

66/ 1/3	SOLUTIONS BUSINESS STUDIES 66/1/3 EXPECTED ANSWERS/ VALUE POINTS	MARKS
1	Q ‘Business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competitors in the market.’ The feature of business environment highlighted in the above statement is: (A) Totality of external forces (B) Complexity (C) Dynamic nature (D) Relativity Ans. (C) Dynamic nature	1 Mark
2	Q A position when a company is unable to meet its fixed financial charges like interest payment, dividend on preference shares and repayment obligations is referred to as_____. (A) Trading on equity (B) Financial risk (C) Business risk (D) Operating risk Ans. (B) Financial risk	1 Mark
3	Q Organising is the process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results. Organising process thus involves a series of steps that need to be taken in order to achieve the desired goal. Arrange the steps of the process of organizing in the correct order: (A) Identification and Division of work, Assignment of duties, Departmentalisation, Establishing authority and reporting relationships (B) Identification and Division of work, Assignment of duties, Establishing authority and reporting relationships, Departmentalisation (C) Departmentalisation, Identification and Division of work, Establishing authority and reporting relationships, Assignment of duties	

	(D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationship Ans. (D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationship	1 Mark
4	Q The step of controlling process which reveals the deviation between actual performance and desired results is: (A) Setting performance standards (B) Analysing deviations (C) Taking corrective action (D) Comparing actual performance with the standards Ans. (D) Comparing actual performance with the standards	1 Mark
5	Q Read the following statements carefully: Statement-I: Consumers should get together and form themselves into consumer associations for protection and promotion of their interests. Statement-II: The Consumer Protection Act provides for setting up a two-tier enforcement machinery for the redressal of consumer grievances. With reference to given statements, choose the correct alternative from the following: (A) Both the statements are true. (B) Both the statements are false. (C) Statement I is true, Statement II is false. (D) Statement I is false, Statement II is true. Ans. (C) Statement I is true, Statement II is false.	1 Mark
6	Q Identify the feature of planning which states that the purpose of planning is to meet future events effectively to the best advantage of an organisation: (A) Planning involves decision making (B) Planning is futuristic (C) Planning is a mental exercise (D) Planning focuses on achieving objectives Ans. (B) Planning is futuristic	1 Mark

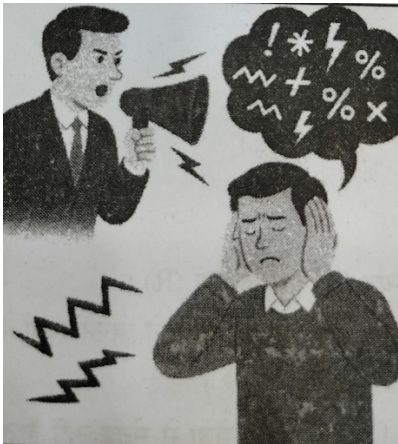
7	Q Read the following statements carefully: Statement-I : Control should focus on key result areas which are critical to the success of an organization. Statement-II : Only significant deviations which go beyond the permissible limit should be brought to the notice of management. With reference to the given statements, choose the correct alternative from the following: (A) Both the statements are true. (B) Both the statements are false. (C) Statement I is true and Statement II is false. (D) Statement I is false and Statement II is true. Ans. (A) Both the statements are true.	1 Mark								
8	Q Ritika wanted to buy a new washing machine. She visited ‘Elec Duniya’, a large electronics store. She saw there many different brands and models on display like KM, Neo, Unipool, INH etc. The salesperson at the store explained the differences in quality, brand reputation and prices of different washing machines. Ritika could now compare fully automatic, semi-automatic, top load and front load washing machines. The salesperson encouraged her to take her time, check different brands and resolve her queries. Ritika also went to another shop nearby to compare prices and features of different washing machines. After comparing all the available options, Ritika chose a 'Neo' front load washing machine because it offered the best features within her budget. The consumer right exercised by Ritika in the above case is: (A) Right to be heard (B) Right to be assured (C) Right to consumer education (D) Right to seek redressal Ans. (B) Right to be assured	1 Mark								
9	Q Match the principle of management given in Column I with its explanation given in Column II: <table><tr><td></td><td>Column-I</td><td></td><td>Column - II</td></tr><tr><td>(a)</td><td>Discipline</td><td>(i)</td><td>There should be one and only one boss for every individual employee in the organisation.</td></tr></table>		Column-I		Column - II	(a)	Discipline	(i)	There should be one and only one boss for every individual employee in the organisation.	
	Column-I		Column - II							
(a)	Discipline	(i)	There should be one and only one boss for every individual employee in the organisation.							

	(b)	Unity of direction	(ii)	There should be a place for everything (everyone) and everything (everyone) should be in its (his/her) place.	
	(c)	Order	(iii)	There should be obedience to organisational rules and employment agreement which is necessary for the working of the organisation.	
	(d)	Unity of command	(iv)	Each group of activities having the same objective must have one head and one plan.	
	Choose the correct option from the following: (a) (b) (c) (d) (A) (iii) (iv) (i) (ii) (B) (iv) (iii) (ii) (i) (C) (iv) (iii) (i) (ii) (D) (iii) (iv) (ii) (i) (a) (b) (c) (d) Ans. (D) (iii) (iv) (ii) (i)				1 Mark
10	Q Sudha is a corporate executive and has to attend a felicitation function to be held in her office tomorrow. So she decides to colour her hair. On recommendation of her friend, she purchased 'NATURO' hair colour. After reading essential details such as shade, its ingredients, usage instructions and expiry date mentioned on the box, Sudha opened the box. She took out the colour tube and developer bottle from the box and threw away the box. The level of packaging of box thrown away by Sudha was: (A) Primary packaging (B) Transportation packaging (C) Secondary packaging (D) General packaging Ans. (C) Secondary packaging				1 Mark
11	Q Which of the following is NOT an organisational barrier to communication? (A) Status (B) Organisational facilities (C) Lack of proper incentives (D) Rules and regulations				

	Ans. (C) Lack of proper incentives	1 Mark
12	Q Due to severe winter and rising pollution levels, 'Green India Electronics' planned to launch a new eco-friendly heater in the market. It conducted a survey and found that the demand of this product was very high. As the winter season lasts only for 2 to 3 months, the Chief Executive Officer wanted that there should be close coordination among all the managers to deliver orders on time. Top level managers were asked to work in coordination with their subordinates to ensure that company's policies were properly followed. To ensure that the heaters would be ready on time, the production manager co-ordinated with the operational level managers. Operational level managers co-ordinated the activities of the workers to ensure that work proceeded according to plans. As a result 'Green India Electronics' was able to launch its heaters on time, in the market. The feature of co-ordination discussed in the above case is: (A) Co-ordination is a deliberate function. (B) Co-ordination is the responsibility of all managers. (C) Co-ordination is a continuous process. (D) Co-ordination ensures unity of action. Ans. (B) Co-ordination is the responsibility of all managers.	1 Mark
13	Q Read the following statements-Assertion (A) and Reason (R): Assertion (A) : Money market instruments have a higher degree of liquidity as compared to capital market securities. Reason (R) : Money market instruments are traded on the stock exchanges. Choose the correct alternative from the alternatives given below: (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true and Reason (R) is false. (D) Assertion (A) is false and Reason (R) is true. Ans. (C) Assertion (A) is true and Reason (R) is false.	1 Mark

14	Q The workers in Alpha manufacturing company were using traditional methods for production of metal parts. Since no standard procedure existed, workers relied on personal experience and guess work. As a result, productivity in the assembly line began to decline. To improve productivity, the company hired a consultant specializing in scientific management. The consultant explained that there was only one best method to maximize efficiency and this method could be developed through proper study and analysis. He emphasized that the scientific method should replace the old method, that the workers were using. So, to develop the scientific method, the consultant carefully investigated the traditional methods through work-study and by unifying the best practices, he developed a standard method that would be followed by everyone in the organization. After applying scientific method, there was a three fold increase in productivity within six months. The principle of scientific management which helped the company in increasing the productivity was: (A) Science, not Rule of Thumb (B) Harmony, Not Discord (C) Cooperation, Not Individualism (D) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity Ans. (A) Science, not Rule of Thumb	1 Mark
15	Q Ravi purchased gold jewellery from a reputed jewellery store. He ensured that the jewellery had a hallmark which confirm its purity and authenticity. To avoid paying goods and services tax (GST) he asked the salesperson to write the gold weight and making charges on a slip of paper and hand over it to him. Which of the following responsibilities of a consumer was not fulfilled by Ravi while purchasing jewellery? (A) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made. (B) Ask for a cash memo on purchase of goods and services. (C) Buy only standardized goods as they provide quality assurance. (D) Assert yourself to ensure that you get a fair deal. Ans. (B) Ask for a cash memo on purchase of goods and services.	1 Mark

16	Q Identify the incorrect statement with respect to the importance of planning function of management: (A) Planning provides directions by stating in advance how work is to be done. (B) Planning eliminates uncertainty by looking ahead and anticipating changes. (C) Planning facilitates decision making by making a choice among various alternative courses of action. (D) Planning promotes innovative ideas as new ideas can take the shape of concrete plans. Ans. (B) Planning eliminates uncertainty by looking ahead and anticipating changes.	1 Mark
17	Q Read the following statements -Assertion (A) and Reason (R): Assertion (A): Many enlightened business firms have set up their own consumer service and grievance cells. Reason (R): The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service. Choose the correct alternative from the alternatives given below: (A) Both Assertion (A) and Reason (R) are false. (B) Assertion (A) is false and Reason (R) is true. (C) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). Ans. (D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1 Mark
18	‘While granting loans to a company, sometimes the lender may impose certain restrictions on the payment of dividends in future.’ (A) Access to capital market (B) Contractual constraints (C) Legal constraints (D) Stock market reaction Ans. (B) Contractual constraints	1 mark
19	Q ‘CARO Tech Solutions’ aimed at development of a software system for the company's growing operations. The project was to be completed within six months with a budget of ₹ 12,00,000.	

	The software development team successfully completed its project on time by outsourcing a part of the project, leading to an additional expense of ₹ 2,00,000. From the following, identify whether the software development team is: (A) Efficient and Effective (B) Efficient but not effective (C) Effective but not efficient (D) Neither efficient nor effective Ans. (C) Effective but not efficient	1 Mark
20	Q  Identify the element of communication process from the above picture: (A) Feedback (B) Media (C) Noise (D) Decoding Ans. (C) Noise <u>For Visually Impaired Candidates:</u> Q The element of communication process that converts the message into communication symbols is: (A) Feedback (B) Media (C) Decoding (D) Encoding Ans. (D) Encoding	1 Mark 1 Mark

21	Q ‘Soal Footwear Ltd.’ is known for its high quality athletic shoes and casual sneakers. With increasing competition and changing consumer preferences, it decided to diversify its product range by adding clothing, bags and accessories under the same brand umbrella. This diversification aimed to capture a larger share of the market and increase customer loyalty. (i) Suggest with reason which type of organisational structure will be suitable for 'Soal Footwear Ltd.' (ii) State any two advantages of the organisational structure suggested in (i) above. Ans (i) Divisional structure Reason: Divisional structure is suitable where a large variety of products are manufactured / the company has decided to diversify its product range. (ii) Advantages of Divisional structure (any TWO) (a) Product specialisation helps in the development of varied skills in a divisional head and thus prepares him for higher positions. (b) Divisional heads are accountable for profits as revenues and costs related to different departments can be easily identified and assigned to them. (c) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making. (d) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line. <i>(If an examinee has only listed the points, ½ mark for each point should be awarded)</i>	½ ½ + 1 x 2 =2 (1+ 2= 3 Marks)
22	Q (a) State any three measures to improve communication effectiveness. Ans. Measures to improve the communication effectiveness (Any THREE) (i) Clarify the ideas before communication which should be studied in depth, analysed and stated in such a manner that is clearly conveyed to subordinates.	1 x 3 =

	(ii) To communicate according to the needs of receiver the manager should adjust his communication according to the education and understanding levels of subordinates. (iii) Consulting others before communicating may help to gain ready acceptance and willing cooperation of subordinates. (iv) Manager should be aware of languages, tone and content of message so that it is understandable to the receiver and does not offend the sentiments of listeners. (v) To convey things of help and value to listeners as it is better to know the interests and needs of the people with whom you are communicating. (vi) Ensure proper feedback by asking questions regarding the message conveyed. (vii) Communicate for present as well as future as it is needed to meet the existing commitments, to maintain consistency and to aim at future goals of the enterprise also. (viii) Follow up communications on the instructions given to subordinates which help in removing hurdles if any in implementing the instructions. (ix) Manager should be a good listener as a patient and attentive listening solves half of the problems. <i>(If an examinee has only listed the points, ½ mark for each point should be awarded)</i> OR Q (b) State any three features of leadership. Ans. Features of leadership (Any THREE) (i) Leadership indicates ability of an individual to influence others. (ii) Leadership tries to bring change in the behaviour of others. (iii) Leadership indicates interpersonal relations between leaders and followers. (iv) Leadership is exercised to achieve common goals of the organisation. (v) Leadership is a continuous process.	3 Marks OR (1 x 3) = 3 Marks
23	Q ‘Riya Mart’ is a company manufacturing disposable crockery. They have been in business for the past five years, but were not earning good profits. Concerned about this, the Chief Executive Officer (CEO), Verma, ordered an internal audit. The audit	

	uncovered several issues like inventory pilferage, employees coming late and their performance not up to the mark. To stop inventory pilferage, Verma, the CEO, introduced surprise stock checks and installed an automated inventory management system to track stock movements. A biometric attendance system was also set up to keep a check on employees coming late. In addition to this, to motivate employees for better performance, they were told in advance what they are expected to do and what are their standards of performance . As a result of these steps, the inventory pilferage reduced, employees became more punctual and their performance improved. (i) Identify and state the function of management performed by Verma, the Chief Executive Officer of the company. (ii) State any two points of importance of the function identified in (i) above, which are not discussed in the above para. Ans (i) The function of management performed by Verma is Controlling. Controlling implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans. (ii) Importance of controlling which are not discussed in the above para are (Any TWO) • It helps in accomplishing organisational goals as it measures progress towards the organisational goals and brings to light the deviations, if any. • It facilitates coordination in action as each department and employee is governed by predetermined standards. • It helps in judging accuracy of standards by reviewing and revising the standards in the light of changes taking place in the organisation and in the environment • By ensuring that each activity is performed in accordance with predetermined standards and norms, a manager makes efficient use of resources <i>(If an examinee has only listed the points, ½ mark for each point should be awarded)</i>	(½ mark for heading + ½ mark for statement) 1 x 2 = 2 (1+ 2) = 3marks
24	Q (a) State any three functions of top level management.	

	Ans. Functions of top level management (Any THREE) (i) Their basic task is to integrate diverse elements and coordinate the activities of different departments according to the overall objectives of the organization. (ii) They are responsible for welfare and survival of the organisation (iii) They analyse the business environment and its implications for the survival of the firm. (iv) They formulate overall organizational goals and Strategies for their achievement (v) They are responsible for all the activities of the business and for impact on the society. OR Q (b) State any three points of importance of business environment. Ans. Importance of business environment : (Any THREE) (i) It enables the firm to identify opportunities and getting the first mover advantage which helps an enterprise to be the first to exploit them instead of losing them to competitors. (ii) It helps the firm to identify threats and early warning signals which enable the firms to prepare themselves to meet such threats. (iii) It helps in tapping useful resources by enabling the enterprise designs policies that allow it to get the resources that it needs so that it can convert those resources into outputs that the environment desires. (iv) It helps the managers to effectively cope with the rapid changes by understanding and examining the environment and developing suitable courses of action. (v) It helps in planning and policy formulation as understanding and analysing the environment can be the basis of future courses of action (planning) and framing guidelines for decision making (policy). (vi) It helps in improving performance by continuously monitoring their environment and adopting suitable business practices which also helps them to succeed in the market for a longer period. <i>(If an examinee has only listed the points, ½ mark for each point should be awarded) .</i>	(1 x 3) = 3 Marks OR (1x 3) = 3 marks
25	Q ‘Eco Care’, a start-up, plans to launch a reusable water bottle for environmentally conscious millennials and Gen Z. For this, they	

	conducted a market research to identify the needs of the customers so that an informed decision could be taken for successful marketing of the product. They wanted to work carefully on the design to make the bottle attractive to the target customers. On the basis of consumer views and opinions, they developed a stylish stainless steel bottle with double wall insulation to keep beverages cold for 24 hours, giving it a competitive advantage in the market. They named the bottle 'Eco-Sip' creating a brand identity focused on sustainability and simplicity. It would also help in product differentiation. The packaging was made using hundred percent recyclable cardboard, with details of sustainability, features, price etc. printed on it. State the four functions of marketing that are carried out by 'Eco Care' in the above case. Ans. The functions of marketing carried out by 'Eco Care' are: (i) Gathering and analysing market information is necessary to identify the needs of the customers to analyse the available opportunities and threats as well as strengths and weaknesses of an organisation. (ii) Product designing and development contributes to making the product attractive to the target customers, improve performance of a product and also give it a competitive advantage in the market. (iii) Branding involves decision whether to sell the product in its generic name or give it a brand name as brand name helps in creating product differentiation, which in turn, helps in building customer loyalty and in promoting its sale. (iv) Packaging and labelling refers to designing and developing the package for the products and designing and developing the label to be put on the package. <i>(If an examinee has only listed the points, ½ mark for each point should be awarded)</i>	1 x 4 = 4 Marks
26	Q (a) State any four merits of external sources of recruitment. Ans. Merits of external sources of recruitment: (i) It helps the management to attract qualified personnel and trained people to apply for vacant jobs in the organisation. (ii) The management has a wider choice while selecting the people for employment as a large number of applicants from outside the organisation apply,	

	(iii) It brings new blood and adds fresh talent to the organisation. (iv) It develops a competitive spirit and encourages the existing staff to work harder to show better performance when they compete with the outsiders. <i>(If an examinee has only listed the points, ½ mark for each point should be awarded) .</i> OR Q (b) State any four benefits of training to an organisation. Ans. Benefits of training to an organisation: (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 effective response to fast changing environment – technological and economic.	1 x 4 = 4 marks OR 1 x 4 = 4 marks
27	Q (a) Explain the following limitations of the planning function of management: (i) Planning may not work in a dynamic environment. (ii) Planning reduces creativity Ans. (i) Planning may not work in a dynamic environment. • The business environment is dynamic and constantly changing due to economic, political, physical, legal and social factors, so organisations have to continuously adapt themselves to changes. • Planning cannot foresee everything and thus, there may be obstacles to effective planning (ii) Planning reduces creativity: • Planning is mainly done by the top management and the middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. • Due to this, the initiative and creativity of employees gets lost or reduced as they only carry out orders and tend to think along the same lines, leaving little scope for new or innovative ideas.	2 + 2 = 4 Marks

	OR Q (b) Explain the following types of plans: (i) Policy (ii) Procedure Ans. (i) Policy: • Policy is a general statement that guides thinking and channelizes energies towards a particular direction. They are guides to managerial action and decisions in the implementation of strategy. • It defines the broad parameters within which a manager may function. The managers may use his/her discretion to interpret / apply a policy. ii) Procedure: • Procedures are routine steps on how to carry out activities and specify the exact manner in which any work is to be performed. • They are specified in a chronological order to be carried out within a broad policy framework meant for insiders to follow.	OR 2 Marks + 2 Marks = 4 Marks
28	Q 'GW Industries', known for its paper products, decided to produce and launch a new line of sustainable packaging called 'EcoPac'. As management is a complex activity, the Chief Executive Officer of the company translated the work into clear goals and assigned the means to achieve those. He knew that human resources are the greatest asset of an organization, so getting work done through them is also a major task. The production of high quality sustainable packaging also required a proper production process. This was put in place for managing the flow of input materials and technology to convert these materials into high quality sustainable packaging. In this way 'GW industries' took care of various aspects for successful launch of 'EcoPac'. A characteristic of management is discussed in the above case. Identify and explain the characteristic. Ans. Management is multidimensional It has three dimensions which are: a) Management of work: • All organisations exist for the performance of some work and Management translates this work in terms of goals to be achieved and assigns the means to achieve it. b) Management of people:	1 (½ mark for heading + ½ mark

	- It implies dealing with employees as individuals with diverse needs and behavior and dealing with individuals as a group of people. c) Management of operations: - It requires a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption.	for explanati on) 1 x 3 1 + 3 = 4 marks
29	Q Rajiv was on the board of directors of 'Tako Solutions', a software development company and 'Sabka Mart Retail', a large supermarket chain. He wanted to apply management principles in both the companies to improve efficiency and profitability. He knew that management principles can be applied as much to 'Tako Solutions' as to 'Sabka Mart Retail' though the extent to which the principles can be applied will differ, because the nature of work, scale of operations and business activities in a software firm and a supermarket chain are not the same. Rajiv also knew that the management principles would not provide readymade solutions because real world situations faced by the two companies were very complex and dynamic. Still, he believed that even small guidelines could help in solving many problems and will improve the way both companies worked. Identify and explain the two points that highlight the nature of principles of management, in the above case. Ans. (i) Universal applicability The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well large, public sector as well as private sector, manufacturing as well as the services sectors. However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations and the like. (ii) General guidelines The principles are guidelines to action but do not provide readymade, straitjacket solutions to all managerial problems because real business situations are very complex and dynamic and are a result of many factors. However, the importance of principles cannot be underestimated because even a small guideline helps to solve a given problem.	(½ mark for identificat ion + 1 ½ mark for explanati on)

		(2+2 = 4 Marks)
30	Q ‘Sheetal Cosmetics Ltd.’, is a fast growing beauty and skin care company known for its innovative products and aggressive market expansion. As the company increased its marketing activities like new product launches, accelerated advertising campaigns, social media promotions and influencer collaborations etc., the workload of the marketing department grew sharply. Despite working long hours, the marketing manager Arjun couldn't give adequate attention to strategic planning and high impact decisions as minor operational issues began consuming most of his time. Noticing this, the Chief Executive Officer (CEO) advised Arjun that it was now impractical for him to handle the entire volume of work alone, so he should allow his subordinates to take up routine tasks. This would not only help him manage his time better but also satisfy the subordinate's need for recognition. This will also provide opportunities to the subordinates to develop and exercise initiative. (i) Identify the concept suggested by CEO that will help Arjun to manage volume of work effectively. (ii) State any three points of importance of the concept identified in (i) above. Ans. (i) Delegation (ii) Importance of delegation (Any THREE): (i) Delegation leads to effective management as by empowering the employees the managers get more time to concentrate on important matters. (ii) It leads to employee development as employees get more opportunities to utilize their talent and develop themselves for higher positions. (iii) It motivates the employees as when a superior entrusts a subordinate with a task, it involves trust on the superior's part and commitment on part of subordinates. (iv) It facilitates growth as it helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. (v) It establishes superior-subordinate relationships, which are the basis of hierarchy of management. (vi) It leads to better coordination as clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management	1 1 x 3 = 3

	<i>(If an examinee has only listed the points, ½ mark for each point should be awarded)</i>	(1 + 3 = 4 Marks)
31	Q ‘Koka Manufacturing Ltd.’ is a large scale manufacturer in the electronics industry. In this industry assets are prone to obsolescence and their replacement becomes due faster with change in technology. The company is constantly under pressure to upgrade its machinery and equipment as it would help company to stay competitive, improve its product quality and reduce production costs. So instead of purchasing the machinery, company decides to lease the required machinery, giving it flexibility to upgrade equipment at the end of lease term. This helps company to maintain operational efficiency, technological competitiveness and financial flexibility. Identify and explain four factors that would affect the fixed capital requirements of ‘Koka Manufacturing Ltd.’. Ans. The four factors affecting fixed capital requirements of Koka Manufacturing Ltd. are as follows: (i) Nature of business A trading concern needs lower investment in fixed assets compared with a manufacturing organisation; since it does not require to purchase plant and machinery, etc. (ii) Scale of operation A larger organisation operating at a higher scale needs a bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation. (iii) Technology upgradation In certain industries, assets become obsolete sooner. Consequently, their replacement become due faster. Higher investment in fixed assets may, therefore, be required in such cases. (iv) Financing alternatives When an asset is taken on lease, the firm pays lease rentals and uses it. Availability of leasing facilities may reduce the funds required to be invested in fixed assets, thereby reducing the fixed capital requirements.	(½ mark for identification + 1 mark for explanation) 1 ½ x 4 = 6 Marks
32	Q (a) Explain the following steps in the process of selection: (i) Preliminary screening (ii) Selection tests (iii) Employment interview Ans. (i) Preliminary screening	

	• Preliminary screening helps the manager eliminate unqualified or unfit job seekers based on the information supplied in the application forms. • Preliminary interviews help reject misfits for reasons, which did not appear in the application forms (ii) Selection tests • An employment test is a mechanism (either a paper and pencil test or an exercise) that attempts to measure certain characteristics of individuals. • These characteristics range from aptitudes, such as manual dexterity, to intelligence to personality (iii) Employment interview • Interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job. • The role of the interviewer is to seek information and that of the interviewee is to provide the same. In present times the interviewee also seeks information from interviewer. OR Q (b) Explain the following semantic barriers to communication: (i) Badly expressed message (ii) Faulty translations (iii) Body language and gesture decoding Ans. (i) Badly expressed message • Sometimes intended meaning may not be conveyed by a manager to his subordinates. • These badly expressed messages may be an account of inadequate vocabulary, usage of wrong words, omission of needed words etc. (ii) Faulty translations • Sometimes the communications originally drafted in one language (e.g., English) need to be translated to the language understandable to workers (e.g., Hindi). • If the translator is not proficient with both the languages, mistakes may creep in causing different meanings to the communication. (iii) Body language and gesture decoding	2 Marks + 2 Marks + 2 mark = 6 marks OR 2 + 2
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	• The body movement and gestures of communicator matter so much in conveying the message. • If there is no match between what is said and what is expressed in body movements, communications may be wrongly perceived.	+ 2 = 6 marks
33	Q Ria ran a small online bakery business. Her business was doing very well. She saved a good amount of money every month and now wanted to invest it wisely. She was in a dilemma to keep her savings in a bank account or to invest it in the stock market. Her friend Aabha, who had done a certification course from National Stock Exchange, encouraged her to invest in the stock market. She explained to Ria that if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity. Aabha also told her that the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal. Ria was still apprehensive as she had heard that there is a lot of speculation in the stock market. She wanted to be cautious. Aabha clarified that speculation does exist, but it happens in a restricted and controlled way. She also told Ria that the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc. As a result, young people have started investing in the stock market. After all this discussion, Ria felt confident and decided to invest a part of her savings in the stock market. Quoting lines, identify and explain the four functions of stock exchange highlighted in the above case. Ans. Four functions of stock exchange in the above case are as follows: 1. <i>“She explained to Ria that if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity.”</i> Providing liquidity and marketability to existing securities: The basic function of a stock exchange is the creation of a continuous market where securities are bought and sold which provide liquidity and marketability.	(½ mark for quoting + ½ mark for identification + ½ mark for explanation)

	2. <i>“Aabha also told her that the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal.”</i> Safety of transactions The membership of a stock exchange is well- regulated and its dealings are well defined according to the existing legal framework, which ensures that the investing public gets a safe and fair deal on the market. 3. <i>“Aabha clarified that speculation does exist, but it happens in a restricted and controlled way”</i> Providing scope for speculation The stock exchange provides sufficient scope within the provisions of law for speculative activity in a restricted and controlled manner. 4. <i>“She also told Ria that the stock exchange is keen to promote wider share ownership and does so by educating the public about investments etc. As a result, young people have started investing in the stock market”</i> Spreading of equity cult The stock exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.	1 ½ x 4 = 6 Marks
34	Q (a) Explain the following factors affecting the determination of price of a product: (i) Product cost (ii) The utility and demand (iii) Extent of competition in the market Ans. (i) Product cost - Product cost includes the cost of producing, distributing and selling the product. It determines the minimum level or the floor price at which the product may be sold. - Generally all marketing firms strive to cover all their costs, at least in the long run. In addition, they aim at earning a margin of profit over and above the costs.	2

	(ii) The utility and demand • The utility provided by the product and the intensity of demand of the buyer sets the upper limit of price. The buyer may be ready to pay up to the point where the utility from the product is at least equal to the sacrifice made in terms of the price paid. The seller would, however, try to at least cover the costs. • Consumer usually purchase more units at a low price than at a high price. (iii) Extent of competition in the market: • The price will tend to reach the upper limit in case there is lesser degree of competition while under conditions of free competition, the price will tend to be set at the lowest level. • Competitor's prices, their anticipated reactions and quality and features of competitive product must be examined carefully before fixing the price. OR Q (b) Explain the following marketing management philosophies: (i) Production concept (ii) Product Concept (iii) Selling concept Ans. (i) Production concept • Profits could be maximised by producing at large scale, thereby reducing the average cost of production. • Availability and affordability of the product is the key to the success of a firm. Therefore greater emphasis was placed on improving the production and distribution efficiency of the firms. (ii) Product concept • With the increase in the supply of the products, customers started looking for products which were superior in quality, performance and features. • The focus of business activity is in bringing continuous improvement in quality and incorporation of new features making product improvement the key to profit maximisation of a firm. (iii) Selling concept • Firms must undertake aggressive selling and promotional efforts to make customers buy their products by using promotional	+ 2 + 2 = 6 marks OR 2 + 2
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	techniques such as advertising, personal selling and sales promotion • The focus of business firms is on pushing the sale of products through aggressive selling techniques with a view to persuade, lure or coax the buyers to buy the products	+ 2 = 6 marks
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