for meaning + 1 mark for each factor
1 x 4 = 4 marks
2 + 4 = 6 marks

or

It refers to the mix between owner's funds and borrowed funds.

Factors which affect the capital structure of a company are: (any four)

1. Cash Flow Position must be considered to meet fixed payment obligations associated with debt.
2. Issue of more equity may lead to dilution of management's control over the business.

3. If the firm uses its debt potential to the full, it loses flexibility to issue further debt
4. If the stock markets are bullish, use of equity is preferred as they are more easily sold even at a higher price.
5. While deciding the capital structure, the regulatory framework provided by law should be considered.
6. If a firm's business risk is lower, its capacity to use debt is higher and vice versa.
7. Floataction cost of different sources is considered as cost of raising equity is higher.
8. The higher the Interest Coverage Ratio OCR, lower is the risk of company failing to meet its interest obligations.
9. A higher Debt Service Coverage Ratio (DSCR) indicates the company's potential to increase debt component in its capital structure.
10. If the Return on Investment (ROI) of the company is higher than the interest on debt, its ability to use debt is greater.
11. A firm's ability to borrow (cost of debt) at a lower rate, increase its capacity to employ higher debt.
12. Cost of Equity increase when debt is used beyond a certain point.
13. A higher tax rate makes debt relatively cheaper and more attractive.
14. Capital Structure of other companies is also a useful guideline while planning capital structure.

30 Q. Name that element of the marketing mix which affects the revenue and profits of the firm. Explain any five factors which help in determining that element.

OR

“Generally consumers prefer to buy goods directly from the producers but it is not always possible.” Give reasons.

Why is it so by explaining four different factors responsible for this?

Ans. The element of the marketing mix which affect the revenue and profits of the firm is PRICE.

**1 mark for
naming the
element
+**

(½ mark for

Factors which help in price determination are (Any five:

1. Product cost
2. Utility and demand.
3. Extent of competition in the market.
4. Government and legal regulations.
5. Pricing objectives
6. Marketing methods used.

naming the factor
+
½ mark for explanation
= 1 x 5
= 5 marks)
= 1 + 5
= 6 marks

OR

Generally consumers prefer to buy goods directly from the producers but it is not always possible. This is so because of the following factors (**Any four**):

1. Product related factors - Goods which are standardized, are non perishable, non complex or have a low unit value are sold by the producers through indirect channels.
2. Company characteristics - When the financial strength of the company is not very strong or when the company does not want control over the channel members, it may go in for indirect channels.
3. Competitive factors - The company may decide to use indirect channel either to go with the competitor or be different from them
4. Market factors - When the size of the market is large, consumers are widely dispersed or the order size is small, the company may decide to use indirect channels.
5. Environmental factors - Keeping in mind the economic conditions and legal constraints, a company may decide to use indirect channels..

½ mark for naming the factor
+
1 mark for explanation
= 1½ x 4
= 6 marks