

66/3/1	MARKING SCHEME - 2026 BUSINESS STUDIES (054) 66/3/1 EXPECTED ANSWERS / VALUE POINTS	MARKS
1.	Q. _____ serves as an intermediary between the investor and the depository who is authorised to maintain the accounts of dematerialised shares. (A) Depository Participant (B) National Securities Depository Limited (C) Central Depository Services Limited (D) Stock Exchange Ans. (A) Depository Participant	1 Mark
2.	Q. On Raksha Bandhan, Reena received a gift from her brother. After removing the gift wrap paper, she saw a decorative cardboard box. Inside the box, she found a small glass bottle containing an expensive face cream. Both the decorative cardboard box and the glass bottle had a beautiful label displaying the brand name, ingredients, expiry date, etc. Which level of packaging does the glass bottle represent? (A) Primary packaging (B) Transportation packaging (C) Secondary packaging (D) General packaging Ans. (A) Primary packaging	1 Mark
3.	Q. Read the following statements: Assertion (A) and Reason (R). Assertion (A): Holding shares in demat form is very convenient as it is just like a bank account. Reason (R): Securities and Exchange Board of India (SEBI) has made it mandatory for the settlement procedures to take place in demat form. Choose the correct alternative from the following: (A) Assertion (A) is false and Reason (R) is true. (B) Both Assertion (A) and Reason (R) are false. (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. (C) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)	1 Mark

4.	Q. Read the following statements carefully: Statement I: Business environment includes both specific and general forces. Statement II: Specific forces have an impact on all business enterprises and thus may affect an individual firm only indirectly. In light of the given statements, choose the correct alternative from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statement I and Statement II are true. (D) Both Statement I and Statement II are false. Ans. (A) Statement I is true and Statement II is false.	1 Mark
5.	Q. Which of the following statements are correct with respect to the benefits the organisation would get by imparting training to its employees? (i) Training equips the future manager who can take over in case of an emergency. (ii) Training makes an employee more efficient to handle machines and thus, they are less prone to accidents. (iii) Training increases the satisfaction and morale of the employees. (iv) Training enhances employee productivity, both in terms of quantity and quality, leading to higher profits. Options: (A) (i), (ii), (iii) and (iv) (B) (ii) and (iii) (C) (i) and (iv) (D) (i) and (ii) Ans. (C) (i) and (iv)	1 Mark
6.	Q. Which of the following is <i>not</i> an advantage of divisional structure of an organisation? (A) It helps in development of varied skills in the divisional head which prepares him for higher positions. (B) It promotes flexibility and initiative, because each division functions as an autonomous unit, leading to faster decision making. (C) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations. (D) It leads to minimal duplication of effort which results in economies of scale and lowers cost. Ans. (D) It leads to minimal duplication of effort which results in economies of scale and lowers cost.	1 Mark

7.	Q. From the picture given below, identify the responsibility that the consumer is fulfilling while purchasing ‘Ready-to-Eat Pasta’:  (A) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made. (B) Assert yourself to ensure that you get a fair deal. (C) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc. (D) Ask for a cash memo on purchase of goods or services. Ans. (C) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc. <i>Note: The following question is for the Visually Impaired Candidates only in lieu of Q. No. 7.</i> Q. Which of the following consumer rights under Consumer Protection Act, 2019 gives the freedom to consumers to access a variety of products at competitive prices? (A) Right to be informed (B) Right to be assured (C) Right to consumer education (D) Right to be heard Ans. (B) Right to be assured	1 Mark
8.	Q. ‘Gamma Ltd.’, with its state-of-the-art manufacturing set-up in Karnesha, produces smartphones for the Indian market. Rapid technological improvements, changing consumer preferences and the entry of new competitors in the market push the company to revise its plans frequently. This reflects which characteristic of business environment? (A) Inter-relatedness (B) Dynamic nature (C) Complexity (D) Relativity	

	Ans. (B) Dynamic nature	1 Mark
9.	Q. ‘Radhe Textiles’, a children’s garment manufacturing business, and Ghanshyam Garments, a home furnishing manufacturing business operate in the same industrial area. Both companies jointly set up a common dyeing and finishing plant. This was because the scale of operations of each of them was not sufficient to make full use of the plant. With both of them jointly using the plant, the requirement of fixed capital for each company will now be : (A) Higher than earlier (B) Lower than earlier (C) Same as earlier (D) Nil Ans. (B) Lower than earlier	1 Mark
10.	Q. ‘RAVL’ is a company manufacturing LED bulbs. To ensure efficiency in production, the workers are given monthly targets. For the month of October 2025, the workers were given a target to produce 8,000 bulbs. At the end of the month, it was found that actual production was only 6,000 bulbs. After investigation, it was found that the target was not met due to shortage of trained workers. To resolve the problem, the Production Manager arranged training programmes for workers and also hired additional workers. Which step of the controlling process was followed by the Production Manager to resolve the problem of shortage of trained workers? (A) Setting performance standards (B) Measurement of actual performance (C) Comparing actual performance with standards (D) Taking corrective action Ans. (D) Taking corrective action	1 Mark
11.	Q. Which of the following is <i>not</i> a limitation of internal sources of recruitment? (A) It reduces the scope of induction of fresh talent in the organization. (B) The employees may become lethargic if they are sure of time-bound promotions. (C) It may lead to dissatisfaction and frustration among existing employees as they may feel that their chances of promotion are reduced. (D) The spirit of competition among the employees may be hampered. Ans. (C) It may lead to dissatisfaction and frustration among existing employees as they may feel that their chances of promotion are reduced.	1 Mark

12.	Q. ‘A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the organisational objective.’ The point of importance of management highlighted above is: (A) Management helps in achieving group goals (B) Management helps in increasing efficiency (C) Management helps in achieving personal objectives (D) Management helps in the development of society Ans. (C) Management helps in achieving personal objectives	1 Mark										
13.	Q. Match the step of the process of organising given in Column-I with its explanation given in Column-II: <table><tr><th>Column-I</th><th>Column-II</th></tr><tr><td>1. Departmentalisation</td><td>(i) Each individual is told who he has to take orders from and to whom he is accountable</td></tr><tr><td>2. Establishing authority and reporting relationships</td><td>(ii) The work is divided into manageable activities so that duplication can be avoided and burden of work can be shared among the employees</td></tr><tr><td>3. Identification and division of work</td><td>(iii) Work of different job positions is defined and work allocated to various employees in accordance with their skills and competencies</td></tr><tr><td>4. Assignment of duties</td><td>(iv) Activities of a similar nature are grouped together, which facilitates specialization.</td></tr></table> Choose the correct option from the following: (A) 1-(i), 2-(ii), 3-(iii), 4-(iv) (B) 1-(iv), 2-(i), 3-(ii), 4-(iii) (C) 1-(iv), 2-(i), 3-(iii), 4-(ii) (D) 1-(ii), 2-(iii), 3-(i), 4-(iv) Ans. (B) 1-(iv), 2-(i), 3-(ii), 4-(iii)	Column-I	Column-II	1. Departmentalisation	(i) Each individual is told who he has to take orders from and to whom he is accountable	2. Establishing authority and reporting relationships	(ii) The work is divided into manageable activities so that duplication can be avoided and burden of work can be shared among the employees	3. Identification and division of work	(iii) Work of different job positions is defined and work allocated to various employees in accordance with their skills and competencies	4. Assignment of duties	(iv) Activities of a similar nature are grouped together, which facilitates specialization.	1 Mark
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14.	Q. The market where existing securities are traded is known as: (A) Both Primary and Secondary Market (B) Primary Market (C) Secondary Market (D) Money Market Ans. (C) Secondary Market	1 Mark										

15.	Q. The number of times earnings before interest and taxes of a company cover the interest obligation is referred to as: (A) Capital structure (B) Financial leverage (C) Interest Coverage Ratio (D) Debt-Service Coverage Ratio Ans. (C) Interest Coverage Ratio	1 Mark
16.	Q. Read the following statements: Assertion (A) and Reason (R). <i>Assertion (A):</i> Workload analysis and workforce analysis are important to understand the manpower requirements. <i>Reason (R):</i> It helps the organization to know whether it is overstaffed, understaffed or optimally staffed. Choose the correct alternative from the following: (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 <i>not</i> the correct explanation of Assertion (A). (C) Assertion (A) is true, but Reason (R) is false. (D) Assertion (A) is false, but Reason (R) is true. Ans. (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1 Mark
17.	Q. Read the following statements carefully: <i>Statement I:</i> Higher fixed operating costs result in higher business risk. <i>Statement II:</i> If the firm's business risk is lower, the firm's capacity to use debt is higher. In light of the given statements, choose the correct alternative from the following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statement I and Statement II are true. (D) Both Statement I and Statement II are false. Ans. (C) Both Statement I and Statement II are true.	1 Mark
18.	Q. Shikha, a first-time investor, was excited yet nervous about investing in the stock market as she felt it was risky. She sought guidance from her friend, Rama, who was an experienced investor. Rama assured Shikha that it is safe to invest in the stock market as the membership of stock exchange is regulated by Securities and	

	Exchange Board of India (SEBI). She also told Shikha that SEBI performs various functions to protect the rights and interests of investors. Which of the following functions mentioned by Rama is <i>not</i> a protective function of SEBI? (A) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging, etc. (B) Conducting research and publishing information useful to all market participants. (C) Controlling insider trading and imposing penalties for such practices. (D) Promotion of fair practices and code of conduct in the securities market. Ans. (B) Conducting research and publishing information useful to all market participants.	1 Mark
19.	Q. 'Bright Appliances Ltd.' plans to launch a new product line of energy-efficient air purifiers. To ensure a smooth launch of the air purifiers, the company needs to arrange adequate funds. For this, the Finance Manager estimates the fund requirements and specifies the source of funds the company should use. The process followed by the Finance Manager is called: (A) Financial planning (B) Financial management (C) Financial leverage (D) Investment decision Ans. (A) Financial planning	1 Mark
20.	Q. 'Sumi', a well-established domestic car manufacturer, anticipates entry of a premium foreign automobile brand in the country. The management of the company foresees a decline in the market share, especially in the premium segment. To retain its market share and stay competitive, the company launches aggressive advertising and takes measures to reduce the cost of production. It further invests in improving product quality, introducing new features and aligning their cars with international standards. The point of importance of business environment described above is: (A) It helps in coping with rapid changes. (B) It helps in tapping useful resources (C) It enables a firm to identify opportunities and getting the first mover advantage (D) It helps the firm to identify threats and early warning signals. Ans. (D) It helps the firm to identify threats and early warning signals.	1 Mark

21.	Q. Aditi purchased a high-speed blender from an online retailer for ₹ 2,000. When she used it to prepare soup, it made a loud noise. It also failed to blend properly and emitted an unusual smell. She first contacted the online retailer through their toll-free helpline. They told her that they were responsible only for selling the blender and were not responsible for defects. Aditi then collected all relevant proofs such as the invoice and records of her communication etc. Then she contacted the customer service team of the manufacturer. The technical team inspected the blender and confirmed that the motor was defective. Despite this, the manufacturer neither replaced the blender, nor refunded her money. They stopped responding to Aditi's calls. Aditi was frustrated and filed a complaint against the manufacturer in the appropriate consumer court. State any three reliefs available to Aditi if the consumer court is satisfied about the defect in the high-speed blender. Ans. <u>Reliefs available to Consumer (Any THREE)</u> 1. To remove the defect in goods or deficiency in service. 2. To replace the defective product with a new one, free from any defect. 3. To refund the price paid for the product, or the charges paid for the service. 4. To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party. 5. To pay punitive damages in appropriate circumstances. 6. To discontinue the unfair/ restrictive trade practice and not to repeat it in the future. 7. Not to offer hazardous goods for sale. 8. To withdraw the hazardous goods from sale. 9. To cease manufacture of hazardous goods and to desist from offering hazardous services. 10. Compensate for any loss or injury suffered by consumer under product liability action and withdraw hazardous products from being offered for sale etc. 11. To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner. 12. To pay adequate costs to the appropriate party.	1 x 3 = 3 Marks
22.	Q. 'KUL', an eco-friendly stationery brand is expanding its business in three different markets. For this, it uses different promotional strategies in each market. In the corporate gifting market, the company appoints salespersons to contact prospective corporate clients and create awareness about its eco-friendly stationery with the aim of making a sale. In the international market, the company focuses on managing public opinion and building a positive image for its product. It disseminates	

	information and builds goodwill about the business. In the domestic retail market, the company offers cash discounts, free gifts, etc. to encourage the buyers to make immediate purchase of its product. Identify and state three different promotion tools used by 'KUL' to expand its business in each of the markets. Ans: Three promotion tools used by 'KUL': 1. Personal Selling for corporate gifting market Personal selling involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. 2. Public Relations for international market Public relations involve a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public. 3. Sales Promotion for domestic retail market Sales Promotion refers to short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product service.	(½ mark for identifying the promotional tool + ½ mark for explanation) 1 x 3 = 3 marks
23.	Q (a). Explain the following functions of Marketing: (i) Marketing planning (ii) Customer support services Ans. Functions of Marketing: (i) Marketing planning: Marketer is to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. A complete marketing plan covers various important aspects, including the plan for increasing the level of production, promotion of the products, etc., and specify the action programmes to achieve these objectives (ii) Customer support services: Customer support services, include activities such as after sales services, handling customer complaints and adjustments, procuring credit services, maintenance services, technical services and consumer information. All these services provide maximum satisfaction to the customers, effectively bring repeat sales and develop brand loyalty for a product.	1½ x 2 = 3 marks

Or

Q (b). Explain the following factors which affect the fixation of price of a product:

(i) Extent of competition in the market

(ii) Marketing methods used

Ans. Factors affecting the fixation of price of a product:

(i) 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

Competitors' prices and their anticipated reactions must be considered before fixing the price of a product. Not only the price but the quality and the features of the competitive products must be examined before fixing the price of a product.

(ii) Marketing methods used:

Price fixation process is affected by other elements of marketing such as distribution system, quality of salesmen employed, quality and amount of advertising, sales promotion efforts, the type of packaging, etc.

Uniqueness of any of the above elements gives the company a competitive freedom in fixing prices of its products.

1½ x 2

= 3 marks

24.

Q (a). Distinguish between Capital Market and Money Market on the following basis:

(i) Investment outlay

(ii) Duration

(iii) Safety

Ans. Difference between Capital Market and Money Market

S.No.	Basis	Capital Market	Money Market
(i)	Investment outlay	Investment in the capital market does not necessarily require a huge financial outlay as the value of units of securities is generally low.	Investment in money market requires huge sum of money as the instruments are quite expensive.
(ii)	Duration	Capital market deals in medium and long-term securities such as equity shares and debentures.	Money market instruments have a maximum tenure of one year, and may even be issued for a single day

1 x 3

= 3 Marks

	(iii)	Safety	The instruments are riskier both with respect to returns and principal repayment.	The instruments are generally much safer with a minimum risk of default.																						
Or Q (b). Give any three differences between Primary Market and Secondary Market. Ans. Difference between Primary Market and Secondary Market are: <u>(Any THREE)</u> <table><tr><th>S.No.</th><th>Primary Market</th><th>Secondary Market</th></tr><tr><td>1.</td><td>In the primary market, there is sale of securities by new companies or new issues of securities by existing companies</td><td>In the secondary market, there is trading of existing shares only.</td></tr><tr><td>2.</td><td>In primary market, securities are sold by the company to the investor directly</td><td>In secondary market, ownership of existing securities is exchanged between investors. The company is not involved at all.</td></tr><tr><td>3.</td><td>The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.</td><td>Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.</td></tr><tr><td>4.</td><td>Only buying of securities takes place in the primary market, securities cannot be sold there.</td><td>Both the buying and the selling of securities can take place in the secondary market.</td></tr><tr><td>5.</td><td>Prices are determined and decided by the management of the company.</td><td>Prices are determined by demand and supply for the security.</td></tr><tr><td>6.</td><td>It has no fixed geographical location.</td><td>It is located at specified places.</td></tr></table>						S.No.	Primary Market	Secondary Market	1.	In the primary market, there is sale of securities by new companies or new issues of securities by existing companies	In the secondary market, there is trading of existing shares only.	2.	In primary market, securities are sold by the company to the investor directly	In secondary market, ownership of existing securities is exchanged between investors. The company is not involved at all.	3.	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation.	Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation.	4.	Only buying of securities takes place in the primary market, securities cannot be sold there.	Both the buying and the selling of securities can take place in the secondary market.	5.	Prices are determined and decided by the management of the company.	Prices are determined by demand and supply for the security.	6.	It has no fixed geographical location.	It is located at specified places.
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25.	Q. ‘GW Textiles’ was facing rising competition, inefficiencies on the shop floor and declining revenues. To address these problems, Leena was appointed as the new Factory Manager. In the first few weeks, Leena walked around the factory and watched how work was actually being done. She noticed that some workers were sincere and focused, while others showed little interest and avoided responsibility.																									

	To overcome this problem Leena began spending time on the shop floor every week, interacting closely with the workers and was able to make them act in the desired manner to achieve organisational goals. Her approach helped create a positive work environment where employees felt encouraged to perform better, leading to improved efficiency on the shop floor and improved revenues. (i) Identify the element of directing highlighted in the above case. (ii) State any three features of the element identified in (i) above. Ans. (i) The element of directing highlighted is Motivation (ii) Features of Motivation (Any THREE): 1. Motivation is an internal feeling, as urges, drives, desires, aspirations, striving, or needs of human beings, which are internal, influence their behaviour. 2. Motivation produces goal directed behaviour resulting in improved performance. 3. Motivation can be either positive in the form of increase in pay, promotion, recognition etc. or negative in the form of punishment, stopping increments, threatening etc. 4. Motivation is a complex process as the individuals are heterogeneous in their expectations, perceptions and reactions.	1 Mark + 1 x 3 = 3 = 4 Marks
26.	Q. Rahul, Priya, Amit and Sneha were friends. They decided to start a business jointly. With rising focus on hydration, fitness and a healthy lifestyle, they saw a steady market for water bottles. Customers often own multiple bottles for different uses. Bottles wear out or go out of style over time, creating repeat sales opportunities. Excited by this idea, they all sat together to brainstorm and decide what kind of water bottle they should make. Rahul believed that to maximise profits, production should be done on a large-scale making goods available and affordable to consumers. Amit, on the other hand, was of the opinion that the bottles should be of a very good quality with features like time markers, filters or infusers, etc. Priya agreed with Amit, but felt that they should first identify the needs of the present and prospective buyers, so that they can satisfy them in an effective way. She suggested offering personalised designs, sports bottles, insulated bottles, etc., depending on the customers' needs. Sneha believed that the business orientation should not be short-sighted to serve only the consumers' needs. It should also consider	

	larger issues of long-term social welfare. So, she suggested reusable water bottles made from eco-friendly sustainable materials. Identify and state the marketing management philosophies discussed by Rahul, Priya, Amit and Sneha. Ans. Marketing management philosophies: 1. Rahul – Production Concept Production Concept believed that profits could be maximised by producing at large scale, thereby reducing the average cost of production. 2. Amit – Product Concept Product Concept focuses on bringing continuous improvement in the quality, incorporating new features, etc. as the key to profit maximisation of a firm. 3. Priya – Marketing Concept The Marketing Concept implies that an organisation can achieve its objective of maximisation of profit by identifying the needs of its present and prospective buyers and satisfying them in an effective way. 4. Sneha – Societal Marketing Concept The Societal Marketing Concept focuses on identification of needs and wants of the target market and deliver the desired satisfaction in an effective and efficient manner so that the long-term well-being of the consumers and the society is taken care of.	(½ mark for identifying the philosophy + ½ mark for explanation) 1 x 4 = 4 marks
27.	Q (a). State any four psychological barriers to communication Ans. Psychological barriers to communication: 1. Pre-mature evaluation acts as a barrier when people evaluate the meaning of message before sender completes his message due to pre-conceived notions or prejudices. 2. Lack of attention due to preoccupied mind of receiver and the resultant non-listening of message acts as a psychological barrier 3. Loss of transmission and poor retention due to successive transmission of the message through various levels and inattentiveness or lack of interest of listeners acts as a barrier to communication. 4. Distrust between communicator and communicatee leads to lack of understanding each other's message in its original sense. <i>(If the examinee has only listed the points, ½ mark for each point should be awarded.)</i>	1 x 4 = 4 marks

	Or Q (b). State any four points of importance of staffing function of management. Ans. Importance of staffing function of management (<u>Any FOUR</u>) 1. Staffing helps in discovering and obtaining competent personnel for various jobs. 2. It makes for higher performance, by putting right person on the right job. 3. It ensures the continuous survival and growth of the enterprise through the succession planning for managers. 4. It helps to ensure optimum utilisation of the human resources by avoiding overmanning, preventing under -utilisation of personnel and high labour costs. 5. It improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution	1 x 4 = 4 marks
28.	Q. ‘Staple Foods Ltd.’, a packaged food company is planning to expand its operations. To meet growing manpower needs, it adopts different external sources of recruitment for different levels of employees by balancing cost, time and quality in talent acquisition across organisational levels. For positions requiring high trust and confidentiality, the company prefers applicants introduced by existing senior employees. For specialised technical and professional roles like Marketing Head, Operations Manager, etc., it contacts private agencies and professional bodies. These agencies are able to access a wider talent pool as they compile bio-data of a large number of candidates and recommend suitable names to their clients. For casual vacancies of unskilled or semi-skilled jobs, they post job vacancies on the company’s notice board to attract local candidates. Job seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot. ‘Staple Foods Ltd.’ also maintains a record of unsolicited job applications and contacts suitable candidates from this pool whenever vacancies arise. State the external sources of recruitment used by ‘Staple Foods Ltd.’ for recruitment of people at various organisational levels.	

	Ans. External sources of recruitment: 1. Recommendations of employees by present employees, or their friends and relatives may prove to be a good source of recruitment because their background is sufficiently known. 2. Placement agencies and management consultancy provide a nationwide service in matching personnel demand and supply as they compile bio-data of a large number of candidates and recommend suitable names to their clients in technical and professional areas 3. Direct recruitment involves placing a notice on the notice-board of the enterprise specifying the details of the jobs available and selection is done on the spot from amongst the job seekers who assemble outside the premises of the organisation on the specified date. 4. Casual callers refers to keeping a database of unsolicited applicants and filling vacancies as they arise by screening the list of such job-seekers <i>(If the examinee has only listed the points, ½ mark for each point should be awarded.)</i>	1 x 4 = 4 marks
29.	Q (a) Explain the following points of importance of controlling function of management: (i) Accomplish organisational goals (ii) Making efficient use of resources Ans. Importance of Controlling: (i) Accomplishing organisational goals: ▪ The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. ▪ It, thus, guides the organisation and keeps it on the right track so that organisational goals may be achieved. (iii) Making efficient use of resources: ▪ By exercising control, a manager seeks to reduce wastage and spoilage of resources. ▪ Each activity is performed in accordance with predetermined standards and norms which ensures that resources are used in the most effective and efficient manner. Or	2 x 2 = 4 marks

	Q. (b) Explain the following non-financial incentives: (i) Status (ii) Organisational climate Ans. Non-financial incentives: (i) Status: ▪ In the organisational context, status means ranking of positions in the organisation. The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. ▪ Psychological, social and esteem needs of an individual are satisfied by status given to their job. (ii) Organisational climate: ▪ Organisational climate indicates the characteristics which describe an organisation and distinguish one organisation from the other. ▪ These characteristics such as individual autonomy, reward orientation, consideration to employees, risk-tasking, etc., influence the behaviour of individuals in the organisation and helps to develop better organisational climate.	2 x 2 = 4 marks
30.	Q. ‘Suruchi Textiles Ltd.’ is a reputed textile manufacturing company with stable earnings. It has been paying regular dividends for the last seven years, which has helped it to build a loyal investor base. It has a large number of its shareholders who depend on regular income from their investment and therefore expect at least a minimum dividend every year. To meet these expectations and maintain shareholders confidence, the company has followed a high dividend policy. During the current year, the company planned further expansion, which required additional funds. However, since a major portion of its earnings had been distributed as dividends in earlier years, the company had retained limited funds. But, since ‘Suruchi Textiles Ltd.’ had a strong reputation in the capital market, it was able to raise the required capital from the capital market to finance its expansion plans. Identify and explain four factors affecting the dividend decision discussed in the above case. Ans. Factors affecting Dividend Decision: <u>(Any FOUR)</u> 1. Stability of Earnings A company having stable earnings is in a better position to declare higher dividends against a company having unstable earnings	

	2. Stability of Dividends: Companies generally follow a policy of stabilising dividend per share and the increase in dividends is generally made when there is confidence that their earning potential has gone up. 3. Shareholders' Preference If the shareholders depend upon a regular income from their investments and desire that at least a certain amount is paid as dividend, the companies are likely to declare the same. 4. Growth Opportunities Companies having good growth opportunities retain more money out of their earnings to finance the required investment and thus declare smaller dividends. 5. Access to Capital market Large and reputed companies generally have easy access to the capital market and, therefore, may depend less on retained earnings to finance their growth and tend to pay higher dividends than the smaller companies.	(½ mark for identifying the factor + ½ mark for explanation) 1 x 4 = 4 marks
31.	Q. 'Global Tech Ltd.' was a multinational company that manufactured modern electronics devices and employed nearly 10,000 people from across the world. The company had a well-defined organisational structure with separate departments for finance, marketing and production. Every department had its own objectives, policies and style of working. As each department performed its activities in isolation from others, conflicts arose within the organisation. Further, due to complex technology involved in producing modern electronic devices, 'Global Tech Ltd.' relied heavily on specialists. The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation. This resulted in conflict among different specialists and others in the organisation. As the company continued to grow, more employees from different backgrounds and work habits joined the organisation. The increasing size of workforce, along with departmental differences and dependence on specialists, made it difficult to ensure that everyone worked towards the same organisational goals. Therefore, it became necessary for the management to harmonise individual goals with organisational goals and integrate the efforts of departments and specialists to achieve common objectives. (i) Identify and state the concept which would help 'Global Tech Ltd.' in bringing together the efforts of employees and specialists to achieve common goals of the organisation. (ii) Quoting lines from the given case, state any three points of importance of the concept identified in (i) above.	

	Ans. (i) The concept identified in the above case is Coordination. Coordination is the process by which a manager synchronises the activities of different departments. (ii) Importance of Coordination 1. <i>“Every department had its own objectives, policies and style of working.”</i> Or <i>“As each department performed its activities in isolation from others, conflicts arose within the organisation.”</i> Functional differentiation in an organisation leads to creation of departments, divisions and sections like finance, production etc. and coordination helps in linking the activities of various departments. 2. <i>“The specialists were confident of their professional knowledge and often did not consider suggestions from others in matters pertaining to their area of specialisation. This resulted in conflict among different specialists and others in the organisation”</i> Modern organisations have high degree of specialisation where specialists usually think that they only are qualified to evaluate, judge and decide and do not take advice from others, leading to conflict and thus, coordination helps in reconciling their differences. 3. <i>“The increasing size of workforce, along with departmental differences and dependence on specialists, made it difficult to ensure that everyone worked towards the same organisational goals.”</i> With the growth in size and the number of people employed by the organisation increases, coordination is needed to integrate their efforts and activities and to harmonize individual goals and organisational goals. <i>(If the examinee has only listed the points, ½ mark for each point should be awarded.)</i>	(½ mark for identifying the concept + 1 mark for meaning) = 1½ + (½ mark for quoting the lines + 1 mark for explanation) 1½ x 3 = 4½ marks = 6 marks
32.	‘Kia Tyres’ is a company manufacturing tyres for cars, two-wheelers, trucks and buses. It has a well-defined organisational structure designed by the management to facilitate smooth functioning of the organisation. It specifies the relationships among various job positions and the nature of their inter-relationship. It is easier to fix responsibility, since mutual relationships are clearly defined. There is no ambiguity in the role that each member has to play, as duties are	

	specified. This also helps in avoiding duplication of work. As a result, 'Kia Tyres' is able to effectively accomplish its goals. However, during lunch breaks and after office hours, employees from different departments of 'Kia Tyres' meet regularly. This helps to fulfil the social needs of employees and allows them to interact with like-minded people. This enhances their job satisfaction by giving them a sense of belongingness in the organisation. (i) Identify the types of organisations discussed in the above and give their meaning. (ii) State two advantages of each of the types of organisations identified in (i) above, not discussed in the given case Ans. (i) Types of organisation: 1. Formal Organisation Formal organisation refers to the organisation structure which is designed by the management to accomplish a particular task by clearly defining the boundaries of authority and responsibility. 2. Informal Organisation Informal Organisation means a network of social relationships among employees arising due to interaction among people at work. (ii) Advantages of Formal Organisation 1. Unity of command is maintained through an established chain of command. 2. It provides stability to the organisation. This is because behaviour of employees can be fairly predicted since there are specific rules to guide them Advantages of Informal Organisation 1. Prescribed lines of communication are not followed. Thus, the informal organisation leads to faster spread of information as well as quick feedback. 2. It contributes towards fulfilment of organisational objectives by compensating for inadequacies in the formal organisation.	(½ mark for identification of type of organisation + ½ mark for meaning) 1 x 2 = 2 marks + (1 mark for each advantage) 1 x 4 = 4 marks = 6 marks
33.	Q (a) Explain the following principles of management: (i) Discipline (ii) Unity of direction (iii) Equity	

	Ans. Principles of Management: (i) Discipline: ▪ Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. ▪ According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. (ii) Unity of direction: ▪ All the units of an organisation should be moving towards the same objectives through coordinated and focussed efforts. ▪ Each group of activities having the same objective must have one head and one plan ensuring unity of action and coordination. (iii) Equity: ▪ There should be no discrimination against anyone on account of gender, religion, language, caste, belief or nationality etc. Equal opportunities are available for everyone in such companies to rise. ▪ This principle emphasises kindness and justice in the behaviour of managers towards workers ensuring loyalty and devotion. Or Q (b) Explain the following points of significance of principles of management: (i) Providing managers with useful insights into reality (ii) Scientific decisions (iii) Meeting changing environment requirements Ans. Significance of Principles of Management: (i) Providing managers with useful insights into reality: ▪ Adherence to these principles adds to the knowledge and ability of managers and their understanding of managerial situations and circumstances. ▪ They enable managers to learn from past mistakes and conserve time by solving recurring problems quickly thus increasing efficiency.	2 x 3 = 6 marks
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	(ii) Scientific decisions: - Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes and must be timely, realistic and subject to measurement and evaluation. - Management decisions taken on the basis of principles are free from bias and prejudice and are based on the objective assessment of the situation. (iii) Meeting changing environment requirements: - Although the principles are in the nature of general guidelines but they are modified and help managers to meet changing requirements of the environment. - Management principles are flexible to adapt to dynamic business environment.	2 x 3 = 6 marks
34.	Q (a). Explain the following limitations of planning: (i) Planning leads to rigidity (ii) Planning may not work in a dynamic environment (iii) Planning involves huge costs Ans. Limitations of Planning: (i) Planning leads to rigidity: - In an organisation, a well-defined plan is drawn up with specific goals to be achieved within a specific time frame that decide the future course of action and managers may not be in a position to change it. - This kind of rigidity in plans may create difficulty and managers need to be given some flexibility to be able to cope with the changed circumstances. (ii) Planning may not work in a dynamic environment: - The business environment is dynamic. The organization has to constantly adapt itself to changes in environment by making changes in its plans. - It becomes difficult to accurately assess future trends in the environment if economic policies are modified or political conditions in the country are not stable or there is a natural calamity etc.	2 x 3 = 6 marks

	(iii) Planning involves huge costs: ▪ When plans are drawn up huge costs are involved in their formulation both in terms of time and money. ▪ Detailed plans require scientific calculations to ascertain facts and figures. Or Q (b) Explain the following points of importance of planning: (i) Planning facilitates decision-making (ii) Planning establishes standards for controlling (iii) Planning promotes innovative ideas Ans. Importance of Planning: (i) Planning facilitates decision making: ▪ Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action. ▪ The manager has to evaluate each alternative and select the most viable proposition. (ii) Planning establishes standards for controlling: ▪ Planning provides the goals or standards against which actual performance is measured. ▪ By comparing actual performance with some standard, managers can know whether they have actually been able to attain the goals. If there is any deviation it can be corrected. (iii) Planning promotes innovative ideas: ▪ Planning, being the first function of management, promotes innovative ideas as new ideas can take the shape of concrete plans. ▪ It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business.	2 x 3 = 6 marks
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