

Class 12

Business Studies

Set 3 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.

Rajan has received an order to produce 1,000 units of ladies sandals in his manufacturing unit at Agra. Rajan asks his production manager to set the standards for effective and optimum utilisation of resources. At a point, Rajan evaluates that the production is running late as per the schedule and there is lot of wastage of resources leading to increased cost of production.

He discusses the issues with his production manager and immediately make some amendments by which he is able to reduce the wastage of resources and also complete the order in time. Identify the function of management performed by Rajan here.

- (a) Planning
- (b) Staffing
- (c) Controlling
- (d) Directing (1)

Answer:

- (c) Controlling

Explanation: Controlling means ensuring that activities in an organisation are performed as per the plans. Controlling also ensures that an organisation's resources are being used effectively and efficiently for the achievement of pre-determined goals. Controlling is, thus, a goal-oriented function. Here Rajan is monitoring the pre determined plans to enhance the performances and reduce the wastage of resources.

Related Theory

Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Staffing is putting people to jobs. It begins with workforce planning and includes different other functions like recruitment, selection, training, development, promotion, compensation and performance appraisal of workforce. Directing means giving instructions and guiding people in doing work in the organisation.

Question 2.

Supreme Ltd. is a generators manufacturing company. The production manager has divided the work among the workers according to their skills and qualities. He systematically allocates the work among the workforce. This results in increased productivity thereby lowering the cost of production. Which importance of organising is highlighted here?

- (a) Benefits of specialisation

- (b) Clarity in working relationship
- (c) Adaptation to change
- (d) Effective administration (1)

Answer:

- (a) Benefits of specialisation

Explanation: Organising involves division of work into small tasks and activities performed either by an employee or a specific group of employees. This reduces the work load as well as enhances productivity.

Related Theory

The steps involved in process of organising are:

Identification and division of work

Departmentalisation

Assignment of duties

Establishing reporting relationship.

Question 3.

Hitech Infrastructure Ltd. is a reputed infrastructure company and undertakes and provide turn key projects. The top management spends lot of time in finalising the plans for each and every project to ensure smooth running of the project. Identify the limitation of planning involved here.

- (a) Planning may not guarantee success
- (b) Planning may not work in a dynamic environment
- (c) Planning involves huge cost
- (d) Planning is a time-consuming process (1)

Answer:

- (d) Planning is a time-consuming process

Explanation: Planning is essential for business organisations and it is difficult to manage operations without planning. But there are certain limitations to planning. Planning is a time consuming process and sometimes plans to be drawn up take up so much time that there is not much time left for their implementation.

Related Theory

Planning is deciding in advance what to do and how to do.

The steps involved in planning process are:

Setting objective

Developing premises

Identifying alternatives course of action

Evaluating alternative courses

Selecting an alternative

Implement the plan

Follow-up action

Question 4.

Rajan, after completing his MBA, has set up a unit for manufacturing of submersible pumps. For effective marketing or sales of the pumps, he appointed a team of ten salesmen to generate sales in the rural areas.

Each sales man is expected to sell at least ten unit of submersible pump in the week's time. Identify the point of importance of controlling being highlighted in the above case:

- (a) Controlling helps in judging accuracy of standards
- (b) It ensures efficient utilisation of resources
- (c) It helps in improving employee motivation
- (d) It facilitates co-ordination in action (1)

Answer:

- (c) It helps in improving employee motivation

Explanation: A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance. Here, in this case, the salesman were expected to sell ten units in a week's time. This motivates them and helps them to give better performance.

Related Theory

Controlling is an indispensable function of management It helps the organisation by way of

Accomplishing organisational goals

Judging accuracy of standards

Making efficient use of resources

Ensuring order and discipline

Facilitating coordination in action

Question 5.

Dharmendra owns a shoe soles factory. Due to a good reputation and demand for his product, he is earning huge profits. He plans to set up a second unit of his factory. He discusses the financial plans with his financial manager. The financial manager explains him that the fixed operating cost of project is low and the cash flow position of his business is strong. Identify the source of finance that Dharmendra should choose for financing his new project.

- (a) Debt
- (b) Equity
- (c) Retained earnings
- (d) Loan from bank (1)

Answer:

- (a) Debt

Explanation: Debt financing is a time bound activity where the borrower needs to repay the loan along with interest at the end of the agreed period. In case of good cash flow availability and low operation cost, a company should go for debt financing as it shall be able to repay its debt

Related Theory

Investment decision can be long term or short term. A long term capital decision is also called capital budgeting decision. The factors affecting capital budgeting decision are: cash flows of the project the rate of return and the investment criteria involved.

Question 6.

Match the personnels of functional foremanship in Column I with their respective role in Column

Column I	Column II
(A) Instruction card clerk	(i) Timely and accurate completion of job

(B) Speed Boss	(ii) Proper working condition of machines
(C) Gang Boss	(iii) Draft instructions for workers
(D) Repair Boss	(iv) Keeping machines and tool ready for use by workers

- (a) A-(i), B-(ii), C-(iii), D-(iv)
- (b) A-(ii), B-(iv), C-(iii), D-0
- (c) A-(iii), B-(i), C-(iv), D-(ii)
- (d) A-(iv), B-(ii), C-(iii), D-(i) (1)

Answer:

- (c) A-(iii), B-(i), C-(iv), D-(ii)

Explanation: Instruction card clerk would draft instructions for the workers Speed boss is responsible for timely and accurate completion of jobs Gang boss is responsible for keeping the machines and tools etc. ready for use by workers Repair boss ensures proper working condition of machines and tools.

Question 7.

The act of designing and producing the container or wrapper of a product is known as

- (a) Branding
- (b) Labelling
- (c) Packaging
- (d) Promotion (1)

Answer:

- (c) Packaging

Explanation: Packaging refers to the process of designing the product's package such as container, wrapper etc.

Related Theory

The three levels of packaging are: primary package, secondary package and transportation package.

Question 8.

Raghu is into the business of manufacturing and marketing of mobile phones. His products has established a good customer base. Raghu plans to launch laptops as a new product. In order to get feedback from its existing mobile phone customers, he conducted a online survey through a short questionairre. Identify the marketing function being performed by Raghu.

- (a) Gathering and analysing market information
- (b) Marketing planning
- (c) Product designing and development
- (d) Packaging and labelling (1)

Answer:

- (a) Gathering and analysing market information

Explanation: Gathering and analysing market information is necessary to identify the needs of the customers and take various decisions for the successful marketing of the products and services. It is important to make an analysis of the available opportunities and threats as well as strengths and weaknesses of the organisation.

Related Theory

Marketing is concerned with exchange of goods and services from producers to consumers in such a way that maximises the satisfaction of customer's needs. The activities involved in marketing function are marketing planning, product designing and development, standardisation and grading, packaging and

labelling, branding, customer support services, pricing of products, promotion, physical distribution transportation and warehousing.

Question 9.

Quality certification mark is used in case of jewellery.

- (a) ISI
- (b) FPO
- (c) AGMARK
- (d) Hallmark (1)

Answer:

- (d) Hallmark

Explanation: The BIS hallmark is a hallmarking system for gold as well as silver jewellery sold in India certifying the purity of metal. It certifies that the piece of jewellery conforms to the standards laid by the Bureau of Indian Standards, the National Standards Organisation of India.

Related Theory

ISI-Electric goods

FPO-Food products

AGMARK- Agriculture product.

Question 10.

An organisation is working by clubbing similar related jobs under different departments. The production department is not in direct touch with the sales department. All the departments have limited and specific skills related to their departments. Which type of organisation structure does this organisation has?

- (a) Divisional structure
- (b) Functional structure
- (c) Both (a) and (b)
- (d) None of the above (1)

Answer:

- (b) Functional structure

Explanation: Functional structure will have employees with specialised functions and activities to perform depending upon the mission and objectives of the organisation. Here the related jobs are clubbed under different organisations.

Related Theory

In a divisional structure, the organisation structure comprises of separate business units or divisions. This is suited to those enterprises that are engaged in more than one category of product.

Question 11.

Mahesh went to a mall to buy air conditioner. There he got to know an offer on air conditioner which says that "Buy an air conditioner worth ₹ 55000 and get a holiday package worth ₹ 12000 free." Identify the method of sales promotion.

- (a) Discount
- (b) Rebate
- (c) Product combination
- (d) Usable benefit (1)

Answer:

- (d) Usable benefit

Explanation: Usable benefit is that activity of sales promotion in which benefits not related to the product are offered. Here, free holiday package is offered with the sale of airconditioner. This benefit can be used by the consumer some other time.

Related Theory

merits and demerits of sales promotion. The merits of sales promotion are: attention value, useful in new product and synergy in total promotional efforts whereas the demerits of sales promotion are: it reflects crisis and spoils products image.

Question 12.

Mary shoes produces economical range of shoes. The reason for shoes being economical is that company believes in large scale production of shoes thereby reducing the cost of output. Being economical, these shoes are affordable for lower income group of people and there is regular huge demand of these shoes in the market. Identify the marketing concept followed by the company.

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

Answer:

- (a) Production concept

Explanation: The production concept is based on the belief that businesses would focus on cost-effective products through mass production and customers would prefer their products that were widely and easily available and are inexpensive. Here, in the given case, lower class consumers, are highly attracted to the product and company is focusing on maximum production.

Related Theory

Apart from mere production, the product improvement is the key to profit maximisation and it is called product concept. Under selling concept firms undertake aggressive selling and promotional efforts to make customers buy their products. Societal marketing concept focuses not only on consumer's needs but also large issues of social welfare.

Question 13.

"It is that part of the process of management which is concerned with obtaining, utilising and maintaining a satisfactory and satisfied workforce." This statement related to which function of management.

- (a) Directing
- (b) Controlling
- (c) Staffing
- (d) Organising (1)

Answer:

- (c) staffing

Explanation: Staffing has been described as the managerial function of filling and keeping filled the positions in the organisation structure.

Question 14.

identify the related characteristic of directing- it means that every manager can direct his immediate subordinate and take instructions from his immediate boss.

- (a) Directing initiates action
- (b) Directing takes place at every level of management
- (c) Directing is a continuous process
- (d) Directing flows from top to bottom (1)

Answer:

(d) Directing flows from top to bottom

Explanation: Directing is first initiated at top level and flows to the bottom through organisational hierarchy.

Question 15.

Which of the following style of leadership provides full scope of initiatives and creativity?

- (a) Democratic or Participative leader
- (b) Autocratic or Authoritarian leader
- (c) Laissezfaire
- (d) None of the above (1)

Answer:

(c) Laissez faire

Explanation: Such a leader does not believe in the use of power unless it is absolutely essential. The followers are given a high degree of independence to formulate their own objectives and ways to achieve them.

Question 16.

Match the concepts of financial markets in column I with their respective definitions in column II:

Column I	Column II
(A) Dematerialisation	(i) Stock market index of Bombay stock exchange.
(B) SEBI	(ii) Process of holding securities is an electronic form.
(C) SENSEX	(iii) Seperate regulatroy body for stock exchange,

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

Answer:

(c) A-(ii), B-(iii), C-(i)

Question 17.

Treasury Bills or T-bills are also known as:

- (a) Equity
- (b) Money
- (c) Zero-Coupon Bonds
- (d) Commercial Papers (1)

Answer:

(c) Zero-Coupon Bonds

Explanation: Treasury bills or T-bills are short term government securities or instruments issued by Reserve Bank of India (RBI) on behalf of the Government of India that which bear zero interest and are known as Zero-coupon Bonds.

Related Theory

Every organisation or company need short term funds for meeting the temporary shortages of cash and obligations which are available from the money

market that deals in monetary assets whose period of maturity is upto one year. The major participants in the market are Reserve bank of India, commercial banks, non banking finance companies, state governments and mutual funds. The various money market instruments are treasury bills, commercial paper, call money, certificate of deposit, commercial bill etc.

Question 18.

..... Ratio takes care of the deficiencies referred to in the Interest Coverage Ratio (ICR).

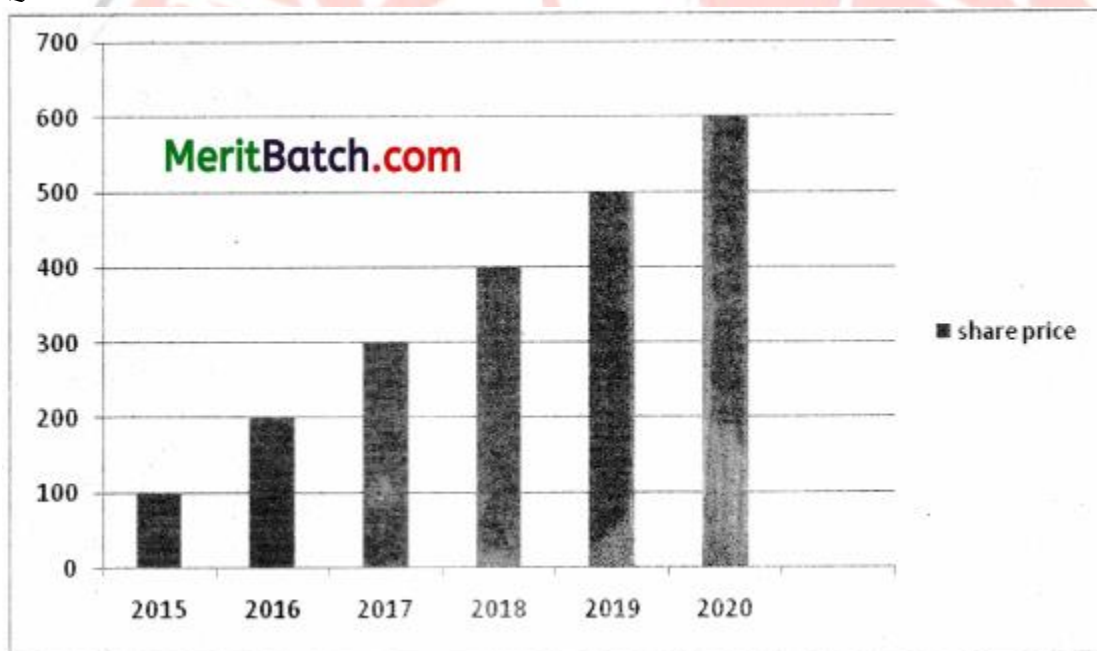
- (a) Debt Service Coverage
- (b) Interest Coverage Ratio
- (c) Return on Investment
- (d) Working capital (1)

Answer:

- (a) Debt Service Coverage

Explanation: A higher DSCR indicates better ability to meet cash commitments and consequently, the company's potential to increase debt component in its capital structure.

Question 19.



Identify the related concept in the above diagram.

- (a) Profit maximisation
- (b) Wealth maximisation
- (c) Financial management
- (d) Ratio analysis (1)

Answer:

- (b) Wealth maximisation

Explanation: In the above diagram, share prices are increasing constantly each year. Resultantly it will increase the wealth of the shareholder. Maximisation of shareholders' wealth is the primary objective of the financial management.

Question 20.

For the following two statements choose the correct option:

Statement I: Anything that can be offer to sale is called a product.

Statement II: A product posses both the characteristics i.e. tangible and intangible.

Choose the correct option from the options given below:

- (a) Statement I is correct and II is wrong

- (b) Statement II is correct and I is wrong
- (c) Both the statements are correct
- (d) Both the statements are incorrect (1)

Answer:

- (c) Both the statements are correct

Explanation: Product is a wider term that includes both the goods and the services. Goods are tangible in nature and services are intangible in nature.

Question 21.

Fashion fab Ltd. is diversified into production of garments and shoes. The company produces both the products in the same unit. The unit is managed by Mr. Rawat, who is the unit head and looks after the production of both garments and shoes. This leads to confusions among employees as regards to reporting as well as differentiation of work. Which principle of management, as per Fayol, is being violated here? Why? Explain the principle and the outcome of violation of this principle. (3)

Answer:

The principle of Fayol which is violated here is 'Unity of Direction'. Unity of Direction is violated here as there should have been separate departments for the two types of products i.e., garments and shoes. This principle says that there should be one boss and one plan. The related activities should be placed in one department. So, there should be separate departments for the production of garments and the shoes. The immediate outcome of the violation of this principle is overlapping of activities which will affect the whole organisation.

Question 22.

"Management is a process of getting things done with the aim of achieving goals effectively and efficiently." Explain the features of management.

OR

"The main objective of any organisation should be to utilise human and material resources to fulfill the economic objectives of a business." Explain. (3)

Answer:

The features of management are:

- (i) Management is a continuous process: The process of management includes a series of functions that are continuous, composite but separate to each other viz planning, organising, staffing, directing and controlling. These functions are performed by all the managers all the time.
- (ii) Management is a group activity: Management ensures teamwork and coordination of individual efforts. It guides these individual efforts towards a common direction to achieve organisational goals.
- (iii) Management is a dynamic function: Management is considered as a dynamic function as it has to adapt itself to the changes occurring in the various dimensions of the environment like political, social, legal, economic and technological changes.

OR

The economic objectives of management are as follows:

- (i) Survival: The basic objective of any business is survival. Management of an organisation must ensure the survival of the organisation by earning enough revenues to cover costs.
- (ii) Profit: Just survival is not enough for any organisation. Every organisation runs with a motive of earning profits. Every business must earn enough profits so that they can cover their costs and bear any risk in the future. Profit is the incentive for which the organisation works.

(iii) Growth: It is important for every business to grow in the long-run. Management must exploit fully the growth potential of the organisation. Growth of a business can be measured in terms of number of employees working in the organisation or increase in the number of products or branches etc.

Question 23.

'Water water everywhere and not a single drop to drink'. What does the statement indicate about staffing.

(3)

Answer:

The statement indicates that staffing aims at recruiting the right person for the right job. Staffing aims at selecting the most suitable candidates among the pool of prospective candidates.

(i) It caters to the human resource requirements of a business by determining the number and types of employees needed to perform various tasks designed in business as per their job profile.

(ii) It analyses the existing number of employed personnel to verify whether they are overburdened or under-burdened with work.

(iii) It compares within departments to establish excess of workforce for dismissal or deposing or transferring employees elsewhere as overstaffing is undesirable.

Question 24.

The workers of 'Glory Ltd.' are unable to work on new computerised machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers. Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently. Also state any two benefits that the workers will derive by the decision of the supervisor.

OR

How are the terms "motive", "motivation" or "motivator" related to each other? (3)

Answer:

The supervisor can provide 'technical training' to the workers regarding the use of machines. With increased and improved knowledge, the workers will be able to work independently. The benefits that the workers will derive by the decision of the supervisor are as follows:

(i) Career growth: Training helps employees to improve their skills and knowledge.

(ii) Increased earnings: Training helps to improve the performance and productivity of workers and with improved performance workers can earn higher wages and incentives.

OR

The term 'motive' means a need or desire that causes a person to work, while motivation is the condition of being motivated by a motivator and 'motivator' gives a person the reasons to work. In other words we can say that "motivation is the process by which a motivator gives a motive to other person to work hard.

Question 25.

Ruby International is a diamond jewellery manufacturing company based in Surat. There is international demand of company's jewellery and as such the company is earning huge profits as well Apart from sharing profits with the shareholders, the company also take care of its employees. To boost the morale of its employees, the company decided to increase the fringe benefits like car allowance, foreign trips etc. These are in addition to basic incentives, regular increments in salaries every year.

For the elderly members of the organisation, the company decided to include gratuity in addition to the already given benefits like pension and provident fund. The company also decided to give company's shares at price lower than the market price to the employees on achieving their set targets. Which financial incentives have been highlighted in this case? (4)

Answer:

The financial incentives highlighted in this case are:

(i) Pay and allowances: The employees are happy as they are getting their salaries timely, their basic incentive, and they are also supported by regular increments in their salaries every year. Here the company is also giving dearness allowance which is a yearly increase in the salary overcoming the impact of inflationary forces.

(ii) Perquisites: The company, however, has decided to increase the fringe benefits like car allowance, foreign trips, etc. One more thing one needs to understand is the difference between perquisites and allowances, where allowances are paid directly in the form of money, perquisites are the benefits given which have their own monetary value, for example a trip to Malaysia funded by the company is a fringe benefit or a perquisite.

(iii) Retirement benefits: For the elderly members of the organisation, the company has decided to include gratuity in the list of benefits along with already given benefits like pension and provident fund.

(iv) Co-partnership/Stock option: It is about providing company's shares at a price lower than the market price. All these steps will lift the morale of the employees.

Question 26.

Raghav plans to set up a laptop manufacturing unit at Chennai. His financial advisor, Tarun advises him to set up a unit to manufacture potato chips. Tarun said that laptops are prone to quick obsolescence and upgradation accordingly will need a heavy fixed capital investment. Therefore, he convinces Raghav to start the business of potato chips. Identify the factor affecting fixed capital requirements which made Raghav to choose potato chips business over laptops. Write some other factors affecting fixed capital requirements. (4)

Answer:

The factor affecting the to fixed capital requirements which made Raghav to choose the potato chips business over laptop, is technological upgradation. The other factors that affect the fixed capital requirements of a company are as follows:

(i) Nature of business: The kind of activities a business is engaged in has an important bearing on its fixed capital requirements. On one hand, a trading concern does not require to purchase plant and machinery etc. and needs lower investment in fixed assets, whereas on the other hand a manufacturing organisation is likely to invest heavily in fixed assets like land, building, machinery and needs more fixed capital.

(ii) Scale of operations: The amount of fixed capital required by a business varies directly in proportion to its scale of business. A larger organisation operating at a higher scale needs bigger plant, more space etc and therefore, requires higher investment in fixed assets when compared with the small organisation.

(iii) Diversification: If a business enterprise plans to diversify into new product lines, its requirement of fixed capital will increase as compared to an organisation which does not have any such plans.

(iv) Growth prospects: Higher growth of an organised generally requires higher investment in fixed assets. Even when such growth is expected, a business may choose to create higher capacity in order to meet the anticipated higher demand quicker.

Question 27.

Deepak is working as a production manager in a automobile company. He is responsible for implementing the plans, drawn up by the managing director, through his team of subordinates and achieve the goals set by the company.

(a) Identify the level of management at which Deepak is working in the organisation.

(b) Explain any four functions that Deepak has to perform at this level of management.

OR

Ranveer's father has a good business of PVC pipes manufacturing. He wants to go to USA for his MBA but

his father thinks he should join the business. On the basis of emerging trends, do you think Ranveer's father should send him to USA. Give any three reasons in support of your answer. (4)

Answer:

(a) Deepak is working at the middle level of management in the organisation.

(b) The functions that Deepak has to perform at middle level of management are:

Interpret the policies framed by top management:

He has to ensure that his department has the necessary personnel;

He assign necessary duties and responsibilities to the employees;

He motivate his subordinates to achieve desired objectives.

OR

Yes, according to me, Ranveer's father should send him to USA for his MBA because management is being recognised as a profession to a great extent The reasons for the same are as follows:

(i) Well defined body of knowledge: Management is considered to be a well defined body of knowledge that can be acquired through instructions. As a separate discipline, it contains a set of theories and principles formulated by various management.

(ii) Ethical code of conduct: Management in practice, like other professions, is bound by a code of conduct which guides the behaviour of its members. Therefore, acquiring a degree in management will equip him with good managerial skills and approach.

(iii) Service motive: A good management course will provide him an insight into the multiple goals that an organisation should purpose. This knowledge will help him to serve both the objectives of profit maximisation and social welfare effectively for his company.

Question 28.

What are the reliefs available to consumers under Consumer Protection Act, 2019?

OR
Enumerate the various Acts passed by the Government of India which help in protection of consumer's interests. (4)

Answer:

Relief available to consumers under the Consumer Protection Act 2019 are as follows:

The manufacturer must

Remove the defects in a good;

Replace the defective good with proper goods;

Refund the consumers;

Stop production of hazardous goods;

Not offer hazardous goods;

Withdraw hazardous goods from sale;

Pay compensation and damage;

Make correction in the misleading advertisements;

OR

The Indian legal framework consists of a number of regulations which provide protection to customers. Some of these regulations are:

(i) The Consumer Protection Act, 2019: The Consumer Protection, 2019 seeks to protect and promote the interests of consumers. The Act safeguards the consumers against defective goods, deficient services, unfair trade practices, and other forms of their exploitation.

(ii) The Contract Act, 1982: The Act lays down the conditions in which the promises made by parties to a contract will be binding on each other. The Act also specifies the remedies available to parties in case of breach of contract.

(iii) The Sale of Goods Act, 1930: The Act provides some safeguards and reliefs to the buyers of the goods in case the goods purchased do not comply with expressed or implied conditions or warranties.

(iv) The Essential Commodities Act, 1955: The Act aims at controlling production, supply and distribution of essential commodities, checking inflationary trend in their prices and ensuring equal distribution of essential commodities.

(v) The Bureau of Indian Standards Act, 1986: The Bureau of Indian Standards has been set up under the Act. The Bureau has two major activities: formulation of quality standards for goods and their certification through the BIS certification scheme.

Question 29.

Explain the benefits of planning to an organisation. (4)

Answer:

The benefits of planning to an organisation are:

(i) Planning provides direction: Planning acts as a guide for deciding what course of action should be taken to attain the organisational goals in optimum way.

(ii) Planning reduces the risk of uncertainty: Planning reduces the risks of uncertainty which arises due to the dynamic nature of business environment as it enables a manager to anticipate and meet changes effectively.

(iii) Planning reduces overlapping and wasteful activities: Planning serves as the basis for coordinating the activities and efforts of different divisions and individuals. It helps in avoiding confusion and misunderstanding.

(iv) Planning promotes innovative ideas: Planning is a mental exercise. It requires high thinking and it is an intellectual process. So, it means the managers are innovative and creative.

(v) Planning facilitates decision-making: In planning, goals are set in advance and predictions are made for future. It helps the manager to look into the future and make a choice amongst various alternative courses of action.

Question 30.

“If anything goes wrong with the performance of key activities, the entire organisation suffers. Therefore, the organisation should focus on them.” Explain the statement with suitable example. (4)

Answer:

The given statement refers to the importance of ‘Critical point control’ in order to ensure effective performance of key activities. It may not be either easy nor economical to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific Key Result Areas (KRAs) or critical points which require tight control and are likely to have a significant effect on the working of the business. Any deviations on these points are attended to urgently by the management. For example, if in an organisation, the expenditure on stationery goes up by 10%, it can be ignored but if the production cost goes up by 5%, it may call for managerial action.

Question 31.

Explain any four points that highlight the importance of controlling. (6)

Answer:

Controlling is an important and indispensable function of management. It aims at managing the managerial actions by setting the standards and identifying the deviations of actual performance as against the set standards. It also ensures optimum utilisation of resources while taking corrective measures for the deviations.

The following factors highlight the importance of controlling:

(i) Achieving organisational goals: Controlling aims at accomplishment of the organisational goals by indicating the deficiencies and suggesting the corrective actions which are to be taken. It helps in taking the right direction for attaining the set organisational objectives.

(ii) Evaluating the standards: Controlling helps in judging the accuracy of the standards adopted by the management. A good controlling system enables the manager to check whether the set standards are accurate and feasible. It also helps the organisation to review and revise the standards according to the changing business environment.

(iii) Optimum utilisation of resources: Continuous control and monitoring helps in the efficient and optimum utilisation of resources. As each work is done according to the set standards, there is less wastage of resources.

(iv) Employees motivation: By exercising effective control, employees get to know well in advance about what is expected from them and the standards against which their performance will be assessed. This motivates them to achieve the assigned targets in a better way.

(v) Promoting coordination: Pre-determined standards provide a basis for better coordination for various activities. As the departments are made aware of their duties and tasks, controlling promotes coordination among them. Controlling provides unity of direction while ensuring that the organisational objectives are met. Thus, controlling is an important function performed by all the managers.

Question 32.

Mr. Sawant is the Managing Director of "Business, com." The company has diversified operations in the field of software development, digital marketing, e-business, etc. Each division is managed by the division head who reports to the managing director. In this organisation, synchronisation of efforts is easy and all the functions related to a particular product are integrated within one department.

(a) Identify the type of organisation structure.

(b) State the advantages of this type of structure. (6)

Answer:

(a) The type of organisation structure is divisional structure.

(b) The advantages of divisional structure are as follows:

(i) Divisional structure permits full use of specialised production facilities, personal skills and specialised knowledge of production managers is focussed and fully utilised within the division.

(ii) Responsibility for poor performance of the division can easily be fixed on the divisional heads. They are accountable for revenue, costs and profits of their division.

(iii) It promotes flexibility as every division works as a separate unit and is independent. The division head gets the right of taking any decision regarding his division on his own without consulting other divisional heads.

(iv) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another division.

Question 33.

Explain the functions of Financial Market.

OR

Explain the functions of Stock Exchange. (6)

Answer:

Financial markets play an important role in the allocation of scarce resources in an economy by performing the following important functions.

(i) Mobilisation of savings and channeling them into the most productive uses: A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus, helps to channelise surplus funds into the most productive use.

(ii) Facilitate price discovery: The forces of demand and supply help to establish a price of commodity or service in the market. In the financial market the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.

(iii) Provide liquidity to financial assets: Financial markets facilitate easy sale and purchase of financial assets. They provide liquidity to financial assets, so that they can be easily converted into cash whenever required.

(iv) Reduce the cost of transactions: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other.

OR

The functions of stock exchange are as follows:

(i) Ensures liquidity and marketability of existing securities by providing a ready and continuous market for the sale and purchase of securities.

(ii) Helps in determining the prices of the securities through the forces of demand and supply.

(iii) It promotes the habit of saving and investment among the general public.

(iv) It provides a legal framework for fair and safe dealings.

(v) It helps the companies in raising finance thus facilitating capital formation and economic growth.

(vi) It provides scope for healthy speculation in a controlled and restricted way.

Question 34.

Bshell Pvt Ltd. is a reputed company which sells various goods such as cosmetic, fruits and vegetables and clothes. The company also has a chain of retail stores known as Bshell fresh. Despite high competition, Bshell has succeeded in creating demand for its products, giving the company power over prices through product differentiation, innovative advertising and ensured brand loyalty. In the context of above case:

(a) What is product differentiation?

(b) Name any one function of marketing that facilitates product differentiation.

(c) Identify the component of promotion mix being used by the company by quoting lines from the paragraph.

(d) Describe briefly the pricing objective pursued by the company.

OR

“To your taste” is a famous retail chain selling a large variety of products in the Indian market. Their products include chips, biscuits, sweets, and squashes, it charges a comparatively higher price than its

competitors as it sells quality products. Besides, it offers regular discounts to its customers and easy credit terms to its retailers. It has a chain of its own retail shops.

It also sells its products through various grocery stores so that the products are made available to customers at the right place, in the right quantity and at the right time. It regularly uses different communication tools to increase its sales. The above paragraph describes the variables used by "To your taste" to prepare its market offering. Identify and explain the variables to prepare the market offering. (6)

Answer:

- (a) Product differentiation is a strategy used by the marketers to gain an edge over its competitors by creating a distinguished perception of the product in the minds of the potential buyers in terms of its utilities.
- (b) Branding is a function of marketing that facilitates product differentiation.
- (c) Advertising is the component of promotion mix being used by the company "giving the company power over prices through product differentiation, innovative advertising and ensured brand loyalty."
- (d) Attaining product quality leadership: Besides aiming at profit maximisation as its pricing objective, Bshell seeks to establish a unique place for its products in the market by offering superior quality products which can be easily distinguished from its competitors. As a result, it is able to use differential pricing i.e. fixing up relatively higher prices for its products.

OR

The combination of variables used by "To your taste" to prepare its marketing offerings are as follows:

- (i) Product: Their products include chips, biscuits, sweets and squashes. A product is anything that can be offered to a market to satisfy its needs or wants in consideration of price. A product includes physical product, handling grievances, after sales service etc Every marketer needs to constantly review and revise its products in order to enhance customer's satisfaction and have a competitive edge.
- (ii) Price: "It charges a comparatively higher price than its competitors." Price is the monetary value paid in consideration for purchase of a product or service by a buyer to its seller. It is a very crucial decision for the marketers as consumers are very sensitive to the pricing. The factors affecting price determination are cost of product the utility and demand, extent of competition in the market government and legal regulations, pricing objectives and marketing methods used.
- (iii) Place: "It has a chain of its own retail shops and it also sells its products through grocery shops." Place is considered as an important element of marketing mix because it includes all those activities that help in making the goods and services available to the prospective buyers in the right quantity, at the right time and in right condition.
- (iv) Promotion: "It regularly uses different communication tools to increase its sales." Promotion refers to the set of activities undertaken by a marketer to inform the prospective buyers about the product and persuading them to make a purchase. The various components of promotion mix are advertising, sales promotion, personal selling and public relation.