SECOND YEAR BUSINESS STUDIES MODEL EXAMINATION UNOFFICIAL ANSWER KEY (248)

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1 Coordination	
2 Route clerk	
3 Planning	
4 Functional	
5 Off the job training	
6 all of the above	
7 controlling is ´ one time function	
8 working capital	
9 shopping	7

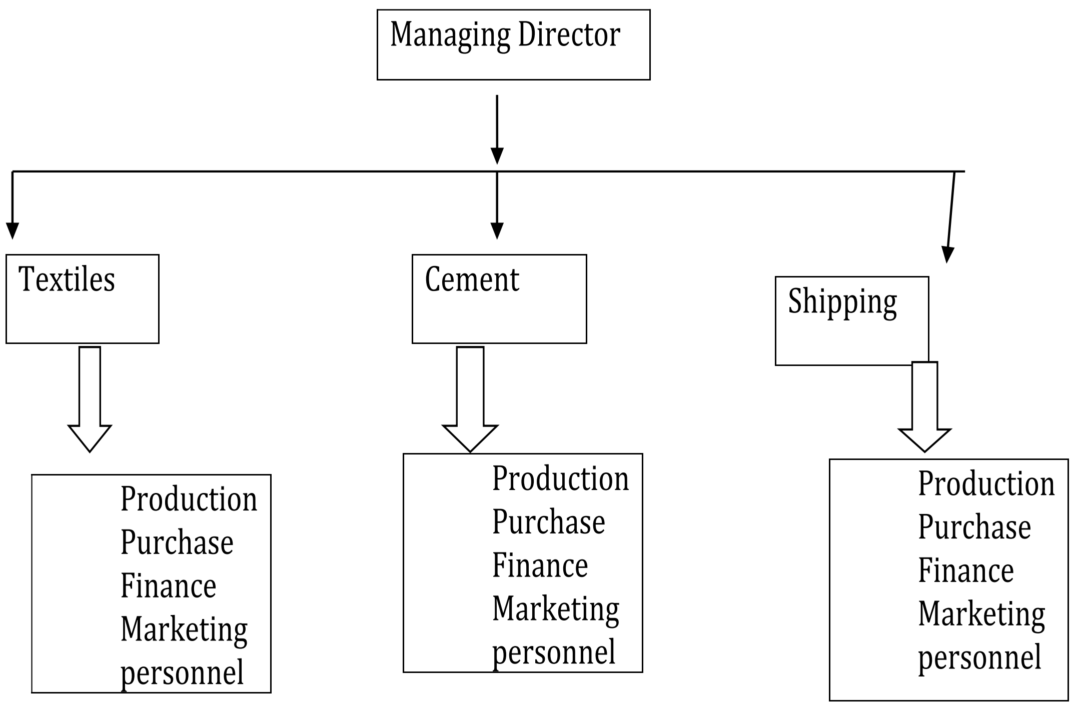
10 Co-ordination is the orderly arrangement of dissimilar groups of activities to attain the common goals of business. Co-ordination is regarded as the essence of the management and not a separate function. 2

11 1. ECONOMIC ENVIRONMENT
2.POLITICAL ENVIRONMENT 2

12 Planning is done for the future, which is uncertain. Certain assumptions are made about the future environment. The assumptions are known as planning premises. It involves anticipation of future demands, competition, technology, economic conditions etc. 2

13 Span of management means total number subordinates a manager can control. It varies from individual to individual 2

14 2



15 Gross working capital (GWC) is the sum of a company's current assets that can be converted to cash within a year or less. Net working capital may be defined as the excess of current assets over current liabilities. 2

16 1.Financing decisions
2. Dividend decisions 2

17 1. District forum:
2. State Commission
3. National commission (any two) 2

18 **<u>Motion study</u>**: It is concerned with the study of movement of a worker and machines to perform a particular job. The objective is to eliminate useless motion and thereby avoid wastage and inefficiency. 3

<u>Time study</u>: It refers to a study of the time that required to an average worker to complete a task. It aims at fixing the standard time required to do a particular job

<u>Fatigue study:</u> Fatigue means tiredness. Fatigue study is the study of the amount and frequency of rest intervals required in completing a work. Fatigue may be physical or mental.

19 <u>1. Identification of business opportunities</u>: Identification of business opportunities is possible only through awareness of the environment. 3

<u>2. Facilitates strategic planning</u>: Environmental scanning helps to identify threats and its implications to be affected to the business.

<u>3. Helps in sensitizing the management:</u> Understanding the environment helps in identifying threats and opportunities.

20 3

FORMAL ORGANISATION	INFORMAL ORGANISATION
1. Deliberately planned and created by the top management	1.Arises spontaneously as a result of social interaction among the employees
2. It is created to achieve predefined organizational objective	2.It satisfies personal and social needs of employees
3. Authority Arises by virtue of position in the management	3.Arises out of personal qualities

21 In internal sources of recruitment, recruitment is done within the organisation. Examples are transfer, promotion 3

22 3

1) **Difficulty in setting quantitative standards**-- This makes measurement of performance and their comparison with standards a difficult task.
2) **Little control on external factors**--Generally an enterprise cannot control external factors such as government policies, technological changes, competition etc.
3) **Resistance from employees**-- Control is often resisted by employees. They see it as a restriction on their freedom. For instance, employees might object when

	they are kept under a strict watch with the help of Closed-Circuit Televisions (CCTVs).	
23	The amount invested in acquisition and development of fixed assets is known as fixed capital (Blocked capital). The money invested in fixed capital is blocked and not available for day-to-day dealings. Fixed capital is represented by fixed assets like Plant and machinery, land, buildings etc. The amount of fixed capital varies from business to business. This is determined by the following factors. 1. Nature of business:- The nature and character of business determine how much fixed capital is required. E.g.: A trading concern needs lower investments in fixed assets compared with a manufacturing organization. 2. Scale of operations/ size of business: A large sized business will generally require huge investment in fixed assets as compared to a small sized business. 3. Choice of techniques:- Some industries are capital intensive while others are labour intensive. The requirement of fixed capital would be higher in capital intensive industries. 4. Technology up gradation:- In certain industries assets become obsolete sooner. Consequently their replacement becomes due faster. Higher investments in fixed assets may therefore require for such business.	3
24	1. **Right to safety:** The consumer has the right to be protected against marketing of goods which are hazardous to life and health. 2. **Right to informed:** The consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quality, direction to use, possible side effects etc. 3. **Right to choose:** The consumer has the freedom to choose from a variety of products at competitive prices. This implies that marketer should offer a wide variety of products in terms of quality, brand, prices, size etc.	3
25	A) Top level management B) Middle level management 1) TOP LEVEL MANAGEMENT-- Top management is also known as higher level management or administrative management. Board of directors, managing director, general manager, President, Vice president Etc. comes under this category. This level of management establishes policies, plans and objectives 2) MIDDLE LEVEL MANAGEMENT-- Middle level management consists of heads of various departments e.g. Production manager, sales manager, personnel manager, superintendents, branch managers etc. They are the link between the top management and lower management. 3) This level includes foremen, supervisors, finance and account officers, sales officers etc. This level of managers is directly related with the routine functions of the organization. They are responsible for the quality and quantity of work and completion in time.	5
26	**Division of Work***:* Division of work implies the subdivision of total tasks into small elements and each element is assigned to the workers. This led to specialization of work.	5

	The workers gain speed and accuracy while they are doing the same work again and again. This principle is applied to technical as well as managerial activities. **Authority and Responsibility***:* Authority is the right of a superior to give orders and instructions to subordinates. Responsibility is the obligation of subordinates to perform the duties assigned by the superiors. There should be parity between authority and responsibility. Giving authority without fixing responsibility is useless. Responsibility without adequate authority is ineffective to the workers. **Discipline***:* Discipline means getting obedience to rules and regulations of the organization. According to Fayol, discipline is obedience, obligation, energy and outward mark of respect. It is necessary for smooth running of the business. Maintenance of discipline depends on quality of leader or supervisor, clear and fair rules, application of reward and punishment, etc. **Unity of command***:* It implies that, each subordinate should receive orders and instruction from only one superior at a time. If a subordinate receives orders from more than one superior, he cannot able to perform in a proper manner. It leads to confusion to worker and a conflict among superiors. **Unity of direction***:* It implies that, there should be one head and one plan for a group activity having the same objective. There must be one manger and one plan for all operations having the same objective. The effort of all the members in an organization should be directed towards the common goal. This will enable unity of actions and effective co-ordination.	
27	A) BUDGET B) SINGLE USE PLAN C) STANDING PLAN D) PLANNING PREMISES E) SETTING OBJECTIVES	5
28	**Physiological Needs:** These are the basic needs of an individual such as needs for food, water, air, clothing, shelter, etc. These are essential for the survival of human life. **Safety and Security Needs*:*** These are the needs for physical safety and economic and social security against person and property. Physical security includes protection against fire, accidents, crime, etc. Economic security includes getting assurance of the availability of money. Social security includes need for security in old age, illness, disability, etc. **Social Needs*:*** These are needs for love, affection, attention, friendship, belongingness and social acceptance. **Esteem Needs*:*** These needs relate to the desire of recognition and respect from others. It includes self-respect, self-confidence, competence and knowledge. **Self-Actualization Needs*:*** It refers to man’s desire of accomplishing distinction in his chosen area by maximizing his potential. According to Maslow, these needs as ‘the desire to become everything one is capable of becoming’.	5
29	Capital structure refers to the mix between owner’s funds and borrowed funds. Capital structure refers to the mix or composition of long-term sources of funds. Such as equity share, preference shares, debentures etc.	5

The capital structure of an enterprise may consist of any one of the following
1. Equity only
2. Equity shares and preference shares
3. Equity shares and debentures
4. Equity shares, preference shares and debentures
5. Equity shares, preference shares, debentures and long-term loans

The following are some of the important factors which affect the choice of capital structure,

1) Cash Flow Position: Size of projected cash flows must be considered before borrowing. Cash flows must not only cover fixed cash payment obligations but there must be sufficient buffer also.

2) Interest Coverage Ratio (ICR): The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.

3) Debt Service Coverage Ratio (DSCR): Debt Service Coverage Ratio takes care of the deficiencies referred to in the Interest Coverage Ratio (ICR). The cash profits generated by the operations are compared with the total cash required for the service of the debt and the preference share capital

30 Following are some of the considerations, which should be kept in mind while choosing a brand name. 5
(i) The brand name should be short, easy to pronounce, spell, recognise and remember e.g., Ponds, VIP, Rin, Vim, etc
(ii) A brand should suggest the product's benefits and qualities. It should be appropriate to the product's function.
(iii) A brand name should be distinctive.
(iv) The brand name should be adaptable to packing or labelling requirements, to different advertising media and to different languages.
(v) The brand name should be sufficiently versatile to accommodate new products, which are added to the product line

31 The length of selection process is differing from organization to organization. Following steps are designed commonly by every organization:

1. Scrutiny of application: The applications received from candidates carefully verified by a screening committee and defective and unqualified applications are totally rejected.
2. Preliminary Interview: Interview means face to face conversation between the employer and employee. Preliminary interview is conducted to find suitable candidates.
3. Specialised blank application forms: A blank application form is supplied by the employer to be filled by the candidates who qualified in the preliminary interview. It helps to obtain full information about the candidates. 8
4. Tests: Different tests are conducted to know the level of ability, knowledge, interest, aptitude, etc. of a particular candidate. The common type of tests includes:
   a) Trade Tests:-Trade test is a test conducted to test the knowledge, special qualification and skill of the candidates.
   b) Performance Tests:- Performance Test is a test conducted to test the capability and actual performance of candidate on a particular job.

	c) <u>Psychological Test</u>:- Psychological Test is a test conducted to analyse the interest, aptitude, intelligence, behaviour, etc. of a candidate. These tests are conducted by comparing the actual performance with the standard set. 5. <u>Interview:</u> Detailed interviews are conducted to know more about the candidate as well as to get clarifications from the candidates and to give information to the candidate about the job. 6. <u>Checking Reference:</u> The applicant is normally giving some references of two or more outstanding person who know his ability, skill and character. Reference is an important source of information about the candidate's personality and ability. 7. <u>Medical Examination:</u> After the final interview, the physical fitness of the candidate is checked through medical examination. A qualified medical expert is appointed by the organization to conduct the medical examination. 8. <u>Final Selection:</u> After completing the above steps successfully, the candidate has given an appointment letter contains the terms and conditions of employment, pay scale, joining time and other benefits.	
32	<u>**Financial incentives**</u> Financial/Monetary/Pecuniary Incentives Monetary incentive is expressed in terms of money. They involve direct or indirect payment of rewards in terms of money. Financial incentives are more powerful motivators for lower-level employees. It establishes direct relationship between efforts and reward. **Type of financial incentives** 1. Pay and allowances 2. Productivity linked wage incentives 3. Bonus 4. Profit sharing 5. Co-partnership/stock option 6. Retirement Benefits 7. Perquisites <u>**Non-financial incentives/Non-monetary incentives**</u> Non-monetary incentives cannot express in terms of money. Such incentives are intangible in nature and intended to increases status, recognition, team spirits, job security etc. **Type of non-monetary incentives** 1. **Status** 2. **Recognition** 3. **Job Enrichment** 4. **Career Advancement opportunity** 5. **Job security**. 6. **Employee participation** 7. **Employee empowerment**	8
33.	Marketing mix is a plan which designs marketing strategy regarding controllable variable of marketing system. These marketing variables include Product, Price, Place (Distribution) and Promotion called 4 Ps. These four elements are inter related and inter dependent.The four components of marketing mix include product mix, price mix, promotion mix and distribution mix. These components are also called 4 P's. 1) **PRODUCT MIX**-- The different type of product a firm manufactures and marketing is called product mix. While determining the product mix, the quantity of output, shape, size and weight, quality and standard, product design, product range, brand name, packaging and labelling, etc are considered. **2) PRICE MIX--** Price means exchange value of goods or services in terms of money. The decisions relating to pricing of a product are called price mix. The	8

basic objectives of the firm, cost of production, competition in the market, demand for the product, and govt. control should be the basic conditions in determining the price mix

3) **PLACE MIX (Distribution Mix)--** Product which are manufactured at a particular place, but the products are consumed at different places during different seasons or throughout the year. Thus the marketing manager has to take decision regarding supply of product at the right time in right place.
4) **PROMOTION MIX--** Decision with regard to informing and persuading the customers about the firm's product is called promotion mix. Promotion mix involves decisions about advertising, personal selling, sales promotion and publicity.

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