

Class 12
Business Studies
Set 1 with Solutions

Time : 3 Hr.

Max. Marks : 80

General Instructions:

This question paper contains 34 questions.

Marks are indicated against each question.

Answers should be brief and to the point.

Answers to the questions carrying 3 marks may be from 50 to 75 words.

Answers to the questions carrying 4 marks may be about 150 words.

Answers to the questions carrying 6 marks may be about 200 words.

Attempt all parts of the questions together.

Question 1.

Rishabh joined an entertainment company Avtaar, as a creative head. As a manager looking after the creative unit of the company, one of the functions he has to perform is the process of organizing. Which step of the process will he need to perform after identifying and dividing the work that has to be done in accordance with previously determined plans?

- (a) Identification and division of work
- (b) Departmentalisation
- (c) Assignment of Duties
- (d) Establishing Reporting Relationships (1)

Answer:

- (b) Departmentalisation

Explanation: Once work has been divided into small and manageable activities then those activities which are similar in nature are grouped together. Such sets facilitate specialisation. This grouping process is called departmentalisation.

Question 2.

Which characteristic of the business environment is highlighted when changes are taking place too frequently and it becomes difficult to predict the future?

- (a) Uncertainty
- (b) Complexity
- (c) Inter-relatedness
- (d) Relativity (1)

Answer:

- (a) Uncertainty

Explanation: business environment is uncertain because it is difficult to predict future happenings especially when environmental changes are taking place too frequently.

Question 3.

Aarohan Ltd. is a company manufacturing automobiles where division of work into key areas includes production, purchase, marketing, accounts and personnel. Which of the following is a disadvantage of the organization structure of Aarohan Ltd.?

- (a) it may lead to increase in cost
- (b) Managers may gain power and assert independence and ignore organization interests.
- (c) It ensures that different functions get due attention.
- (d) Heads do not get training for top management positions. (1)

Answer:

- (d) Heads do not get training for top management positions.

Explanation: Arohan limited has the functional organisational structure. Functional heads do not get training for top management positions because they are unable to gather experience in diverse areas.

Question 4.



Identify the dimensions of the business environment illustrated by the picture given above in which Sapna who has joined the workforce recently is working on an accounting software.

- (a) Technological and social.
- (b) Technological and political
- (c) Political and economic
- (d) Social and legal (1)

Answer:

- (a) Technological and Social

Explanation: Sapna is working on accounting software it is a part of technological environment. Technological dimension includes any changes taken place due to technological advancement and innovation. Social dimension includes social customs, rituals, the culture in which individual was educated or lived in.

Question 5.

Identify the reason which makes management important in the light of the fact that it is generally seen that individuals in an organization resist change, as a change often means moving from a familiar, secure environment into a newer and a more challenging one.

- (a) Management helps in achieving group goals.
- (b) Management creates a dynamic organization
- (c) Management increases efficiency
- (d) Management helps in the development of society, (1)

Answer:

- (b) Management creates a dynamic organization

Related Theory

characteristics of management:

Management is a goal oriented process

Management is pervasive

Management is multi- dimensional

Management is a continuous process

Management is a group activity

Management is a dynamic function

Management is intangible

Question 6.

The government of India made an announcement regarding Demonetization of the Indian economy on November 8, 2016 with profound implications for it. The process which put restrictions on convertibility of domestic money and bank deposits was meant to create a less-cash economy. One argument against the cash-lite economy is that:

- (a) Internet connectivity is a prerequisite
- (b) More people will be introduced into the formal economy.
- (c) Financial saving will increase
- (d) Tax evasion will be reduced (1)

Answer:

- (a) Internet connectivity is a prerequisite

Explanation: Internet connectivity is a pre-requisite for the cash lite economy. Demonetisation came with the major changes in the paying pattern of the consumer. All the transactions are to be made online for this purpose internet is necessary.

Question 7.

Airlines will be able to offer the benefit of lower pricing to customers on sectors/ routes due to the decision of the civil aviation ministry to remove price caps from August 31, 2022. This can help an airline to do better performance if they take early decisions regarding future courses of action after understanding and doing analysis. Which importance of business environment and its understanding by managers is not highlighted above:

- (a) It helps in improving performance
- (b) It helps in assisting in planning and policy formulation
- (c) It helps in tapping useful resources
- (d) It enables a firm to identify opportunities and get first mover advantage. (1)

Answer:

- (c) It helps in tapping useful resources

Explanation: Careful scanning of the Business Environment helps in tapping the useful resources required for the business. It helps the firm to track these resources and convert them into goods and services.

Question 8.

Also a mobility platform is in the process of laying off 400-500 employees in a move aimed at driving cost efficiency. Which objective of management will the firm not be able to achieve by carrying out this process.

- (a) Efficiency
- (b) Social
- (c) Profit
- (d) Survival (1)

Answer:

- (b) Social

Explanation: The firm will not be able to achieve social objective of management by carrying out this process. Social objectives of management should be fulfilled by each organisation as business is a social

process. It includes providing employment opportunities, eco-friendly methods of production, employment in rural areas, etc.

Question 9.

Radha started a home cooked food delivery Dabba service. Her mother, who is a great cook, decided to help her. They relied on friends and family for orders and then on word of mouth. As a step in the process of ensuring that activities are performed as per her plan of supplying healthy, good quality, reasonable food and earning profit, she decided to keep both qualitative and quantitative benchmarks towards which she would strive to work. A function of management is being discussed above. An important characteristic of this function of management is:

- (a) It is the first function of management
- (b) It is the Last function of management
- (c) It is both forward looking and backward looking.
- (d) It is required only in business organizations. (1)

Answer:

- (c) It is both forward looking and backward looking.

Explanation: This situation is based on controlling function of management. Controlling is backward looking as well as forward looking functions as it involves assessment of past performance, it also aims at improving the future performance by taking the required corrective actions.

Question 10.

Raman and Vasudev were two employees who were embezzling an import-export company in Varanasi where they were working. The finance manager of the company Sampat Singh became suspicious of the two employees when he realized that their activities were not being performed as per the plans. He installed a software program that could secretly log every single stroke of the suspects' computer keys and send an encrypted email report to the Cyber police. The police were able to catch the two dishonest employees red handed and arrest them. Identify the function of management ' being discussed above.

- (a) Staffng
- (b) Coordination
- (c) Controlling
- (d) Organizing (1)

Answer:

- (c) Controlling

Explanation: Controlling can be defined as that function of management which helps to seek planned results from the subordinates, managers and at all levels of an organization. The controlling function helps in measuring the progress towards the organizational goals & brings any deviations, & indicates corrective action.

Question 11.

Name the outcome of the function of management which includes designing of roles to be filled by suitably skilled people and defining the inter relationship between roles so that ambiguity in performance of duties can be eliminated.

- (a) Organization structure
- (b) Delegation of authority
- (c) Decentralization
- (d) controlling . (1)

Answer:

- (a) Organization structure

Related Theory

The type of structure adopted by an organisation will vary with the nature and types of activities performed by an organisation. The organisational structure can be classified under two categories which are as follows:

Functional structure and

Divisional structure

Question 12.

Statement-I: Transportation helps in creating time utility and warehousing helps in creating place utility

Statement-II: The process of classification of products into different groups on the basis of their important characteristics is known as standardization.

Choose the correct option from the options given below:

- (a) Statement I is true and II is false
- (b) Statement II is true and I is false
- (c) Both the statements are true
- (d) Both the statements are false. (1)

Answer:

- (d) Both the statements are false

Explanation: Warehousing helps in creating time utility and Transportation helps in creating place utility.

The process of classification of products into different groups on the basis of their important characteristics is known as grading.

Question 13.

Match the various terms of Financial Markets Column-1 with their respective Statements in Column-II:

Column 1	Column II
(A) Financial market	(I) It is also known as Stock Market
(B) Primary Market	(II) It is a market for creation and exchange of financial assets.
(C) Secondary Market	(III) It is also known as New Issue Market

- (a) (ii), (iii), (i)
- (b) (i), (iii), (ii)
- (c) (iii), (ii), (i)
- (d) (i),(ii), (iii) (1)

Answer:

- (a) (ii), (iii), (i)

Related theory

functions of financial markets:

Mobilisation and channelling of savings into most efficient uses

Encourages and facilitates price discovery

Creates liquidity for financial assets

Decreases transaction costs

Question 14.

..... is a number assigned to each transaction by the stock exchange and is printed on the contract

note.

- (a) Client code number
- (b) Unique order code
- (c) Permanent account number
- (d) Depository participant number (1)

Answer:

- (b) Unique order code

Related Theory

Dematerialisation: Dematerialisation is the process by which a client can get physical certificates converted into electronic balances. An investor intending to dematerialise its securities needs to have an account with a DP. The client has to deface and surrender the certificates registered in its name to the DP.

Question 15.

One of the important decision areas under the marketing function of is managing inventory.

- (a) Branding
- (b) Pricing
- (c) Promotion
- (d) Physical distribution. (1)

Answer:

- (d) physical distribution

Explanation: Physical distribution refers to the movement of finished goods from the point of its manufacturing to the end user. In e-commerce, physical distribution involves several e-commerce supply chain activities including warehousing, inventory control, order processing, retail fulfillment, and shipping.

Question 16.

Which of the following statements is incorrect?

- (a) Providing liquidity to securities is one of the functions of stock exchange
- (b) Process of holding shares in electronic form is known as Dematerialization
- (c) Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices.
- (d) Capital market consists of Commercial banks, Development banks and stock exchanges (1)

Answer:

- (c) Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices. ?

Related Theory

Money market Money market basically refers to a section of the financial market where financial instruments with high liquidity and short-term maturities are traded. Money market has become a component of the financial market for buying and selling of securities of short-term maturities, of one year or less, such as treasury bills and commercial papers.

Question 17.

One of the following is considered to be an extension of the marketing concept, which apart from customer satisfaction pays attention to ethical and ecological aspects of marketing. Identify the concept.

- (a) Selling concept
- (b) Product concept
- (c) Production concept
- (d) Societal Marketing concept (1)

Answer:

- (d) Societal Marketing concept

Explanation: marketing concept focused on the satisfaction of consumer needs, but societal marketing concept focuses on the ethical and ecological aspects of marketing. Societal Marketing emphasizes social responsibilities and suggests that to sustain long-term success, the company should develop a marketing strategy to provide value to the customers to maintain and improve both the customers' and society's well-being better than the competitors.

Question 18.

While the product costs set the lower limits of the price for a product, the upper limit of price which a buyer would be prepared to pay is decided by:

- (a) Utility and demand of the product
- (b) The marketing manager of the firm
- (c) The Government
- (d) The competitors of the firm (1)

Answer:

- (a) Utility and demand of the product Related Theory

factors affecting price determination:

product cost,

utility and demand,

extent of competition in the market,

government and legal regulations

Question 19.

Which of the following statements about Advertising is incorrect?

- (a) It is a personal form of communication
- (b) It is a paid form of communication
- (c) It is a mass selling technique.
- (d) It is inflexible as the message can't be adjusted to the needs of the buyer. (1)

Answer:

- (a) It is a personal form of communication Explanation: It is a impersonal form of communication.

Question 20.

Arrange the steps involved in trading procedure at the stock exchange in correct sequence:

- (i) Settlement of order
- (ii) Opening of Demat Account
- (iii) Placing of order
- (iv) Execution of order

- (a) (ii); (iv); (iii); (i)
- (b) (ii);(i);(iii);(ii)
- (c) (iii); (ii): (ii); (i)
- (d) (ii);(iii);(iv); (i)

Answer:

- (d) (ii);(iii);(iv); (i)

Related Theory

The following are the various methods through which floating of new issues can be done.

Offer through Prospectus.

Offer through Sale

Private Placement

Rights Issue

e-IPOs

Question 21.

Top management plans for the entire organization. According to these plans the organizational structure is developed and staffed. In order to ensure that these plans are executed according to plans, directing is required. Any discrepancies between actual and realized activities are then taken care of at the stage of controlling. Name and explain the process highlighted above which started at the planning stage itself and is implicit and inherent in all the functions of management in an organization. (3)

Answer:

Coordination The process by which a manager synchronizes the activities of different departments is known as coordination. Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization.

Question 22.

Mrs. Ahilya Pasi is the Principal of a prestigious school in New Delhi. The school has a vacancy of a headmistress/ headmaster of the junior wing of the school. The senior teachers of the school have the opinion that only internal candidates should be considered for this post. However, Mrs. Pasi and the management would like to invite applications from external sources too. Briefly explain any three justifications the management can provide to convince the staff for inviting applications of external candidates for the vacant post. (3)

Answer:

Merits of external sources: (Any three)

1. Qualified personnel: By using external sources of recruitment, the management can attract qualified and trained people to apply for vacant jobs in the organization.
2. Wider choice: When vacancies are advertised wisely, a large number of applicants from outside the organization can apply. The management has a wider choice while selecting the people for employment. ‘
3. Fresh Talent: The present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment provides wider choice and brings new blood in the organization.
4. Competitive spirit If a company taps external sources, the existing sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

Question 23.

Explain “Critical point control” with respect to Analyzing deviations, a step in the process of controlling. Give a suitable example.

Answer:

Critical point control: It is neither economical nor easy to keep a check on each and every activity in an organization.

Control should therefore focus on key result areas which are critical to the success of an organization. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organization suffers. For instance, in a manufacturing organization, an increase of 5% in the labour cost may be more troublesome than a 15% increase in postal charges.

OR

Explain “Management by exception” with respect to Analyzing deviations, a step in the process of controlling. Give a suitable example. (3)

Answer:

Management by Exception: Management by exception, which is often referred to as control by exception, is

an important principle of management control based on the belief that an attempt to control everything results in controlling nothing.

Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of the management.

For instance, if the plans lay down 2% increase in labour cost as an acceptable range of deviation in a manufacturing organization, only an increase in labour cost beyond 2% should be brought to the notice of the management. However, in case of major deviation from the standard (say, 5%), the matter has to receive immediate action of management on a priority basis.

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Question 24.

State any three objectives of the Securities Exchange Board of India.

Answer:

Following are the objectives of SEBI: (any three)

1. To regulate stock exchanges and the securities industry to promote their orderly functioning
2. To protect the rights and interests of investors, particularly individual investors and to guide and educate them.
3. To prevent trading malpractices and achieve a balance between self-regulation by the securities industry and its statutory regulation.
4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional

OR

State any three functions performed by the stock exchange.

- (i) Providing liquidity and marketability to existing securities.
- (ii) Pricing of securities on the stock exchange is determined by the forces of demand and supply.
- (iii) Safety of transaction is ensured as membership of a stock exchange is well regulated and its dealings are well defined.
- (iv) Contributes to economic growth through the process of disinvestment and reinvestment
- (v) Spreading of equity cult by ensuring wider ownership by way of regulating new issues.
- (vi) Providing scope for speculation by ensuring speculative activity within the provisions of law for it to take place in a restricted and controlled manner.

Caution

Students should not consider SEBI as stock exchange. These are two different bodies. The functions and objectives of stock exchange are different from SEBI.

Question 25.

Enumerate any four benefits of the process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.

Answer:

The benefits of training to an organization are as follows: (any four)

- (i) Training is a systematic learning, Always better than hit and trial methods which lead to wastage of efforts and money.
- (ii) It enhances employee productivity both in terms of quantity and quality, leading to higher profits.
- (iii) Training equips the future manager who can take over in case of emergency.
- (iv) Training increases employee morale and reduces absenteeism and employee turnover.
- (v) It helps in obtaining an effective response to a fast changing environment- technological and economic

OR

Name the mechanism that attempts to measure certain characteristics of individuals in the process of identifying and choosing the best person out of the number of prospective candidates for the job.

Enumerate any three of its types. (4)

Answer:

Selection test

Types of tests are: (any three)

- (a) Intelligence test is one of the important psychological tests used to measure the level of intelligence quotient of an individual and is an indicator of a person's ability or the ability to make decisions and judgments.
- (b) Aptitude test is a measure of an individual's potential for learning new skills and indicates the person's capacity to develop.
- (c) Personality tests provide clues to a person's emotions, her reactions, maturity, and value system and probe the overall personality.
- (d) Trade tests measure the existing skills of the individual, level of knowledge and proficiency in the area of professions or technical training.
- (e) Interest tests are used to know the pattern of interests or involvement of a person.

Caution

Selection test is a part of selection process. Do not write definition of selection in this answer.

Question 26.

State any four barriers to communication which are concerned with problems and obstructions in the process of encoding and decoding the message into words or impressions.

Answer:

Semantic barriers (Any four):

1. Sometimes intended meaning may not be conveyed by a manager to his subordinates due to badly expressed messages which may be on account of inadequate vocabulary, usage of wrong words, omission of needed words, etc.
2. A word may have different meanings and the receiver has to perceive one such meaning for the word used by the communicator.
3. If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to communication.
4. Some communications may have certain assumptions which are subject to different interpretations.
5. It is usually found that specialists use technical jargon while explaining to persons who are not specialists in the concerned field and therefore they may not understand the actual meaning of many words.
6. If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived.

OR

State any four barriers to communication which are related to authority relationships, rules and regulations of the company. (4)

Answer:

Organizational barriers (Any four):

1. If organizational policy either explicit or implicit is not supportive to free flow of communication it may hamper effectiveness of communications.
2. Rigid rules and regulations, cumbersome procedures may be a hurdle to communication, as communications through prescribed channels may result in delays.
3. Status of superior may create psychological distance between him and his subordinates.
4. Complexity in the organization caused by the number of managerial levels may delay and distort the communication as the number of filtering points is more.
5. If facilities like frequent meetings, suggestion box, and complaint box, social and cultural gathering, transparency in operations, etc, for smooth, clear and timely communications are not provided, communications may be hampered.

Question 27.

In Saarthak Steel several initiatives have been taken to further improve the motivation levels of employees through designing jobs that include greater variety of work content, providing certain stability about future income and work, providing fringe benefits like housing, medical aid, etc., allotment of shares in line with various incentives. Identify and briefly explain the incentives being given by the organization to the employees. (4)

Answer:

Incentives being given by the organization to the employees are:

1. Job enrichment Job enrichment is concerned with designing jobs that include greater variety of work content, require higher level of knowledge and skill; give workers more autonomy and responsibility; and provide opportunity for personal growth and a meaningful work experience.
2. Job security: Employees want their jobs to be secure. They want certain stability about future income and work so that they do not feel worried about these aspects and work with greater zeal
3. Perquisites: In many companies perquisites and fringe benefits are offered such as car allowance, housing, medical aid and education to the children, etc., over and above the salary.
4. Co-partnership/ stock option: Under these incentive schemes, employees are offered company shares at a set price which is lower than market price. Sometimes, management may allot shares in line of various incentives payable in cash.

Question 28.

State any four factors affecting the financial decision that is concerned with raising of finance using shareholders' funds and borrowed funds. (4)

Answer:

Following are the factors affecting capital structure of a company : (Any four)

1. Size of the projected Cash flows must be considered before borrowing.
2. 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 takes care of the deficiencies referred to in the interest coverage ratio.
4. More debt can be used if debt can be raised at a lower rate
5. A higher Tax Rate makes debt relatively cheaper and increases its attraction vis-a-vis equity.
6. Process of raising resources also involves some cost which may affect the choice between debt and equity and hence capital structure.

7. If a firm's business risk is lower, its capacity to use debt is higher and vice versa.
8. To maintain flexibility the firm must maintain some borrowing power to take care of unforeseen circumstances.
9. Capital Structure of other companies is a useful guideline in the capital structure planning.
10. Stock Market Conditions often affect the choice between debt and equity.
11. Every company operates within a regulatory framework provided by the law.
12. Control as a factor also influences the choice between debt and equity especially in companies in which the current holding of management is on a lower side.
13. If the ROI of the company is higher, it can choose to use trading on equity to increase its EPS.
14. When a company increases debt, the financial risk faced by the equity shareholders increases consequently their desired rate of return may increase.

OR

Factors affecting financing decision: (Any four)

A prudent financial manager would normally opt for a source which is the cheapest.

The risk associated with each of the sources is different.

Higher the floatation cost, less attractive the source.

A stronger cash flow position may make debt financing more viable than funding through equity.

If a business has high fixed operating costs, it must reduce fixed financing costs.

Issues of more equity may lead to dilution of management's control over the business.

Health of the capital market may also affect the choice of source of funds.

Caution

Students should Learn financial decisions and its parts in detail. So that they can provide the explanation of the decision which are asked in the question correctly.

Question 29.

Krish limited is in the business of manufacturing and exporting carpets and other home decor products. It has a share capital of ₹ 70 lacs at the face value of ₹ 100 each. Company is considering a major expansion of its production facilities and wants to raise ₹ 50 lacs. The finance manager of the company Mr. Prabhakar has recommended that the company can raise funds of the same amount by issuing 7% debentures. Given that earning per share of the company after expansion is ₹ 35 and tax rate is 30%, did Mr. Prabhakar give a justified recommendation?

Show the working. (4)

Answer:

Earnings per share = ₹ 35

$$\text{EPS} = \frac{\text{Earning after tax}}{\text{No. of equity shares}}$$

$$35 = \frac{\text{Earning after tax}}{70,000}$$

Earning after tax = ₹ 24,50,000

Interest = 50,00,000 x 7%

= ₹ 3,50,0000

Let the Earning before tax (EBT) = x

EBT - Tax = EAT

X - 0.30x = 24,50,000

0.70x = 24,50,000

x = 24,50,000/0.70

x = 35,00,000

Earning before tax = ₹ 35,00,000

EBIT = Earning before tax + Interest = 35,00,000 + 3,50,000 = ₹ 38,50,000

$$\begin{aligned} \text{ROI} &= \frac{\text{EBIT}}{\text{Total Investment}} \times 100 \\ &= \frac{38,50,000}{1,20,00,000} \times 100 = 32.08\% \end{aligned}$$

As ROI (32.08%) > Rate of interest (7%). The company can choose to use trading on equity to increase its EPS. The finance manager was justified in making this recommendation.

Caution

in this type of questions, formulae should be correctly written.

Question 30.

Mayank purchased a pack of chocolates of a renowned brand for his daughter from a shop in the nearby market. After consuming the chocolates, his daughter fell sick. He filed a case with the District forum against the renowned brand. He lost the case because of a mistake that he could not provide proof of purchase. What should be kept in mind by a consumer while purchasing, using and consuming goods and services apart from avoiding the mistake committed by Mayank, in order to enable him/her to achieve the objective of consumer protection? Enumerate any four points. (4)

Answer:

A consumer should keep in mind the following responsibilities while purchasing, using and consuming goods and services (Any four)

- (i) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
- (ii) Buy only standardized goods as they provide quality assurance. Thus, look for ISI mark on electrical goods, FPO mark on food products, Hallmark on jewelry, etc.
- (iii) Learn about the risks associated with products and services, follow manufacturer's instructions and use the products safely.
- (iv) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc.
- (v) Assert yourself to ensure that you get a fair deal
- (vi) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like black-marketing, hoarding, etc.
- (viii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small.
- (ix) Form consumer societies which would play an active part in educating consumers and safeguarding their interests.
- (x) Respect the environment. Avoid waste, littering and contributing to pollution.

Caution

When internal choice is given, students should write those points only which he/she knows the best. Do not answer all the points which are asked in the questions.

Question 31.

Briefly explain any three of the following techniques of Scientific Management as given by F.W. Taylor:

- (a) Method study
- (b) Functional foremanship
- (c) Standardization
- (d) Differential piece wage system

Answer:

Techniques of Scientific Management given by F.W. Taylor:

Method Study

The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to Techniques of Scientific Management given by F.W. Taylor:

Method Study

The objective of method study is to find out one best way of doing the job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to the customer every activity is part of method study. Taylor devised the concept of assembly line by using method study. Ford Motor Company used this concept very successfully. Even now auto companies are using it.

The objective of the whole exercise is to minimize the cost of production and maximize the quality and satisfaction of the customer. For this purpose many techniques like process charts and operations research etc. are used.

- (a) For designing a car, the assembly line production would entail deciding the sequence of operations, place for men, machines and raw materials etc. All this is part of method study.
- (b) Functional foremanship is an extension of the principle of division of work and specialization to the shop floor. Each worker will have to take orders from these eight foremen in the related process or function of production. Foremen should have intelligence, education, tact, grit, judgment special knowledge, manual dexterity, and energy, honesty and good health.

Since all these qualities could not be found in a single person, Taylor proposed eight specialists. Each specialist is to be assigned work according to her/ his qualities. For example, those with technical mastery, intelligence and grit may be given planning work. Those with energy and good health may be assigned execution work

(c) Standardization refers to the process of setting standards for every business activity; it can be standardization of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. The Objective Of

- (i) To reduce a given line or product to fixed types, sizes and characteristics.
- (ii) To establish interchangeability of manufactured parts and products.
- (iii) To establish standards of excellence and quality in materials.
- (iv) To establish standards of performance of men and machines

(d) Taylor was a strong advocate of a piece wage system. He wanted to differentiate between efficient and inefficient workers. The standard time and other parameters should be determined on the basis of the work- study discussed above. The workers can then be classified as efficient or inefficient on the basis of

these standards. He wanted to reward efficient workers. So he introduced different rates of wage payment for those who performed above standard and for those who performed below standard

OR

Briefly explain any three of the following principles of management given by Henry Fayol:

- (a) Unity of command
- (b) Equity
- (c) Remuneration
- (d) Initiative (6)

Answer:

Principles of Management given by Henry Fayol

(a) Unity of Command: According to Fayol there should be one and only one boss for every individual employee.

If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organization should receive orders from and be responsible, to only one superior. Fayol gave a lot of importance to this principle.

He felt that if this principle is violated "authority is undermined; discipline is in jeopardy, order disturbed and stability threatened". The principle resembles military organization. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. Suppose a sales person is asked to clinch a deal with a buyer and is allowed to give a 10% discount by the marketing manager. But the finance department tells her/ him not to offer more than a 5% discount. Now there is no unity of command. This can be avoided if there is coordination between various departments.

(b) Equity: Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible," according to Fayol. This principle emphasizes kindness and justice in the behavior of managers towards workers. This will ensure loyalty and devotion.

Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.

(c) Remuneration of Employees: The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure a congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.

(d) Initiative: Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged.

But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be

Question 32.

'The pros and cons of each alternative need to be weighed.' Name and briefly explain the logical steps in the process of planning which are followed by a manager before performing the step highlighted in the

above statement.

Answer:

Steps in the process of planning to be followed by a manager before performing the step of evaluation of alternatives:

(i) **Setting Objectives:** The first and foremost step is setting objectives. Every organization must have certain objectives. Objectives may be set for the entire organization and each department or unit within the organization. Objectives or goals specify what the organization wants to achieve. It could mean an increase in sales by 20% which could be the objective of the entire organization.

How all departments would contribute to the organizational goals is the plan that is to be drawn up. Objectives should be stated clearly for all departments, units and employees. They give direction to all departments. Departments/ units then need to set their own objectives within the broad framework of the organization's philosophy. Objectives have to percolate down to each unit and employees at all levels.

At the same time, managers must contribute ideas and participate in the objective setting process. They must also understand how their actions contribute to achieving objectives. If the end result is clear it becomes easier to work towards the goal.

(ii) **Developing Premises:** Planning is concerned with the future which is uncertain and every planner is using conjecture about what might happen in future. Therefore, the manager is required to make certain assumptions about the future. These assumptions are called premises. Assumptions are the base material upon which plans are to be drawn. The base material may be in the form of forecasts, existing plans or any past information about policies. The premises or assumptions must be the same for all and there should be total agreement on them. All managers involved in planning should be familiar with and use the same assumptions.

For example, forecasting is important in developing premises as it is a technique of gathering information. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.

(iii) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization.

OR

Briefly explain the next three steps in the process of planning which the manager will have to have to follow after using conjecture about what might happen in the future. (6)

Answer:

The next three steps are :

(i) **Identifying alternative courses of action:** Once objectives are set, assumptions are made. Then the next step would be to act upon them. There may be many ways to act and achieve objectives. All the alternative courses of action should be identified. The course of action which may be taken could be either routine or innovative. An innovative course may be adopted by involving more people and sharing their ideas. If the project is important, then more alternatives should be generated and thoroughly discussed amongst the members of the organization.

(ii) **Evaluating alternative courses:** The next step is to weigh the pros and cons of each alternative. Each course will have many variables which have to be weighed against each other. The positive and negative aspects of each proposal need to be evaluated in the light of the objective to be achieved. In financial plans, for example, the risk- return trade-off is very common. The more risky the investment, the higher the

returns it is likely to give. To evaluate such proposals detailed calculations of earnings, earnings per share, interest, taxes, dividends are made and decisions taken. Accurate forecasts in conditions of certainty/uncertainty then become vital assumptions for these proposals. Alternatives are evaluated in the light of their feasibility and consequences.

(iii) Selecting an alternative: This is the real point of decision making. The best plan has to be adopted and implemented. The ideal plan, of course, would be the most feasible, profitable and with least negative consequences. Most plans may not always be subjected to a mathematical analysis. In such cases, subjectivity and the manager's experience, judgment and at times, intuition play an important part in selecting the most viable alternative. Sometimes, a combination of plans may be selected instead of one best course. The manager will have to apply permutations and combinations and select the best possible course of action.

Question 33.

Jojo and Jojo is a company known for its consumer business of baby oil and bandages, but many people do not know that the company also runs a medical device and diagnostics business, as well as a pharmaceutical company. With more than 1,80,000 employees worldwide the company has chosen to share decision making authority with lower levels and place it nearest to the point of action.

Therefore the response does not take time. This propagates the belief that people are competent, capable and resourceful who can get a chance to prove their abilities. And enables the company in identifying those executives who have the necessary potential to become dynamic leaders, so that the checking required on decisions taken by lower levels of management is the least.

This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results. By quoting the lines given above identify and briefly explain the benefits of the concept discussed above. (6)

Answer:

Importance of Decentralization:

1. "Response does not take time". Quick decision making- In a decentralized organization since decisions are taken at levels which are nearest to the point of action and there is no requirement for approvals from many levels, the process is much faster.
2. "Who can get a chance to prove their abilities". Develops managerial talent for the future- Decentralization gives managers a chance to prove their abilities and creates a reservoir of qualified manpower that can be considered to fill up more challenging positions through promotion.
3. "Identifying those executives who have the necessary potential to become dynamic leaders". Develops initiative among subordinates- Decentralization helps to promote self-reliance and confidence amongst the subordinates. It also keeps them in a state wherein they are constantly challenged and have to develop solutions for the various problems they encounter.
4. "This makes it possible to evaluate performance at each level and each department can be individually held accountable for their results." Better control- Feedback from levels helps to analyze variances and improve operations.

Question 34.

Choco Ltd. offers a wide variety of chocolate products, it has an action program of not selling its products by their generic name but under different names like Choco-silk bar, Choco-Munchy and Choco-crunchy etc. for different customer segments. All these names have great popularity and acceptability in the markets. As the company policy the products were offered at reasonable and affordable prices for targeting a mass customer base.

During the festive season the company launched a massive promotional campaign to increase its revenue and achieve its communication objectives. The company introduced free gifts for the customers.

Their on-ground sales team delivers the product not only to the departmental stores but also to small shops, so that all segments of customers can easily get the products. They also provide information and support services to customers to ensure repeat sales. From the viewpoint of the management function, briefly explain any four activities of marketing which the firm will be involved in, apart from the above-mentioned ones it's already performing. (6)

Answer:

Functions of marketing, apart from the ones Choco Ltd is already performing: (Any four)

1. Gathering and analyzing market information: This is necessary to identify the needs of the customers and make various decisions for the successful marketing of the products and services. This is important for making an analysis of the available opportunities and threats as well as strengths and weaknesses of the organization and help in deciding what opportunities can best be pursued by it.
2. Product designing and development: The design of the product contributes to making the product attractive to the target customers. A good design can improve performance of a product and give it a competitive advantage in the market
3. Standardization: Standardization refers to producing goods of predetermined specifications which help in achieving uniformity and consistency in the output
4. Packaging and labeling- Packaging refers to designing and developing the package for the products. Labeling refers to designing and developing the label to be put on the product.
5. Transportation- Transportation involves physical movement of goods from one place to another. As generally the users of products particularly consumer products are wide spread and geographically separated from the place where they are produced.
6. Storage and warehousing- In order to maintain smooth flow of products in the market, there is a need for proper storage of the products. Further there is need for storage of adequate stock of goods to protect against unavoidable delays in delivery or to meet out contingencies in the demand. Ram Kumar the CEO of Sabarmati Enterprises in a meeting with the middle management of the company advised that the personal goals of the people should be reconciled with the organizational objectives for harmony in the organization. Briefly explain the objective of management that he was referring to.